

Annual Financial Report

City of Lamberton
Lamberton, Minnesota

For the Year Ended
December 31, 2019

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City of Lambertton
Annual Financial Report
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For the Year Ended December 31, 2019

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INTRODUCTORY SECTION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Lambertton
Elected and Appointed Officials
For the Year Ended December 31, 2019

Elected

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

Appointed

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

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lamberton, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Lamberton, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2019, 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, 2019, 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, 2019, and their respective changes in financial position and cash flows, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

Other Matters

Required Supplementary Information

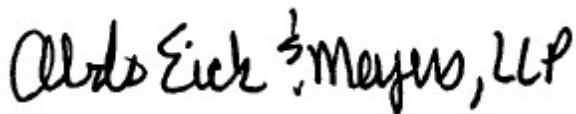
Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios,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

Other Information

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

The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
January 31, 2020

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FINANCIAL STATEMENTS
REGULATORY BASIS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Lambert, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2019

	General	Debt Service	410 2019-20 Infrastrucuture	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and Temporary Investments	\$ 901,362	\$ 531,142	\$ 1,129,268	\$ 202,451	\$ 2,764,223
Cash Fund Balances					
Restricted for					
Debt service	\$ -	\$ 531,142	\$ -	\$ -	\$ 531,142
Economic development	-	-	-	122,897	122,897
Capital projects	-	-	1,129,268	-	1,129,268
Assigned					
Economic development	-	-	-	29,278	29,278
Capital reserve for future projects	-	-	-	50,276	50,276
Unassigned	901,362	-	-	-	901,362
Total Cash Fund Balances	\$ 901,362	\$ 531,142	\$ 1,129,268	\$ 202,451	\$ 2,764,223

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, 2019

	General	Debt Service	410 2019-20 Infrastructure	Nonmajor Funds	Total Governmental Funds
Receipts					
Taxes	\$ 419,151	\$ 87,642	\$ -	\$ -	\$ 506,793
Special assessments	-	139,327	-	-	139,327
Licenses and permits	4,216	-	-	-	4,216
Intergovernmental	504,242	-	-	-	504,242
Charges for services	153,600	-	-	8,278	161,878
Fines and forfeits	1,475	2,415	-	-	3,890
Investment earnings	5,736	3,676	7,217	1,208	17,837
Loan payments	-	-	-	12,523	12,523
Miscellaneous	59,589	-	-	6,092	65,681
Total Receipts	<u>1,148,009</u>	<u>233,060</u>	<u>7,217</u>	<u>28,101</u>	<u>1,416,387</u>
Disbursements					
Current					
General government	122,638	-	-	-	122,638
Public safety	286,901	-	-	-	286,901
Public works	157,592	-	-	32,694	190,286
Culture and recreation	205,159	-	-	-	205,159
Clinic	4,066	-	-	-	4,066
Community Center	10,776	-	-	-	10,776
Capital outlay					
General government	7,748	-	-	-	7,748
Public safety	32,118	-	-	-	32,118
Public works	4,973	-	3,481,716	-	3,486,689
Culture and recreation	105,790	-	-	-	105,790
Clinic	1,024	-	-	-	1,024
Community Center	2,445	-	-	-	2,445
Debt service					
Principal	-	200,000	-	-	200,000
Interest and other costs	-	50,948	-	-	50,948
Issuance costs	-	13,250	99,055	-	112,305
Total Disbursements	<u>941,230</u>	<u>264,198</u>	<u>3,580,771</u>	<u>32,694</u>	<u>4,818,893</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>206,779</u>	<u>(31,138)</u>	<u>(3,573,554)</u>	<u>(4,593)</u>	<u>(3,402,506)</u>
Other Financing Sources (Uses)					
Bond issued	-	877,214	4,810,310	-	5,687,524
Transfers in	-	100,000	-	71,000	171,000
Sale of capital assets	1,500	-	-	-	1,500
Payment to refunded bond escrow agent	-	(770,000)	-	-	(770,000)
Transfers out	(71,000)	-	-	-	(71,000)
Total Other Financing Sources (Uses)	<u>(69,500)</u>	<u>207,214</u>	<u>4,810,310</u>	<u>71,000</u>	<u>5,019,024</u>
Net Change in Cash Fund Balances	137,279	176,076	1,236,756	66,407	1,616,518
Cash Fund Balances, January 1	<u>764,083</u>	<u>355,066</u>	<u>(107,488)</u>	<u>136,044</u>	<u>1,147,705</u>
Cash Fund Balances, December 31	<u>\$ 901,362</u>	<u>\$ 531,142</u>	<u>\$ 1,129,268</u>	<u>\$ 202,451</u>	<u>\$ 2,764,223</u>

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

City of Lambert, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2019

Business-type Activities -
Enterprise Funds

	601	602	Nonmajor	Totals
	Water Utility	Sanitary Sewer Utility	Funds	
Assets				
Current Assets				
Cash and temporary investments	\$ 233,654	\$ 89,678	\$ 31,317	\$ 354,649
Receivables				
Accounts	14,865	17,370	10,111	42,346
Special assessments	14,038	1,163	-	15,201
Due from other governments	1,714	-	-	1,714
Total Current Assets	<u>264,271</u>	<u>108,211</u>	<u>41,428</u>	<u>413,910</u>
Noncurrent Assets				
Special assessments receivable - net of current portion	<u>265,487</u>	<u>40,961</u>	<u>-</u>	<u>306,448</u>
Capital assets, not being depreciated				
Land	9,438	25,618	-	35,056
Construction in progress	728,155	194,925	775,818	1,698,898
Capital assets, depreciated				
Distribution plant	1,193,223	1,810,806	-	3,004,029
Machinery and equipment	174,242	29,132	-	203,374
Total capital assets, at cost	<u>2,105,058</u>	<u>2,060,481</u>	<u>775,818</u>	<u>4,941,357</u>
Less accumulated depreciation	<u>(634,953)</u>	<u>(635,802)</u>	<u>-</u>	<u>(1,270,755)</u>
Total capital assets (net of accumulated depreciation)	<u>1,470,105</u>	<u>1,424,679</u>	<u>775,818</u>	<u>3,670,602</u>
Total Noncurrent Assets	<u>1,735,592</u>	<u>1,465,640</u>	<u>775,818</u>	<u>3,977,050</u>
Total Assets	<u>1,999,863</u>	<u>1,573,851</u>	<u>817,246</u>	<u>4,390,960</u>
Deferred Outflows of Resources				
Deferred pension resources	3,189	1,691	154	5,034
Deferred charge on refunding	-	30,000	-	30,000
Total Deferred Outflows of Resources	<u>3,189</u>	<u>31,691</u>	<u>154</u>	<u>35,034</u>
Liabilities				
Current Liabilities				
Accounts payable	1,799	1,143	2,303	5,245
Accrued interest payable	4,819	16,282	-	21,101
Customer deposits	2,334	-	-	2,334
Bonds payable - current portion	17,000	40,000	-	57,000
Total Current Liabilities	<u>25,952</u>	<u>57,425</u>	<u>2,303</u>	<u>85,680</u>
Noncurrent Liabilities				
Bonds payable - long-term portion	347,100	1,128,500	-	1,475,600
Pension liability	30,701	16,278	1,485	48,464
Total Noncurrent Liabilities	<u>377,801</u>	<u>1,144,778</u>	<u>1,485</u>	<u>1,524,064</u>
Total Liabilities	<u>403,753</u>	<u>1,202,203</u>	<u>3,788</u>	<u>1,609,744</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>6,076</u>	<u>3,223</u>	<u>294</u>	<u>9,593</u>
Net Position				
Net investment in capital assets	1,106,005	256,179	775,818	2,138,002
Unrestricted	<u>487,218</u>	<u>143,937</u>	<u>37,500</u>	<u>668,655</u>
Total Net Position	<u>\$ 1,593,223</u>	<u>\$ 400,116</u>	<u>\$ 813,318</u>	<u>\$ 2,806,657</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, 2019

	Business-type Activities - Enterprise Funds			Totals
	601	602	Nonmajor Funds	
	Water Utility	Sanitary Sewer Utility		
Operating Revenues				
Charges for services	\$ 144,353	\$ 155,477	\$ 85,710	\$ 385,540
Miscellaneous	7,555	38	3	7,596
Total Operating Revenues	<u>151,908</u>	<u>155,515</u>	<u>85,713</u>	<u>393,136</u>
Operating Expenses				
Personal services	67,226	26,123	2,882	96,231
Supplies	8,184	11,757	1,710	21,651
Utilities	13,975	-	-	13,975
Other services and charges	21,027	32,153	17,649	70,829
Depreciation	37,285	44,666	-	81,951
Total Operating Expenses	<u>147,697</u>	<u>114,699</u>	<u>22,241</u>	<u>284,637</u>
Operating Income (Loss)	<u>4,211</u>	<u>40,816</u>	<u>63,472</u>	<u>108,499</u>
Nonoperating Revenues (Expenses)				
Special assessments	193,451	47,959	-	241,410
Investment earnings	1,489	571	57	2,117
Other	251	-	-	251
Amortization	-	(3,000)	-	(3,000)
Bond issuance costs	(371)	(94)	-	(465)
Interest and fiscal charges	(8,403)	(38,167)	-	(46,570)
Total Nonoperating Revenues (Expenses)	<u>186,417</u>	<u>7,269</u>	<u>57</u>	<u>193,743</u>
Income (Loss) Before Other Financing Sources (Uses)	<u>190,628</u>	<u>48,085</u>	<u>63,529</u>	<u>302,242</u>
Other Financing Sources (Uses)				
Contributed capital	557,055	151,425	775,818	1,484,298
Transfers out	(20,000)	(20,000)	(60,000)	(100,000)
Total Other Financing Sources (Uses)	<u>537,055</u>	<u>131,425</u>	<u>715,818</u>	<u>1,384,298</u>
Change in Net Position	727,683	179,510	779,347	1,686,540
Net Position , January 1	<u>865,540</u>	<u>220,606</u>	<u>33,971</u>	<u>1,120,117</u>
Net Position, December 31	<u>\$ 1,593,223</u>	<u>\$ 400,116</u>	<u>\$ 813,318</u>	<u>\$ 2,806,657</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, 2019

	Business-type Activities - Enterprise Funds			Totals
	601 Water Utility	602 Sanitary Sewer Utility	Nonmajor Funds	
Cash Flows from Operating Activities				
Receipts from customers	\$ 148,823	\$ 152,996	\$ 84,070	\$ 385,889
Payments to suppliers and vendors	(42,359)	(46,879)	(18,177)	(107,415)
Payments to and on behalf of employees	(51,894)	(26,571)	(2,840)	(81,305)
Other receipts	251	-	3	254
Net Cash Provided (Used) by Operating Activities	<u>54,821</u>	<u>79,546</u>	<u>63,056</u>	<u>197,423</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>(60,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(171,100)	(43,500)	-	(214,600)
Bond proceeds	171,100	43,500	-	214,600
Special assessments	36,271	5,835	-	42,106
Bond principal	(28,000)	(40,000)	-	(68,000)
Bond issuance costs	(371)	(94)	-	(465)
Interest paid on long term debt	(6,020)	(37,713)	-	(43,733)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,880</u>	<u>(71,972)</u>	<u>-</u>	<u>(70,092)</u>
Cash Flows from Investing Activities				
Interest received on cash and investments	<u>1,489</u>	<u>571</u>	<u>57</u>	<u>2,117</u>
Net Increase (Decrease) in Cash and Temporary Investments	38,190	(11,855)	3,113	29,448
Cash and Temporary Investments, January 1	<u>195,464</u>	<u>101,533</u>	<u>28,204</u>	<u>325,201</u>
Cash and Temporary Investments, December 31	<u><u>\$ 233,654</u></u>	<u><u>\$ 89,678</u></u>	<u><u>\$ 31,317</u></u>	<u><u>\$ 354,649</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 4,211	\$ 40,816	\$ 63,472	\$ 108,499
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	251	-	-	251
Depreciation	37,285	44,666	-	81,951
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(416)	1,082	87	753
(Increase) decrease in deferred inflows of resources				
Deferred pension resources	1,603	(1,251)	(94)	258
Changes in assets and liabilities				
(Increases) decreases in assets				
Accounts receivable	(819)	(2,519)	(1,640)	(4,978)
Increases (decreases) in liabilities				
Accounts payable	827	(2,969)	1,182	(960)
Customer deposits	(2,266)	-	-	(2,266)
Pension liability	14,145	(279)	49	13,915
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 54,821</u></u>	<u><u>\$ 79,546</u></u>	<u><u>\$ 63,056</u></u>	<u><u>\$ 197,423</u></u>
Schedule of Noncash Capital and Related Financing Activities				
Capital assets contributed by (to) other funds	\$ 557,055	\$ 151,425	\$ 775,818	\$ 1,484,298

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

The City has the following fund types:

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

The *2019-20 Infrastructure fund* accounts for all financial resources of the 2019-20 infrastructure capital project.

The City reports the following major proprietary funds:

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position/Fund Balance

Deposits and Investments

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

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

Special Assessments

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

Interfund Receivables and Payables

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

Capital Assets

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

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

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

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

City of Lambertton
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Deferred Outflows of Resources

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

Long-term Obligations

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

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

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service disbursements. Accordingly, the item, *unavailable* revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Deferred Inflows of Resources

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

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

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

City of Lambertton
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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 \$1,015,407 and the bank balance was \$1,025,750. The bank balance was covered by federal depository insurance of \$500,000 and \$525,750 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
4M Fund	N/A	less than 6 months	<u>\$ 2,103,265</u>

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

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

N/A Indicates not applicable or available.

Cash on Hand

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

Cash and Investments Summary

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

Checking	\$ 721,279
Savings	14,093
Certificates of deposit	<u>280,035</u>
Total Carrying Amount of Deposits	1,015,407
Investments	2,103,265
Cash on Hand	<u>200</u>
Total Cash and Investments	<u>\$ 3,118,872</u>
Cash and Temporary Investments	
Governmental	\$ 2,764,223
Proprietary	<u>354,649</u>
Total Cash and Temporary Investments	<u>\$ 3,118,872</u>

City of Lambertton
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables and Transfers

Interfund transfers for the year ended December 31, 2019 are as follows:

	Transfer in		
	Debt Service	Nonmajor Governmental	Total
Transfer out			
General	\$ -	\$ 71,000	\$ 71,000
Water Utility	20,000	-	20,000
Sanitary Sewer Utility	20,000	-	20,000
Nonmajor enterprise	60,000	-	60,000
Total transfers out	<u>\$ 100,000</u>	<u>\$ 71,000</u>	<u>\$ 171,000</u>

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 35,056	\$ -	\$ -	\$ 35,056
Construction in progress	-	1,698,898	-	1,698,898
Total capital assets not being depreciated	<u>35,056</u>	<u>1,698,898</u>	<u>-</u>	<u>1,733,954</u>
Capital Assets being Depreciated				
Distribtuion plant	\$ 3,004,029	-	-	\$ 3,004,029
Equipment	203,374	-	-	203,374
Total Capital Assets being Depreciated	<u>3,207,403</u>	<u>-</u>	<u>-</u>	<u>3,207,403</u>
Less Accumulated Depreciation for				
Distribtuion plant	(1,080,689)	(75,041)	-	(1,155,730)
Equipment	(108,115)	(6,910)	-	(115,025)
Total Accumulated Depreciation	<u>(1,188,804)</u>	<u>(81,951)</u>	<u>-</u>	<u>(1,270,755)</u>
Total Capital Assets being Depreciated, Net	<u>2,018,599</u>	<u>(81,951)</u>	<u>-</u>	<u>1,936,648</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,053,655</u>	<u>\$ 1,616,947</u>	<u>\$ -</u>	<u>\$ 3,670,602</u>

City of Lambertton
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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

Business-type Activities

Water	\$ 37,285
Sewer	44,666
	44,666
Total Depreciation Expense - Business-type Activities	\$ 81,951

Construction Commitments

Project	Spent-to-Date	Remaining Commitment
2019-20 Infrastructure	\$ 3,513,076	\$ 490,479

D. Long-term Debt

General Obligation Bonds

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2013A G.O. Crossover Refunding Bonds	\$ 1,445,000	0.40 - 3.25 %	08/15/13	02/01/29	\$ 855,000
2019A G.O. Improvement Bonds	4,840,400	3.00 - 3.13	06/27/19	02/01/40	4,840,400
2019B G.O. Refunding Bonds	785,000	2.00 - 2.25	12/17/19	12/01/26	785,000
Total G.O. Bonds					\$ 6,480,400

The annual service requirements to amortize general obligation tax increment bonds as of December 31, 2019 are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2020	\$ 205,000	\$ 195,400	\$ 400,400
2021	391,000	175,963	566,963
2022	395,700	166,433	562,133
2023	408,500	156,346	564,846
2024	412,300	145,738	558,038
2025 - 2029	1,661,300	567,297	2,228,597
2030 - 2034	1,244,900	363,863	1,608,763
2035 - 2039	1,445,700	162,063	1,607,763
2040	316,000	4,956	320,956
Total	\$ 6,480,400	\$ 1,938,059	\$ 8,418,459

City of Lambertton
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding					
Bonds of 2013B	\$ 1,350,000	0.40 - 3.75 %	08/15/13	02/01/41	\$ 1,125,000
G.O. Revenue					
Bonds of 2013C	282,000	2.70	06/14/13	02/01/29	193,000
2019A G.O. Improvement Bonds	3,963,300	3.00 - 3.13	06/27/19	02/01/40	214,600
					<u>214,600</u>
Total G.O. Revenue Bonds					<u>\$ 1,532,600</u>

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

	Water	Sewer
Revenues	\$ 144,353	\$ 155,477
Principal and Interest	34,020	77,713
Percentage of Revenues	23.6%	50.0%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2019 are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2020	\$ 57,000	\$ 49,320	\$ 106,320
2021	65,000	47,411	112,411
2022	66,300	45,889	112,189
2023	66,500	44,353	110,853
2024	67,700	42,703	110,403
2025 - 2029	371,700	181,885	553,585
2030 - 2034	315,100	126,806	441,906
2035 - 2039	369,300	65,931	435,231
2040 - 2041	154,000	5,800	159,800
	<u>154,000</u>	<u>5,800</u>	<u>159,800</u>
Total	<u>\$ 1,532,600</u>	<u>\$ 610,098</u>	<u>\$ 2,142,698</u>

City of Lambertton
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in General Long-term Liabilities

During the year ended December 31, 2019, the following changes occurred in liabilities reported in general long-term debt:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General Obligation					
Improvement Bonds	\$ 1,825,000	\$ 5,625,400	\$ (970,000)	\$ 6,480,400	\$ 205,000
Pension Liability - GERP	142,973	18,092	(27,080)	133,985	133,985
Pension Liability - PEPFF	67,152	-	(23,503)	43,649	43,649
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,035,125</u>	<u>\$ 5,643,492</u>	<u>\$ (1,020,583)</u>	<u>\$ 6,658,034</u>	<u>\$ 382,634</u>
Business-type Activities					
Bonds Payable					
General Obligation					
Revenue Bonds	\$ 1,386,000	\$ 214,600	\$ (68,000)	\$ 1,532,600	\$ 57,000
Pension Liability	34,549	18,066	(4,151)	48,464	-
Business-type Activity					

Refunding Bond

On December 17, 2019 the City issued \$785,000 of General Obligation Refunding Bonds, Series 2019B. The bond refunded the General Obligation Improvement, Series 2011A. The City will save \$22,412 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$20,864.

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Plan (GERF)

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

B. Benefits Provided

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

GERF Benefits

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

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

C. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent, of their annual covered salary in 2019. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2019. The City's contributions to the GERF for the years ending December 31, 2019, 2018 and 2017 were \$4,881, \$3,151 and \$3,067, respectively. The City's contributions were equal to the required contributions for each year as set Minnesota statute.

City of Lambertton
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

GERF Pension Costs

At December 31, 2019, the City reported a liability of \$48,464 for its proportionate share of the GERF's net pension liability in the enterprise funds. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,505. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0009 percent which is an increase of 0.0003 from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$	48,464
State of Minnesota's proportionate share of the net pension liability associated with the City		1,505
Total	\$	49,969

For the year ended December 31, 2019, the City recognized a pension revenue of \$7,585 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$113 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2019, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,349	\$ 102
Changes in Actuarial Assumptions	-	3,828
Net Difference Between Projected and Actual Earnings on Plan Investments	-	4,806
Changes in Proportion	1,240	857
Contributions to GERF Subsequent to the Measurement Date	2,445	-
Total	\$ 5,034	\$ 9,593

Deferred outflows of resources totaling \$2,445 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2020	\$	(2,603)
2021		(3,987)
2022		(490)
2023		76
2024		-
Thereafter		-

City of Lambertton
Notes to the Financial Statements
December 31, 2019

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

GERF

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
International Stocks	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	17.50	5.90
Cash	2.00	-
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 79,663	\$ 48,464

H. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Contingent Liabilities

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

C. Legal Debt Margin

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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

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

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	0.0009 %	\$ 48,465	\$ 1,505	\$ 49,970	\$ 61,720	81.0 %	80.2 %
12/31/18	0.0006	34,549	1,091	35,640	41,033	86.9	79.5
12/31/17	0.0006	41,003	518	41,521	40,890	101.5	75.9
12/31/16	0.0006	52,150	672	52,822	40,085	131.8	68.9
12/31/15	0.0006	33,286	-	33,286	40,586	82.0	78.2

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

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

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

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

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in actuarial assumptions

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

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

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

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

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

Changes in plan provisions

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

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

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Lambert, Minnesota
 Nonmajor Governmental Funds
 Schedule of Balances Arising from Cash Transactions
 Governmental Funds
 December 31, 2019

	Nonmajor Special Revenue <u>207</u>	800 Small Cities Development Grant <u>EDA</u>	Nonmajor Capital Project <u>400</u> CIP Improvement Fund	Total Nonmajor Governmental Funds
Assets				
Cash and Temporary Investments	<u>\$ 144,791</u>	<u>\$ 7,384</u>	<u>\$ 50,276</u>	<u>\$ 202,451</u>
Cash Fund Balances				
Restricted				
Economic development	\$ 115,513	\$ 7,384	\$ -	\$ 122,897
Assigned				
Economic development	29,278	-	-	29,278
Capital reserve for future projects	<u>-</u>	<u>-</u>	<u>50,276</u>	<u>50,276</u>
Total Cash Fund Balances	<u>\$ 144,791</u>	<u>\$ 7,384</u>	<u>\$ 50,276</u>	<u>\$ 202,451</u>

City of Lamberton, Minnesota
 Nonmajor Governmental Funds
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2019

	Nonmajor Special Revenue		Nonmajor Capital Project	Total Nonmajor Governmental Funds
	207 EDA	800 Small Cities Development Grant	400 CIP Improvement Fund	
Receipts				
Charges for services	\$ 8,278	\$ -	\$ -	\$ 8,278
Investment earnings	922	10	276	1,208
Loan payments	12,523	-	-	12,523
Miscellaneous	-	6,092	-	6,092
Total Receipts	<u>21,723</u>	<u>6,102</u>	<u>276</u>	<u>28,101</u>
Disbursements				
Current				
Economic development	<u>26,476</u>	<u>6,218</u>	<u>-</u>	<u>32,694</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(4,753)	(116)	276	(4,593)
Other Financing Sources (Uses)				
Transfers in	<u>21,000</u>	<u>-</u>	<u>50,000</u>	<u>71,000</u>
Net Change in Cash Fund Balances	16,247	(116)	50,276	66,407
Cash Fund Balances, January 1	<u>128,544</u>	<u>7,500</u>	<u>-</u>	<u>136,044</u>
Cash Fund Balances, December 31	<u>\$ 144,791</u>	<u>\$ 7,384</u>	<u>\$ 50,276</u>	<u>\$ 202,451</u>

City of Lambert, Minnesota
 Debt Service Funds
 Combining Balance Sheet - Regulatory Basis
 December 31, 2019

	308 2019B G.O. Refunding Bonds	309 2013 G.O. Tax Increment Bonds	310 2019A G.O. Improvement Bonds	<u>Total</u>
Assets				
Cash and Temporary Investments	<u>\$ 20,245</u>	<u>\$ 312,169</u>	<u>\$ 198,728</u>	<u>\$ 531,142</u>
Cash Fund Balances				
Restricted for Debt Service	<u>\$ 20,245</u>	<u>\$ 312,169</u>	<u>\$ 198,728</u>	<u>\$ 531,142</u>

City of Lamberton, Minnesota
Debt Service Funds
Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Fund Balances
For the Year Ended December 31, 2019

	308 2019B G.O. Refunding Bonds	309 2013 G.O. Tax Increment Bonds	310 2019A G.O. Improvement Bonds	Total
Receipts				
Taxes	\$ 19,354	\$ 68,288	\$ -	\$ 87,642
Special assessments	6,508	27,931	104,888	139,327
Fees and fines	9	2,406	-	2,415
Investment earnings	63	1,987	1,626	3,676
Total Receipts	<u>25,934</u>	<u>100,612</u>	<u>106,514</u>	<u>233,060</u>
Disbursements				
Debt service				
Principal	100,000	100,000	-	200,000
Interest and other costs	28,680	22,268	-	50,948
Issuance costs	13,250	-	-	13,250
Total Disbursements	<u>141,930</u>	<u>122,268</u>	<u>-</u>	<u>264,198</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(115,996)</u>	<u>(21,656)</u>	<u>106,514</u>	<u>(31,138)</u>
Other Financing Sources (Uses)				
Bond proceeds	785,000	-	92,214	877,214
Payment to refunded bond escrow agent	(770,000)	-	-	(770,000)
Transfers in	100,000	-	-	100,000
Total Other Financing Sources (Uses)	<u>115,000</u>	<u>-</u>	<u>92,214</u>	<u>207,214</u>
Net Change in Cash Fund Balances	(996)	(21,656)	198,728	176,076
Cash Fund Balances, January 1	<u>21,241</u>	<u>333,825</u>	<u>-</u>	<u>355,066</u>
Cash Fund Balances, December 31	<u>\$ 20,245</u>	<u>\$ 312,169</u>	<u>\$ 198,728</u>	<u>\$ 531,142</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balances, January 1	\$ 764,083	\$ 764,083	\$ 764,083	\$ -
Receipts				
Taxes				
Property taxes	418,558	418,558	419,151	593
Licenses and permits	3,975	3,975	4,216	241
Intergovernmental				
Federal				
Other	-	-	73,353	73,353
State				
Local government aid	312,687	312,687	310,187	(2,500)
Fire state aid	13,000	13,000	16,325	3,325
Other State aids	92,677	92,677	104,377	11,700
Total Intergovernmental	418,364	418,364	504,242	85,878
Charges for services				
General government	58,500	58,500	64,348	5,848
Public Safety	148,250	148,250	84,590	(63,660)
Parks and recreation	2,000	2,000	3,885	1,885
Library	300	300	777	477
Total Charges for Services	209,050	209,050	153,600	(55,450)
Fines and forfeits	1,480	1,480	1,475	(5)
Investment earnings	1,000	1,000	5,736	4,736
Miscellaneous				
Contributions and donations	22,120	22,120	18,301	(3,819)
Refunds and reimbursements	4,100	4,100	40,908	36,808
Other	500	500	380	(120)
Total Miscellaneous	26,720	26,720	59,589	32,869
Total Receipts	1,079,147	1,079,147	1,148,009	68,862
Other Financing Sources				
Sale of capital assets	8,000	8,000	1,500	(6,500)
Transfers in	-	37,170	-	(37,170)
Total Other Financing Sources	8,000	45,170	1,500	(43,670)
Total Receipts and Other Financing Sources	1,087,147	1,124,317	1,149,509	25,192
Amounts Available for Appropriation	1,851,230	1,888,400	1,913,592	25,192

City of Lambert, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Disbursements				
Current				
General government				
Mayor and Council				
Personal services	\$ 10,754	\$ 10,754	\$ 11,217	\$ (463)
Supplies	-	-	687	(687)
Other services and charges	3,500	3,500	2,075	1,425
Total Mayor and Council	<u>14,254</u>	<u>14,254</u>	<u>13,979</u>	<u>275</u>
Administration and Finance				
Personal services	54,183	54,183	50,378	3,805
Supplies	3,642	3,642	4,363	(721)
Other services and charges	1,900	1,900	956	944
Total Administration and Finance	<u>59,725</u>	<u>59,725</u>	<u>55,697</u>	<u>4,028</u>
Other General Government				
Personal services	6,353	6,353	4,793	1,560
Supplies	1,000	1,000	1,297	(297)
Other services and charges	69,223	69,223	46,872	22,351
Total Other General Government	<u>76,576</u>	<u>76,576</u>	<u>52,962</u>	<u>23,614</u>
Total General Government	<u>150,555</u>	<u>150,555</u>	<u>122,638</u>	<u>27,917</u>
Public safety				
Police Protection				
Personal services	89,515	89,515	49,439	40,076
Supplies	8,250	8,250	4,244	4,006
Other services and charges	27,873	27,873	35,146	(7,273)
Total Police Protection	<u>125,638</u>	<u>125,638</u>	<u>88,829</u>	<u>36,809</u>
Ambulance				
Personal services	113,344	113,344	82,291	31,053
Supplies	6,550	6,550	9,569	(3,019)
Other services and charges	33,028	33,028	37,762	(4,734)
Total Ambulance	<u>152,922</u>	<u>152,922</u>	<u>129,622</u>	<u>23,300</u>
Fire Protection				
Personal services	37,516	37,516	38,228	(712)
Supplies	2,300	2,300	3,040	(740)
Other services and charges	28,623	28,623	26,277	2,346
Total Fire Protection	<u>68,439</u>	<u>68,439</u>	<u>67,545</u>	<u>894</u>
Civil Defense				
Other services and charges	1,450	1,450	905	545
Total Public Safety	<u>348,449</u>	<u>348,449</u>	<u>286,901</u>	<u>61,548</u>

City of Lambert, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Disbursements (Continued)				
Current (continued)				
Streets and Highways				
Street Maintenance				
Personal services	\$ 78,083	\$ 78,083	\$ 71,082	\$ 7,001
Supplies	14,800	14,800	22,163	(7,363)
Other services and charges	74,151	74,151	48,968	25,183
Total Street Maintenance	<u>167,034</u>	<u>167,034</u>	<u>142,213</u>	<u>24,821</u>
Street Lighting				
Supplies	1,500	1,500	365	1,135
Other services and charges	22,500	22,500	15,014	7,486
Total Street Lighting	<u>24,000</u>	<u>24,000</u>	<u>15,379</u>	<u>8,621</u>
Total Streets and Highways	<u>191,034</u>	<u>191,034</u>	<u>157,592</u>	<u>33,442</u>
Culture and Recreation				
Parks and Recreation				
Personal services	57,582	57,582	55,359	2,223
Supplies	6,325	6,325	4,209	2,116
Other services and charges	12,490	12,490	9,934	2,556
Total Parks and Recreation	<u>76,397</u>	<u>76,397</u>	<u>69,502</u>	<u>6,895</u>
Swimming Pool				
Personal services	42,207	42,207	29,867	12,340
Supplies	10,000	10,000	8,044	1,956
Other services and charges	13,595	13,595	25,729	(12,134)
Total Swimming Pool	<u>65,802</u>	<u>65,802</u>	<u>63,640</u>	<u>2,162</u>
Library				
Personal services	55,727	55,727	53,986	1,741
Supplies	2,000	2,000	2,392	(392)
Other services and charges	15,323	15,323	15,639	(316)
Total Library	<u>73,050</u>	<u>73,050</u>	<u>72,017</u>	<u>1,033</u>
Total Culture and Recreation	<u>215,249</u>	<u>215,249</u>	<u>205,159</u>	<u>10,090</u>
Clinic				
Other services and charges	<u>4,050</u>	<u>4,050</u>	<u>4,066</u>	<u>(16)</u>
Community Center				
Personal services	8,239	8,239	5,092	3,147
Supplies	600	600	649	(49)
Other services and charges	6,023	6,023	5,035	988
Total Community Center	<u>14,862</u>	<u>14,862</u>	<u>10,776</u>	<u>4,086</u>
Total Current	<u>924,199</u>	<u>924,199</u>	<u>787,132</u>	<u>137,067</u>
Capital outlay				
General government	8,750	8,750	7,748	1,002
Public safety	157,000	157,000	32,118	124,882
Streets and highways	37,500	37,500	4,973	32,527
Culture and recreation	11,000	11,000	105,790	(94,790)
Clinic	1,000	1,000	1,024	(24)
Community Center	4,000	4,000	2,445	1,555
Total Capital Outlay	<u>219,250</u>	<u>219,250</u>	<u>154,098</u>	<u>65,152</u>
Total Disbursements	<u>1,143,449</u>	<u>1,143,449</u>	<u>941,230</u>	<u>202,219</u>
Other Financing Uses				
Transfers out	<u>106,170</u>	<u>106,170</u>	<u>71,000</u>	<u>35,170</u>
Total Disbursements and Other Financing Uses	<u>1,249,619</u>	<u>1,249,619</u>	<u>1,012,230</u>	<u>237,389</u>
Budgetary Fund Balances, December 31	<u>\$ 601,611</u>	<u>\$ 638,781</u>	<u>\$ 901,362</u>	<u>\$ 262,581</u>

City of Lamberton, Minnesota
Combining Statement of Net Position - Regulatory Basis
Nonmajor Proprietary Funds
December 31, 2019

	603	617	Total
	Refuse	Storm Sewer	Nonmajor Proprietary Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 13,875	\$ 17,442	\$ 31,317
Accounts receivable	2,487	7,624	10,111
Total Current Assets	<u>16,362</u>	<u>25,066</u>	<u>41,428</u>
Noncurrent Assets			
Capital assets, not being depreciated			
Construction in progress	-	775,818	775,818
Total Assets	<u>16,362</u>	<u>800,884</u>	<u>817,246</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>154</u>	<u>-</u>	<u>154</u>
Liabilities			
Current Liabilities			
Accounts payable	2,268	35	2,303
Noncurrent Liabilities			
Pension liability	<u>1,485</u>	<u>-</u>	<u>1,485</u>
Total Liabilities	<u>3,753</u>	<u>35</u>	<u>3,788</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>294</u>	<u>-</u>	<u>294</u>
Net Position			
Unrestricted	<u>\$ 12,466</u>	<u>\$ 800,849</u>	<u>\$ 813,315</u>

City of Lambertton, Minnesota
Combining Statement of Changes in Net Position - Regulatory Basis
Nonmajor Proprietary Funds
For the Year Ended December 31, 2019

	603	617	Total
	Refuse	Storm Sewer	Nonmajor Proprietary Funds
Operating Revenues			
Utility sales	\$ 19,659	\$ 66,051	\$ 85,710
Operating Expenses			
Personal services	2,882	-	2,882
Supplies	847	863	1,710
Other services and charges	15,439	2,210	17,649
Total Operating Expenses	<u>19,168</u>	<u>3,073</u>	<u>22,241</u>
Operating Income (Loss)	<u>491</u>	<u>62,978</u>	<u>63,469</u>
Nonoperating Revenues (Expenses)			
Investment earnings	<u>18</u>	<u>39</u>	<u>57</u>
Income (Loss) Before Other Financing Sources (Uses)	509	63,017	63,526
Other Financing Sources (Uses)			
Contributed capital	-	775,818	775,818
Transfers out	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>715,818</u>	<u>715,818</u>
Change in Net Position	509	778,835	779,344
Net Position, January 1	<u>11,957</u>	<u>22,014</u>	<u>33,971</u>
Net Position, December 31	<u>\$ 12,466</u>	<u>\$ 800,849</u>	<u>\$ 813,315</u>

City of Lambertton, Minnesota
Statement of Cash Flows - Regulatory Basis
Nonmajor Proprietary Funds
For the Year Ended December 31, 2019

	603	617	Total
	Refuse	Storm Sewer	Nonmajor Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 19,178	\$ 64,892	\$ 84,070
Payments to suppliers and vendors	(15,139)	(3,038)	(18,177)
Payments to and on behalf of employees	(2,840)	-	(2,840)
Other receipts	3	-	3
Net Cash Provided (Used) by Operating Activities	1,202	61,854	63,056
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	-	(60,000)	(60,000)
Cash Flows from Investing Activities			
Interest received on cash and investments	18	39	57
Net Increase (Decrease) in Cash and Temporary Investments	1,220	1,893	3,113
Cash and Temporary Investments, January 1	12,655	15,549	28,204
Cash and Temporary Investments, December 31	\$ 13,875	\$ 17,442	\$ 31,317
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 494	\$ 62,978	\$ 63,472
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities			
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	87	-	87
(Increase) decrease in deferred inflows of resources			
Deferred pension resources	(94)	-	(94)
Changes in assets and liabilities			
(Increases) decreases in assets			
Accounts receivable	(481)	(1,159)	(1,640)
Increases (decreases) in liabilities			
Accounts payable	1,147	35	1,182
Pension liability	49	-	49
Net Cash Provided (Used) by Operating Activities	\$ 1,202	\$ 61,854	\$ 63,056
Schedule of Noncash Capital and Related Financing Activities			
Capital assets contributed by (to) other funds	-	775,818	775,818

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

City of Lamberton, Minnesota
 Summary Financial Report
 Receipts and Disbursements for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

	2019	2018	Percent Increase (Decrease)
Receipts			
Taxes	\$ 506,793	\$ 470,379	7.74 %
Special assessments	139,327	47,110	195.75
Licenses and permits	4,216	3,410	23.64
Intergovernmental	504,242	377,248	33.66
Charges for services	161,878	150,128	7.83
Fines and forfeits	3,890	1,192	226.34
Investment earnings	17,837	3,068	481.39
Loan payments	12,523	16,211	(22.75)
Miscellaneous	65,681	73,951	(11.18)
Total Receipts	\$ 1,416,387	\$ 1,142,697	23.95 %
Per capita	1,773	1,428	24.11
Disbursements			
Current			
General government	\$ 122,638	\$ 140,328	(12.61) %
Public safety	286,901	310,479	(7.59)
Streets and highways	190,286	158,072	20.38
Culture and recreation	205,159	181,080	13.30
Economic development	-	25,170	(100.00)
Clinic	4,066	3,594	13.13
Community Center	10,776	15,693	(31.33)
Capital outlay			
General government	7,748	17,356	(55.36)
Public safety	32,118	22,796	40.89
Streets and highways	3,486,689	175,037	1,891.97
Culture and recreation	105,790	86,098	22.87
Clinic	1,024	3,393	(69.82)
Community Center	2,445	1,000	144.50
Debt service			
Principal	200,000	200,000	-
Interest and other costs	50,948	52,920	(3.73)
Issuance costs	112,305	-	100.00
Total Disbursements	\$ 4,818,893	\$ 1,393,016	245.93 %
Per capita	6,031	1,741	246.37
Total Long-term Indebtedness	\$ 6,480,400	\$ 1,825,000	255.09 %
Per capita	8,111	2,281	255.53
General Fund Cash Balance - December 31	\$ 901,362	\$ 764,083	17.97 %
Per capita	1,128	955	18.11

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 Madonna Peterson, Clerk-Treasurer at (507) 752-7601.

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SUPPLEMENTARY INFORMATION -
UNAUDITED

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Lambertton, Minnesota
Schedule of Accounts Receivable (Unaudited)
December 31, 2019

Fund	From	Source of Revenue and Purpose	Amount
General	Kirk Beerman	Mowing	\$ 50
	Chuck Zamzom	Code Violation	700
	Marlow Erickson	Code Violation	270
	Zachary Jewell	Mowing	50
	Nester Jimenez	Mowing	50
	Robert Krueger	Mowing and Code Violation	300
	Monica & Rosalee Menter	Code Violation	120
	Dyanna Miller	Mowing	250
	Two Rivers Ranch LLC	Fire Call	1,250
	Lamberton Community Ambulance	Ambulance Charges	47,873
	Redwood County Treasurer	Property tax payments	18,179
	Total General		
Economic Development	EDA Loan Recipients	EDA loans	<u>198,029</u>
2013 G.O. Tax Increment Bonds	Redwood County Treasurer	Property tax payments	<u>1,007</u>
Total Accounts Receivable			<u><u>\$ 267,121</u></u>

City of Lambertton, Minnesota
Schedule of Accounts Payable-Unaudited
December 31, 2019

Fund	Vendor Name	Item and Purpose	Amount
General	Dollar General	Cleaning supplies for custodial	\$ 9
General	Lamberton Heating & Plumbing	Water heater at clinic building	1,024
General	Mid-American Chemical	Cleaning supplies for custodial	61
Small Cities Devevelopment Grant	Lamberton News	Advertising	32
2019-20 Infrastructure	Duininck, Inc.	Retainage payable	<u>175,654</u>
			<u>\$ 176,780</u>

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OTHER REQUIRED REPORTS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, and the related notes to the financial statements, and have issued our report dated January 31, 2020.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* for Cities. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
January 31, 2020