

ANNUAL FINANCIAL REPORT

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEARS ENDED
DECEMBER 31, 2024

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City of Lonsdale, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Rud	Mayor	2024
Cindy Furrer	Council	2024
Kevin Kodada	Council	2024
Scott Pelava	Council	2026
Brain Wermerskirchen	Council	2026

APPOINTED

Joel Erickson	City Administrator
Tami Brokl	City Treasurer

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FINANCIAL SECTION
CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Management, Honorable Mayor and City Council
City of Lonsdale, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Lonsdale, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 of Lonsdale'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

As described in Note 8 to the financial statements, 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.

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, 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 Management's Discussion and Analysis starting on page 17 and the Schedule 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 Position Liability (Asset) and Related Ratios, starting on page 78 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 and individual fund financial statements and 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 combining and individual fund financial statements and schedules 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 May 29, 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
May 29, 2025

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Management's Discussion and Analysis

As management of the City of Lonsdale, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024.

Financial Highlights

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was due to an increase in capital grants and contributions, investment earnings and charges for services in the business-type activities continuing to outweigh expenses.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to unspent bond proceeds from the new city hall project. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- The unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section decreased from prior year.
- The City's total bonded debt increased during the fiscal year. The increase was a result of an additional \$3,465,000 in new bonds issued for the city hall offset by schedule debt service payments as shown on the outstanding debt table.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

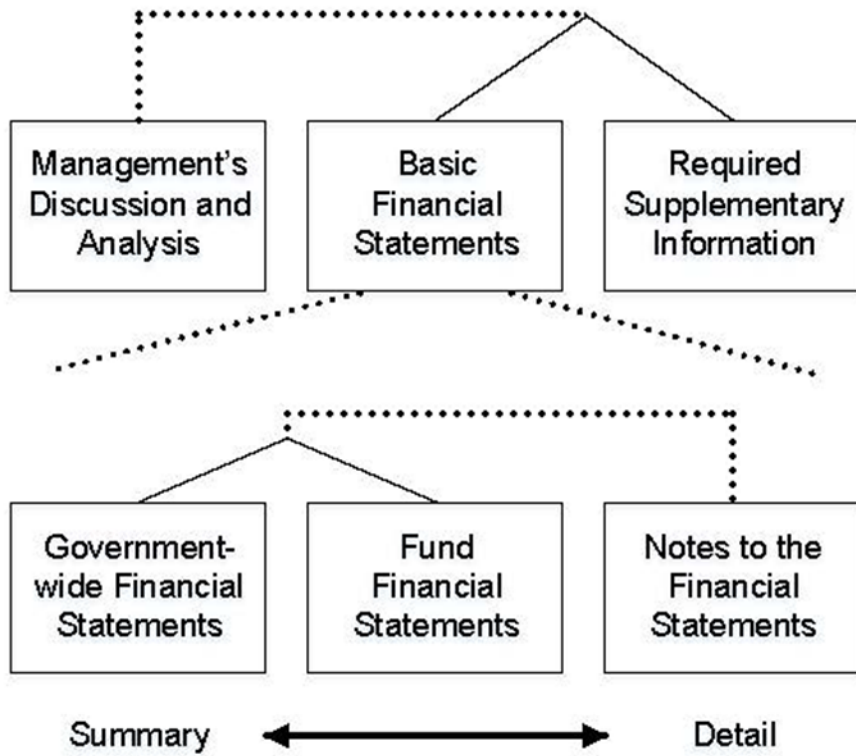


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation and economic development. The business-type activities of the City include water and sewer utilities and municipal liquor store operations.

The government-wide financial statements can be found starting on page 31 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 14 individual governmental funds, nine of which are Debt Service funds, which are reported as one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General. Debt Service funds and New City Hall Building fund, of which are considered to be major funds. Individual fund data for the nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utilities and liquor store.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

Required supplementary information. The required supplementary information can be found starting on page 78 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,988,207 at the close of the most recent fiscal year.

The largest portion of the City's net position (60.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lonsdale's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Current and Other Assets	\$ 11,896,106	\$ 9,491,977	\$ 2,404,129	\$ 3,719,887	\$ 5,013,078	\$ (1,293,191)
Capital Assets	22,080,254	19,885,139	2,195,115	10,025,865	10,276,081	(250,216)
Total Assets	<u>33,976,360</u>	<u>29,377,116</u>	<u>4,599,244</u>	<u>13,745,752</u>	<u>15,289,159</u>	<u>(1,543,407)</u>
Deferred Outflows of Resources	<u>1,000,905</u>	<u>1,376,687</u>	<u>(375,782)</u>	<u>60,394</u>	<u>107,493</u>	<u>(47,099)</u>
Long-term Liabilities						
Outstanding	16,398,047	14,271,480	2,126,567	2,836,244	3,292,200	(455,956)
Other Liabilities	901,478	695,640	205,838	126,640	130,960	(4,320)
Total Liabilities	<u>17,299,525</u>	<u>14,967,120</u>	<u>2,332,405</u>	<u>2,962,884</u>	<u>3,423,160</u>	<u>(460,276)</u>
Deferred Inflows of Resources	<u>1,349,447</u>	<u>1,404,144</u>	<u>54,697</u>	<u>183,348</u>	<u>140,933</u>	<u>(42,415)</u>
Net Investment in						
Capital Assets	7,850,716	7,044,541	806,175	7,526,841	7,468,423	58,418
Restricted	4,072,034	4,115,410	(43,376)	-	-	-
Unrestricted	<u>4,405,543</u>	<u>3,222,588</u>	<u>1,182,955</u>	<u>3,133,073</u>	<u>4,364,136</u>	<u>(1,231,063)</u>
Total Net Position	<u>\$ 16,328,293</u>	<u>\$ 14,382,539</u>	<u>\$ 1,945,754</u>	<u>\$ 10,659,914</u>	<u>\$ 11,832,559</u>	<u>\$ (1,172,645)</u>

Another portion of the City's net position (24.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (14.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in the three categories of net position for the City as a whole.

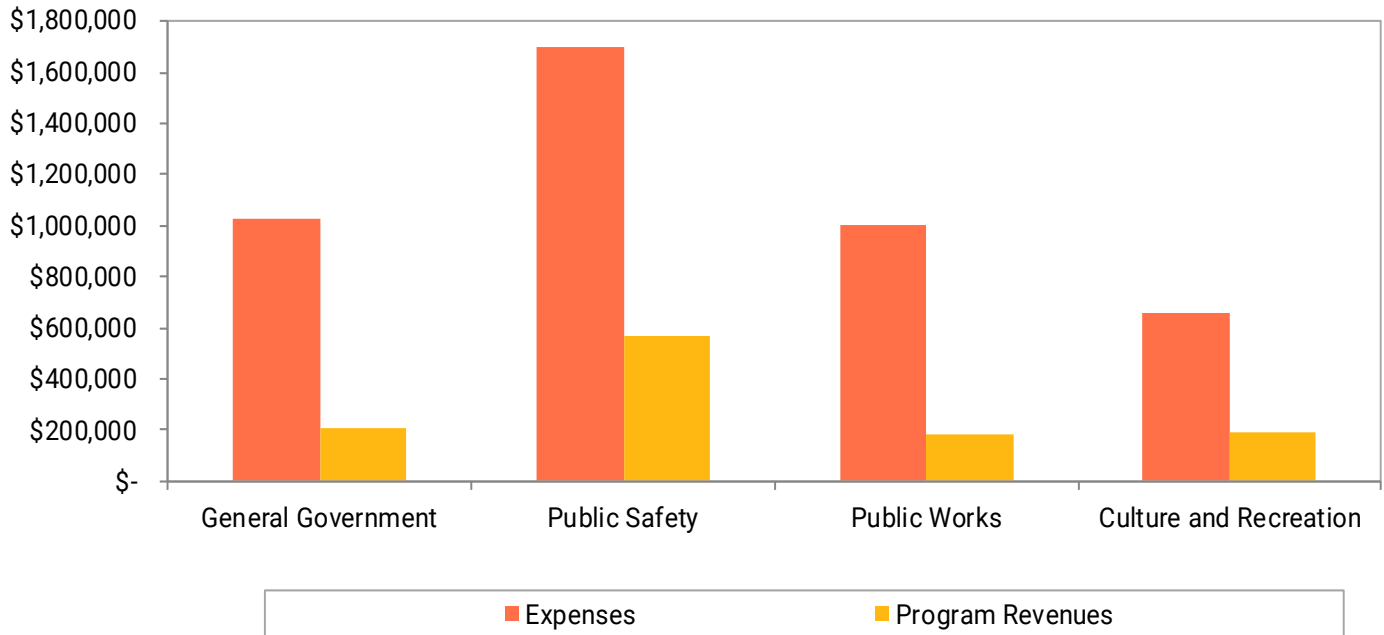
Governmental activities. Governmental activities increased the City's net position by \$1,945,754. Key elements of this increase are as follows:

City of Lonsdale's Changes in Net Position

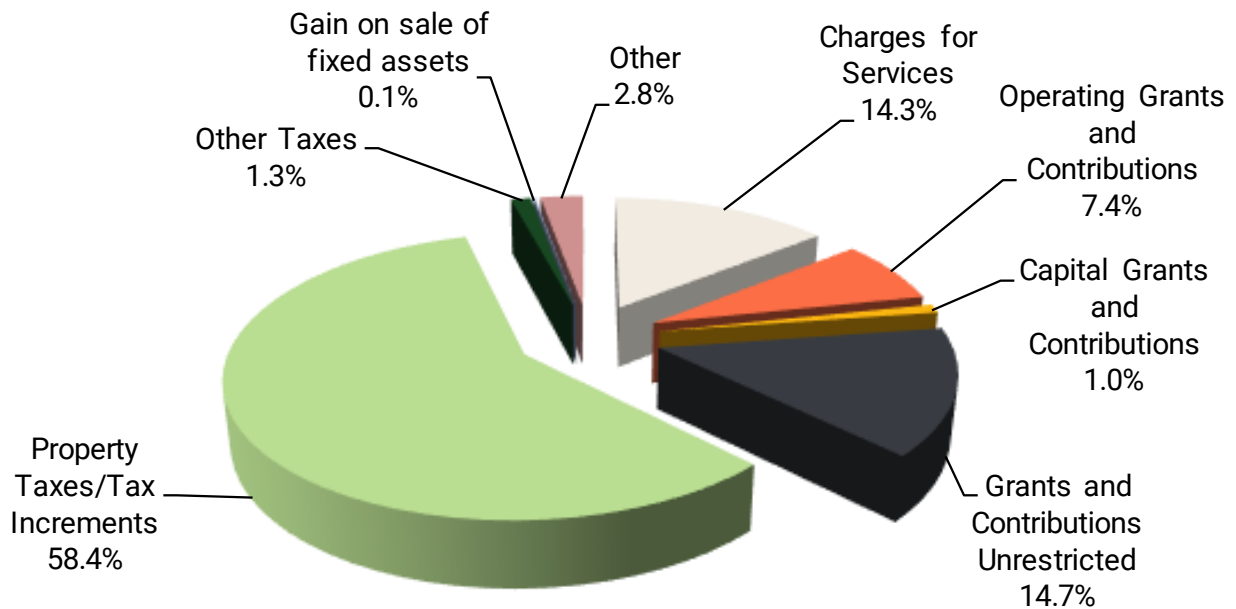
	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 732,553	\$ 694,731	\$ 37,822	\$ 3,743,042	\$ 3,690,341	\$ 52,701
Operating grants and contributions	378,491	454,902	(76,411)	27,282	52	27,230
Capital grants and contributions	49,055	306,378	(257,323)	194,500	253,500	(59,000)
General Revenues						
Property taxes/tax increments	3,006,465	2,887,432	119,033	-	-	-
Other taxes	65,467	68,252	(2,785)	-	-	-
Grants and contributions not restricted to specific programs	753,472	813,032	(59,560)	-	-	-
Gain on sale of capital assets	5,644	18,012	(12,368)	-	-	-
Unrestricted investment earnings	145,687	159,194	(13,507)	128,712	121,939	6,773
Total Revenues	5,136,834	5,401,933	(265,099)	4,093,536	4,065,832	27,704
Expenses						
General government	1,026,207	952,887	73,320	-	-	-
Public safety	1,698,709	1,201,384	497,325	-	-	-
Public works	1,003,339	823,237	180,102	-	-	-
Culture and recreation	660,496	549,307	111,189	-	-	-
Economic development	708	117	591	-	-	-
Interest on long-term debt	382,620	292,693	89,927	-	-	-
Water	-	-	-	889,822	1,056,529	(166,707)
Sewer	-	-	-	835,575	909,341	(73,766)
Liquor	-	-	-	1,959,785	2,124,069	(164,284)
Total Expenses	4,772,079	3,819,625	952,454	3,685,182	4,089,939	(404,757)
Increase (Decrease) in Net Position						
Before Transfers	364,755	1,582,308	(1,217,553)	408,354	(24,107)	432,461
Capital Contributions	-	(400,613)	400,613	-	400,613	-
Transfers	1,580,999	44,275	1,536,724	(1,580,999)	(44,275)	(1,536,724)
Change in Net Position	1,945,754	1,225,970	719,784	(1,172,645)	332,231	(1,504,876)
Net Position - January 1	14,382,539	13,156,569	1,225,970	11,832,559	11,500,328	332,231
Net Position - December 31	\$ 16,328,293	\$ 14,382,539	\$ 1,945,754	\$ 10,659,914	\$ 11,832,559	\$ (1,172,645)

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



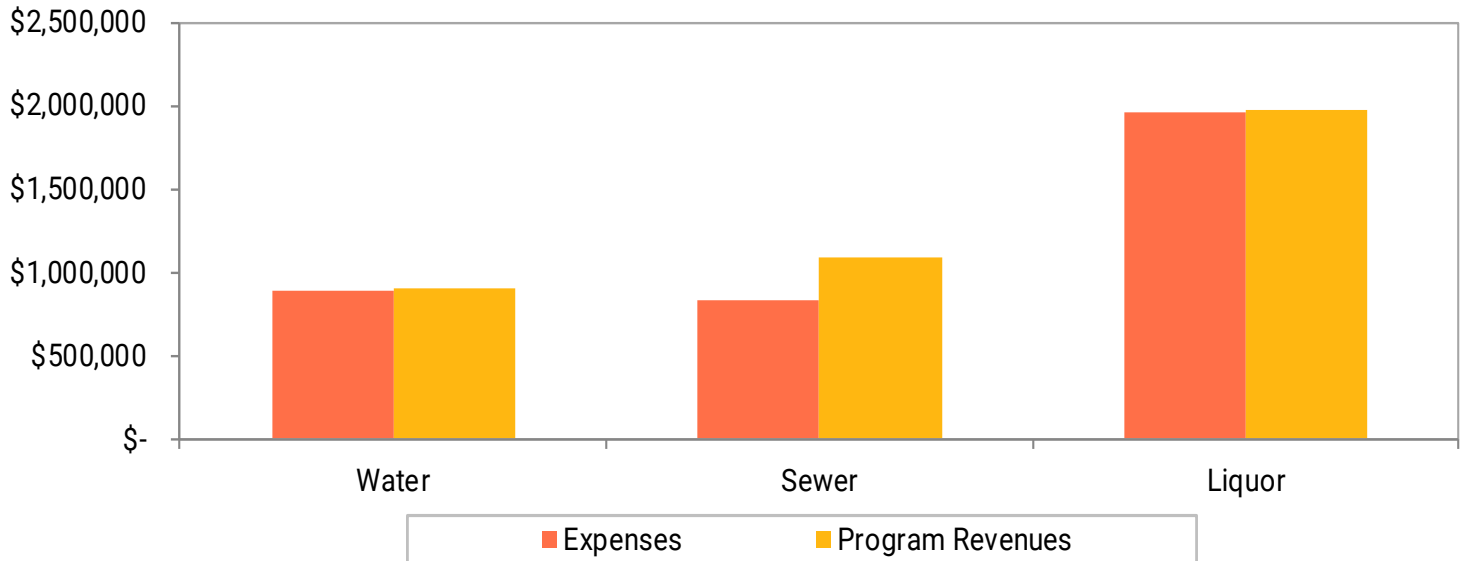
Revenues by Source - Governmental Activities



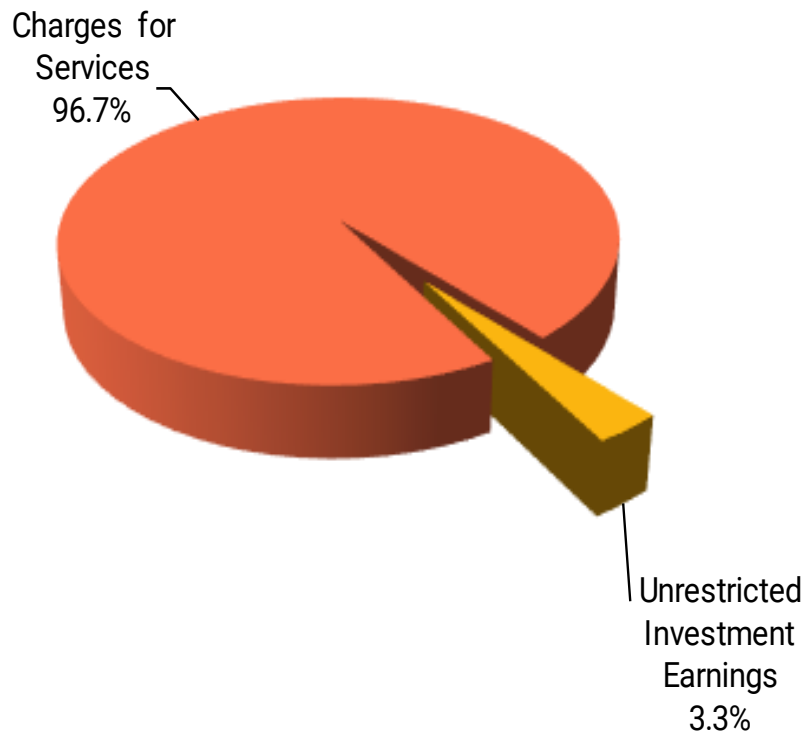
Business-type activities. Business-type activities decreased the City’s net position by \$1,172,645 during 2024. Key elements of this decrease is as follows:

- The decrease in net position for the business-type activities can be attributed to transfers of dollars to the New City Hall Building fund.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2024.

	General Fund	Debt Service Fund	New City Hall Building	Other Governmental Funds	Total	Prior Year Total	Increase (Decrease)
Fund Balances							
Nonspendable	\$ 147,130	\$ -	\$ -	\$ -	\$ 147,130	\$ 99,251	\$ 47,879
Restricted	62,731	1,684,119	1,275,583	-	3,022,433	2,060,596	961,837
Committed	-	-	2,077,301	-	2,077,301	-	2,077,301
Assigned	1,354,157	-	-	-	1,354,157	1,411,828	(57,671)
Unassigned	1,920,814	-	-	(58,839)	1,861,975	2,555,388	(693,413)
	<u>\$ 3,484,832</u>	<u>\$ 1,684,119</u>	<u>\$ 3,352,884</u>	<u>\$ (58,839)</u>	<u>\$ 8,462,996</u>	<u>\$ 6,127,063</u>	<u>\$ 2,335,933</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 45 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 147,130	\$ 99,251	\$ 47,879
Restricted for	62,731	76,899	(14,168)
Assigned for	1,354,157	1,411,828	(57,671)
Unassigned	1,920,814	2,615,429	(694,615)
	<u>\$ 3,484,832</u>	<u>\$ 4,203,407</u>	<u>\$ (718,575)</u>
General Fund expenditures	\$ 4,220,414	\$ 3,845,710	
Unassigned as a percent of expenditures	45.5%	68.0%	
Total Fund Balance as a percent of expenditures	82.6%	109.3%	

The fund balance of the City's General fund decreased by \$704,407 during the current fiscal year as shown in the table above. The decrease in fund balance was due to transfers related to the new city hall costs.

Other major governmental fund analysis is shown below:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>Increase (Decrease)</u>
Debt Service fund	\$ 1,684,119	\$ 1,626,993	\$ 57,126
<i>The Debt Service fund increase in fund balance due to schedule debt service payments offset by a transfer from the 2022 Improvement fund from dollars remaining from the project</i>			

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>Increase (Decrease)</u>
New City Hall Building	\$ 3,352,884	\$ (1,202)	\$ 3,354,086
<i>The New City Hall Building fund increased due to unspent bond proceeds that are remaining to be spent on the project.</i>			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

	<u>Ending Net Position 2024</u>	<u>Ending Net Position 2023</u>	<u>Increase/ (Decrease)</u>
Water Utility	\$ 4,501,834	\$ 4,934,436	\$ (432,602)
<i>The decrease is primarily due to a transfer for the City Hall project.</i>			
Sewer Utility	\$ 5,115,965	\$ 5,707,577	\$ (591,612)
<i>The decrease is primarily due to a transfer for the City Hall project.</i>			
Liquor	\$ 1,042,115	\$ 1,190,546	\$ (148,431)
<i>The decrease is primarily due to a transfer for the City Hall project.</i>			

General Fund Budgetary Highlights

	<u>Original Budgeted Amounts</u>	<u>Budget Amendments</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ 3,599,089	\$ -	\$ 3,599,089	\$ 4,054,352	\$ 455,263
Expenditures	3,953,010	-	3,953,010	4,220,414	(267,404)
Excess of Revenues Over Expenditures	<u>(353,921)</u>	<u>-</u>	<u>(353,921)</u>	<u>(166,062)</u>	<u>187,859</u>
Other Financing Sources (Uses)					
Sale of capital assets	2,500	-	2,500	5,644	3,144
Transfers in	90,000	-	90,000	30,999	(59,001)
Transfers out	-	-	-	(589,156)	(589,156)
Total Other Financing Sources (Uses)	<u>92,500</u>	<u>-</u>	<u>92,500</u>	<u>(552,513)</u>	<u>(645,013)</u>
Net Change in Fund Balances	(261,421)	-	(261,421)	(718,575)	(457,154)
Fund Balances, January 1	<u>4,203,407</u>	<u>-</u>	<u>4,203,407</u>	<u>4,203,407</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,941,986</u>	<u>\$ -</u>	<u>\$ 3,941,986</u>	<u>\$ 3,484,832</u>	<u>\$ (457,154)</u>

The City's General fund budget was not amended during the year. The City is not required to amend the budget during the year. The General fund collected \$455,263 more than budgeted and had expenditures that were \$267,404 over budget.

- Property taxes collected exceeded budget by \$79,200.
- There were additional refunds and reimbursements over budget of \$220,066, which related to the library insurance proceeds. In addition, there were related capital items related to the library over budget of \$230,761.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to \$32,106,119 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, streets and highways. The total increase in the City's investment in capital assets for the current fiscal year was 6.4 percent (a 11.0 percent increase for governmental activities and a 2.4 percent decrease for business-type activities). This increase is mainly due to the below additions.

Major capital asset events during the current fiscal year included the following:

- Purchase of the New City Hall Building and Land
- Completion of 2024 Mill & Overlay
- Completion of the Disk Golf Project
- Purchase of the 2020 International HV
- Purchase of the 2024 Dodge Durango
- Purchase of various equipment and technology for the 2024 Dodge Durango
- Completion of the 2024 Trail Improvements
- Purchase of SCBA Packs & Accessories
- Purchase of Freightliner Chassis

City of Lonsdale's Capital Assets
(net of depreciation)

Additional information on the City's capital assets can be found in Note 3B starting on page 56 of this report.

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 1,088,904	\$ 835,704	\$ 253,200	\$ 352,081	\$ 352,081	\$ -
Construction in progress	1,947,676	-	1,947,676	-	-	-
Buildings	3,000,944	3,080,331	(79,387)	578,224	575,643	2,581
Improvements Other						
Machinery and Equipment	1,483,629	1,103,903	379,726	147,674	117,994	29,680
Vehicles	398,023	300,586	97,437	175,242	-	175,242
Infrastructure	14,161,078	14,564,615	(403,537)	8,772,644	9,230,363	(457,719)
Total	\$ 22,080,254	\$ 19,885,139	\$ 2,195,115	\$ 10,025,865	\$ 10,276,081	\$ (250,216)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,932,000, which consists as special assessment debt and revenue bonds. While all of the City’s bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Lonsdale’s Outstanding Debt

	Governmental Activities			Business-type Activities			Total	
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023
G.O. Improvement Bonds	\$ 14,050,000	\$ 11,595,000	\$ 2,455,000	\$ -	\$ -	\$ -	\$ 14,050,000	\$ 11,595,000
G.O. Revenue Bonds	-	-	-	2,007,000	2,189,000	(182,000)	2,007,000	2,189,000
G.O. Tax Increment Bonds	875,000	920,000	(45,000)	-	-	-	875,000	920,000
Total	\$ 14,925,000	\$ 12,515,000	\$ 2,410,000	\$ 2,007,000	\$ 2,189,000	\$ (182,000)	\$ 16,932,000	\$ 14,704,000

The City’s total debt increased by \$2,228,000 during the current fiscal year. The increase was due to issuing multiple improvement bonds to finance capital projects.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net general obligation debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$16,245,936. The City currently has no general obligation debt which would be subject to this limit.

Additional information on the City’s long-term debt can be found in Note 3E starting on page 58 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for Rice County is currently 2.7 percent, which is an increase from a rate of 2.5 percent a year ago. This compares equally to the State’s average unemployment rate 2.6 percent and below the national average rate of 3.8 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City’s budget for the 2025 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Lonsdale, 415 Central Street West, Lonsdale, MN 55046.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Lonsdale, Minnesota
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 8,919,214	\$ 3,271,446	\$ 12,190,660	\$ 114,013
Receivables				
Property taxes	42,498	-	42,498	-
Accounts	34,331	145,381	179,712	-
Loans	-	-	-	23,248
Special assessments	1,748,522	-	1,748,522	-
Leases	206,092	-	206,092	-
Due from other governments	117,155	-	117,155	590
Inventories	-	259,839	259,839	-
Prepaid items	147,130	43,221	190,351	-
Net pension asset	681,164	-	681,164	-
Capital assets				
Nondepreciable assets	3,036,580	352,081	3,388,661	-
Depreciable assets, net of accumulated depreciation	19,043,674	9,673,784	28,717,458	-
Total Assets	<u>33,976,360</u>	<u>13,745,752</u>	<u>47,722,112</u>	<u>137,851</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>1,000,905</u>	<u>60,394</u>	<u>1,061,299</u>	<u>-</u>
Liabilities				
Accounts payable	374,080	38,727	412,807	609
Due to other governments	30,389	19,406	49,795	-
Accrued interest	119,998	26,932	146,930	-
Accrued wages payable	143,125	41,575	184,700	612
Deposits payable	233,886	-	233,886	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	1,179,535	359,804	1,539,339	-
Due in more than one year				
Long-term liabilities	14,436,091	2,202,463	16,638,554	-
Net pension liability	782,421	273,977	1,056,398	-
Total Liabilities	<u>17,299,525</u>	<u>2,962,884</u>	<u>20,262,409</u>	<u>1,221</u>
Deferred Inflows of Resources				
Deferred pension resources	1,170,001	183,348	1,353,349	-
Deferred lease resources	179,446	-	179,446	-
Total Deferred Inflows of Resources	<u>1,349,447</u>	<u>183,348</u>	<u>1,532,795</u>	<u>-</u>
Net Position				
Net investment in capital assets	7,850,716	7,526,841	15,377,557	-
Restricted				
Net pension asset	681,164	-	681,164	-
Small city assistance	62,731	-	62,731	-
Debt service	3,328,139	-	3,328,139	-
Economic development	-	-	-	11,119
Unrestricted	<u>4,405,543</u>	<u>3,133,073</u>	<u>7,538,616</u>	<u>125,511</u>
Total Net Position	<u>\$ 16,328,293</u>	<u>\$ 10,659,914</u>	<u>\$ 26,988,207</u>	<u>\$ 136,630</u>

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

City of Lonsdale, Minnesota
Statement of Activities
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,026,207	\$ 208,093	\$ 2,817	\$ -
Public safety	1,698,709	345,677	226,055	-
Public works	1,003,339	21,263	111,976	49,055
Culture and recreation	660,496	157,520	37,643	-
Economic development	708	-	-	-
Interest on long-term debt	382,620	-	-	-
Total Governmental Activities	<u>4,772,079</u>	<u>732,553</u>	<u>378,491</u>	<u>49,055</u>
Business-Type Activities				
Water utility	889,822	788,877	18,568	89,500
Sewer utility	835,575	979,508	3,804	105,000
Liquor	1,959,785	1,974,657	4,910	-
Total Business-Type Activities	<u>3,685,182</u>	<u>3,743,042</u>	<u>27,282</u>	<u>194,500</u>
Totals	<u>\$ 8,457,261</u>	<u>\$ 4,475,595</u>	<u>\$ 405,773</u>	<u>\$ 243,555</u>
Component Unit				
Economic development	<u>\$ 29,354</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise tax
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Gain on sale of capital assets

Transfers

- Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (815,297)	\$ -	\$ (815,297)	\$ -
(1,126,977)	-	(1,126,977)	-
(821,045)	-	(821,045)	-
(465,333)	-	(465,333)	-
(708)	-	(708)	-
(382,620)	-	(382,620)	-
<u>(3,611,980)</u>	<u>-</u>	<u>(3,611,980)</u>	<u>-</u>
-	7,123	7,123	-
-	252,737	252,737	-
-	19,782	19,782	-
<u>-</u>	<u>279,642</u>	<u>279,642</u>	<u>-</u>
<u>(3,611,980)</u>	<u>279,642</u>	<u>(3,332,338)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,354)</u>
2,176,182	-	2,176,182	49,781
747,134	-	747,134	-
83,149	-	83,149	-
65,467	-	65,467	-
753,472	-	753,472	-
145,687	128,712	274,399	295
5,644	-	5,644	-
1,580,999	(1,580,999)	-	-
<u>5,557,734</u>	<u>(1,452,287)</u>	<u>4,105,447</u>	<u>50,076</u>
1,945,754	(1,172,645)	773,109	22,722
<u>14,382,539</u>	<u>11,832,559</u>	<u>26,215,098</u>	<u>113,908</u>
<u>\$ 16,328,293</u>	<u>\$ 10,659,914</u>	<u>\$ 26,988,207</u>	<u>\$ 136,630</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Lonsdale, Minnesota
Balance Sheet
Governmental Funds
December 31, 2024

	300s		425		Total
	General	Debt Service	Formerly Nonmajor New City Hall Building	Nonmajor Governmental Funds	
Assets					
Cash and temporary investments	\$ 3,750,422	\$ 1,676,810	\$ 3,550,821	\$ (58,839)	\$ 8,919,214
Receivables					
Property taxes	27,002	15,496	-	-	42,498
Accounts	34,331	-	-	-	34,331
Special assessments	-	1,748,522	-	-	1,748,522
Leases	206,092	-	-	-	206,092
Due from other governments	109,810	7,345	-	-	117,155
Prepaid items	147,130	-	-	-	147,130
Total Assets	<u>\$ 4,274,787</u>	<u>\$ 3,448,173</u>	<u>\$ 3,550,821</u>	<u>\$ (58,839)</u>	<u>\$ 11,214,942</u>
Liabilities					
Accounts payable	\$ 176,107	\$ 36	\$ 197,937	\$ -	\$ 374,080
Due to other governments	30,389	-	-	-	30,389
Accrued wages payable	143,125	-	-	-	143,125
Deposits payable	233,886	-	-	-	233,886
Total Liabilities	<u>583,507</u>	<u>36</u>	<u>197,937</u>	<u>-</u>	<u>781,480</u>
Deferred Inflows of Resources					
Unavailable revenue					
Property taxes	27,002	15,496	-	-	42,498
Special assessments	-	1,748,522	-	-	1,748,522
Deferred lease resources	179,446	-	-	-	179,446
Total Deferred Inflows of Resources	<u>206,448</u>	<u>1,764,018</u>	<u>-</u>	<u>-</u>	<u>1,970,466</u>
Fund Balances					
Nonspendable					
Prepaid items	147,130	-	-	-	147,130
Restricted					
Small city assistance	62,731	-	-	-	62,731
Debt service	-	1,684,119	-	-	1,684,119
Capital projects	-	-	1,275,583	-	1,275,583
Committed					
City Hall	-	-	2,077,301	-	2,077,301
Assigned					
Police	7,193	-	-	-	7,193
Library	173,236	-	-	-	173,236
Fire department	1,173,728	-	-	-	1,173,728
Unassigned	1,920,814	-	-	(58,839)	1,861,975
Total Fund Balances	<u>3,484,832</u>	<u>1,684,119</u>	<u>3,352,884</u>	<u>(58,839)</u>	<u>8,462,996</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,274,787</u>	<u>\$ 3,448,173</u>	<u>\$ 3,550,821</u>	<u>\$ (58,839)</u>	<u>\$ 11,214,942</u>

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

City of Lonsdale, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2024

Amounts reported for governmental activities in the statement
 of net position are different because

Total Fund Balances - Governmental Funds	\$ 8,462,996
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	22,080,254
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Compensated absences payable	(110,505)
Net pension liability	(101,257)
Bonds payable	(15,265,000)
Bond premiums, net of accumulated amortization	(240,121)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	42,498
Special assessments receivable	1,748,522
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,000,905
Deferred inflows of pension resources	(1,170,001)
Governmental funds do not report a liability for accrued interest until due and payable.	(119,998)
Total Net Position - Governmental Activities	\$ 16,328,293

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

City of Lonsdale, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	300s		425		Total
	General	Debt Service	Formerly Nonmajor New City Hall Building	Nonmajor Governmental Funds	
Revenues					
Taxes	\$ 2,241,649	\$ 816,766	\$ -	\$ -	\$ 3,058,415
Special assessments	9,563	352,907	-	-	362,470
Licenses and permits	170,910	-	-	-	170,910
Intergovernmental	907,645	-	-	117,588	1,025,233
Charges for services	289,136	-	-	-	289,136
Fines and forfeits	12,585	-	-	-	12,585
Investment earnings	136,300	4,123	888	4,376	145,687
Miscellaneous	286,564	-	-	-	286,564
Total Revenues	<u>4,054,352</u>	<u>1,173,796</u>	<u>888</u>	<u>121,964</u>	<u>5,351,000</u>
Expenditures					
Current					
General government	641,549	43,878	-	-	685,427
Public safety	1,498,464	-	-	-	1,498,464
Public works	653,788	-	-	-	653,788
Culture and recreation	458,352	-	-	-	458,352
Capital outlay					
General government	1,502	-	2,157,820	64,102	2,223,424
Public safety	384,970	-	-	-	384,970
Public works	155,087	-	-	75,251	230,338
Culture and recreation	426,702	-	-	-	426,702
Debt service					
Principal	-	1,055,000	-	-	1,055,000
Interest and other	-	303,621	115,027	-	418,648
Total Expenditures	<u>4,220,414</u>	<u>1,402,499</u>	<u>2,272,847</u>	<u>139,353</u>	<u>8,035,113</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(166,062)</u>	<u>(228,703)</u>	<u>(2,271,959)</u>	<u>(17,389)</u>	<u>(2,684,113)</u>
Other Financing Sources (Uses)					
Bond issued	-	-	3,465,000	-	3,465,000
Discount on bonds issued	-	-	(31,597)	-	(31,597)
Proceeds from sale of capital assets	5,644	-	-	-	5,644
Transfers in	30,999	125,548	2,192,642	-	2,349,189
Transfers out	(589,156)	-	-	(179,034)	(768,190)
Total Other Financing Sources (Uses)	<u>(552,513)</u>	<u>125,548</u>	<u>5,626,045</u>	<u>(179,034)</u>	<u>5,020,046</u>
Net Change in Fund Balances	<u>(718,575)</u>	<u>(103,155)</u>	<u>3,354,086</u>	<u>(196,423)</u>	<u>2,335,933</u>
Fund Balances, January 1 as Previously Reported	4,203,407	1,626,993	-	296,663	6,127,063
Change to Financial Reporting Entity (Note 8) Change from nonmajor to major fund	<u>-</u>	<u>160,281</u>	<u>(1,202)</u>	<u>(159,079)</u>	<u>-</u>
Fund Balances, January 1, as adjusted	<u>4,203,407</u>	<u>1,787,274</u>	<u>(1,202)</u>	<u>137,584</u>	<u>6,127,063</u>
Fund Balances, December 31	<u>\$ 3,484,832</u>	<u>\$ 1,684,119</u>	<u>\$ 3,352,884</u>	<u>\$ (58,839)</u>	<u>\$ 8,462,996</u>

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

City of Lonsdale, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 To the Statement of Activities
 Governmental Funds
 Year Ended December 31, 2024

Amounts reported for governmental activities in the statement of activities are different because

Net Change in Fund Balances - Governmental Funds	\$ 2,335,933
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	3,294,470
Depreciation expense	(1,099,355)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.</p>	
Debt issued or incurred	(3,465,000)
Principal repayments	1,055,000
Bond premium/discount, net of amortization expense	62,888
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	4,737
<p>Long-term pension activity is not reported in governmental funds</p>	
Pension expense	36,337
Direct aid contributions	25,648
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	(258,975)
Property taxes	13,517
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	<u>(59,446)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,945,754</u>

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

City of Lonsdale, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,154,182	\$ 2,154,182	\$ 2,241,649	\$ 87,467
Special assessments	8,416	8,416	9,563	1,147
Licenses and permits	180,850	180,850	170,910	(9,940)
Intergovernmental	879,482	879,482	907,645	28,163
Charges for services	292,309	292,309	289,136	(3,173)
Fines and forfeits	13,500	13,500	12,585	(915)
Investment earnings	47,050	47,050	136,300	89,250
Miscellaneous	23,300	23,300	286,564	263,264
Total Revenues	<u>3,599,089</u>	<u>3,599,089</u>	<u>4,054,352</u>	<u>455,263</u>
Expenditures				
Current				
General government	594,469	594,469	641,549	(47,080)
Public safety	1,480,288	1,480,288	1,498,464	(18,176)
Public works	646,253	646,253	653,788	(7,535)
Culture and recreation	494,500	494,500	458,352	36,148
Capital outlay				
General government	50,000	50,000	1,502	48,498
Public safety	271,000	271,000	384,970	(113,970)
Public works	54,000	54,000	155,087	(101,087)
Culture and recreation	362,500	362,500	426,702	(64,202)
Total Expenditures	<u>3,953,010</u>	<u>3,953,010</u>	<u>4,220,414</u>	<u>(267,404)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(353,921)</u>	<u>(353,921)</u>	<u>(166,062)</u>	<u>187,859</u>
Other Financing Sources (Uses)				
Transfers in	90,000	90,000	30,999	(59,001)
Proceeds from sale of assets	2,500	2,500	5,644	3,144
Transfers out	-	-	(589,156)	(589,156)
Other Financing Sources (Uses)	<u>92,500</u>	<u>92,500</u>	<u>(552,513)</u>	<u>(645,013)</u>
Net Change in Fund Balances	(261,421)	(261,421)	(718,575)	(457,154)
Fund Balances, January 1	<u>4,203,407</u>	<u>4,203,407</u>	<u>4,203,407</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 3,941,986</u></u>	<u><u>\$ 3,941,986</u></u>	<u><u>\$ 3,484,832</u></u>	<u><u>\$ (457,154)</u></u>

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

City of Lonsdale, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2024

Business-type Activities - Enterprise Funds

	<u>601</u>	<u>602</u>	<u>609</u>	<u>Total</u>
	Water Utility	Sewer Utility	Liquor	
Assets				
Current Assets				
Cash and temporary investments	\$ 1,591,396	\$ 1,443,886	\$ 236,164	\$ 3,271,446
Accounts receivable	64,440	78,174	2,767	145,381
Inventories	-	-	259,839	259,839
Prepaid items	14,686	18,149	10,386	43,221
Total Current Assets	<u>1,670,522</u>	<u>1,540,209</u>	<u>509,156</u>	<u>3,719,887</u>
Noncurrent Assets				
Capital assets				
Land	36,000	84,450	231,631	352,081
Buildings	44,654	39,013	857,344	941,011
Infrastructure	7,768,931	7,468,934	-	15,237,865
Machinery and equipment	201,836	283,145	139,776	624,757
Vehicles	197,009	68,379	-	265,388
Less accumulated depreciation	<u>(2,929,391)</u>	<u>(3,984,678)</u>	<u>(481,168)</u>	<u>(7,395,237)</u>
Total Capital Assets	<u>5,319,039</u>	<u>3,959,243</u>	<u>747,583</u>	<u>10,025,865</u>
Total Assets	<u>6,989,561</u>	<u>5,499,452</u>	<u>1,256,739</u>	<u>13,745,752</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>20,546</u>	<u>16,671</u>	<u>23,177</u>	<u>60,394</u>
Current Liabilities				
Accounts payable	26,710	12,179	(162)	38,727
Due to other governments	124	-	19,282	19,406
Accrued interest	24,396	2,536	-	26,932
Accrued wages payable	14,249	10,600	16,726	41,575
Compensated absences payable	18,232	14,345	13,227	45,804
Bonds payable	292,000	22,000	-	314,000
Total Current Liabilities	<u>375,711</u>	<u>61,660</u>	<u>49,073</u>	<u>486,444</u>
Noncurrent Liabilities				
Compensated absences payable	2,958	1,259	13,222	17,439
Bonds payable	1,974,024	211,000	-	2,185,024
Net pension liability	<u>93,206</u>	<u>75,628</u>	<u>105,143</u>	<u>273,977</u>
Total Noncurrent Liabilities	<u>2,070,188</u>	<u>287,887</u>	<u>118,365</u>	<u>2,476,440</u>
Total Liabilities	<u>2,445,899</u>	<u>349,547</u>	<u>167,438</u>	<u>2,962,884</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>62,374</u>	<u>50,611</u>	<u>70,363</u>	<u>183,348</u>
Net Position				
Net investment in capital assets	3,053,015	3,726,243	747,583	7,526,841
Unrestricted	<u>1,448,819</u>	<u>1,389,722</u>	<u>294,532</u>	<u>3,133,073</u>
Total Net Position	<u>\$ 4,501,834</u>	<u>\$ 5,115,965</u>	<u>\$ 1,042,115</u>	<u>\$ 10,659,914</u>

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

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

	Business-type Activities - Enterprise Funds			Total
	601 Water Utility	602 Sewer Utility	609 Liquor	
Operating Revenues (Expenses)				
Sales	\$ -	\$ -	\$ 1,970,781	\$ 1,970,781
Cost of sales	-	-	(1,533,916)	(1,533,916)
Gross Profit	-	-	436,865	436,865
Charges for services	786,184	957,799	-	1,743,983
Pension revenue	4,353	3,532	4,910	12,795
Total Operating Revenues	<u>790,537</u>	<u>961,331</u>	<u>441,775</u>	<u>2,193,643</u>
Operating Expenses				
Personal services	304,655	251,219	322,997	878,871
Supplies	81,845	124,298	12,608	218,751
Other services	63,829	131,489	29,713	225,031
Insurance	11,165	16,047	11,313	38,525
Utilities	94,599	95,866	25,010	215,475
Depreciation	267,936	210,350	24,228	502,514
Total Operating Expenses	<u>824,029</u>	<u>829,269</u>	<u>425,869</u>	<u>2,079,167</u>
Operating Income (Loss)	<u>(33,492)</u>	<u>132,062</u>	<u>15,906</u>	<u>114,476</u>
Nonoperating Revenues (Expenses)				
Investment earnings	60,275	55,651	12,786	128,712
Other income	2,524	272	-	2,796
Refunds and reimbursements	2,693	21,709	3,876	28,278
Interest and other expense	(54,102)	(6,306)	-	(60,408)
Total Nonoperating Revenues	<u>11,390</u>	<u>71,326</u>	<u>16,662</u>	<u>99,378</u>
Income (Loss) Before Contributions and Transfers	(22,102)	203,388	32,568	213,854
Connection fees	89,500	105,000	-	194,500
Transfers Out	<u>(500,000)</u>	<u>(900,000)</u>	<u>(180,999)</u>	<u>(1,580,999)</u>
Change in Net Position	(432,602)	(591,612)	(148,431)	(1,172,645)
Net Position, January 1	<u>4,934,436</u>	<u>5,707,577</u>	<u>1,190,546</u>	<u>11,832,559</u>
Net Position, December 31	<u>\$ 4,501,834</u>	<u>\$ 5,115,965</u>	<u>\$ 1,042,115</u>	<u>\$ 10,659,914</u>

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

City of Lonsdale, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Sewer Utility	609 Liquor	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 784,293	\$ 967,250	\$ 1,975,424	\$ 3,726,967
Payments to suppliers and vendors	(261,776)	(372,879)	(1,625,387)	(2,260,042)
Payments to and on behalf of employees	(322,279)	(261,264)	(328,974)	(912,517)
Other receipts	5,217	21,981	3,876	31,074
Net Cash Provided (Used) by Operating Activities	<u>205,455</u>	<u>355,088</u>	<u>24,939</u>	<u>585,482</u>
Cash Flows From Noncapital Financing Activities				
Transfers out	<u>(500,000)</u>	<u>(900,000)</u>	<u>(180,999)</u>	<u>(1,580,999)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(179,192)	(33,935)	(39,171)	(252,298)
Connection fees	89,500	105,000	-	194,500
Principal paid on long-term debt	(285,000)	(17,000)	-	(302,000)
Interest and fees paid on long-term debt	<u>(63,782)</u>	<u>(6,640)</u>	<u>-</u>	<u>(70,422)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(438,474)</u>	<u>47,425</u>	<u>(39,171)</u>	<u>(430,220)</u>
Cash Flows from Investing Activities				
Interest received	<u>60,275</u>	<u>55,651</u>	<u>12,786</u>	<u>128,712</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(672,744)	(441,836)	(182,445)	(1,297,025)
Cash and Cash Equivalents, January 1	<u>2,264,140</u>	<u>1,885,722</u>	<u>418,609</u>	<u>4,568,471</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,591,396</u>	<u>\$ 1,443,886</u>	<u>\$ 236,164</u>	<u>\$ 3,271,446</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (33,492)	\$ 132,062	\$ 15,906	\$ 114,476
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	5,217	21,981	3,876	31,074
Depreciation	267,936	210,350	24,228	502,514
(Increase) decrease in assets				
Accounts receivable	(6,244)	5,919	(267)	(592)
Inventories	-	-	5,378	5,378
Prepaid items	(3,172)	(3,266)	(1,242)	(7,680)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	16,784	13,328	16,987	47,099
Increase (decrease) in liabilities				
Accounts payable	(2,913)	(1,913)	(17,362)	(22,188)
Due to other governments	(4,253)	-	399	(3,854)
Accrued wages payable	8,174	5,689	10,299	24,162
Net pension liability	(49,311)	(38,898)	(48,191)	(136,400)
Compensated absences payable	(6,701)	(1,444)	(2,777)	(10,922)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	<u>13,430</u>	<u>11,280</u>	<u>17,705</u>	<u>42,415</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 205,455</u>	<u>\$ 355,088</u>	<u>\$ 24,939</u>	<u>\$ 585,482</u>
Schedule of Noncash Capital and Related Financing Activities				
Amortization of bond (premium) discount	<u>\$ (6,634)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,634)</u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lonsdale, (the City) operates under "Optional Plan A" as defined in the Minnesota statutes. The City is 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Economic Development Authority - The Economic Development Authority (EDA) serves all the citizens of the City and is governed by City appointed boards. The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The financial activity of the EDA is performed by the City of Lonsdale and treated as routine City business. The EDA board of commissioners consisting of seven members, five from the business community and two City Council members. The EDA's governing body does not have substantively the same board as the City, has no outstanding debt issued through the City and does not provide services entirely to the City. Thus, the EDA has been reported as a discretely presented component unit. The EDA does not prepare separate financial statements. The EDA financial statements are included in the report starting on page 123.

Related Organizations - The Relief Association is organized as a non-profit organization by its members to provide benefits to such members in accordance with Minnesota Statutes. Its Board of Directors are appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. 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 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. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 for the payment.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The *New City Hall Building fund*. It accounts for all the construction costs and proceeds for the New City Hall building activity.

The City reports the following major proprietary funds:

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

The *Liquor fund* accounts for on and off-sale liquor sales and the costs associated with the City's liquor operations.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. 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 government-wide 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 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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

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

Note 1: Summary of Significant Accounting Policies (Continued)

6. 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.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category 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.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 55 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2024:

- Brokered certificates of deposit of \$131,028 are valued using quoted market prices (Level 1 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Investment Policy

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

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

Note 1: Summary of Significant Accounting Policies (Continued)

- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City requires at least 5 percent of the City's investment portfolio to be available on a daily basis without loss of principal. Also, no more than 30 percent of the portfolio should have maturities exceeding 5 years.

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.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. The City annually certifies delinquent utility bills with the county for collection resulting in no allowance for doubtful accounts needed.

Lease Receivable

The City's lease receivable for cell phone tower leases is measured at the present value of lease payments expected to be received during the lease term. The balance of this lease as of December 31, 2024 is \$206,092.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial estimated useful life in excess of one year. 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 government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical 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 acquisition value of the item at the date of its donation.

For financial statement purposes only, a capitalization threshold is established for City assets with an initial cost of more than \$1,000 and must have an estimated useful life in excess of one year.

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

Assets	Years
Land	Not Depreciated
Lift Stations	50
Water, Sanitary Sewer, Storm Sewer Mains	40
Buildings and Improvements	40
Concrete Curb and Gutter	30
Sidewalks	30
Wells and Pump Houses	25
Water Meters	20
Fire Trucks	20
Office Equipment	10
Machinery, Equipment, Radios, Phones	10
Computer Equipment/Software	5
Vehicles	5

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 assets 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 only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. All paid time off is accrued when incurred in the government-wide and proprietary fund financial statements, and upon leaving employment, all paid time off earned in that year gets paid out. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as insurance costs, 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 recognized 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 expenditures.

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.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Lonsdale Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for City is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total
	GERP	PEPFP		
City's Proportionate Share	\$ 59,042	\$ 116,290	\$ 25,532	\$ 200,864
Proportionate Share of State's Contribution	370	2,227	-	2,597
Total	\$ 59,412	\$ 118,517	\$ 25,532	\$ 203,461

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 assets 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. 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 also recognizes a deferred lease receivable, which is reported under both the modified accrual and full accrual basis.

The City has an additional item which qualifies for reporting 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 Administrator.

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 an unrestricted fund balance in the General fund equivalent to a minimum of five months or 42 percent of the prior fiscal year expenditures.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets, deferred outflows 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

An annual budget is adopted on a basis consistent with 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 City Administrator 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 City Administrator. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2024, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 3,953,010	\$ 4,220,414	\$ 267,404

These excess expenditures were funded by greater than anticipated revenues.

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

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

As of December 31, 2024, the following funds reported deficit fund equity:

Fund	Amount
Capital Projects	
2024 Street Improvement	\$ 58,839

These deficits are expected to be eliminated with future revenues related to future bond proceeds and transfers from other funds.

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 or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

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 rated “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 Lonsdale, Minnesota
Notes to the Financial Statements
December 31, 2024

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 government entity.

At year end, the City's carrying amount of deposits, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u>\$ 4,814,405</u>
Bank balance	\$ 5,120,987
Covered by FDIC	<u>(500,000)</u>
Collateralized with securities pledged in City's name	<u>\$ 4,620,987</u>

Investments

As of December 31, 2024, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than 1 year	\$ 3,846,898	\$ -	\$ -	\$ -
Brokered money market	N/A	less than 1 year	3,512,342	-	-	-
Total Pooled investments			7,359,240	-	-	-
Non-pooled Investments at Fair Value						
Brokered certificates of deposit	N/A	less than 1 year	131,028	131,028	-	-
Total Investments			<u>\$ 7,490,268</u>	<u>\$ 131,028</u>	<u>\$ -</u>	<u>\$ -</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.

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

	Primary Government	Component Unit - EDA	Total
Deposits	\$ 4,700,392	\$ 114,013	\$ 4,814,405
Investments	7,490,268	-	7,490,268
Total Cash and Temporary Investments	<u>\$ 12,190,660</u>	<u>\$ 114,013</u>	<u>\$ 12,304,673</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Receivables

Leases Receivable

The City leases Cell phone tower to T-Mobile , LLC. The lease commenced on April 1, 2016 and was originally for 5 years then the agreement will automatically renew for up to four separate additional periods of five years, which the City is expected to do. Original lease payments were \$14,400 a year, increasing 3.5% each year.

The City leases Cell phone tower to Verizon , LLC. The lease commenced on July 1, 2011 and was originally for 5 years then the agreement will automatically renew for up to four separate additional periods of five years, which the City is expected to do. Original lease payments were \$8,000 a year, increasing 3% each year.

As of December 31, 2024, the City's receivable was \$206,092 which is offset with deferred inflows of \$179,446.

Loans Receivable

The City has revolving loans for economic development purposes with Whitney Land Holding Company. The terms are a 2 percent interest rate. The balance as of December 31, 2024 is \$11,384.

The City also has forgivable interest free loans that are forgiven after 5 years. There was \$3,174 in loans forgiven in 2024 with a remaining balance of \$11,864.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 835,704	\$ 253,200	\$ -	\$ 1,088,904
Construction in progress	-	1,947,676	-	1,947,676
Total Capital Assets not Being Depreciated, Net	<u>835,704</u>	<u>2,200,876</u>	<u>-</u>	<u>3,036,580</u>
Capital Assets being Depreciated				
Buildings	4,460,846	19,870	-	4,480,716
Infrastructure	21,689,625	377,987	-	22,067,612
Machinery and equipment	2,798,442	514,461	-	3,312,903
Vehicles	1,607,061	181,276	-	1,788,337
Total Capital Assets Being Depreciated	<u>30,555,974</u>	<u>1,093,594</u>	<u>-</u>	<u>31,649,568</u>
Less Accumulated Depreciation for				
Buildings	(1,380,515)	(99,257)	-	(1,479,772)
Infrastructure	(7,125,010)	(781,524)	-	(7,906,534)
Machinery and equipment	(1,694,539)	(134,735)	-	(1,829,274)
Vehicles	(1,306,475)	(83,839)	-	(1,390,314)
Total Accumulated Depreciation	<u>(11,506,539)</u>	<u>(1,099,355)</u>	<u>-</u>	<u>(12,605,894)</u>
Total Capital Assets Being Depreciated, Net	<u>19,049,435</u>	<u>(5,761)</u>	<u>-</u>	<u>19,043,674</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,885,139</u>	<u>\$ 2,195,115</u>	<u>\$ -</u>	<u>\$ 22,080,254</u>

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

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 352,081	\$ -	\$ -	\$ 352,081
Capital Assets being Depreciated				
Buildings	914,905	26,106	-	941,011
Infrastructure	15,237,865	-	-	15,237,865
Machinery and equipment	573,807	50,950	-	624,757
Vehicles	90,146	175,242	-	265,388
Total Capital Assets Being Depreciated	<u>16,816,723</u>	<u>252,298</u>	<u>-</u>	<u>17,069,021</u>
Less Accumulated Depreciation for				
Buildings	(339,262)	(23,525)	-	(362,787)
Improvements other than buildings	-	-	-	-
Infrastructure	(6,007,502)	(457,719)	-	(6,465,221)
Machinery and equipment	(455,813)	(21,270)	-	(477,083)
Vehicles	(90,146)	-	-	(90,146)
Total Accumulated Depreciation	<u>(6,892,723)</u>	<u>(502,514)</u>	<u>-</u>	<u>(7,395,237)</u>
Total Capital Assets Being Depreciated, Net	<u>9,924,000</u>	<u>(250,216)</u>	<u>-</u>	<u>9,673,784</u>
Business-type Activities Capital Assets, Net	<u>\$ 10,276,081</u>	<u>\$ (250,216)</u>	<u>\$ -</u>	<u>\$ 10,025,865</u>

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

Governmental Activities		
General government		\$ 357,189
Public safety		172,236
Public works		398,276
Culture and recreation		171,351
Economic development		303
Total Depreciation Expense - Governmental Activities		<u>\$ 1,099,355</u>
Business-type Activities		
Water utility		\$ 267,936
Sewer utility		210,350
Liquor		24,228
Total Depreciation Expense - Business-type Activities		<u>\$ 502,514</u>

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

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Interfund Transfers

During the year ended December 31, 2024 the City made the following transfers described below:

	Transfer In			Total
	General Fund	Debt Service Funds	New City Hall Building	
Transfer out				
General Fund	\$ -	\$ -	\$ 589,156	\$ 589,156
Nonmajor				
Governmental Funds	-	125,548	53,486	179,034
Water fund	-	-	500,000	500,000
Sewer fund	-	-	900,000	900,000
Liquor fund	30,999	-	150,000	180,999
	<u>\$ 30,999</u>	<u>\$ 125,548</u>	<u>\$ 2,192,642</u>	<u>\$ 2,349,189</u>
Total	<u>\$ 30,999</u>	<u>\$ 125,548</u>	<u>\$ 2,192,642</u>	<u>\$ 2,349,189</u>

During the year ended December 31, 2024 the City made a transfer from the Water, Sewer and Liquor funds to the City Hall Building fund for improvement projects in the amount of \$2,000,000. The 2022 Street Improvements fund transferred \$125,548 to the Debt Service fund to close the fund upon the completion of the project. The General fund transferred \$589,156 to the City Hall Building fund for additional bond costs and construction costs. The ARPA fund transferred \$53,486 to the City Hall Building fund for improvement projects. The Liquor fund transferred \$30,999 to the EDA for improvement projects.

E. 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 both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2016A G.O. Improvement Bonds	\$ 1,625,000	0.77 - 3.00 %	05/17/16	06/01/31	\$ 810,000
2016B G.O. Improvement Crossover Refunding Bonds	1,835,000	2.00	10/01/16	02/01/29	1,060,000
2017A G.O. Improvement Bonds	960,000	2.00 - 3.00	07/12/17	02/01/33	620,000
2018B G.O. Improvement Bonds	1,965,000	3.00 - 4.00	07/09/18	02/01/34	1,015,000
2020A G.O. Improvement Bonds	2,050,000	2.10	12/15/14	02/01/30	1,300,000
2021A G.O. Improvement Bonds	2,750,000	1.00 - 4.00	03/09/21	02/01/41	2,415,000
2021B G.O. Improvement Bonds	1,725,000	2.00 - 3.00	05/12/21	02/01/37	1,135,000
2021C G.O. Improvement Refunding Bonds	700,000	2.00	05/12/21	02/01/28	400,000
2021D G.O. Improvement Refunding Bonds	858,000	1.10	11/03/21	02/01/31	670,000
2022A G.O. Improvement Bonds	1,671,000	2.95	05/10/22	02/01/38	1,160,000
2024A Certificate Bonds	3,465,000	4.00 - 5.664	12/03/24	02/01/45	<u>3,465,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 14,050,000</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 1,032,000	\$ 339,568	\$ 1,371,568
2026	1,059,000	368,901	1,427,901
2027	1,180,000	339,938	1,519,938
2028	1,197,000	308,715	1,505,715
2029	1,128,000	278,888	1,406,888
2030 - 2034	4,131,000	1,023,051	5,154,051
2035 - 2039	2,558,000	513,811	3,071,811
2040 - 2044	1,500,000	184,301	1,684,301
2045	265,000	5,465	270,465
Total	<u>\$ 14,050,000</u>	<u>\$ 3,362,638</u>	<u>\$ 17,412,638</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Tax Increment Bonds

These bonds were issued to finance various improvements and will be repaid entirely by tax increments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2016C G.O. Improvement Taxable Tax Increment Refunding Bonds	\$ 1,000,000	2.10 - 3.32 %	06/01/15	02/01/36	<u>\$ 875,000</u>

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 50,000	\$ 26,245	\$ 76,245
2026	55,000	24,896	79,896
2027	60,000	23,418	83,418
2028	65,000	21,649	86,649
2029	65,000	19,654	84,654
2030 - 2034	425,000	61,740	486,740
2035 - 2036	155,000	4,233	159,233
Total	<u>\$ 875,000</u>	<u>\$ 181,835</u>	<u>\$ 1,056,835</u>

G.O. Equipment Certificates

These certificates were issued to finance equipment purchases.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2023A G.O. Equipment Certificate	\$ 340,000	3.50 %	04/13/23	02/01/33	<u>\$ 340,000</u>

The annual debt service requirements to maturity for general obligation equipment certificates are as follows:

Year Ending December 31	G.O. Equipment Certificate Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 33,000	\$ 11,323	\$ 44,323
2026	34,000	10,150	44,150
2027	35,000	8,943	43,943
2028	36,000	7,700	43,700
2029	38,000	6,405	44,405
2030 - 2033	164,000	11,724	175,724
Total	<u>\$ 340,000</u>	<u>\$ 56,245</u>	<u>\$ 396,245</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2011 Public Facilities Authority Note	\$ 1,210,591	1.76 %	06/09/11	08/20/30	\$ 444,000
2018A G.O. Improvement Bonds	1,965,000	3.00 - 4.00	07/09/18	02/01/34	415,000
2020A G.O. Improvement Bonds	2,050,000	2.10	12/15/14	02/01/36	390,000
2021B G.O. Improvement Bonds	1,725,000	2.00 - 3.00	05/12/21	02/01/36	345,000
2022A G.O. Improvement Bonds	1,671,000	2.95	05/10/22	02/01/37	<u>413,000</u>
Total G.O. Revenue Bonds					<u>\$ 2,007,000</u>

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

	<u>Water Utility</u>	<u>Sewer Utility</u>
Revenues	\$ 790,537	\$ 961,331
Principal and Interest	348,782	23,640
Percentage of Revenues	44.1%	2.5%

The expected annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	G.O. Revenue Bonds		
	Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 194,000	\$ 49,838	\$ 243,838
2026	196,000	45,021	241,021
2027	202,000	40,216	242,216
2028	205,000	35,338	240,338
2029	202,000	30,400	232,400
2030 - 2034	771,000	82,119	853,119
2035 - 2037	237,000	7,422	244,422
Total	<u>\$ 2,007,000</u>	<u>\$ 290,354</u>	<u>\$ 2,297,354</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2017A Utility Revenue Bonds	\$ 1,275,000	2.00 - 3.00 %	07/12/17	02/01/32	<u>\$ 465,000</u>

The expected annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2025	\$ 120,000	\$ 12,150	\$ 132,150
2026	135,000	8,325	143,325
2027	135,000	4,275	139,275
2028	15,000	2,025	17,025
2029	15,000	1,575	16,575
2030 - 2032	45,000	2,025	47,025
Total	<u>\$ 465,000</u>	<u>\$ 30,375</u>	<u>\$ 495,375</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 11,595,000	\$ 3,465,000	\$ (1,010,000)	\$ 14,050,000	\$ 1,032,000
General obligation tax increment bonds	920,000	-	(45,000)	875,000	50,000
General obligation equipment certificates	340,000	-	-	340,000	33,000
Unamortized Bond Premium	303,009	-	(31,291)	271,718	-
Unamortized Bond Discount	-	(31,597)	-	(31,597)	-
Compensated Absences Payable	51,059	59,446	-	110,505	64,535
	<u>51,059</u>	<u>59,446</u>	<u>-</u>	<u>110,505</u>	<u>64,535</u>
Governmental Activity Long-term Liabilities	<u>\$ 13,209,068</u>	<u>\$ 3,492,849</u>	<u>\$ (1,086,291)</u>	<u>\$ 15,615,626</u>	<u>\$ 1,179,535</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 2,189,000	\$ -	\$ (182,000)	\$ 2,007,000	\$ 194,000
Revenue Bonds	585,000	-	(120,000)	465,000	120,000
Unamortized Bond Premium	33,658	-	(6,634)	27,024	-
Compensated Absences Payable	74,165	-	(10,922)	63,243	45,804
	<u>74,165</u>	<u>-</u>	<u>(10,922)</u>	<u>63,243</u>	<u>45,804</u>
Business Activity Long-term Liabilities	<u>\$ 2,881,823</u>	<u>\$ -</u>	<u>\$ (319,556)</u>	<u>\$ 2,562,267</u>	<u>\$ 359,804</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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.

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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.

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

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

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.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months 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 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$95,273, \$87,136 and \$78,897, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2024, 2023 and, 2022 were \$101,765, \$97,563 and \$87,823, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

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

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$534,078 for its proportionate share of the General Employees Fund's net pension liability. 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 \$13,810.

City's Proportionate Share of the Net Pension Liability	\$	534,078
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		13,810
Total		\$ 547,888

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 proportionate share was 0.0144 percent at the end of the measurement period and 0.0138 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$59,042 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$370 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.

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 recognized \$24,573 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.

At December 31, 2024, the City 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	\$ 49,650	\$ -
Changes in Actuarial Assumptions	2,635	195,533
Net Difference Between Projected and Actual Investment Earnings	-	146,037
Changes in Proportion	18,077	15,840
Contributions Paid to PERA Subsequent to the Measurement Date	47,368	-
Total	\$ 117,730	\$ 357,410

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

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

The \$47,368 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	\$	(166,336)
2026		(15,126)
2027		(64,652)
2028		(40,934)

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$522,320 for its proportionate share of the Police and Fire Fund's net pension liability. 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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0397 percent at the end of the measurement period and 0.0406 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$19,911.

City's Proportionate Share of the Net Pension Liability	\$	522,320
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		19,911
Total	\$	542,231

For the year ended December 31, 2024, the City recognized pension expense of \$116,290 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$2,227 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$11,274 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 Police and Fire Fund.

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

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

At December 31, 2024, the City 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	\$ 206,085	\$ -
Changes in Actuarial Assumptions	580,264	786,482
Net Difference Between Projected and Actual Investment Earnings	-	164,964
Changes in Proportion	10,351	10,560
Contributions Paid to PERA Subsequent to the Measurement Date	53,123	-
Total	\$ 849,823	\$ 962,006

The \$53,123 reported as deferred outflows of resources related to pensions resulting from City 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 inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (19,382)
2026	133,301
2027	(81,894)
2028	(209,368)
2029	12,037

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 7.0%. The 7.0% 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 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3.0% after 24 years of service.

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

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 Police and Fire Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025

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 Lonsdale, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Police and Fire Fund

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year.

- The additional \$9 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

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 and Police and Fire 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 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	\$ 1,166,513	\$ 534,078	\$ 13,843
Police and Fire Fund	1,234,345	522,320	(62,401)

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 Lonsdale, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Lonsdale Fire Department (the Department) are covered by a single employer defined benefit plan administered by the Lonsdale Fire Department Relief Association (the Association). As of December 31, 2023, the plan covered 25 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$75,852 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2024 were \$75,852. The City's contributions were equal to the required contributions as set by state statute. The City made voluntary contributions of \$20,000 to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2024, the City reported a net pension liability (asset) of (\$681,164) for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2024	\$ 1,035,826	\$ 1,565,785	\$ (529,959)
Changes for the Year			
Service cost	29,118	-	29,118
Interest	67,043	-	67,043
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Plan changes	80,497	-	80,497
Contributions (employer)	-	20,000	(20,000)
Contributions (nonemployer)	-	75,852	(75,852)
Projected investment return	-	102,583	(102,583)
Asset gain (loss)	-	133,408	(133,408)
Benefit payouts	(67,030)	(67,030)	-
Administrative costs	-	(3,980)	3,980
Total Net Changes	<u>109,628</u>	<u>260,833</u>	<u>(151,205)</u>
Ending Balance December 31, 2024	<u>\$ 1,145,454</u>	<u>\$ 1,826,618</u>	<u>\$ (681,164)</u>

For the year ended December 31, 2024, the City recognized negative pension expense of \$25,532.

At December 31, 2024, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 21,626
Changes in Actuarial Assumptions	513	12,307
Net Difference Between Projected and Actual Earnings on Plan Investments	16,381	-
Contributions to Plan Subsequent to the Measurement Date	<u>76,852</u>	<u>-</u>
Total	<u>\$ 93,746</u>	<u>\$ 33,933</u>

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Deferred outflows of resources totaling \$76,852 related to pensions resulting from the City's contributions to the plan 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 inflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$	(10,266)
2026		2,203
2027		33,023
2028		(31,789)
2029		(5,109)
Thereafter		(5,101)

E. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	2.50% per year
Investment Rate of Return	6.50%

In 2023, the lump sum benefit multiplier increased from \$3,200 to \$3,600. The expected investment return and discount rate increased from 5.25% to 6.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the Department's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	Sensitivity of the NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
Single Employer Pension Plan	\$ (672,171)	\$ (681,164)	\$ (689,578)

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

H. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	14.00 %	2.00 %
Fixed Income	15.00	3.90
Equities	71.00	8.00
Other	-	6.50
Cash	-	-
Total	100.00 %	

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of June 30, 2024, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

The Association issues a publicly available financial report. The report may be obtained by writing to the Lonsdale Fire Department Relief Association, 426 SW Railway St, Lonsdale, MN 55049.

Note 6: 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. Legal Debt Margin

The City’s statutory debt limit is 3 percent of estimated taxable market value of property with the City of \$541,531,200 or \$16,245,936. The City currently has no general obligation debt subject to this limit. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

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

Note 6: Other Information (Continued)

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2024 was \$635,884 for LGA. This accounted for 15.7 percent of General fund revenues.

D. Tax Increment Districts

The EDA's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which could have a material effect on the financial statements.

Note 7: Change in Accounting Principal

For fiscal year 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, and No. 101, Compensated Absences. GASB Statement No. 101 enhances in a liability for compensated absences that more appropriately reflects when the City incurs an obligation. The standard establishes that liabilities for compensated absences be recognized for leave that has not been used and leave that been used but not yet paid in cash or settled through noncash means. These changes were incorporated in the City's 2024 financial statements. The City's recognition of the beginning balances related to the liability were equal balances and had no effect on the beginning net position of the business-type activities.

Change within Major and Nonmajor Fund Reporting

During fiscal year 2024, the New City Hall Building was determined to be major and the 2023 Equipment Certificates fund was combined with the Debt service funds. The effects of the changes within the financial reporting entity are shown in the table above.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0144 %	\$ 534,078	\$ 13,810	\$ 547,888	\$ 1,213,122	44.0 %	86.7 %
6/30/2023	0.0138	771,681	21,302	792,983	1,098,525	70.2	83.1
6/30/2022	0.0146	1,156,325	33,837	1,190,162	1,094,063	105.7	76.7
6/30/2021	0.0140	597,863	18,223	616,086	100,433	595.3	87.0
6/30/2020	0.0133	797,396	24,571	821,967	948,478	84.1	79.0
6/30/2019	0.0128	707,683	21,999	729,682	890,547	79.5	80.2
6/30/2018	0.0121	671,258	22,024	693,282	813,747	82.5	79.5
6/30/2017	0.0117	746,920	9,379	756,299	752,680	99.2	75.9
6/30/2016	0.0118	958,101	-	958,101	958,101	100.0	68.9
6/30/2015	0.0122	632,267	-	632,267	632,267	100.0	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	\$ 95,273	\$ 95,273	\$ -	\$ 1,270,306	7.50 %
12/31/2023	87,136	87,136	-	1,161,817	7.50
12/31/2022	78,897	78,897	-	1,051,956	7.50
12/31/2021	76,145	76,145	-	1,015,267	7.50
12/31/2020	45,158	45,158	-	1,002,107	4.51
12/31/2019	73,309	73,309	-	977,453	7.50
12/31/2018	61,101	61,101	-	814,680	7.50
12/31/2017	59,387	59,387	-	791,827	7.50
12/31/2016	52,248	52,248	-	723,307	7.22
12/31/2015	52,732	52,732	-	703,093	7.50

City of Lonsdale, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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 Lonsdale, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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.

City of Lonsdale, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2024

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire 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	0.0397 %	\$ 522,320	\$ 19,911	\$ 542,231	\$ 549,766	95.0 %	87.0 %
6/30/2023	0.0406	701,109	28,284	729,393	533,722	131.4	86.5
6/30/2022	0.0405	1,762,400	76,865	1,839,265	491,617	358.5	70.5
6/30/2021	0.0393	303,354	13,649	317,003	464,140	65.4	93.7
6/30/2020	0.0394	519,334	12,226	531,560	444,439	116.9	87.2
6/30/2019	0.0376	400,290	-	400,290	396,344	101.0	89.3
6/30/2018	0.0310	330,428	-	330,428	326,605	101.2	88.8
6/30/2017	0.0310	418,537	-	418,537	319,414	131.0	85.4
6/30/2016	0.0250	1,003,294	-	1,003,294	263,977	380.1	63.9
6/30/2015	0.0280	318,146	-	318,146	253,326	125.6	86.6

Schedule of Employer's PERA Contributions - Police and Fire 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	\$ 101,765	\$ 101,765	\$ -	\$ 574,944	17.70 %
12/31/2023	97,563	97,563	-	551,201	17.70
12/31/2022	87,823	87,823	-	496,175	17.70
12/31/2021	83,056	83,056	-	469,243	17.70
12/31/2020	83,596	83,596	-	472,294	17.70
12/31/2019	74,361	74,361	-	438,708	16.95
12/31/2018	56,779	56,779	-	350,488	16.20
12/31/2017	53,800	53,800	-	332,019	16.20
12/31/2016	45,266	45,266	-	279,420	16.20
12/31/2015	40,879	40,879	-	252,338	16.20

City of Lonsdale, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 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 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 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 2037 and 2.5 percent per year thereafter.

City of Lonsdale, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

Changes in Plan Provisions

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 - An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023. The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years. A one-time non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability was increased, effective July 1, 2023.

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

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. 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. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.0 percent to 60.0 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

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

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Lonsdale, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2024	2023	2022	2021	2020	2019	2018
Total Pension Liability							
Service cost	\$ 29,118	\$ 29,233	\$ 28,520	\$ 28,225	\$ 27,537	\$ 29,815	\$ 25,971
Interest	67,043	51,710	52,432	44,714	43,539	46,961	40,464
Differences between expected and actual experience	-	-	-	-	-	-	-
Changes in assumptions	-	(16,411)	-	-	-	3,597	84,334
Plan changes	80,497	97,542	-	113,747	-	-	-
Asset gain (loss)	-	(24,453)	-	(2,093)	-	(16,730)	-
Benefit payments, including refunds of employee contributions	(67,030)	(115,045)	(75,768)	-	(98,767)	(72,988)	-
Net Change in Total Pension Liability	<u>109,628</u>	<u>22,576</u>	<u>5,184</u>	<u>184,593</u>	<u>(27,691)</u>	<u>(9,345)</u>	<u>150,769</u>
Total Pension Liability - January 1	<u>1,035,826</u>	<u>1,013,250</u>	<u>1,008,066</u>	<u>823,473</u>	<u>851,164</u>	<u>860,509</u>	<u>709,740</u>
Total Pension Liability - December 31 (A)	<u>\$ 1,145,454</u>	<u>\$ 1,035,826</u>	<u>\$ 1,013,250</u>	<u>\$ 1,008,066</u>	<u>\$ 823,473</u>	<u>\$ 851,164</u>	<u>\$ 860,509</u>
Plan Fiduciary Net Position							
Fire state aid	\$ 75,852	\$ 71,876	\$ 83,554	\$ 56,754	\$ 66,282	\$ 49,280	\$ 61,100
Municipal contributions	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Projected investment return	102,583	95,020	82,669	73,576	59,877	66,964	57,482
Asset gain (loss)	133,408	(325,581)	154,136	52,952	176,398	(128,667)	83,540
Net Change in Plan Fiduciary Net Position	<u>331,843</u>	<u>(138,685)</u>	<u>340,359</u>	<u>203,282</u>	<u>322,557</u>	<u>7,577</u>	<u>222,122</u>
Plan Fiduciary Net Position - January 1	<u>1,565,785</u>	<u>1,823,475</u>	<u>1,562,617</u>	<u>1,366,810</u>	<u>1,150,485</u>	<u>1,222,871</u>	<u>1,008,424</u>
Benefits Payments	(67,030)	(115,045)	(75,768)	-	(98,767)	(72,988)	-
Administration Expenses	(3,980)	(3,960)	(3,733)	(7,475)	(7,465)	(6,975)	(7,675)
Total Reductions	<u>(71,010)</u>	<u>(119,005)</u>	<u>(79,501)</u>	<u>(7,475)</u>	<u>(106,232)</u>	<u>(79,963)</u>	<u>(7,675)</u>
Plan Fiduciary Net Position - December 31 (B)	<u>\$ 1,826,618</u>	<u>\$ 1,565,785</u>	<u>\$ 1,823,475</u>	<u>\$ 1,562,617</u>	<u>\$ 1,366,810</u>	<u>\$ 1,150,485</u>	<u>\$ 1,222,871</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	\$ (681,164)	\$ (529,959)	\$ (810,225)	\$ (554,551)	\$ (543,337)	\$ (299,321)	\$ (362,362)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	159.5%	151.2%	180.0%	155.0%	166.0%	135.2%	142.1%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

City of Lonsdale, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2024

Notes to Schedule of Changes in the Fire Relief Association’s Net Pension Liability (Asset) and Related Ratios

Changes in Plan Provisions

2024 - The lump sum benefit multiplier increased from \$3,600 to \$3,900.
 2023 - The lump sum benefit multiplier increased from \$3,200 to \$3,600.
 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 - The lump sum benefit multiplier increased from \$2,800 to \$3,200.
 2019 - There were no changes in plan provisions since the previous valuation.
 2018 - There were no changes in plan provisions since the previous valuation.
 2017 - The lump sum benefit multiplier increased from \$2,500 to \$2,800.

Changes in Actuarial Assumptions

2024 - There were no changes in plan provisions since the previous valuation.
 2023 - The expected investment return and discount rate increased from 5.25% to 6.50%.
 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 - There were no changes in plan provisions since the previous valuation.
 2019 - There were no changes in plan provisions since the previous valuation.
 2018 - The expected investment return and discount rate increased from 5.50% to 5.25%.
 2017 - There were no changes in plan provisions since the previous valuation.

Schedule of Employer’s Fire Relief Contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contribution Paid (b)	Contribution Deficiency (Excess) (a-b)
	(a)	(b)	(a-b)
12/31/24	\$ 20,000	\$ 20,000	\$ -
12/31/23	20,000	20,000	-
12/31/22	20,000	20,000	-
12/31/21	20,000	20,000	-
12/31/20	22,000	22,000	-
12/31/19	20,000	20,000	-
12/31/18	20,000	20,000	-
12/31/17	20,000	20,000	-

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Lonsdale, Minnesota
 General Fund
 Comparative Balance Sheets
 December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 3,750,422	\$ 4,365,369
Receivables		
Property taxes	27,002	22,191
Special assessments	-	7,993
Accounts	34,331	11,427
Leases	206,092	245,453
Due from other governments	109,810	153,785
Prepaid items	147,130	99,251
Total Assets	<u>\$ 4,274,787</u>	<u>\$ 4,905,469</u>
Liabilities		
Accounts payable	\$ 176,107	\$ 186,669
Due to other governments	30,389	690
Accrued wages payable	143,125	25,061
Deposits payable	233,886	231,886
Total Liabilities	<u>583,507</u>	<u>444,306</u>
Deferred Inflows of Resources		
Unavailable revenue		
Property taxes	27,002	22,191
Special assessments	-	7,993
Deferred lease receivable	179,446	227,572
Total Deferred Inflows of Resources	<u>206,448</u>	<u>257,756</u>
Fund Balances		
Nonspendable		
Prepaid items	147,130	99,251
Restricted		
Small city assistance	62,731	-
Public safety aid	-	76,899
Assigned		
Police	7,193	7,717
Library	173,236	155,895
Roads and bridges	-	2,096
Fire department	1,173,728	1,246,120
Unassigned	1,920,814	2,615,429
Total Fund Balances	<u>3,484,832</u>	<u>4,203,407</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,274,787</u>	<u>\$ 4,905,469</u>

City of Lonsdale, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on 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			
Revenues					
Taxes					
Property taxes	\$ 2,096,982	\$ 2,096,982	\$ 2,176,182	\$ 79,200	\$ 2,153,222
Franchise fees	57,200	57,200	65,467	8,267	68,252
Total Taxes	<u>2,154,182</u>	<u>2,154,182</u>	<u>2,241,649</u>	<u>87,467</u>	<u>2,221,474</u>
Special assessments	<u>8,416</u>	<u>8,416</u>	<u>9,563</u>	<u>1,147</u>	<u>10,229</u>
Licenses and permits					
Business	7,000	7,000	5,100	(1,900)	6,900
Nonbusiness	173,850	173,850	165,810	(8,040)	169,367
Total Licenses and Permits	<u>180,850</u>	<u>180,850</u>	<u>170,910</u>	<u>(9,940)</u>	<u>176,267</u>
State					
Local government aid	635,882	635,882	635,884	2	528,845
Police and fire aid	131,000	131,000	170,589	39,589	145,698
Other state aids	84,100	84,100	72,122	(11,978)	302,118
Total Intergovernmental - State	<u>850,982</u>	<u>850,982</u>	<u>878,595</u>	<u>27,613</u>	<u>976,661</u>
Local					
Other grants	<u>28,500</u>	<u>28,500</u>	<u>29,050</u>	<u>550</u>	<u>28,250</u>
Total Intergovernmental	<u>879,482</u>	<u>879,482</u>	<u>907,645</u>	<u>28,163</u>	<u>1,004,911</u>
Charges for services					
General government	6,500	6,500	2,760	(3,740)	3,038
Public safety	271,109	271,109	277,964	6,855	247,299
Streets and highways	10,000	10,000	7,042	(2,958)	9,507
Culture and recreation	4,700	4,700	1,370	(3,330)	4,251
Total Charges for Services	<u>292,309</u>	<u>292,309</u>	<u>289,136</u>	<u>(3,173)</u>	<u>264,095</u>
Fines and forfeits	<u>13,500</u>	<u>13,500</u>	<u>12,585</u>	<u>(915)</u>	<u>16,426</u>
Investment earnings	<u>47,050</u>	<u>47,050</u>	<u>136,300</u>	<u>89,250</u>	<u>109,667</u>
Miscellaneous					
Contributions and donations	600	600	40,295	39,695	165,121
Refunds and reimbursements	21,200	21,200	241,266	220,066	223,821
Other	1,500	1,500	5,003	3,503	5,528
Total Miscellaneous	<u>23,300</u>	<u>23,300</u>	<u>286,564</u>	<u>263,264</u>	<u>394,470</u>
Total Revenues	<u>3,599,089</u>	<u>3,599,089</u>	<u>4,054,352</u>	<u>455,263</u>	<u>4,197,539</u>

City of Lonsdale, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (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			
Expenditures					
Current					
General Government					
Mayor and Council					
Personal services	\$ 20,774	\$ 20,774	\$ 20,697	\$ 77	\$ 19,145
Supplies	1,150	1,150	888	262	215
Other services and charges	500	500	108	392	105
Total Mayor and Council	22,424	22,424	21,693	731	19,465
Finance and administration					
Personal services	92,225	92,225	100,418	(8,193)	85,710
Supplies	10,850	10,850	5,165	5,685	7,580
Other services and charges	152,418	152,418	165,898	(13,480)	112,692
Total Finance and Administration	255,493	255,493	271,481	(15,988)	205,982
Other general government					
Personal services	162,434	162,434	161,051	1,383	118,610
Supplies	16,400	16,400	68,246	(51,846)	68,550
Other services and charges	137,718	137,718	119,078	18,640	137,150
Total other general government	316,552	316,552	348,375	(31,823)	324,310
Total General Government	594,469	594,469	641,549	(47,080)	549,757
Public Safety					
Police					
Personal services	993,032	993,032	900,787	92,245	863,380
Supplies	33,600	33,600	27,483	6,117	25,097
Other services and charges	114,015	114,015	118,771	(4,756)	97,393
Total Police	1,140,647	1,140,647	1,047,041	93,606	985,870
Fire protection					
Personal services	211,781	211,781	258,807	(47,026)	201,416
Supplies	52,500	52,500	56,353	(3,853)	61,125
Other services and charges	75,360	75,360	136,263	(60,903)	51,554
Total Fire Protection	339,641	339,641	451,423	(111,782)	314,095
Total Public Safety	1,480,288	1,480,288	1,498,464	(18,176)	1,299,965
Public Works					
Streets and highways					
Personal services	204,555	204,555	257,582	(53,027)	244,264
Supplies	292,850	292,850	271,531	21,319	125,211
Other services and charges	73,848	73,848	58,279	15,569	51,613
Total Streets and Highways	571,253	571,253	587,392	(16,139)	421,088
Street lighting					
Other services and charges	75,000	75,000	66,396	8,604	68,468
Total Public Works	646,253	646,253	653,788	(7,535)	489,556

City of Lonsdale, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (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			
Expenditures (Continued)					
Culture and Recreation					
Library					
Personal services	\$ 147,794	\$ 147,794	\$ 144,789	\$ 3,005	\$ 131,663
Supplies	4,500	4,500	6,982	(2,482)	3,238
Other services and charges	36,529	36,529	39,120	(2,591)	32,518
Total library	<u>188,823</u>	<u>188,823</u>	<u>190,891</u>	<u>(2,068)</u>	<u>167,419</u>
Parks					
Personal services	159,461	159,461	139,030	20,431	131,014
Supplies	61,350	61,350	52,653	8,697	54,080
Other services and charges	84,866	84,866	75,778	9,088	64,994
Total Parks	<u>305,677</u>	<u>305,677</u>	<u>267,461</u>	<u>38,216</u>	<u>250,088</u>
Total Culture and Recreation	<u>494,500</u>	<u>494,500</u>	<u>458,352</u>	<u>36,148</u>	<u>417,507</u>
Total Current	<u>3,215,510</u>	<u>3,215,510</u>	<u>3,252,153</u>	<u>(36,643)</u>	<u>2,756,785</u>
Capital Outlay					
General government					
Financial administration	\$ 50,000	\$ 50,000	\$ 1,502	\$ 48,498	\$ 365
Public safety					
Fire protection	205,000	205,000	327,906	(122,906)	165,253
Police	66,000	66,000	57,064	8,936	3,646
Public works					
Streets and highways	54,000	54,000	155,087	(101,087)	426,189
Culture and recreation					
Parks	346,500	346,500	274,193	72,307	479,190
Library	16,000	16,000	152,509	(136,509)	14,282
Total Capital Outlay	<u>737,500</u>	<u>737,500</u>	<u>968,261</u>	<u>(230,761)</u>	<u>1,088,925</u>
Total Expenditures	<u>3,953,010</u>	<u>3,953,010</u>	<u>4,220,414</u>	<u>(267,404)</u>	<u>3,845,710</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(353,921)</u>	<u>(353,921)</u>	<u>(166,062)</u>	<u>187,859</u>	<u>351,829</u>
Other Financing Sources (Uses)					
Transfers in	90,000	90,000	30,999	(59,001)	44,275
Proceeds from sale of capital assets	2,500	2,500	5,644	3,144	-
Transfers out	-	-	(589,156)	(589,156)	-
Total Other Financing Sources (Uses)	<u>92,500</u>	<u>92,500</u>	<u>(552,513)</u>	<u>(645,013)</u>	<u>44,275</u>
Net Change in Fund Balances	(261,421)	(261,421)	(718,575)	(457,154)	396,104
Fund Balances, January 1	<u>4,203,407</u>	<u>4,203,407</u>	<u>4,203,407</u>	<u>-</u>	<u>3,807,303</u>
Fund Balances, December 31	<u>\$ 3,941,986</u>	<u>\$ 3,941,986</u>	<u>\$ 3,484,832</u>	<u>\$ (457,154)</u>	<u>\$ 4,203,407</u>

City of Lonsdale, Minnesota
 Nonmajor Governmental Funds
 Balance Sheet
 December 31, 2024

	Special Revenue 205	Capital Project				Total
	421	323 Formerly Nonmajor 2023	424	425 Formerly Nonmajor		
	American Rescue Plan	2022 Street Improvement	Equipment Certificates	2024 Street Improvement	New City Hall Building	
Assets						
Cash and temporary investments	\$ -	\$ -	\$ -	\$ (58,839)	\$ -	\$ (58,839)
Fund Balances						
Restricted						
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	(58,839)	-	(58,839)
Total Fund Balances	-	-	-	(58,839)	-	(58,839)
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ (58,839)	\$ -	\$ (58,839)

City of Lonsdale, Minnesota
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2024

	Special Revenue	Capital Project				Total
	205	421	323 Formerly Nonmajor 2023 Equipment Certificates	424 2024 Street Improvement	425 Formerly Nonmajor New City Hall Building	
Revenues						
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental						
Federal grants	117,588	-	-	-	-	117,588
Investment earnings	-	4,376	-	-	-	4,376
Total Revenues	<u>117,588</u>	<u>4,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,964</u>
Expenditures						
Current						
Capital outlay						
General government	64,102	-	-	-	-	64,102
Public works	-	75,251	-	-	-	75,251
Total Expenditures	<u>64,102</u>	<u>75,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,353</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	53,486	(70,875)	-	-	-	(17,389)
Other Financing Sources (Uses)						
Transfers out	<u>(53,486)</u>	<u>(125,548)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(179,034)</u>
Net Change in Fund Balances	<u>-</u>	<u>(196,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,423)</u>
Fund Balances, January 1 as Previously Reported	-	196,423	160,281	(58,839)	(1,202)	296,663
Change to Financial Reporting Entity (Note 8)						
Change from nonmajor to major fund	<u>-</u>	<u>-</u>	<u>(160,281)</u>	<u>-</u>	<u>1,202</u>	<u>(159,079)</u>
Fund Balances, January 1, as adjusted	<u>-</u>	<u>196,423</u>	<u>-</u>	<u>(58,839)</u>	<u>-</u>	<u>137,584</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,839)</u>	<u>\$ -</u>	<u>\$ (58,839)</u>

City of Lonsdale, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2024

	309	317	318	319	321
	2021C Improvement Bonds	2020A G.O. Improvement Bonds	2021A G.O. Improvement Bonds	2021B G.O. Improvement Bonds	2022A G.O. Improvement Bonds
Assets					
Cash and cash equivalents	\$ 35,028	\$ 161,171	\$ 165,351	\$ 197,940	\$ 302,657
Receivables					
Property taxes	1,125	927	1,026	327	446
Special assessments	49,657	233,730	-	342,394	197,132
Due from other governments	861	1,720	603	568	348
	<u>86,671</u>	<u>397,548</u>	<u>166,980</u>	<u>541,229</u>	<u>500,583</u>
Total Assets	\$ 86,671	\$ 397,548	\$ 166,980	\$ 541,229	\$ 500,583
Liabilities					
Accounts payable	\$ -	\$ -	\$ 36	\$ -	\$ -
Deferred Inflows of Resources					
Unavailable revenue					
Property taxes	1,125	927	1,026	327	446
Special assessments	49,657	233,730	-	342,394	197,132
Total Deferred Inflows of Resources	<u>50,782</u>	<u>234,657</u>	<u>1,026</u>	<u>342,721</u>	<u>197,578</u>
Fund Balances					
Restricted					
Debt service	35,889	162,891	165,918	198,508	303,005
Unassigned	-	-	-	-	-
Total Fund Balance	<u>35,889</u>	<u>162,891</u>	<u>165,918</u>	<u>198,508</u>	<u>303,005</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 86,671	\$ 397,548	\$ 166,980	\$ 541,229	\$ 500,583

323	310	311/312/ 313/315	314	
2023 Equipment Certificates	TIF Fund	2021D Improvement Bonds	Business Park Debt Funds	Total
\$ 154,871	\$ 183,118	\$ 1,067,563	\$ (590,889)	\$ 1,676,810
6,000	-	2,946	2,699	15,496
-	-	735,781	189,828	1,748,522
28	-	2,359	858	7,345
<u>\$ 160,899</u>	<u>\$ 183,118</u>	<u>\$ 1,808,649</u>	<u>\$ (397,504)</u>	<u>\$ 3,448,173</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36</u>
6,000	-	2,946	2,699	15,496
-	-	735,781	189,828	1,748,522
<u>6,000</u>	<u>-</u>	<u>738,727</u>	<u>192,527</u>	<u>1,764,018</u>
154,899	183,118	1,069,922	-	2,274,150
-	-	-	(590,031)	(590,031)
<u>154,899</u>	<u>183,118</u>	<u>1,069,922</u>	<u>(590,031)</u>	<u>1,684,119</u>
<u>\$ 160,899</u>	<u>\$ 183,118</u>	<u>\$ 1,808,649</u>	<u>\$ (397,504)</u>	<u>\$ 3,448,173</u>

City of Lonsdale, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	309	317	318	319	321
	2021C Improvement Bonds	2020A G.O. Improvement Bonds	2021A G.O. Improvement Bonds	2021B G.O. Improvement Bonds	2022A G.O. Improvement Bonds
Revenues					
Taxes					
Property taxes	\$ 74,555	\$ 76,542	\$ 129,228	\$ 54,673	\$ 74,554
Tax increments	-	-	-	-	-
Special assessments	29,795	44,877	-	36,924	22,619
Investment earnings	-	-	-	-	-
Total Revenues	<u>104,350</u>	<u>121,419</u>	<u>129,228</u>	<u>91,597</u>	<u>97,173</u>
Expenditures					
Current					
General government	-	-	-	-	-
Debt service					
Principal	100,000	94,000	115,000	85,000	74,000
Interest and other	9,007	28,287	45,191	28,979	35,312
Total Expenditures	<u>109,007</u>	<u>122,287</u>	<u>160,191</u>	<u>113,979</u>	<u>109,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,657)	(868)	(30,963)	(22,382)	(12,139)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	125,548
Net Change in Fund Balances	<u>(4,657)</u>	<u>(868)</u>	<u>(30,963)</u>	<u>(22,382)</u>	<u>113,409</u>
Fund Balances, January 1 as Previously Reported	40,546	163,759	196,881	220,890	189,596
Change to Financial Reporting Entity (Note 8)					
Change from nonmajor to major fund	-	-	-	-	-
Fund Balances, January 1, as adjusted	<u>40,546</u>	<u>163,759</u>	<u>196,881</u>	<u>220,890</u>	<u>189,596</u>
Fund Balances, December 31	<u>\$ 35,889</u>	<u>\$ 162,891</u>	<u>\$ 165,918</u>	<u>\$ 198,508</u>	<u>\$ 303,005</u>

323	310	311/312/ 313/315	314	
Formerly Nonmajor 2023 Equipment Certificates	TIF Fund	2021D Improvement Bonds	Business Park Debt Fund	Total
\$ 5,965	\$ -	\$ 134,200	\$ 183,900	\$ 733,617
-	83,149	-	-	83,149
-	-	158,659	60,033	352,907
4,123	-	-	-	4,123
<u>10,088</u>	<u>83,149</u>	<u>292,859</u>	<u>243,933</u>	<u>1,173,796</u>
-	-	-	43,878	43,878
-	45,000	342,000	200,000	1,055,000
15,470	27,373	88,225	25,777	303,621
<u>15,470</u>	<u>72,373</u>	<u>430,225</u>	<u>269,655</u>	<u>1,402,499</u>
(5,382)	10,776	(137,366)	(25,722)	(228,703)
-	-	-	-	125,548
<u>(5,382)</u>	<u>10,776</u>	<u>(137,366)</u>	<u>(25,722)</u>	<u>(103,155)</u>
-	172,342	1,207,288	(564,309)	1,626,993
160,281	-	-	-	160,281
<u>160,281</u>	<u>172,342</u>	<u>1,207,288</u>	<u>(564,309)</u>	<u>1,787,274</u>
<u>\$ 154,899</u>	<u>\$ 183,118</u>	<u>\$ 1,069,922</u>	<u>\$ (590,031)</u>	<u>\$ 1,684,119</u>

City of Lonsdale, Minnesota
 Discretely Presented Component Unit -
 Economic Development Authority
 Balance Sheet/Statement of Net Position
 December 31, 2024

Assets		
Cash and investments	\$	114,013
Receivables		
Loans		23,248
Intergovernmental		590
		137,851
Total Assets	\$	137,851
Liabilities		
Accounts payable	\$	609
Accrued wages payable		612
Total Liabilities		1,221
Fund Balances		
Restricted		
Economic development		11,119
Committed		
Economic development		125,511
Total Fund Balances		136,630
Total Liabilities, Deferred Inflows or Resources and Fund Balances	\$	137,851
Amounts reported for governmental activities in the statement of net position are different because		
Total Fund Balances - Economic Development Authority	\$	136,630

City of Lonsdale, Minnesota
 Discretely Presented Component Unit -
 Economic Development Authority
 Schedule of Revenues, Expenditures and Changes in Fund Balances/Net Position
 For the Year Ended December 31, 2024

Revenues	
Taxes	
Property taxes	\$ 50,000
Investment earnings (loss)	295
Miscellaneous	2,000
Total Revenues	<u>52,295</u>
Expenditures	
Current	
Housing and economic development	<u>29,354</u>
Net Change in Fund Balances	22,941
Fund Balances, January 1	<u>113,689</u>
Fund Balances, December 31	<u><u>\$ 136,630</u></u>
Amounts reported for governmental activities in the statement of activities are different because	
Net Change in Fund Balances - Economic Development Authority	\$ 22,941
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	<u>(219)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 22,722</u></u>

City of Lonsdale, Minnesota
 Summary Financial Report
 Revenues and Expenditures for General Operations
 Governmental Funds
 For the Years December 31, 2024 and 2023

	2024	2023	Percent Increase (Decrease)
Revenues			
Taxes	\$ 3,058,415	\$ 2,948,351	3.73 %
Special assessments	362,470	444,903	(18.53)
Licenses and permits	170,910	176,267	(3.04)
Intergovernmental	1,025,233	1,289,098	(20.47)
Charges for services	289,136	264,095	9.48
Fines and forfeits	12,585	16,426	(23.38)
Investment earnings	145,687	159,194	(8.48)
Miscellaneous	286,564	394,470	(27.35)
Total Revenues	\$ 5,351,000	\$ 5,692,804	(6.00) %
Per Capita	\$ 1,090	\$ 1,154	
Expenditures			
Current			
General government	\$ 685,427	\$ 595,473	15.11 %
Public safety	1,498,464	1,299,965	15.27
Public works	653,788	489,556	33.55
Culture and recreation	458,352	417,507	9.78
Capital outlay			
General government	2,223,424	1,567	141,790.49
Public safety	384,970	169,719	126.83
Public works	230,338	673,973	(65.82)
Culture and recreation	426,702	790,754	(46.04)
Debt service			
Principal	1,055,000	944,000	11.76
Interest and other charges	418,648	334,022	25.34
Total Expenditures	\$ 8,035,113	\$ 5,716,536	40.56 %
Per Capita	\$ 1,637	\$ 1,159	
Total Long-term Indebtedness	\$ 14,018,403	\$ 11,595,000	20.90 %
Per Capita	2,856	2,351	
General Fund Balance - December 31	\$ 3,484,832	\$ 4,203,407	(17.10) %
Per Capita	710	852	

The purpose of this report is to provide a summary of financial information concerning the City of Lonsdale to interested citizens. The complete financial statements may be examined at City Hall, 415 Central Street West, Lonsdale, MN 55046. Questions about this report should be directed to Joel Erickson at (507) 744-2327.

OTHER REQUIRED REPORTS

CITY OF LONSDALE
LONSDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Management, Honorable Mayor and City Council
City of Lonsdale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, of the City of Lonsdale, Minnesota (the City) as of and for the year ended December 31, 2024, and the notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 29, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that City of Lonsdale failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions 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 2024-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provision, in so far as they relate to accounting matters.

The City's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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
May 29, 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

Management, Honorable Mayor and City Council
City of Lonsdale, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Lonsdale, 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 May 29, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-002 to be a material weakness.

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 2024-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Mankato, Minnesota
May 29, 2025



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

<u>Finding</u>	<u>Description</u>
2024-001	Financial Report Preparation
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. 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. However, based on recent auditing standards, 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 ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management 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 to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. 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. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your Civic Systems revenue and expenditure information to the amount reported in the financial statements.
<i>Management Response:</i>	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.
<i>Updated Progress Since Prior Year:</i>	No progress has been made with this finding in the current year.

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

<u>Finding</u>	<u>Description</u>
2024-002	Material Audit Adjustments
<i>Condition:</i>	Material audit entries were required to record adjust capital assets, debt and to correct receipts to the appropriate funds.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review pay applications after year-end to verify whether they were for work done during the previous fiscal year.
<i>Management Response:</i>	
	The City is aware and will review these entries in the future.
2024-003	Limited Segregation of Duties
<i>Condition:</i>	During our audit we reviewed procedures over cash disbursements, payroll, journal entries, utility billing, financial reporting and capital assets and found the City to have limited segregation of duties over those transaction cycles.
<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>Cause:</i>	As a result of the limited number of staff, in the disbursement cycle, the accountant has access to checks, ability to posts to the general ledger, and prepares bank reconciliations. In the payroll cycle, the Accountant has control over the checks, sets up employee records, posts to the general ledger. In the utility billing cycle, the City Council approves rates but the Accountant reconciles the amounts billed and collected in the system and posts to the general ledger. The collections of utility payments are collected through the city, the Accountant is responsible for all the recording and reconciling. In the financial reporting and capital asset transaction cycles, the Accountant performs all of the duties.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.