

Annual Financial Report

City of Lauderdale

Lauderdale, Minnesota

For the Year Ended
December 31, 2016

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CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF LAUDERDALE, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF LAUDERDALE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeffrey Dains	Mayor	12/31/16
Mary Gaasch	Council Member	12/31/18
Roxanne Grove	Council Member	12/31/18
Denise Hawkinson	Council Member	12/31/16
Lara MacLean	Council Member	12/31/16

APPOINTED

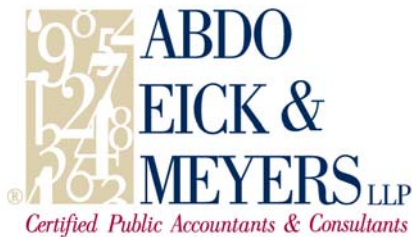
Heather Butkowski	City Administrator
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FINANCIAL SECTION
CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lauderdale, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lauderdale, Minnesota (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2016, and the respective changes in financial position, cash flows, where applicable, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

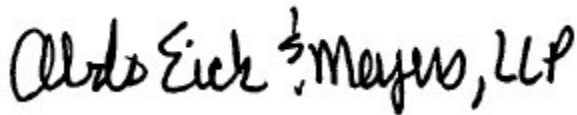
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 13 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section and combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 13, 2017

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Management's Discussion and Analysis

As management of the City of Lauderdale, 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, 2016.

Financial Highlights

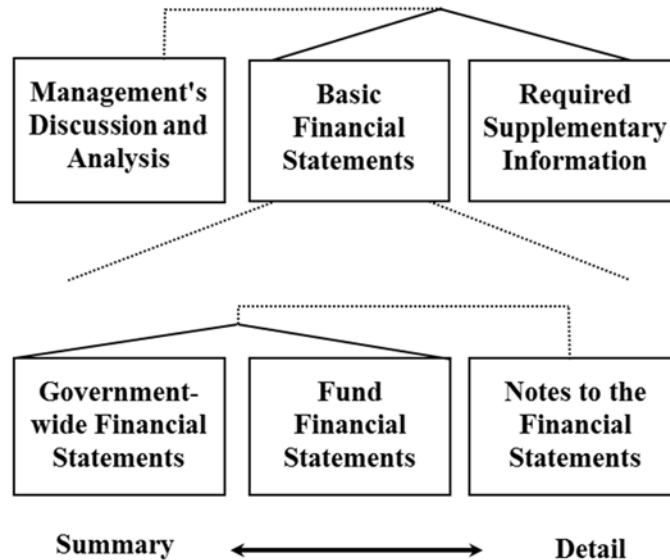
- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,576,175 (*net position*). Of this amount, \$2,868,735 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$72,225.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,938,010 a decrease of \$265,861 in comparison with the prior year. Approximately 36.7 percent of this total amount, \$710,624, is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$799,931, or 61.5 percent of 2016 budgeted expenditures.

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 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 following chart shows how the various parts of this annual report are arranged and related to one another:

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



The following chart summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements:

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

	Government-wide Statements	Fund Financial 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"> Statements of Net Position Statements of Revenues, Expenses and Changes in Fund Net Position Statements 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 revenues (*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, sanitation and recycling, culture and recreation, miscellaneous and interest on bonds.

The government-wide financial statements start on page 25 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 government, 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 ten individual governmental funds. 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 fund, Debt Service fund, Street Improvement fund, Park Improvement fund and the General Capital Improvement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

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

The basic governmental fund financial statements start on page 30 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 Sewer and Storm Sewer operations.

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 start on page 38 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 start on page 41 of this report.

Other information. The combining and individual fund financial statements and schedules are presented following the notes to the financial statements and start on page 64 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 \$9,576,175 at the close of the most recent fiscal year.

The largest portion of the City's net position (69.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is 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 Lauderdale's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Assets						
Current and other assets	\$ 1,976,903	\$ 2,237,901	\$ (260,998)	\$ 1,367,111	\$ 1,352,040	\$ 15,071
Capital assets	5,005,958	4,875,632	130,326	1,667,533	1,577,640	89,893
Total assets	6,982,861	7,113,533	(130,672)	3,034,644	2,929,680	104,964
Deferred outflows of resources						
Deferred pension resources	120,431	26,105	94,326	38,378	7,504	30,874
Liabilities						
Long-term liabilities						
outstanding	379,699	262,688	117,011	117,002	71,273	45,729
Other liabilities	25,082	22,316	2,766	21,096	661	20,435
Total liabilities	404,781	285,004	119,777	138,098	71,934	66,164
Deferred inflows of resources						
Deferred pension resources	43,423	55,524	(12,101)	13,837	15,960	(2,123)
Net Position						
Investment in capital assets	5,005,958	4,875,632	130,326	1,667,533	1,577,640	89,893
Restricted	33,949	60,098	(26,149)	-	-	-
Unrestricted	1,615,181	1,863,380	(248,199)	1,253,554	1,271,650	(18,096)
Total net position	\$ 6,655,088	\$ 6,799,110	\$ (144,022)	\$ 2,921,087	\$ 2,849,290	\$ 71,797

The remaining balance of *unrestricted net position* (\$2,868,735) 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 all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

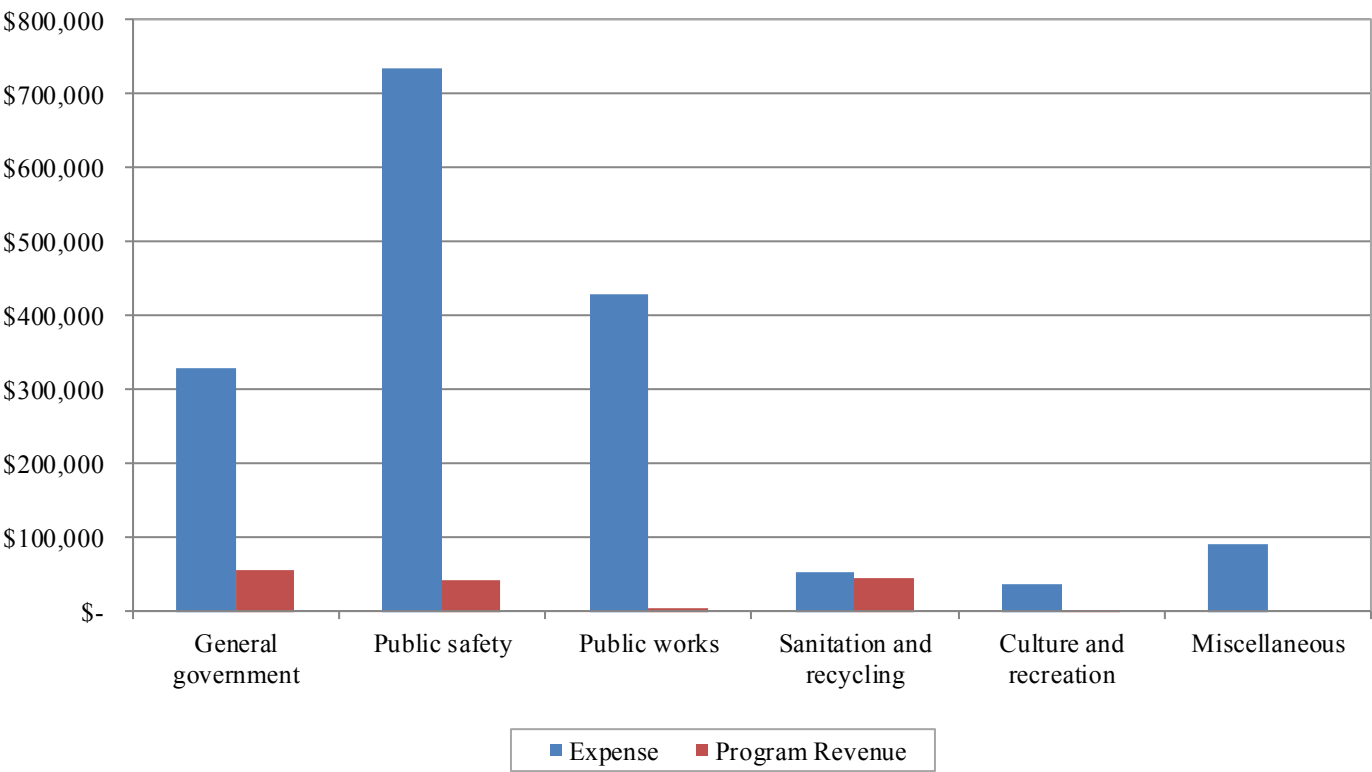
Governmental activities. Governmental activities decreased the City's net position by \$144,022 and business-type increased the City's net position by \$71,797. Key elements of the increase/decrease are as follows:

City of Lauderdale's Changes in Net Position

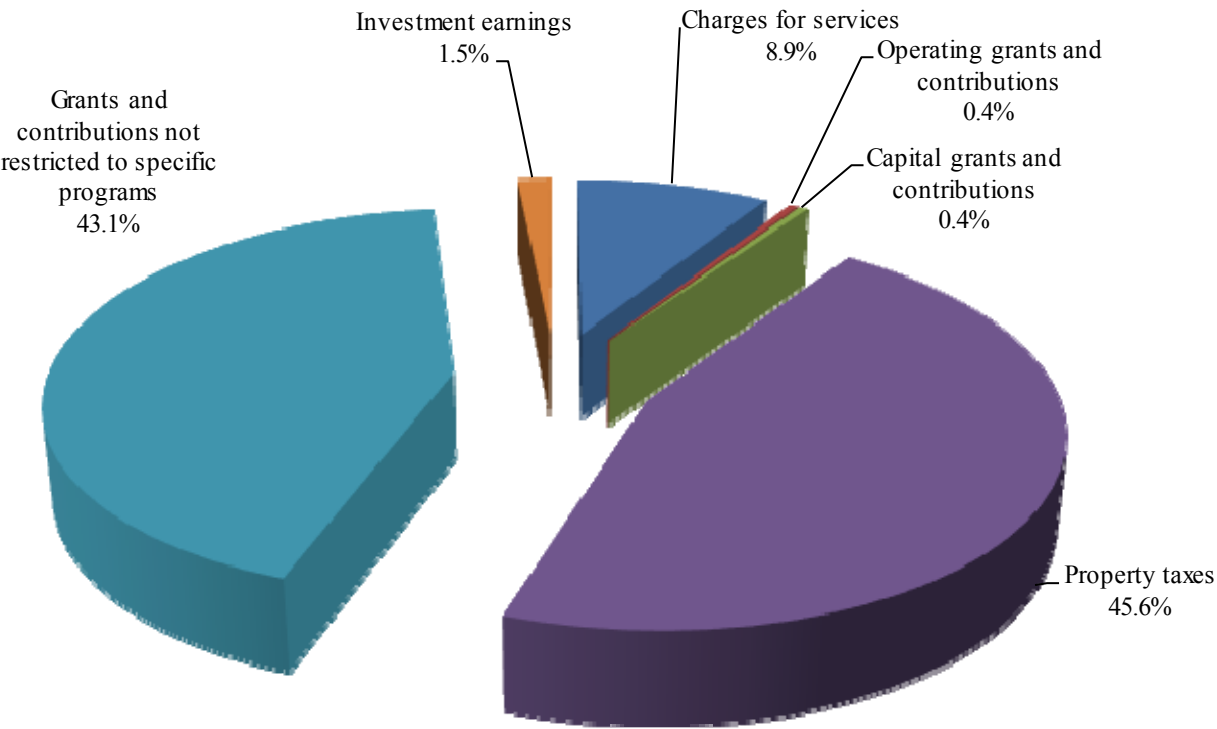
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 138,458	\$ 146,621	\$ (8,163)	\$ 376,824	\$ 364,008	\$ 12,816
Operating grants and contributions	6,046	47,160	(41,114)	29,258	-	29,258
Capital grants and contributions	5,475	76,719	(71,244)	-	-	-
General revenues						
Property taxes	698,214	602,933	95,281	-	-	-
Grants and contributions not restricted to specific programs	659,609	537,974	121,635	-	-	-
Investment earnings	22,880	9,651	13,229	17,679	7,119	10,560
Total revenues	<u>1,530,682</u>	<u>1,421,058</u>	<u>109,624</u>	<u>423,761</u>	<u>371,127</u>	<u>52,634</u>
Expenses						
General government	329,938	344,109	(14,171)	-	-	-
Public safety	734,977	679,462	55,515	-	-	-
Public works	428,150	204,529	223,621	-	-	-
Sanitation and recycling	54,391	86,006	(31,615)	-	-	-
Culture and recreation	36,757	135,163	(98,406)	-	-	-
Miscellaneous	90,491	1,292	89,199	-	-	-
Debt service	-	315	(315)	-	-	-
Sewer	-	-	-	276,554	275,384	1,170
Storm Sewer	-	-	-	75,410	67,454	7,956
Total expenses	<u>1,674,704</u>	<u>1,450,876</u>	<u>223,828</u>	<u>351,964</u>	<u>342,838</u>	<u>9,126</u>
Change in net position	(144,022)	(29,818)	(114,204)	71,797	28,289	43,508
Net position, January 1	<u>6,799,110</u>	<u>6,828,928</u>	<u>(29,818)</u>	<u>2,849,290</u>	<u>2,821,001</u>	<u>28,289</u>
Net position, December 31	<u>\$ 6,655,088</u>	<u>\$ 6,799,110</u>	<u>\$ (144,022)</u>	<u>\$ 2,921,087</u>	<u>\$ 2,849,290</u>	<u>\$ 71,797</u>

Overall, the financial position of governmental activities remained relatively close to the prior year.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$71,797.

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,938,010, a decrease of \$265,861 in comparison with the prior year. Approximately 36.7 percent of this total amount (\$710,624) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund is *nonspendable* (\$2,283), *restricted* (\$33,949), *committed* (\$109,377), or *assigned* (\$1,081,777).

The *General fund* is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General fund was \$799,931. As a measure of the General fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 64.4 percent of total General fund expenditures and 61.5 percent of the 2017 budget.

The fund balance of the City's General fund increased by \$20,647 during the current fiscal year.

The *Street Improvement* fund has a total fund balance of \$431,091, a decrease of \$173,740 from the previous year.

The *Park Improvement* fund has a total fund balance of \$280,145, a decrease of \$3,794 from the previous year.

The *General Capital Improvement* fund has a total fund balance of \$104,205, a decrease of \$140,218 from the previous year.

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

The *Sewer* fund unrestricted net position of the Sewer operation amounted to \$946,911. The total increase in net position for the fund was \$43,889.

The *Storm Sewer* fund unrestricted net position amounted to \$306,643. The total increase in net position for the fund was \$27,908.

The factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original budget was not amended during the 2016 fiscal year. Revenues were more than budgetary estimates by \$38,515 and expenditures were less than budgetary estimates by \$20,589. As a result the City experienced an overall favorable budget variance.

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, 2016, amounts to \$6,673,491, (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 3.4 percent (a 2.7 percent increase for governmental activities and a 5.7 percent increase for business-type activities).

Major capital asset events during the year included the purchase of 1821 Eustis Street and the purchase of a 2016 Ford F350 truck.

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

Additional information on the City's capital assets can be found in Note 3B starting on page 51 of this report.

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 415,849	\$ 208,740	\$ 207,109	\$ -	\$ -	\$ -
Buildings	35,920	8,602	27,318	-	-	-
Improvements other than buildings	118,442	135,573	(17,131)	-	-	-
Machinery and equipment	140,957	113,716	27,241	7,333	8,333	(1,000)
Construction in progress	-	-	-	129,661	-	129,661
Infrastructure	4,294,790	4,409,001	(114,211)	1,530,539	1,569,307	(38,768)
Total	<u>\$ 5,005,958</u>	<u>\$ 4,875,632</u>	<u>\$ 130,326</u>	<u>\$ 1,667,533</u>	<u>\$ 1,577,640</u>	<u>\$ 89,893</u>

Long-term debt. At the end of the current fiscal year, the City had no bonded debt outstanding.

City of Lauderdale's Outstanding Debt

	Governmental Activities			Business Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Compensated absences	\$ 47,202	\$ 45,317	\$ 1,885	\$ 11,044	\$ 8,788	\$ 2,256
Net pension liability	332,497	217,371	115,126	105,958	62,485	43,473
Total	<u>\$ 379,699</u>	<u>\$ 262,688</u>	<u>\$ 117,011</u>	<u>\$ 117,002</u>	<u>\$ 71,273</u>	<u>\$ 45,729</u>

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 debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$4,986,201 (3 percent of the market value of \$166,206,700). The City currently has no outstanding general obligation debt. Long-term debt issued and financed partially or entirely by special assessments, tax increments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City has no debt which is applied against the statutory debt limit.

Economic Factors and Next Year's Budgets and Rates

- The City plans to clear the 1821 Eustis Street property and prep for redevelopment.
- The City plans to pave the unimproved, dead-end alleys.

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 Administrator, Heather Butkowski, City of Lauderdale, 1891 Walnut Street, Lauderdale, MN 55113.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 1,930,780	\$ 1,313,478	\$ 3,244,258
Receivables			
Accounts	5,695	53,633	59,328
Delinquent taxes	16,111	-	16,111
Interest	13,917	-	13,917
Special assessments	6,690	-	6,690
Due from other governments	1,427	-	1,427
Prepaid items	2,283	-	2,283
Capital assets			
Land and construction in progress	415,849	129,661	545,510
Depreciable buildings, property and equipment, net	4,590,109	1,537,872	6,127,981
TOTAL ASSETS	6,982,861	3,034,644	10,017,505
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	120,431	38,378	158,809
LIABILITIES			
Accounts payable	15,551	21,063	36,614
Due to other governments	9,531	33	9,564
Current liabilities - due within one year		-	
Compensated absences payable	22,666	11,044	33,710
Noncurrent liabilities - due in more than one year			
Compensated absences payable	24,536	-	24,536
Net pension liability	332,497	105,958	438,455
TOTAL LIABILITIES	404,781	138,098	542,879
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	43,423	13,837	57,260
NET POSITION			
Investment in capital assets	5,005,958	1,667,533	6,673,491
Restricted for tax increment financing	33,949	-	33,949
Unrestricted	1,615,181	1,253,554	2,868,735
TOTAL NET POSITION	\$ 6,655,088	\$ 2,921,087	\$ 9,576,175

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

CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 329,938	\$ 56,363	\$ -	\$ -
Public safety	734,977	42,828	-	-
Public works	428,150	-	-	5,475
Sanitation and recycling	54,391	38,558	6,046	-
Culture and recreation	36,757	709	-	-
Economic development	90,491	-	-	-
Total governmental activities	<u>1,674,704</u>	<u>138,458</u>	<u>6,046</u>	<u>5,475</u>
Business-type activities				
Sewer	276,554	278,140	29,063	-
Storm sewer	<u>75,410</u>	<u>98,684</u>	<u>195</u>	<u>-</u>
Total business-type activities	<u>351,964</u>	<u>376,824</u>	<u>29,258</u>	<u>-</u>
Total	<u>\$ 2,026,668</u>	<u>\$ 515,282</u>	<u>\$ 35,304</u>	<u>\$ 5,475</u>

General revenues

Taxes

Property taxes, levied for general purposes

Franchise tax

Grants and contributions not restricted to specific programs

Investment earnings

Total general revenues

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (273,575)	\$ -	\$ (273,575)
(692,149)	-	(692,149)
(422,675)	-	(422,675)
(9,787)	-	(9,787)
(36,048)	-	(36,048)
(90,491)	-	(90,491)
<u>(1,524,725)</u>	<u>-</u>	<u>(1,524,725)</u>
-	30,649	30,649
<u>-</u>	<u>23,469</u>	<u>23,469</u>
-	54,118	54,118
<u>(1,524,725)</u>	<u>54,118</u>	<u>(1,470,607)</u>
676,494	-	676,494
21,720	-	21,720
659,609	-	659,609
<u>22,880</u>	<u>17,679</u>	<u>40,559</u>
<u>1,380,703</u>	<u>17,679</u>	<u>1,398,382</u>
(144,022)	71,797	(72,225)
<u>6,799,110</u>	<u>2,849,290</u>	<u>9,648,400</u>
<u>\$ 6,655,088</u>	<u>\$ 2,921,087</u>	<u>\$ 9,576,175</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF LAUDERDALE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

		Capital Projects		
	General	Street Improvement	Park Improvement	General Capital Improvement
ASSETS				
Cash and temporary investments	\$ 793,319	\$ 431,091	\$ 280,145	\$ 108,707
Receivables				
Accounts	-	-	-	-
Delinquent taxes	16,111	-	-	-
Interest	13,917	-	-	-
Special assessments	6,690	-	-	-
Due from other funds	-	-	-	-
Due from other governments	1,427	-	-	-
Prepaid items	1,683	-	-	-
TOTAL ASSETS	<u>\$ 833,147</u>	<u>\$ 431,091</u>	<u>\$ 280,145</u>	<u>\$ 108,707</u>
LIABILITIES				
Accounts payable	\$ 8,191	\$ -	\$ -	\$ 4,502
Due to other funds	-	-	-	-
Due to other governments	9,531	-	-	-
TOTAL LIABILITIES	<u>17,722</u>	<u>-</u>	<u>-</u>	<u>4,502</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	7,121	-	-	-
Unavailable revenue - special assessments	6,690	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,811</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	1,683	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	431,091	280,145	104,205
Unassigned	799,931	-	-	-
TOTAL FUND BALANCES	<u>801,614</u>	<u>431,091</u>	<u>280,145</u>	<u>104,205</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 833,147</u>	<u>\$ 431,091</u>	<u>\$ 280,145</u>	<u>\$ 108,707</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 317,518	\$ 1,930,780
5,695	5,695
-	16,111
-	13,917
-	6,690
89,307	89,307
-	1,427
600	2,283
<u>\$ 413,120</u>	<u>\$ 2,066,210</u>
\$ 2,858	\$ 15,551
89,307	89,307
-	9,531
<u>92,165</u>	<u>114,389</u>
-	7,121
-	6,690
<u>-</u>	<u>13,811</u>
600	2,283
33,949	33,949
109,377	109,377
266,336	1,081,777
(89,307)	710,624
<u>320,955</u>	<u>1,938,010</u>
<u>\$ 413,120</u>	<u>\$ 2,066,210</u>

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

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CITY OF LAUDERDALE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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

Total fund balances - governmental funds	\$ 1,938,010
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	6,945,789
Less: accumulated depreciation	(1,939,831)
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.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(47,202)
Pension liability	(332,497)
Delinquent property taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflow of resources in the funds.	7,121
Special assessments receivable are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflow of resources in the funds.	6,690
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	120,431
Deferred inflows of pension resources	(43,423)
Total net position - governmental activities	<u><u>\$ 6,655,088</u></u>

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

CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

		Capital Projects		
	General	Street Improvement	Park Improvement	General Capital Improvement
REVENUES				
Taxes	\$ 678,065	\$ -	\$ -	\$ -
Licenses and permits	47,772	-	-	-
Intergovernmental	538,700	-	-	-
Charges for services	15,040	-	-	-
Fines and forfeitures	35,779	-	-	-
Special assessments	1,807	-	-	-
Interest on investments	8,537	6,417	3,794	771
Miscellaneous	14,426	135	-	5
TOTAL REVENUES	1,340,126	6,552	3,794	776
EXPENDITURES				
Current				
General government	333,868	-	-	31,828
Public safety	734,977	-	-	-
Public works	98,068	-	-	158,821
Sanitation and recycling	-	-	-	-
Culture and recreation	76,109	-	-	-
Capital outlay	-	180,292	-	-
TOTAL EXPENDITURES	1,243,022	180,292	-	190,649
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	97,104	(173,740)	3,794	(189,873)
OTHER FINANCING SOURCES (USES)				
Transfers in	11,198	-	-	49,655
Transfers out	(87,655)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(76,457)	-	-	49,655
NET CHANGE IN FUND BALANCES	20,647	(173,740)	3,794	(140,218)
FUND BALANCES, JANUARY 1	780,967	604,831	276,351	244,423
FUND BALANCES, DECEMBER 31	\$ 801,614	\$ 431,091	\$ 280,145	\$ 104,205

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

Other Governmental Funds	Total Governmental Funds
\$ 21,720	\$ 699,785
-	47,772
6,046	544,746
38,558	53,598
-	35,779
-	1,807
3,361	22,880
106,350	120,916
<u>176,035</u>	<u>1,527,283</u>
-	365,696
-	734,977
-	256,889
50,800	50,800
17,023	93,132
111,358	291,650
<u>179,181</u>	<u>1,793,144</u>
<u>(3,146)</u>	<u>(265,861)</u>
38,000	98,853
(11,198)	(98,853)
<u>26,802</u>	<u>-</u>
23,656	(265,861)
297,299	2,203,871
<u>\$ 320,955</u>	<u>\$ 1,938,010</u>

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

CITY OF LAUDERDALE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Total net change in fund balances - governmental funds	\$ (265,861)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	285,995
Depreciation expense	(155,669)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(6,426)
Pension revenue from state contributions	1,302
Delinquent taxes and special assessment receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflow of resources in the funds.	
Special assessments	3,668
Property taxes	(1,571)
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.	
Compensated absences	<u>(5,460)</u>
Change in net position - governmental activities	<u><u>\$ (144,022)</u></u>

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

CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 676,561	\$ 676,561	\$ 678,065	\$ 1,504
Licenses and permits	26,100	26,100	47,772	21,672
Intergovernmental	538,700	538,700	538,700	-
Charges for services	12,750	12,750	15,040	2,290
Fines and forfeitures	45,000	45,000	35,779	(9,221)
Special assessments	-	-	1,807	1,807
Interest on investments	1,850	1,850	8,537	6,687
Miscellaneous	650	650	14,426	13,776
TOTAL REVENUES	1,301,611	1,301,611	1,340,126	38,515
EXPENDITURES				
Current				
General government	343,562	343,562	333,868	9,694
Public safety	740,582	740,582	734,977	5,605
Public works	88,614	88,614	98,068	(9,454)
Culture and recreation	70,853	70,853	76,109	(5,256)
Economic development	20,000	20,000	-	20,000
TOTAL EXPENDITURES	1,263,611	1,263,611	1,243,022	20,589
EXCESS OF REVENUES OVER EXPENDITURES	38,000	38,000	97,104	59,104
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,198	11,198
Transfers out	(38,000)	(38,000)	(87,655)	(49,655)
TOTAL OTHER FINANCING SOURCES (USES)	(38,000)	(38,000)	(76,457)	(38,457)
NET CHANGE IN FUND BALANCES	-	-	20,647	20,647
FUND BALANCES, JANUARY 1	780,967	780,967	780,967	-
FUND BALANCES, DECEMBER 31	\$ 780,967	\$ 780,967	\$ 801,614	\$ 20,647

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

CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities		
	Sewer	Storm Sewer	Total
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 979,498	\$ 333,980	\$ 1,313,478
Accounts receivable	36,767	16,866	53,633
TOTAL CURRENT ASSETS	1,016,265	350,846	1,367,111
NONCURRENT ASSETS			
Capital assets			
Construction in progress	129,661	-	129,661
Machinery and equipment	15,000	-	15,000
Infrastructure	1,938,391	-	1,938,391
Less accumulated depreciation	(415,519)	-	(415,519)
TOTAL NONCURRENT ASSETS	1,667,533	-	1,667,533
TOTAL ASSETS	2,683,798	350,846	3,034,644
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions resources	20,360	18,018	38,378
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	20,602	461	21,063
Due to other governments	33	-	33
Compensated absences payable	5,527	5,517	11,044
TOTAL CURRENT LIABILITIES	26,162	5,978	32,140
NONCURRENT LIABILITIES			
Pension liability	56,211	49,747	105,958
TOTAL LIABILITIES	82,373	55,725	138,098
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	7,341	6,496	13,837
NET POSITION			
Investment in capital assets	1,667,533	-	1,667,533
Unrestricted	946,911	306,643	1,253,554
TOTAL NET POSITION	\$ 2,614,444	\$ 306,643	\$ 2,921,087

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

CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities		
	Sewer	Storm Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 278,140	\$ 98,684	\$ 376,824
Other	29,063	195	29,258
TOTAL OPERATING REVENUES	307,203	98,879	406,082
OPERATING EXPENSES			
Personal services	63,640	59,585	123,225
Supplies	6,991	409	7,400
Other services and charges	160,831	15,416	176,247
Repair and maintenance	5,324	-	5,324
Depreciation	39,768	-	39,768
TOTAL OPERATING EXPENSES	276,554	75,410	351,964
OPERATING INCOME	30,649	23,469	54,118
NONOPERATING REVENUES			
Interest income	13,240	4,439	17,679
CHANGE IN NET POSITION	43,889	27,908	71,797
NET POSITION, JANUARY 1	2,570,555	278,735	2,849,290
NET POSITION, DECEMBER 31	<u>\$ 2,614,444</u>	<u>\$ 306,643</u>	<u>\$ 2,921,087</u>

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

CITY OF LAUDERDALE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities		
	Sewer	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants and users	\$ 310,987	\$ 98,068	\$ 409,055
Payments to suppliers	(161,316)	(15,674)	(176,990)
Payments to employees	(55,628)	(54,865)	(110,493)
NET CASH PROVIDED BY OPERATING ACTIVITIES	94,043	27,529	121,572
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(109,605)	-	(109,605)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	13,240	4,439	17,679
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,322)	31,968	29,646
CASH AND CASH EQUIVALENTS, JANUARY 1	981,820	302,012	1,283,832
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 979,498	\$ 333,980	\$ 1,313,478
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 30,649	\$ 23,469	\$ 54,118
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	39,768	-	39,768
Increase (decrease) in assets/deferred outflows			
Accounts receivable	3,784	(811)	2,973
Prepaid items	11,602	-	11,602
Deferred pension resources	(16,464)	(14,410)	(30,874)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	195	151	346
Salaries payable	-	-	-
Due to other governments payable	33	-	33
Compensated absences payable	1,650	606	2,256
Net pension liability	23,771	19,702	43,473
Deferred pension resources	(945)	(1,178)	(2,123)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 94,043	\$ 27,529	\$ 121,572
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchased on account	\$ 20,056	\$ -	\$ -

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

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Lauderdale, Minnesota (the City), operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City 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 City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the GASB criteria.

B. 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 City. 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 is 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 City, except those required to be accounted for in another fund.

The *Street Improvement fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *Park Improvement fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *General Capital Improvement fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

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

The *Storm Sewer fund* accounts for the costs of the City's storm sewer system, which are financed by the storm sewer surcharge, and to ensure that the user charges are sufficient to pay of those costs.

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 sewer function 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 fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources, liabilities, deferred outflows/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 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 statement 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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality 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.

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 same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy in December and certifies it to the County 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, July and December each year.

In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes receivable and are fully offset by deferred inflow of resources, because they are not known to be available to finance current expenditures. Delinquent taxes receivable include the past six years' uncollected taxes. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed..

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 2016. The City annually certifies delinquent sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

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. In the fund financial statements, special assessments that remain unpaid at December 31 are classified as delinquent special assessments receivable. 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."

Prepaid items

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.

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, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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 backtrending (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 the estimated fair value of the item at the date of its donation.

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

Assets	Useful Lives in Years
Buildings and improvements	7 - 40
Improvements other than buildings	15 - 40
Machinery and equipment	3 - 20
Infrastructure	25 - 50

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has 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.

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.

Compensated absences

The City's policy allows the carryover of unused vacation leave to the next calendar year. Unused vacation and sick leave is accrued in the fund from which it is expected to be liquidated. Half of the sick leave balance is paid. Unused sick leave earned is not payable upon separation from the City unless the employee has been employed by the City for ten or more years. Three employees meet the ten year requirement at year end. The General fund is typically used to liquidate governmental compensated absences payable.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types 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.

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has 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 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, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City 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 City Council itself or by an official to which the governing body delegates the authority. The City 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.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of an amount not less than 45 percent of budgeted expenditures of the General fund for cash-flow timing needs.

Net position

In the government-wide financial statements, net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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".

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In early summer of each year, the City Administrator works with staff to prepare a draft budget that identifies spending priorities. The City Administrator presents to the Council in August for review and discussion. The preliminary levy is established by the Council in September. The City Council holds a public hearing and the final budget and levy is 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 (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the City Council. There were no budget amendments in 2016.

B. Excess of expenditures over appropriations

For the year ended December 31, 2016 expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Communications	\$ 16,197	\$ 17,023	\$ 826

The excess expenditures were funded by revenues in excess of expectations.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is 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.

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

At year end, the City's carrying amount of deposits was \$261,370 and the bank balance was \$278,046. The bank balance was covered by federal depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

At year end, the City's investment balances were as follows:

Type of Investment	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at amortized costs						
Broker Money Market	N/A	less than 6 months	\$ 13,422	\$ -	\$ -	\$ -
4M Fund	P1	less than 6 months	466,924	-	-	-
4M Plus Fund	P1	less than 6 months	454,141	-	-	-
Non Pooled Investments at fair value						
Negotiable Certificates of Deposits	N/A	less than 6 months	400,000	-	400,000	-
Negotiable Certificates of Deposits	N/A	6 months to 1 year	100,000	-	100,000	-
Negotiable Certificates of Deposits	N/A	1 to 3 years	1,200,000	-	1,200,000	-
Negotiable Certificates of Deposits	N/A	over 3 years	348,000	-	348,000	-
Total investments			\$2,982,488	\$ -	\$2,048,000	\$ -

- (1) Ratings provided by Moody's credit rating agency.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicated not applicable or available.

Investment policy

It is the policy of the City to invest public funds in a manner, which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City in accordance with all Minnesota and local statutes governing the investment of public funds.

The investments of the City are subject to the following risks:

- **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.
- **Custodial Credit Risk.** The 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 specifically addresses custodial credit risk by limiting the amount that the City may invest in any one financial institution.
- **Concentration of Credit Risk.** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits investments in any one investment company to a maximum of 60 percent of the investment portfolio or \$2,000,000 (whichever) is less.
- **Interest Rate Risk.** The 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 manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than ten years.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

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

	<u>Total Reporting Entity</u>
Carrying amount of deposits	\$ 261,370
Investments	2,982,488
Cash on hand	<u>400</u>
 Total cash and temporary investments	 <u><u>\$ 3,244,258</u></u>

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 208,740	\$ 202,607	\$ -	\$ 411,347
Construction in progress	-	4,502	-	4,502
Total capital assets not being depreciated	208,740	207,109	-	415,849
Capital assets, being depreciated				
Buildings	199,850	30,500	-	230,350
Improvements other than buildings	282,535	-	-	282,535
Machinery and equipment	285,142	48,386	(27,038)	306,490
Infrastructure	5,710,565	-	-	5,710,565
Total capital assets being depreciated	6,478,092	78,886	(27,038)	6,529,940
Less accumulated depreciation for				
Buildings	(191,248)	(3,182)	-	(194,430)
Improvements other than buildings	(146,962)	(17,131)	-	(164,093)
Machinery and equipment	(171,426)	(21,145)	27,038	(165,533)
Infrastructure	(1,301,564)	(114,211)	-	(1,415,775)
Total accumulated depreciation	(1,811,200)	(155,669)	27,038	(1,939,831)
Total capital assets being depreciated, net	4,666,892	(76,783)	-	4,590,109
Governmental activities capital assets, net	<u>\$ 4,875,632</u>	<u>\$ 130,326</u>	<u>\$ -</u>	<u>\$ 5,005,958</u>

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 129,661	\$ -	\$ 129,661
Capital assets being depreciated				
Infrastructure	1,938,391	-	-	1,938,391
Machinery and equipment	15,000	-	-	15,000
Total capital assets being depreciated	1,953,391	-	-	1,953,391
Less accumulated depreciation for				
Infrastructure	(369,084)	(38,768)	-	(407,852)
Machinery and equipment	(6,667)	(1,000)	-	(7,667)
Total accumulated depreciation	(375,751)	(39,768)	-	(415,519)
Total capital assets being depreciated, net	1,577,640	(39,768)	-	1,537,872
Business-type activities capital assets, net	<u>\$ 1,577,640</u>	<u>\$ 89,893</u>	<u>\$ -</u>	<u>\$ 1,667,533</u>

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

Governmental activities	
General government	\$ 3,751
Public works	126,589
Culture and recreation	24,145
Miscellaneous	1,184
Total depreciation expense - governmental activities	<u>\$ 155,669</u>
Business-type activities	
Sewer	<u>\$ 39,768</u>

Construction commitments

The City has active construction projects as of December 31, 2016. At year end the City's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Project name		
2016 Sewer Lining Project	<u>\$ 112,698</u>	<u>\$ 3,187</u>

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables and transfers

The composition of interfund balances as of December 31, 2016 is a \$89,307 interfund balance between other governmental funds to cover project costs.

The composition of interfund transfers as of December 31, 2016, is as follows:

Fund	Transfer in			Total
	General	General Capital Improvement	Other Governmental Funds	
Transfer out				
General	\$ -	\$ 49,655	\$ 38,000	\$ 87,655
Other governmental funds	11,198	-	-	11,198
Total transfers out	<u>\$ 11,198</u>	<u>\$ 49,655</u>	<u>\$ 38,000</u>	<u>\$ 98,853</u>

During the year, transfers are used to 1) move funds from the General fund per the city's fund balance policy and 2) move General fund resources to provide funding for capital activity. Further, during the year ended December 31, 2016, the City made the following one-time transfers:

- 1) A transfer of \$11,198 occurred from the other governmental funds to the General fund to close the Community Events funds.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Net pension liability					
GERF	\$ 217,371	\$ 142,725	\$ (27,599)	\$ 332,497	\$ -
Compensated absences payable	45,317	24,551	(22,666)	47,202	22,666
Governmental activity long-term liabilities	<u>\$ 262,688</u>	<u>\$ 167,276</u>	<u>\$ (50,265)</u>	<u>\$ 379,699</u>	<u>\$ 22,666</u>
Business-type activities					
Net pension liability					
GERF	\$ 62,485	\$ 49,090	\$ (5,617)	\$ 105,958	\$ -
Compensated absences payable	8,788	13,300	(11,044)	11,044	11,044
Business-type activity long-term liabilities	<u>\$ 71,273</u>	<u>\$ 62,390</u>	<u>\$ (16,661)</u>	<u>\$ 117,002</u>	<u>\$ 11,044</u>

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Components of fund balance

At December 31, 2016, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Fund	Purpose	Amount
Fund balance - Unassigned		
General		\$ 799,931
Housing Redevelopment		<u>(89,307)</u>
Total fund balance - unassigned		<u>710,624</u>
Fund balance - Nonspendable		
General	Prepaid items	1,683
Communications	Prepaid items	<u>600</u>
Total fund balance - Nonspendable		<u>2,283</u>
Fund balance - Restricted		
Rosehill tax increments	Tax increments	<u>33,949</u>
Fund balance - Committed		
Communications	Cable access	8,651
Recycling	Recycling	<u>100,726</u>
Total fund balance - Committed		<u>109,377</u>
Fund balance - Assigned		
Capital improvement - streets	Street capital	431,091
General capital improvement	Capital purchases	104,205
Development	Development	266,336
Park improvement	Park capital	<u>280,145</u>
Total fund balance - Assigned		<u>1,081,777</u>
Total fund balance		<u><u>\$ 1,938,010</u></u>

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLAN - 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). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, other than teachers, are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$25,156, \$23,836 and \$24,372, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

D. Pension costs

GERF pension costs

At December 31, 2016, the City reported a liability of \$438,455 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. 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 \$5,757. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0054 percent which was the same as its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$44,742 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,717 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 35,617
Changes in actuarial assumptions	1,490	-
Net difference between projected and actual earnings on plan investments	48,951	21,643
Changes in proportion	94,372	-
Contributions to GERF subsequent to the measurement date	<u>13,996</u>	<u>-</u>
Total	<u>\$ 158,809</u>	<u>\$ 57,260</u>

Deferred outflows of resources totaling \$13,996 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 19,694
2018	9,682
2019	42,341
2020	15,836

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERP for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERP.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

GERP

- 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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

F. Discount rate

The discount rate used to measure the total pension liability was 7.5 percent, a reduction from the 7.9 percent used in 2015. 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 GERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERS	\$ 688,374	\$ 438,455	\$ 232,381

H. Pension plan fiduciary net position

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

CITY OF LAUDERDALE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 commercial 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. An excess coverage insurance policy covers individual claims in excess of \$1,000,000. 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 computed as 3.0 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments, tax increments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City has no debt which is applied against the statutory debt limit.

C. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2016 was \$537,502 for LGA. This accounted for 40 percent of General fund revenue.

D. Tax increment financing districts

The City'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 would have a material effect on the financial statements.

Note 7: CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are certain limited-obligation revenue bonds or similar instruments issued for express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private-sector entities for projects deemed to be in public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2016 the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding
Catholic Eldercare	12/1/2014	\$ 9,300,000	\$ 9,066,000
Benedictine Health System	7/14/2016	10,000,000	10,000,000

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF LAUDERDALE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information								
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	
06/30/16	0.0054 %	\$ 438,455	\$ 5,757	\$ 444,212	\$ 335,413	130.7 %	68.9 %	
06/30/15	0.0054	279,856	-	279,856	318,761	87.8	78.2	

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

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information						
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)	
12/31/16	\$ 25,156	\$ 25,156	\$ -	\$ 335,413	7.5 %	
12/31/15	23,836	23,836	-	317,813	7.5	

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

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF LAUDERDALE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and temporary investments	\$ 106,540	\$ 210,978	\$ 317,518
Receivables			
Accounts	5,695	-	5,695
Due from other funds	-	89,307	89,307
Prepaid items	600	-	600
	<u>600</u>	<u>-</u>	<u>600</u>
TOTAL ASSETS	<u>\$ 112,835</u>	<u>\$ 300,285</u>	<u>\$ 413,120</u>
LIABILITIES			
Accounts payable	\$ 2,858	\$ -	\$ 2,858
Due to other funds	-	89,307	89,307
	<u>-</u>	<u>89,307</u>	<u>89,307</u>
TOTAL LIABILITIES	<u>2,858</u>	<u>89,307</u>	<u>92,165</u>
FUND BALANCES			
Nonspendable	600	-	600
Restricted	-	33,949	33,949
Committed	109,377	-	109,377
Assigned	-	266,336	266,336
Unassigned	-	(89,307)	(89,307)
	<u>-</u>	<u>(89,307)</u>	<u>(89,307)</u>
TOTAL FUND BALANCES	<u>109,977</u>	<u>210,978</u>	<u>320,955</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 112,835</u>	<u>\$ 300,285</u>	<u>\$ 413,120</u>

CITY OF LAUDERDALE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Franchise fees	\$ 21,720	\$ -	\$ 21,720
Intergovernmental	6,046	-	6,046
Charges for services	38,558	-	38,558
Interest on investments	1,369	1,992	3,361
Miscellaneous	<u>-</u>	<u>106,350</u>	<u>106,350</u>
TOTAL REVENUES	<u>67,693</u>	<u>108,342</u>	<u>176,035</u>
EXPENDITURES			
Current			
Sanitation and recycling	50,800	-	50,800
Culture and recreation	17,023	-	17,023
Capital outlay			
General government	-	21,060	21,060
Public works	-	991	991
Economic development	<u>-</u>	<u>89,307</u>	<u>89,307</u>
TOTAL EXPENDITURES	<u>67,823</u>	<u>111,358</u>	<u>179,181</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(130)</u>	<u>(3,016)</u>	<u>(3,146)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	38,000	38,000
Transfers out	<u>(11,198)</u>	<u>-</u>	<u>(11,198)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,198)</u>	<u>38,000</u>	<u>26,802</u>
NET CHANGE IN FUND BALANCES	(11,328)	34,984	23,656
FUND BALANCES, JANUARY 1	<u>121,305</u>	<u>175,994</u>	<u>297,299</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 109,977</u></u>	<u><u>\$ 210,978</u></u>	<u><u>\$ 320,955</u></u>

CITY OF LAUDERDALE, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	201	226	227	
	Community Events	Communications	Recycling	Total
ASSETS				
Cash and temporary investments	\$ -	\$ 3,715	\$ 102,825	\$ 106,540
Receivables				
Accounts	-	5,695	-	5,695
Prepaid items	-	600	-	600
	<u>-</u>	<u>600</u>	<u>-</u>	<u>600</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 10,010</u></u>	<u><u>\$ 102,825</u></u>	<u><u>\$ 112,835</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ 759	\$ 2,099	\$ 2,858
	<u>-</u>	<u>759</u>	<u>2,099</u>	<u>2,858</u>
FUND BALANCES				
Nonspendable	-	600	-	600
Committed	-	8,651	100,726	109,377
	<u>-</u>	<u>8,651</u>	<u>100,726</u>	<u>109,377</u>
TOTAL FUND BALANCES	<u>-</u>	<u>9,251</u>	<u>100,726</u>	<u>109,977</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ 10,010</u></u>	<u><u>\$ 102,825</u></u>	<u><u>\$ 112,835</u></u>

CITY OF LAUDERDALE, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	201 Community Events	226 Communications	227 Recycling	Total
REVENUES				
Taxes				
Franchise fees	\$ -	\$ 21,720	\$ -	\$ 21,720
Intergovernmental	-	-	6,046	6,046
Charges for services	-	-	38,558	38,558
Interest on investments	-	36	1,333	1,369
	<u>-</u>	<u>21,756</u>	<u>45,937</u>	<u>67,693</u>
TOTAL REVENUES	<u>-</u>	<u>21,756</u>	<u>45,937</u>	<u>67,693</u>
EXPENDITURES				
Current				
Sanitation and recycling				
Personal services	-	-	20,952	20,952
Other services and charges	-	-	29,848	29,848
Culture and recreation				
Personal services	-	8,157	-	8,157
Other services and charges	-	8,866	-	8,866
	<u>-</u>	<u>8,866</u>	<u>-</u>	<u>8,866</u>
TOTAL EXPENDITURES	<u>-</u>	<u>17,023</u>	<u>50,800</u>	<u>67,823</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	4,733	(4,863)	(130)
OTHER FINANCING USES				
Transfers out	<u>(11,198)</u>	<u>-</u>	<u>-</u>	<u>(11,198)</u>
NET CHANGE IN FUND BALANCES	(11,198)	4,733	(4,863)	(11,328)
FUND BALANCES, JANUARY 1	<u>11,198</u>	<u>4,518</u>	<u>105,589</u>	<u>121,305</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ 9,251</u>	<u>\$ 100,726</u>	<u>\$ 109,977</u>

CITY OF LAUDERDALE, MINNESOTA
COMMUNITY EVENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Charges for services				
Culture and recreation	\$ -	\$ -	\$ -	\$ 3,553
Interest on investments	-	-	-	61
Miscellaneous	-	-	-	58
TOTAL REVENUES	-	-	-	3,672
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	-	-	-	2,746
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	926
OTHER FINANCING USES				
Operating transfer out	-	(11,198)	11,198	-
NET CHANGE IN FUND BALANCES	-	(11,198)	(11,198)	926
FUND BALANCES, JANUARY 1	11,198	11,198	-	10,272
FUND BALANCES, DECEMBER 31	\$ 11,198	\$ -	\$ (11,198)	\$ 11,198

CITY OF LAUDERDALE, MINNESOTA
COMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Franchise fees	\$ 20,000	\$ 21,720	\$ 1,720	\$ 20,029
Interest on investments	25	36	11	4
Miscellaneous	-	-	-	40
TOTAL REVENUES	20,025	21,756	1,731	20,073
EXPENDITURES				
Current				
Culture and recreation				
Personal services	8,197	8,157	40	15,822
Other services and charges	8,000	8,866	(866)	7,510
TOTAL EXPENDITURES	16,197	17,023	(826)	23,332
NET CHANGE IN FUND BALANCES	3,828	4,733	905	(3,259)
FUND BALANCES, JANUARY 1	4,518	4,518	-	7,777
FUND BALANCES, DECEMBER 31	\$ 8,346	\$ 9,251	\$ 905	\$ 4,518

CITY OF LAUDERDALE, MINNESOTA
 RECYCLING FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
County	\$ 5,977	\$ 6,046	\$ 69	\$ 41,909
Charges for services				
Sanitation	35,000	38,558	3,558	35,400
Interest on investments	400	1,333	933	527
TOTAL REVENUES	41,377	45,937	4,560	77,836
EXPENDITURES				
Current				
Sanitation and recycling				
Personal services	20,991	20,952	39	17,612
Supplies	-	-	-	34,556
Other services and charges	30,000	29,848	152	33,740
TOTAL EXPENDITURES	50,991	50,800	191	85,908
NET CHANGE IN FUND BALANCES	(9,614)	(4,863)	4,751	(8,072)
FUND BALANCES, JANUARY 1	105,589	105,589	-	113,661
FUND BALANCES, DECEMBER 31	\$ 95,975	\$ 100,726	\$ 4,751	\$ 105,589

CITY OF LAUDERDALE, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	405 Rosehill Tax Increments	414 Development	415 Housing Redevelopment	Total
ASSETS				
Cash and temporary investments	\$ 33,949	\$ 177,029	\$ -	\$ 210,978
Due from other funds	-	89,307	-	89,307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 33,949</u></u>	<u><u>\$ 266,336</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 300,285</u></u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 89,307	\$ 89,307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES				
Restricted	33,949	-	-	33,949
Assigned	-	266,336	-	266,336
Unassigned	-	-	(89,307)	(89,307)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>33,949</u>	<u>266,336</u>	<u>(89,307)</u>	<u>210,978</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 33,949</u></u>	<u><u>\$ 266,336</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 300,285</u></u>

CITY OF LAUDERDALE, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	405 Rosehill Tax Increments	414 Development	415 Housing Redevelopment	Total
REVENUES				
Interest on investments	\$ 482	\$ 1,510	\$ -	\$ 1,992
Miscellaneous	-	106,350	-	106,350
	<u>482</u>	<u>107,860</u>	<u>-</u>	<u>108,342</u>
TOTAL REVENUES				
EXPENDITURES				
Capital outlay				
General government	-	21,060	-	21,060
Public works	991	-	-	991
Economic development	-	-	89,307	89,307
	<u>991</u>	<u>21,060</u>	<u>89,307</u>	<u>111,358</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(509)	86,800	(89,307)	(3,016)
OTHER FINANCING SOURCES				
Transfers in	-	38,000	-	38,000
NET CHANGE IN FUND BALANCES	(509)	124,800	(89,307)	34,984
FUND BALANCES, JANUARY 1	<u>34,458</u>	<u>141,536</u>	<u>-</u>	<u>175,994</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 33,949</u></u>	<u><u>\$ 266,336</u></u>	<u><u>\$ (89,307)</u></u>	<u><u>\$ 210,978</u></u>

CITY OF LAUDERDALE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 676,561	\$ 676,561	\$ 678,065	\$ 1,504	\$ 597,344
Licenses and permits					
Business	2,950	2,950	3,655	705	10,474
Nonbusiness	23,150	23,150	44,117	20,967	37,558
Total	26,100	26,100	47,772	21,672	48,032
Intergovernmental					
State					
Local government aid	537,502	537,502	537,502	-	536,736
Other state grants	1,198	1,198	1,198	-	1,198
Total	538,700	538,700	538,700	-	537,934
Charges for services					
General government	9,550	9,550	14,226	4,676	7,055
Public safety	600	600	105	(495)	1,225
Culture and recreation	2,600	2,600	709	(1,891)	-
Total	12,750	12,750	15,040	2,290	8,280
Fines and forfeitures	45,000	45,000	35,779	(9,221)	49,971
Special assessments	-	-	1,807	1,807	843
Interest on investments	1,850	1,850	8,537	6,687	3,057
Miscellaneous					
Contributions and donations	150	150	2,982	2,832	-
Refunds and reimbursements	-	-	-	-	3,693
Other	500	500	11,444	10,944	1,385
Total	650	650	14,426	13,776	5,078
TOTAL REVENUES	1,301,611	1,301,611	1,340,126	38,515	1,250,539

CITY OF LAUDERDALE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current					
General government					
Legislative and executive					
Personal services	\$ 17,803	\$ 17,803	\$ 17,814	\$ (11)	\$ 17,802
Supplies	-	-	92	(92)	28
Other services and charges	13,550	13,550	6,981	6,569	16,280
Total	31,353	31,353	24,887	6,466	34,110
Administration					
Personal services	158,568	158,568	160,645	(2,077)	149,312
Supplies	5,900	5,900	6,833	(933)	5,695
Other services and charges	31,670	31,670	31,017	653	32,576
Total	196,138	196,138	198,495	(2,357)	187,583
Election, audit, and legal fees					
Personal services	16,962	16,962	18,038	(1,076)	12,504
Supplies	2,250	2,250	2,908	(658)	-
Other services and charges	37,468	37,468	42,824	(5,356)	47,301
Total	56,680	56,680	63,770	(7,090)	59,805
Planning and zoning					
Personal services	20,641	20,641	26,796	(6,155)	50,198
Supplies	200	200	1,799	(1,599)	371
Other services and charges	28,550	28,550	18,121	10,429	7,290
Total	49,391	49,391	46,716	2,675	57,859
Contingency					
Other services and charges	10,000	10,000	-	10,000	-
Total general government	343,562	343,562	333,868	9,694	339,357
Public safety					
Police					
Other services and charges	670,235	670,235	670,362	(127)	650,603
Fire					
Other services and charges	34,675	34,675	30,423	4,252	28,859
Building inspections					
Personal services	33,122	33,122	28,772	4,350	-
Supplies	50	50	-	50	-
Other services and charges	2,500	2,500	5,420	(2,920)	-
Total	35,672	35,672	34,192	1,480	-
Total public safety	740,582	740,582	734,977	5,605	679,462

CITY OF LAUDERDALE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public works					
Streets and highways					
Personal services	\$ 45,714	\$ 45,714	\$ 47,235	\$ (1,521)	\$ 45,889
Supplies	5,900	5,900	2,946	2,954	5,963
Other services and charges	30,000	30,000	40,050	(10,050)	14,085
Total	81,614	81,614	90,231	(8,617)	65,937
Snow and ice removal					
Other services and charges	-	-	-	-	10,737
Street lighting					
Other services and charges	7,000	7,000	7,837	(837)	6,005
Total public works	88,614	88,614	98,068	(9,454)	82,679
Culture and recreation					
Parks and recreation					
Personal services	62,903	62,903	66,018	(3,115)	64,423
Supplies	2,650	2,650	2,623	27	972
Other services and charges	5,300	5,300	7,468	(2,168)	5,840
Total culture and recreation	70,853	70,853	76,109	(5,256)	71,235
Economic development					
Other services and charges	20,000	20,000	-	20,000	-
Total current expenditures	1,263,611	1,263,611	1,243,022	20,589	1,172,733
Capital outlay					
General government	-	-	-	-	1,192
TOTAL EXPENDITURES	1,263,611	1,263,611	1,243,022	20,589	1,173,925
EXCESS OF REVENUES OVER EXPENDITURES	38,000	38,000	97,104	59,104	76,614
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	11,198	11,198	20,461
Transfers out	(38,000)	(38,000)	(87,655)	(49,655)	(74,659)
TOTAL OTHER FINANCING SOURCES (USES)	(38,000)	(38,000)	(76,457)	(38,457)	(54,198)
NET CHANGE IN FUND BALANCES	-	-	20,647	20,647	22,416
FUND BALANCES, JANUARY 1	780,967	780,967	780,967	-	758,551
FUND BALANCES, DECEMBER 31	\$ 780,967	\$ 780,967	\$ 801,614	\$ 20,647	\$ 780,967

CITY OF LAUDERDALE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 699,785	\$ 617,373	13.35 %
Licenses and permits	47,772	48,032	(0.54)
Intergovernmental	544,746	655,225	(16.86)
Charges for services	53,598	47,233	13.48
Fines and forfeitures	35,779	49,971	(28.40)
Special assessments	1,807	843	114.35
Interest on investments	22,880	9,651	137.07
Miscellaneous	120,916	6,676	1,711.20
 TOTAL REVENUES	 \$ 1,527,283	 \$ 1,435,004	 6.43 %
Per Capita	\$ 610	\$ 583	4.64 %
EXPENDITURES			
Current			
General government	\$ 365,696	\$ 339,357	7.76 %
Public safety	734,977	679,462	8.17
Public works	256,889	82,679	210.71
Sanitation and recycling	50,800	85,908	(40.87)
Economic development	-	-	100.00
Culture and recreation	93,132	97,313	(4.30)
Capital outlay	291,650	82,105	255.22
Debt service			
Principal	-	105,000	N/A
Interest and other	-	1,890	N/A
 TOTAL EXPENDITURES	 \$ 1,793,144	 \$ 1,473,714	 21.68 %
Per Capita	\$ 716	\$ 599	19.63 %
 General Fund Balance - December 31	 \$ 801,614	 \$ 780,967	 2.64 %
Per Capita	320	317	0.92

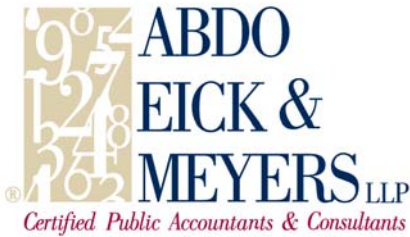
The purpose of this report is to provide a summary of financial information concerning the City of Lauderdale to interested citizens. The complete financial statements may be examined at City Hall, 1891 Walnut Street, Lauderdale, MN 55113. Questions about this report should be directed to Heather Butkowski, City Administrator at (651)792-7650.

OTHER REQUIRED REPORT

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Lauderdale, 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, each major fund, and the aggregate remaining fund information of City of Lauderdale, Minnesota (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 13, 2017