

# Annual Financial Report

## City of Lauderdale

Lauderdale, Minnesota

For the Year Ended  
December 31, 2017

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City of Lauderdale, Minnesota  
Annual Financial Report  
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For the Year Ended December 31, 2017

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INTRODUCTORY SECTION  
CITY OF LAUDERDALE  
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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City of Lauderdale, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2017

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Gaasch	Mayor	12/31/18
Jeff Dains	Council Member	12/31/20
Kelly Dolphin	Council Member	12/31/20
Roxanne Grove	Council Member	12/31/18
Andi Moffatt	Council Member	12/31/18

**APPOINTED**

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

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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, 2017, 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, 2017, 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***

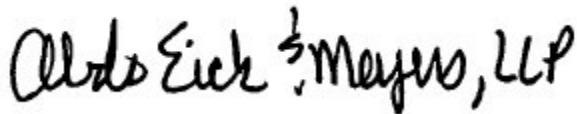
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 62 be presented to supplement the basic 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 16, 2018

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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, 2017.

### **Financial Highlights**

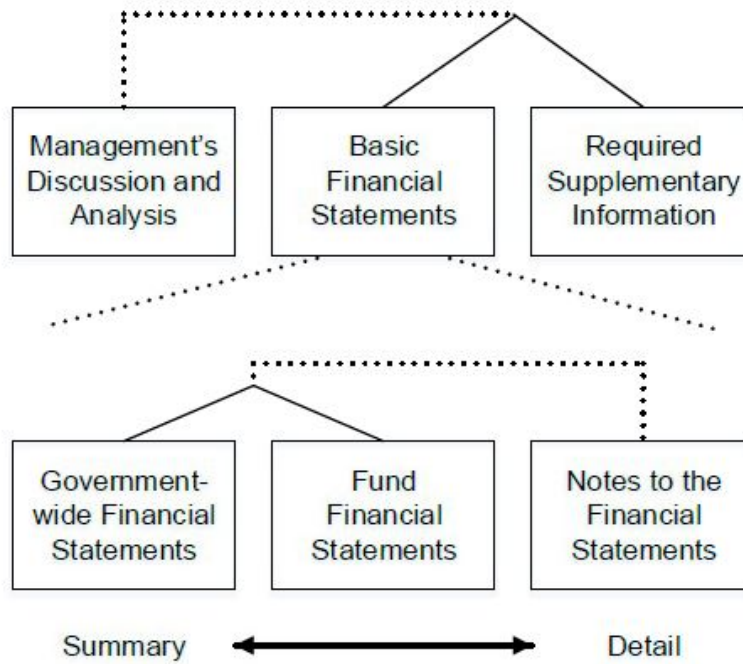
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,571,844 (*net position*). Of this amount, \$3,037,557 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$4,332.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,029,761 a increase of \$91,750 in comparison with the prior year. Approximately 33.7 percent of this total amount, \$684,405, is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$773,712, or 57.9 percent of 2017 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**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>
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 27 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 Development 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 32 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 37 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 66 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 \$9,571,844 at the close of the most recent fiscal year.

The largest portion of the City's net position (67.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 2,071,089	\$ 1,976,903	\$ 94,186	\$ 1,445,298	\$ 1,367,111	\$ 78,187
Capital assets	4,864,214	5,005,958	(141,744)	1,627,765	1,667,533	(39,768)
Total Assets	6,935,303	6,982,861	(47,558)	3,073,063	3,034,644	38,419
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	75,623	120,431	(44,808)	21,612	38,378	(16,766)
<b>Liabilities</b>						
Long-term liabilities						
outstanding	326,060	379,699	(53,639)	91,350	117,002	(25,652)
Other liabilities	30,151	25,082	5,069	2,138	21,096	(18,958)
Total Liabilities	356,211	404,781	(48,570)	93,488	138,098	(44,610)
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	65,375	43,423	21,952	18,683	13,837	4,846
<b>Net Position</b>						
Investment in capital assets	4,864,214	5,005,958	(141,744)	1,627,765	1,667,533	(39,768)
Restricted	42,308	33,949	8,359	-	-	-
Unrestricted	1,682,818	1,615,181	67,637	1,354,739	1,253,554	101,185
Total Net Position	\$ 6,589,340	\$ 6,655,088	\$ (65,748)	\$ 2,982,504	\$ 2,921,087	\$ 61,417

The remaining balance of *unrestricted net position* (\$3,037,557) 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.

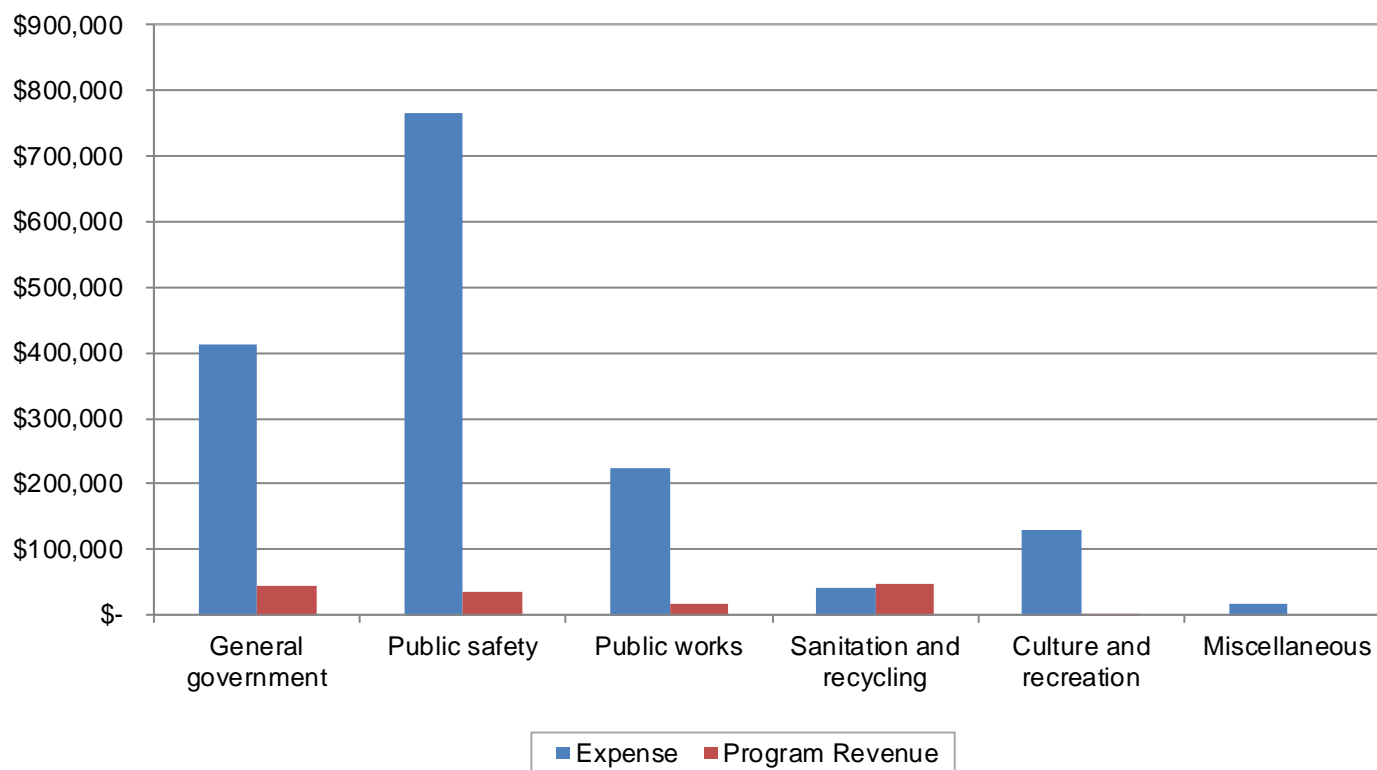
**Governmental Activities.** Governmental activities decreased the City's net position by \$65,749 and business-type increased the City's net position by \$61,417. Key elements of the increase/decrease are as follows:

### City of Lauderdale's Changes in Net Position

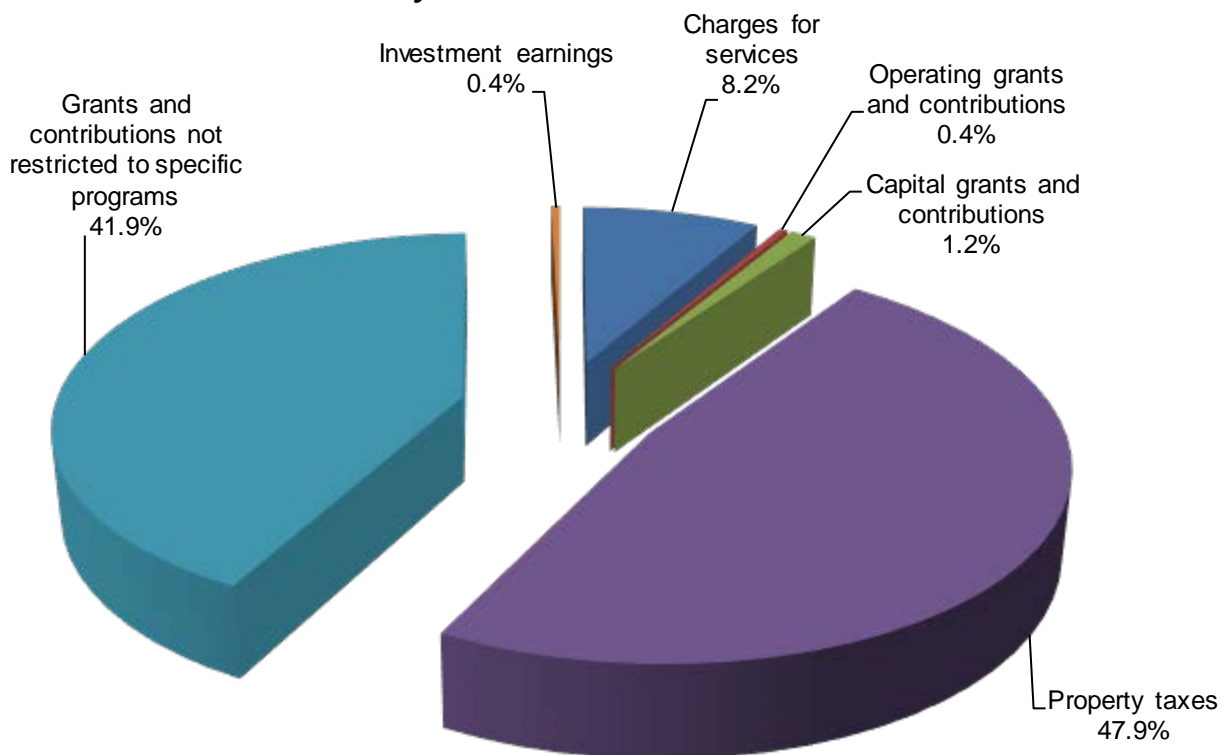
	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 124,310	\$ 138,458	\$ (14,148)	\$ 391,725	\$ 376,824	\$ 14,901
Operating grants and contributions	6,213	6,046	167	30	29,258	(29,228)
Capital grants and contributions	18,140	5,475	12,665	-	-	-
General Revenues						
Property taxes	730,360	698,214	32,146	-	-	-
Grants and Contributions Not restricted to specific programs	638,557	659,609	(21,052)	-	-	-
Investment Earnings	6,724	22,880	(16,156)	15,925	17,679	(1,754)
Total Revenues	<u>1,524,304</u>	<u>1,530,682</u>	<u>(6,378)</u>	<u>407,680</u>	<u>423,761</u>	<u>(16,081)</u>
Expenses						
General government	414,171	329,938	84,233	-	-	-
Public safety	765,492	734,977	30,515	-	-	-
Public works	222,967	428,150	(205,183)	-	-	-
Sanitation and recycling	42,491	54,391	(11,900)	-	-	-
Culture and recreation	128,593	36,757	91,836	-	-	-
Miscellaneous	16,339	90,491	(74,152)	-	-	-
Debt service	-	-	-	-	-	-
Sewer	-	-	-	252,844	276,554	(23,710)
Storm Sewer	-	-	-	93,419	75,410	18,009
Total Expenses	<u>1,590,053</u>	<u>1,674,704</u>	<u>(84,651)</u>	<u>346,263</u>	<u>351,964</u>	<u>(5,701)</u>
Change in Net Position	(65,749)	(144,022)	78,273	61,417	71,797	(10,380)
Net Position, January 1	<u>6,655,089</u>	<u>6,799,110</u>	<u>(144,021)</u>	<u>2,921,087</u>	<u>2,849,290</u>	<u>71,797</u>
Net Position, December 31	<u>\$ 6,589,339</u>	<u>\$ 6,655,088</u>	<u>\$ (65,749)</u>	<u>\$ 2,982,504</u>	<u>\$ 2,921,087</u>	<u>\$ 61,417</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 \$61,417.

## **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 \$2,029,761, an increase of \$91,750 in comparison with the prior year. Approximately 33.7 percent of this total amount (\$684,405) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund is *nonspendable* (\$1,468), *restricted* (\$42,308), *committed* (\$117,858), or *assigned* (\$1,183,722).

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 \$773,712. 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 58.1 percent of total General fund expenditures and 57.9 percent of the 2018 budget.

The fund balance of the City's General fund decreased by \$27,034 during the current fiscal year.

The *Street Improvement* fund has a total fund balance of \$445,558, an increase of \$14,466 from the previous year.

The *Park Improvement* fund has a total fund balance of \$268,776, a decrease of \$11,369 from the previous year.

The *Development* fund has a total fund balance of \$387,950, an increase of \$121,614 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 \$1,022,464. The total increase in net position for the fund was \$35,785.

The *Storm Sewer* fund unrestricted net position amounted to \$332,275. The total increase in net position for the fund was \$25,632.

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 2017 fiscal year. Revenues were more than budgetary estimates by \$7,577 and expenditures were more than budgetary estimates by \$34,611. As a result the City experienced an overall unfavorable 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, 2017, amounts to \$6,491,979, (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 decrease in the City's investment in capital assets for the current fiscal year was 2.7 percent (a 2.8 percent decrease for governmental activities and a 2.4 percent decrease for business-type activities).

Major capital asset events during the year included the resurfacing of the tennis court and the carpet installation project.

### 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 411,347	\$ 411,347	\$ -	\$ -	\$ -	\$ -
Buildings	42,818	35,920	6,898	-	-	-
Improvements other than Buildings	101,311	118,442	(17,131)	-	-	-
Machinery and Equipment	128,159	140,957	(12,798)	6,333	7,333	(1,000)
Construction in Progress	-	4,502	(4,502)	-	129,661	(129,661)
Infrastructure	4,180,579	4,294,790	(114,211)	1,621,432	1,530,539	90,893
Total	<u>\$ 4,864,214</u>	<u>\$ 5,005,958</u>	<u>\$ (141,744)</u>	<u>\$ 1,627,765</u>	<u>\$ 1,667,533</u>	<u>\$ (39,768)</u>

## Economic Factors and Next Year's Budgets and Rates

- The City expects to close on the purchase of 1795 Eustis Street in May 2018. The City will hold this property for redevelopment.
- If the City successfully negotiates the jurisdictional transfer of Eustis Street and Roselawn Avenue with Ramsey County, the City will prepare for reconstruction of the streets in 2019.
- The City plans to clear the home at 1821 Eustis Street property and prep for redevelopment.

## 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, 2017

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City of Lauderdale, Minnesota

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 2,034,899	\$ 1,387,495	\$ 3,422,394
Receivables			
Accounts	6,142	57,803	63,945
Delinquent taxes	15,727	-	15,727
Interest	5,243	-	5,243
Special assessments	5,622	-	5,622
Due from other governments	1,988	-	1,988
Prepaid items	1,468	-	1,468
Capital assets			
Land and construction in progress	411,347	-	411,347
Depreciable buildings, property and equipment, net	4,452,867	1,627,765	6,080,632
Total Assets	<u>6,935,303</u>	<u>3,073,063</u>	<u>10,008,366</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>75,623</u>	<u>21,612</u>	<u>97,235</u>
<b>Liabilities</b>			
Accounts payable	22,766	2,138	24,904
Due to other governments	7,385	-	7,385
Current liabilities - due within one year			
Compensated absences payable	21,591	10,470	32,061
Noncurrent liabilities - due in more than one year			
Compensated absences payable	21,467	-	21,467
Net pension liability	283,002	80,880	363,882
Total Liabilities	<u>356,211</u>	<u>93,488</u>	<u>449,699</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>65,375</u>	<u>18,683</u>	<u>84,058</u>
<b>Net Position</b>			
Investment in capital assets	4,864,214	1,627,765	6,491,979
Restricted for street maintenance	16,470	-	16,470
Restricted for tax increment financing	25,838	-	25,838
Unrestricted	<u>1,682,818</u>	<u>1,354,739</u>	<u>3,037,557</u>
<b>Total Net Position</b>	<u>\$ 6,589,340</u>	<u>\$ 2,982,504</u>	<u>\$ 9,571,844</u>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current				
General government	\$ 414,171	\$ 45,072	\$ -	\$ -
Public safety	765,492	36,862	-	-
Public works	222,967	-	-	18,140
Sanitation and recycling	42,491	41,859	6,213	-
Culture and recreation	128,593	517	-	-
Economic development	16,339	-	-	-
Total Governmental Activities	<u>1,590,053</u>	<u>124,310</u>	<u>6,213</u>	<u>18,140</u>
<b>Business-type Activities</b>				
Sewer	252,844	276,905	15	-
Storm sewer	93,419	114,820	15	-
Total Business-type Activities	<u>346,263</u>	<u>391,725</u>	<u>30</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,936,316</u>	<u>\$ 516,035</u>	<u>\$ 6,243</u>	<u>\$ 18,140</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

Governmental Activities	Business-type Activities	Total
\$ (369,099)	\$ -	\$ (369,099)
(728,630)	-	(728,630)
(204,827)	-	(204,827)
5,581	-	5,581
(128,076)	-	(128,076)
(16,339)	-	(16,339)
<u>(1,441,390)</u>	<u>-</u>	<u>(1,441,390)</u>
-	24,076	24,076
-	21,416	21,416
<u>-</u>	<u>45,492</u>	<u>45,492</u>
<u>(1,441,390)</u>	<u>45,492</u>	<u>(1,395,898)</u>
708,326	-	708,326
22,034	-	22,034
638,557	-	638,557
6,724	15,925	22,649
<u>1,375,641</u>	<u>15,925</u>	<u>1,391,566</u>
(65,749)	61,417	(4,332)
<u>6,655,089</u>	<u>2,921,087</u>	<u>9,576,176</u>
<u>\$ 6,589,340</u>	<u>\$ 2,982,504</u>	<u>\$ 9,571,844</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, 2017

City of Lauderdale, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2017

	Capital Projects				Other	Total
	General	Street Improvement	Park Improvement	Development	Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and temporary investments	\$ 775,490	\$ 452,870	\$ 268,776	\$ 298,643	\$ 239,120	\$ 2,034,899
Receivables						
Accounts	808	-	-	-	5,334	6,142
Delinquent taxes	15,727	-	-	-	-	15,727
Interest	5,243	-	-	-	-	5,243
Special assessments	4,879	-	-	-	743	5,622
Due from other funds	-	-	-	89,307	-	89,307
Due from other governments	1,915	73	-	-	-	1,988
Prepaid items	868	-	-	-	600	1,468
<b>Total Assets</b>	<b>\$ 804,930</b>	<b>\$ 452,943</b>	<b>\$ 268,776</b>	<b>\$ 387,950</b>	<b>\$ 245,797</b>	<b>\$ 2,160,396</b>
<b>Liabilities</b>						
Accounts payable	\$ 19,173	\$ -	\$ -	-	\$ 3,593	\$ 22,766
Due to other funds	-	-	-	-	89,307	89,307
Due to other governments	-	7,385	-	-	-	7,385
<b>Total Liabilities</b>	<b>19,173</b>	<b>7,385</b>	<b>-</b>	<b>-</b>	<b>92,900</b>	<b>119,458</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	7,541	-	-	-	-	7,541
Unavailable revenue - special assessments	3,636	-	-	-	-	3,636
<b>Total Deferred Inflows of Resources</b>	<b>11,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,177</b>
<b>Fund Balances</b>						
Nonspendable	868	-	-	-	600	1,468
Restricted	-	16,470	-	-	25,838	42,308
Committed	-	-	-	-	117,858	117,858
Assigned	-	429,088	268,776	387,950	97,908	1,183,722
Unassigned	773,712	-	-	-	(89,307)	684,405
<b>Total Fund Balances</b>	<b>774,580</b>	<b>445,558</b>	<b>268,776</b>	<b>387,950</b>	<b>152,897</b>	<b>2,029,761</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 804,930</b>	<b>\$ 452,943</b>	<b>\$ 268,776</b>	<b>\$ 387,950</b>	<b>\$ 245,797</b>	<b>\$ 2,160,396</b>

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



City of Lauderdale, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2017

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

Total Fund Balances - Governmental Funds	\$ 2,029,761
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	6,961,318
Less: accumulated depreciation	(2,097,104)
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	(43,058)
Pension liability	(283,002)
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.	7,541
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.	3,636
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	75,623
Deferred inflows of pension resources	(65,375)
Total Net Position - Governmental Activities	<u><u>\$ 6,589,340</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, 2017

	Capital Projects				Other Governmental Funds	Total Governmental Funds
	General	Street Improvement	Park Improvement	Development		
Revenues						
Taxes	\$ 707,907	\$ -	\$ -	\$ -	\$ 22,034	\$ 729,941
Licenses and permits	36,901	-	-	-	-	36,901
Intergovernmental	544,015	16,470	-	-	6,213	566,698
Charges for services	20,583	-	-	-	41,859	62,442
Fines and forfeitures	24,046	-	-	-	-	24,046
Special assessments	4,723	-	-	-	-	4,723
Interest on investments	(7,172)	5,244	3,331	2,489	2,832	6,724
Miscellaneous	12,598	137	1,500	81,125	-	95,360
Total Revenues	<u>1,343,601</u>	<u>21,851</u>	<u>4,831</u>	<u>83,614</u>	<u>72,938</u>	<u>1,526,835</u>
Expenditures						
Current						
General government	387,497	-	-	-	-	387,497
Public safety	765,492	-	-	-	-	765,492
Public works	88,181	-	-	-	-	88,181
Sanitation and recycling	-	-	-	-	46,082	46,082
Culture and recreation	83,651	-	-	-	16,799	100,450
Economic development	7,814	-	-	-	-	7,814
Capital outlay	-	7,385	16,200	-	15,984	39,569
Total Expenditures	<u>1,332,635</u>	<u>7,385</u>	<u>16,200</u>	<u>-</u>	<u>78,865</u>	<u>1,435,085</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,966</u>	<u>14,466</u>	<u>(11,369)</u>	<u>83,614</u>	<u>(5,927)</u>	<u>91,750</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	38,000	-	38,000
Transfers out	(38,000)	-	-	-	-	(38,000)
Total Other Financing Sources (Uses)	<u>(38,000)</u>	<u>-</u>	<u>-</u>	<u>38,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(27,034)	14,466	(11,369)	121,614	(5,927)	91,750
Fund Balances, January 1	<u>801,614</u>	<u>431,092</u>	<u>280,145</u>	<u>266,336</u>	<u>158,824</u>	<u>1,938,011</u>
Fund Balances, December 31	<u>\$ 774,580</u>	<u>\$ 445,558</u>	<u>\$ 268,776</u>	<u>\$ 387,950</u>	<u>\$ 152,897</u>	<u>\$ 2,029,761</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, 2017

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

Total Net Change in Fund Balances - Governmental Funds	\$ 91,750
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	15,529
Depreciation expense	(157,273)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(17,369)
Pension revenue from state contributions	103
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	(3,053)
Property taxes	419
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>4,145</u>
Change in Net Position - Governmental Activities	<u><u>\$ (65,749)</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 708,333	\$ 708,333	\$ 707,907	\$ (426)
Licenses and permits	29,750	29,750	36,901	7,151
Intergovernmental	539,016	539,016	544,015	4,999
Charges for services	11,025	11,025	20,583	9,558
Fines and forfeitures	45,000	45,000	24,046	(20,954)
Special assessments	-	-	4,723	4,723
Interest on investments	2,100	2,100	(7,172)	(9,272)
Miscellaneous	800	800	12,598	11,798
Total Revenues	<u>1,336,024</u>	<u>1,336,024</u>	<u>1,343,601</u>	<u>7,577</u>
Expenditures				
Current				
General government	355,322	355,322	387,497	(32,175)
Public safety	753,566	753,566	765,492	(11,926)
Public works	88,010	88,010	88,181	(171)
Culture and recreation	81,126	81,126	83,651	(2,525)
Economic development	20,000	20,000	7,814	12,186
Total Expenditures	<u>1,298,024</u>	<u>1,298,024</u>	<u>1,332,635</u>	<u>(34,611)</u>
Excess of Revenues Over Expenditures	38,000	38,000	10,966	(27,034)
Other Financing Uses				
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	(27,034)	(27,034)
Fund Balances, January 1	<u>801,614</u>	<u>801,614</u>	<u>801,614</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 801,614</u>	<u>\$ 801,614</u>	<u>\$ 774,580</u>	<u>\$ (27,034)</u>

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, 2017

	Business-type Activities		
	Sewer	Storm Sewer	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 1,028,844	\$ 358,651	\$ 1,387,495
Accounts receivable	39,226	18,577	57,803
Total Current Assets	<u>1,068,070</u>	<u>377,228</u>	<u>1,445,298</u>
Noncurrent Assets			
Capital assets			
Machinery and equipment	15,000	-	15,000
Infrastructure	2,068,052	-	2,068,052
Less accumulated depreciation	(455,287)	-	(455,287)
Total Noncurrent Assets	<u>1,627,765</u>	<u>-</u>	<u>1,627,765</u>
Total Assets	<u>2,695,835</u>	<u>377,228</u>	<u>3,073,063</u>
Deferred Outflows of Resources			
Deferred pensions resources	<u>10,876</u>	<u>10,736</u>	<u>21,612</u>
Liabilities			
Current Liabilities			
Accounts payable	1,139	999	2,138
Compensated absences payable	5,238	5,232	10,470
Total Current Liabilities	<u>6,377</u>	<u>6,231</u>	<u>12,608</u>
Noncurrent Liabilities			
Pension liability	<u>40,703</u>	<u>40,177</u>	<u>80,880</u>
Total Liabilities	<u>47,080</u>	<u>46,408</u>	<u>93,488</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>9,402</u>	<u>9,281</u>	<u>18,683</u>
Net Position			
Investment in capital assets	1,627,765	-	1,627,765
Unrestricted	<u>1,022,464</u>	<u>332,275</u>	<u>1,354,739</u>
Total Net Position	<u>\$ 2,650,229</u>	<u>\$ 332,275</u>	<u>\$ 2,982,504</u>

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, 2017

	Business-type Activities		
	Sewer	Storm Sewer	Total
Operating Revenues			
Charges for services	\$ 276,905	\$ 114,820	\$ 391,725
Other	15	15	30
Total Operating Revenues	<u>276,920</u>	<u>114,835</u>	<u>391,755</u>
Operating Expenses			
Personal services	54,374	57,472	111,846
Supplies	512	512	1,024
Other services and charges	158,190	35,435	193,625
Depreciation	39,768	-	39,768
Total Operating Expenses	<u>252,844</u>	<u>93,419</u>	<u>346,263</u>
Operating Income	24,076	21,416	45,492
Nonoperating Revenues			
Interest income	<u>11,709</u>	<u>4,216</u>	<u>15,925</u>
Change in Net Position	35,785	25,632	61,417
Net Position, January 1	<u>2,614,444</u>	<u>306,643</u>	<u>2,921,087</u>
Net Position, December 31	<u><u>\$ 2,650,229</u></u>	<u><u>\$ 332,275</u></u>	<u><u>\$ 2,982,504</u></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, 2017

	Business-type Activities		
	Sewer	Storm Sewer	Total
Cash Flows from Operating Activities			
Receipts from tenants and users	\$ 274,461	\$ 113,124	\$ 387,585
Payments to suppliers	(158,142)	(35,409)	(193,551)
Payments to employees	(58,626)	(57,260)	(115,886)
Net Cash Provided by Operating Activities	<u>57,693</u>	<u>20,455</u>	<u>78,148</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	<u>(20,056)</u>	<u>-</u>	<u>(20,056)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>11,709</u>	<u>4,216</u>	<u>15,925</u>
Net Increase in Cash and Cash Equivalents	49,346	24,671	74,017
Cash and Cash Equivalents, January 1	<u>979,498</u>	<u>333,980</u>	<u>1,313,478</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,028,844</u></u>	<u><u>\$ 358,651</u></u>	<u><u>\$ 1,387,495</u></u>
Reconciliation of Operating Income			
to Net Cash Provided by Operating Activities			
Operating income	\$ 24,076	\$ 21,416	\$ 45,492
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	(2,459)	(1,711)	(4,170)
Deferred pension resources	9,484	7,282	16,766
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	593	538	1,131
Due to other governments payable	(33)	-	(33)
Compensated absences payable	(289)	(285)	(574)
Net pension liability	(15,508)	(9,570)	(25,078)
Deferred pension resources	<u>2,061</u>	<u>2,785</u>	<u>4,846</u>
Net Cash Provided by			
Operating Activities	<u><u>\$ 57,693</u></u>	<u><u>\$ 20,455</u></u>	<u><u>\$ 78,148</u></u>

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

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## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of 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, 2017

**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 *Development fund* accounts for economic development activity.

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.

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

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.

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

#### *Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from 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.

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

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

***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 2017. 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.

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

### **Capital Assets**

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

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.

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. The General fund is typically used to liquidate the governmental net pension liability.

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

### ***Compensated Absences***

The City's policy allows for the carryover of unused vacation and sick leave to the next calendar year. Unused vacation and sick leave is accrued to the fund from which it is expected to be liquidated. Half of unused sick leave earned is payable upon separation from the City if the employee has been employed by the City for ten or more years. Three employees met the ten-year requirement at year end. The General fund is typically used to liquidate governmental compensated absences payable.

### ***Long-term Obligations***

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

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

### ***Fund Balance***

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

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

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

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, 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.

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 of resources and liabilities and deferred inflows of resources. 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".

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 2017.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2017 expenditures exceeded appropriations in the following funds.

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 1,298,024	\$ 1,332,635	\$ 34,611
Communications	15,943	16,799	856

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

**C. Deficit Fund Equity**

As of December 31, 2017, the following fund reported a deficit fund equity:

Fund	Amount
Housing Redevelopment	\$ 89,307

The deficit is expected to be eliminated with future fund revenues or transfers from other funds.



### **Note 3: Detailed Notes on All Funds**

#### **A. Deposits and Investments**

##### ***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the 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 \$233,070 and the bank balance was \$272,494. 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, 2017

**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	\$ 18,408	\$ -	\$ -	\$ -
4M Fund	P1	less than 6 months	165,649	-	-	-
4M Plus Fund	P1	less than 6 months	861,181	-	-	-
Non Pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	less than 6 months	399,893	-	399,893	-
Negotiable Certificates of Deposit	N/A	6 months to 1 year	347,860	-	347,860	-
Negotiable Certificates of Deposit	N/A	1 to 3 years	1,296,477	-	1,296,477	-
Negotiable Certificates of Deposit	N/A	over 3 years	99,456	-	99,456	-
Total Investments			\$ 3,188,924	\$ -	\$ 2,143,686	\$ -

(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, 2017

**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:

	Total Reporting Entity
Carrying Amount of Deposits	\$ 233,070
Investments	3,188,924
Cash on Hand	400
	<u>400</u>
Total Cash and Temporary Investments	<u>\$ 3,422,394</u>

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 411,347	\$ -	\$ -	\$ 411,347
Construction in progress	4,502	-	(4,502)	-
Total Capital Assets not being Depreciated	<u>415,849</u>	<u>-</u>	<u>(4,502)</u>	<u>411,347</u>
Capital Assets, being Depreciated				
Buildings	230,350	10,681	-	241,031
Improvements				
other than buildings	282,535	-	-	282,535
Machinery and equipment	306,490	9,350	-	315,840
Infrastructure	5,710,565	-	-	5,710,565
Total Capital Assets being Depreciated	<u>6,529,940</u>	<u>20,031</u>	<u>-</u>	<u>6,549,971</u>
Less Accumulated Depreciation for				
Buildings	(194,430)	(3,783)	-	(198,213)
Improvements other				
than buildings	(164,093)	(17,131)	-	(181,224)
Machinery and equipment	(165,533)	(22,148)	-	(187,681)
Infrastructure	(1,415,775)	(114,211)	-	(1,529,986)
Total Accumulated Depreciation	<u>(1,939,831)</u>	<u>(157,273)</u>	<u>-</u>	<u>(2,097,104)</u>
Total Capital Assets being Depreciated, Net	<u>4,590,109</u>	<u>(137,242)</u>	<u>-</u>	<u>4,452,867</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,005,958</u>	<u>\$ (137,242)</u>	<u>\$ (4,502)</u>	<u>\$ 4,864,214</u>

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Construction in progress	\$ 129,661	\$ -	\$ (129,661)	\$ -
Capital Assets being Depreciated				
Infrastructure	1,938,391	129,661	-	2,068,052
Machinery and equipment	15,000	-	-	15,000
Total Capital Assets being Depreciated	1,953,391	129,661	-	2,083,052
Less Accumulated Depreciation for				
Infrastructure	(407,852)	(38,768)	-	(446,620)
Machinery and equipment	(7,667)	(1,000)	-	(8,667)
Total Accumulated Depreciation	(415,519)	(39,768)	-	(455,287)
Total Capital Assets being Depreciated, Net	1,537,872	89,893	-	1,627,765
Business-type Activities Capital Assets, Net	<u>\$ 1,667,533</u>	<u>\$ 89,893</u>	<u>\$ (129,661)</u>	<u>\$ 1,627,765</u>

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

**Governmental Activities**

General government	\$ 5,124
Public works	128,004
Culture and recreation	<u>24,145</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 157,273</u>
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**Business-type Activities**

Sewer	<u>\$ 39,768</u>
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City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

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

The composition of interfund balances as of December 31, 2017 is a \$89,307 interfund balance from the Development fund to the Nonmajor Housing Redevelopment fund to cover project costs.

A budgeted transfer of \$38,000 occurred from the General fund to the Capital Improvement fund to provide funding for capital activity.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Net Pension Liability					
GERF	\$ 332,497	\$ 7,054	\$ (56,549)	\$ 283,002	\$ -
Compensated Absences Payable	47,202	17,447	(21,591)	43,058	21,591
Governmental Activity Long-term Liabilities	<u>\$ 379,699</u>	<u>\$ 24,501</u>	<u>\$ (78,140)</u>	<u>\$ 326,060</u>	<u>\$ 21,591</u>
<b>Business-type Activities</b>					
Net Pension Liability					
GERF	\$ 105,958	\$ -	\$ (25,078)	\$ 80,880	\$ -
Compensated Absences Payable	11,044	9,896	(10,470)	10,470	10,470
Business-type Activity Long-term Liabilities	<u>\$ 117,002</u>	<u>\$ 9,896</u>	<u>\$ (35,548)</u>	<u>\$ 91,350</u>	<u>\$ 10,470</u>

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

**D. Components of Fund Balance**

At December 31, 2017, 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
<b>Fund Balance - Nonspendable</b>		
General	Prepaid items	\$ 868
Communications	Prepaid items	600
Total Fund Balance - Nonspendable		<u>1,468</u>
<b>Fund Balance - Restricted</b>		
Rosehill tax increments	Tax increments	25,838
Street maintenance	Street maintenance	16,470
Total fund balance - Restricted		<u>42,308</u>
<b>Fund Balance - Committed</b>		
Communications	Cable access	13,983
Recycling	Recycling	103,875
Total Fund Balance - Committed		<u>117,858</u>
<b>Fund Balance - Assigned</b>		
Capital improvement - streets	Street capital	429,088
General capital improvement	Capital purchases	97,908
Development	Development	387,950
Park improvement	Park capital	268,776
Total Fund Balance - Assigned		<u>1,183,722</u>
<b>Fund Balance - Unassigned</b>		
General		773,712
Housing Redevelopment		(89,307)
Total Fund Balance - Unassigned		<u>684,405</u>
Total Fund Balance		<u><u>\$ 2,029,761</u></u>

## **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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$27,025, \$25,156 and \$23,836, 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, 2017

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

**D. Pension Costs**

GERF Pension Costs

At December 31, 2017, the City reported a liability of \$363,882 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 \$4,555. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0057 percent which was an increase of 0.0003 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$13,936 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$132 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, 2017, 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	\$ 48	\$ 73,238
Changes in Actuarial Assumptions	60,736	-
Net Difference between Projected and Actual Earnings on Plan Investments	9,129	-
Changes in Proportion	13,720	10,820
Contributions to GERF Subsequent to the Measurement Date	<u>13,602</u>	<u>-</u>
Total	<u>\$ 97,235</u>	<u>\$ 84,058</u>

Deferred outflows of resources totaling \$13,602 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ (9,661)
2019	22,998
2020	(4,645)
2021	(9,117)



City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

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

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to it PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERP through 2044 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 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 2017:

GERP

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
	<u>100.00 %</u>	
Total		

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

##### F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5 percent, a reduction from the 7.9 percent used in 2016. 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 GERP 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%)
GERP	\$ 564,411	\$ 363,882	\$ 199,716

##### H. Pension Plan Fiduciary Net Position

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

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2017

## Note 5: Other Information

### A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries 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 2017 was \$537,817 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 6: 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, 2017 the following issues were outstanding:

<u>Name</u>	<u>Date of Issue</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Catholic Eldercare	12/1/2014	\$ 9,300,000	\$ 8,244,000
Benedictine Health System	7/14/2016	10,000,000	10,000,000
Catholic Eldercare	11/7/2017	9,000,000	9,000,000

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUDERDALE  
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

City of Lauderdale, Minnesota  
Required Supplementary Information  
December 31, 2017

**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
06/30/17	0.0057 %	\$ 363,882	\$ 4,555	\$368,437	\$365,590	99.5 %	75.9 %
06/30/16	0.0054	438,453	5,757	444,210	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	Contributions in Relation to the			City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
12/31/17	\$ 27,025	\$ 27,025	\$ -	\$ 360,333	7.5 %
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.*

City of Lauderdale, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2017

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

Changes in Actuarial Assumptions

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

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

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

Changes in Plan Provisions

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

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COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES

CITY OF LAUDERDALE  
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

City of Lauderdale, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2017

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 115,374	\$ 123,746	\$ 239,120
Receivables			
Accounts	5,334	-	5,334
Special assessments	743	-	743
Due from other funds	-	-	-
Prepaid items	600	-	600
	<u>600</u>	<u>-</u>	<u>600</u>
Total Assets	<u>\$ 122,051</u>	<u>\$ 123,746</u>	<u>\$ 245,797</u>
Liabilities			
Accounts payable	\$ 3,593	\$ -	\$ 3,593
Due to other funds	-	89,307	89,307
Total Liabilities	<u>3,593</u>	<u>89,307</u>	<u>92,900</u>
Fund Balances			
Nonspendable	600	-	600
Restricted	-	25,838	25,838
Committed	117,858	-	117,858
Assigned	-	97,908	97,908
Unassigned	-	(89,307)	(89,307)
Total Fund Balances	<u>118,458</u>	<u>34,439</u>	<u>152,897</u>
Total Liabilities and Fund Balances	<u>\$ 122,051</u>	<u>\$ 123,746</u>	<u>\$ 245,797</u>

City of Lauderdale, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Franchise fees	\$ 22,034	\$ -	\$ 22,034
Intergovernmental	6,213	-	6,213
Charges for services	41,859	-	41,859
Interest on investments	1,256	1,576	2,832
Total Revenues	<u>71,362</u>	<u>1,576</u>	<u>72,938</u>
Expenditures			
Current			
Sanitation and recycling	46,082	-	46,082
Culture and recreation	16,799	-	16,799
Capital outlay			
General government	-	7,459	7,459
Economic development	-	8,525	8,525
Total Expenditures	<u>62,881</u>	<u>15,984</u>	<u>78,865</u>
Net Change in Fund Balances	8,481	(14,408)	(5,927)
Fund Balances, January 1	<u>109,977</u>	<u>48,847</u>	<u>158,824</u>
Fund Balances, December 31	<u><u>\$ 118,458</u></u>	<u><u>\$ 34,439</u></u>	<u><u>\$ 152,897</u></u>

City of Lauderdale, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2017

	<b>226</b>	<b>227</b>	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 9,562	\$ 105,812	\$ 115,374
Receivables			
Accounts	5,334	-	5,334
Special assessments	-	743	743
Prepaid items	<u>600</u>	<u>-</u>	<u>600</u>
Total Assets	<u><u>\$ 15,496</u></u>	<u><u>\$ 106,555</u></u>	<u><u>\$ 122,051</u></u>
Liabilities			
Accounts payable	<u>\$ 913</u>	<u>\$ 2,680</u>	<u>\$ 3,593</u>
Fund Balances			
Nonspendable	600	-	600
Committed	<u>13,983</u>	<u>103,875</u>	<u>117,858</u>
Total Fund Balances	<u><u>14,583</u></u>	<u><u>103,875</u></u>	<u><u>118,458</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 15,496</u></u>	<u><u>\$ 106,555</u></u>	<u><u>\$ 122,051</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, 2017

	<b>226</b>	<b>227</b>	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Revenues			
Taxes			
Franchise fees	\$ 22,034	\$ -	\$ 22,034
Intergovernmental	-	6,213	6,213
Charges for services	-	41,859	41,859
Interest on investments	97	1,159	1,256
Total Revenues	<u>22,131</u>	<u>49,231</u>	<u>71,362</u>
Expenditures			
Current			
Sanitation and recycling			
Personal services	-	21,539	21,539
Other services and charges	-	24,543	24,543
Culture and recreation			
Personal services	8,969	-	8,969
Other services and charges	7,830	-	7,830
Total Expenditures	<u>16,799</u>	<u>46,082</u>	<u>62,881</u>
Net Change in Fund Balances	5,332	3,149	8,481
Fund Balances, January 1	<u>9,251</u>	<u>100,726</u>	<u>109,977</u>
Fund Balances, December 31	<u><u>\$ 14,583</u></u>	<u><u>\$ 103,875</u></u>	<u><u>\$ 118,458</u></u>

City of Lauderdale, Minnesota  
Communications Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

		2017		2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Franchise fees	\$ 20,000	\$ 22,034	\$ 2,034	\$ 21,720
Interest on investments	25	97	72	36
Total Revenues	<u>20,025</u>	<u>22,131</u>	<u>2,106</u>	<u>21,756</u>
Expenditures				
Current				
Culture and recreation				
Personal services	8,543	8,969	(426)	8,157
Other services and charges	7,400	7,830	(430)	8,866
Total Expenditures	<u>15,943</u>	<u>16,799</u>	<u>(856)</u>	<u>17,023</u>
Net Change in Fund Balances	4,082	5,332	1,250	4,733
Fund Balances, January 1	<u>9,251</u>	<u>9,251</u>	-	<u>4,518</u>
Fund Balances, December 31	<u>\$ 13,333</u>	<u>\$ 14,583</u>	<u>\$ 1,250</u>	<u>\$ 9,251</u>

City of Lauderdale, Minnesota  
Recycling Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	Final	2017 Actual	Variance with	2016 Actual
	Budget	Amounts	Final Budget	Amounts
Revenues				
Intergovernmental				
County	\$ 6,000	\$ 6,213	\$ 213	\$ 6,046
Charges for services				
Sanitation	36,750	41,859	5,109	38,558
Interest on investments	600	1,159	559	1,333
Total Revenues	<u>43,350</u>	<u>49,231</u>	<u>5,881</u>	<u>45,937</u>
Expenditures				
Current				
Sanitation and recycling				
Personal services	21,260	21,539	(279)	20,952
Supplies	350	-	350	-
Other services and charges	35,000	24,543	10,457	29,848
Total Expenditures	<u>56,610</u>	<u>46,082</u>	<u>10,528</u>	<u>50,800</u>
Net Change in Fund Balances	(13,260)	3,149	16,409	(4,863)
Fund Balances, January 1	<u>100,726</u>	<u>100,726</u>	<u>-</u>	<u>105,589</u>
Fund Balances, December 31	<u>\$ 87,466</u>	<u>\$ 103,875</u>	<u>\$ 16,409</u>	<u>\$ 100,726</u>

City of Lauderdale, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
December 31, 2017

	<b>405</b> Rosehill Tax Increments	<b>415</b> Housing Redevelopment	<b>401</b> General Capital Improvement	Total
Assets				
Cash and temporary investments	<u>\$ 25,838</u>	<u>\$ -</u>	<u>\$ 97,908</u>	<u>\$ 123,746</u>
Liabilities				
Due to other funds	<u>\$ -</u>	<u>\$ 89,307</u>	<u>\$ -</u>	<u>\$ 89,307</u>
Fund Balances				
Restricted	25,838	-	-	25,838
Assigned	-	-	97,908	97,908
Unassigned	-	(89,307)	-	(89,307)
Total Fund Balances	<u>25,838</u>	<u>(89,307)</u>	<u>97,908</u>	<u>34,439</u>
Total Liabilities and Fund Balances	<u>\$ 25,838</u>	<u>\$ -</u>	<u>\$ 97,908</u>	<u>\$ 123,746</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, 2017

	<b>405</b> Rosehill Tax Increments	<b>415</b> Housing Redevelopment	<b>401</b> General Capital Improvement	Total
Revenues				
Interest on investments	\$ 414	\$ -	\$ 1,162	\$ 1,576
Expenditures				
Capital outlay				
General government	-	-	7,459	7,459
Economic development	8,525	-	-	8,525
Total Expenditures	8,525	-	7,459	15,984
Net Change in Fund Balances	(8,111)	-	(6,297)	(14,408)
Fund Balances, January 1	33,949	(89,307)	104,205	48,847
Fund Balances, December 31	<u>\$ 25,838</u>	<u>\$ (89,307)</u>	<u>\$ 97,908</u>	<u>\$ 34,439</u>

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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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 708,333	\$ 708,333	\$ 707,907	\$ (426)	\$ 678,065
Licenses and permits					
Business	3,650	3,650	4,825	1,175	3,655
Nonbusiness	26,100	26,100	32,076	5,976	44,117
Total	29,750	29,750	36,901	7,151	47,772
Intergovernmental					
State					
Local government aid	537,818	537,818	537,817	(1)	537,502
Other state grants	1,198	1,198	6,198	5,000	1,198
Total	539,016	539,016	544,015	4,999	538,700
Charges for services					
General government	9,725	9,725	18,138	8,413	14,226
Public safety	600	600	1,928	1,328	105
Culture and recreation	700	700	517	(183)	709
Total	11,025	11,025	20,583	9,558	15,040
Fines and forfeitures	45,000	45,000	24,046	(20,954)	35,779
Special assessments	-	-	4,723	4,723	1,807
Interest on investments	2,100	2,100	(7,172)	(9,272)	8,537
Miscellaneous					
Contributions and donations	-	-	3,048	3,048	2,982
Other	800	800	9,550	8,750	11,444
Total	800	800	12,598	11,798	14,426
Total Revenues	1,336,024	1,336,024	1,343,601	7,577	1,340,126

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures				
Current				
General government				
Legislative and executive				
Personal services	\$ 17,803	\$ 17,803	\$ 17,666	\$ 17,814
Supplies	350	350	605	92
Other services and charges	9,440	9,440	7,001	6,981
Total	27,593	27,593	25,272	24,887
Administration				
Personal services	158,525	158,525	161,641	160,645
Supplies	8,000	8,000	5,655	6,833
Other services and charges	35,080	35,080	30,084	31,017
Total	201,605	201,605	197,380	198,495
Election, audit, and legal fees				
Personal services	13,461	13,461	13,780	18,038
Supplies	4,150	4,150	2,302	2,908
Other services and charges	38,000	38,000	64,186	42,824
Total	55,611	55,611	80,268	63,770
Planning and zoning				
Personal services	31,313	31,313	30,776	26,796
Supplies	500	500	1,375	1,799
Other services and charges	28,700	28,700	52,426	18,121
Total	60,513	60,513	84,577	46,716
Contingency				
Other services and charges	10,000	10,000	-	-
Total General Government	355,322	355,322	387,497	333,868
Public safety				
Police				
Other services and charges	691,059	691,059	691,134	670,362
Fire				
Other services and charges	36,075	36,075	33,736	30,423
Building inspections				
Personal services	22,582	22,582	30,021	28,772
Other services and charges	3,850	3,850	10,601	5,420
Total	26,432	26,432	40,622	34,192
Total Public Safety	753,566	753,566	765,492	734,977

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, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Streets and highways					
Personal services	\$ 47,660	\$ 47,660	\$ 52,808	\$ (5,148)	\$ 47,235
Supplies	6,000	6,000	3,512	2,488	2,946
Other services and charges	27,350	27,350	25,566	1,784	40,050
Total	81,010	81,010	81,886	(876)	90,231
Street lighting					
Other services and charges	7,000	7,000	6,295	705	7,837
Total Public Works	88,010	88,010	88,181	(171)	98,068
Culture and recreation					
Parks and recreation					
Personal services	69,266	69,266	73,833	(4,567)	66,018
Supplies	1,950	1,950	139	1,811	2,623
Other services and charges	9,910	9,910	9,679	231	7,468
Total Culture and Recreation	81,126	81,126	83,651	(2,525)	76,109
Economic development					
Other services and charges	20,000	20,000	7,814	12,186	-
Total Current Expenditures	1,298,024	1,298,024	1,332,635	(34,611)	1,243,022
Excess of Revenues					
Over Expenditures	38,000	38,000	10,966	(27,034)	97,104
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	11,198
Transfers out	(38,000)	(38,000)	(38,000)	-	(87,655)
Total Other Financing Sources (Uses)	(38,000)	(38,000)	(38,000)	-	(76,457)
Net Change in Fund Balances	-	-	(27,034)	(27,034)	20,647
Fund Balances, January 1	801,614	801,614	801,614	-	780,967
Fund Balances, December 31	\$ 801,614	\$ 801,614	\$ 774,580	\$ (27,034)	\$ 801,614

City of Lauderdale, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 729,941	\$ 699,785	4.31 %
Licenses and permits	36,901	47,772	(22.76)
Intergovernmental	566,698	544,746	4.03
Charges for services	62,442	53,598	16.50
Fines and forfeitures	24,046	35,779	(32.79)
Special assessments	4,723	1,807	161.37
Interest on investments	6,724	22,880	(70.61)
Miscellaneous	95,360	120,916	(21.14)
Total Revenues	<u>\$ 1,526,835</u>	<u>\$ 1,527,283</u>	(0.03) %
Per Capita	<u>\$ 626</u>	<u>\$ 610</u>	2.55 %
Expenditures			
Current			
General government	\$ 387,497	\$ 365,696	5.96 %
Public safety	765,492	734,977	4.15
Public works	88,181	256,889	(65.67)
Sanitation and recycling	46,082	50,800	(9.29)
Economic development	7,814	-	100.00
Culture and recreation	100,450	93,132	7.86
Capital outlay	39,569	291,650	(86.43)
Total Expenditures	<u>\$ 1,435,085</u>	<u>\$ 1,793,144</u>	(19.97) %
Per Capita	<u>\$ 588</u>	<u>\$ 716</u>	(17.90) %
General Fund Balance - December 31	\$ 774,580	\$ 801,614	(3.37) %
Per Capita	317	320	(0.88)

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, 2017

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2018.

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 16, 2018