

# Annual Financial Report

## City of Lauderdale

Lauderdale, Minnesota

For the Year Ended  
December 31, 2018

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City of Lauderdale, Minnesota  
Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2018

	<u>Page No.</u>
<b>Introductory Section</b>	
Elected and Appointed Officials	7
<b>Financial Section</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Governmental Funds	
Balance Sheet	32
Reconciliation of the Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	35
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	36
Proprietary Funds	
Statement of Net Position	37
Statement of Revenues, Expenses and Changes in Net Position	38
Statement of Cash Flows	39
Notes to the Financial Statements	41
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	62
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	62
Notes to the Required Supplementary Information - General Employee Retirement Fund	63
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	67
Nonmajor Special Revenue Funds	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Communications Fund	70
Recycling Fund	71
Nonmajor Capital Projects Funds	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	75
Summary Financial Report	
Revenues and Expenditures for General Operations	78
<b>Other Required Report</b>	
Independent Auditor's Report on Minnesota Legal Compliance	81

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INTRODUCTORY SECTION

CITY OF LAUDERDALE  
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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City of Lauderdale, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2018

**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, 2018

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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, 2018, 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, 2018, 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***

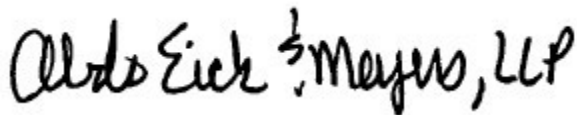
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions and the related note disclosures starting on page 62 be 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 4, 2019

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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, 2018.

### Financial Highlights

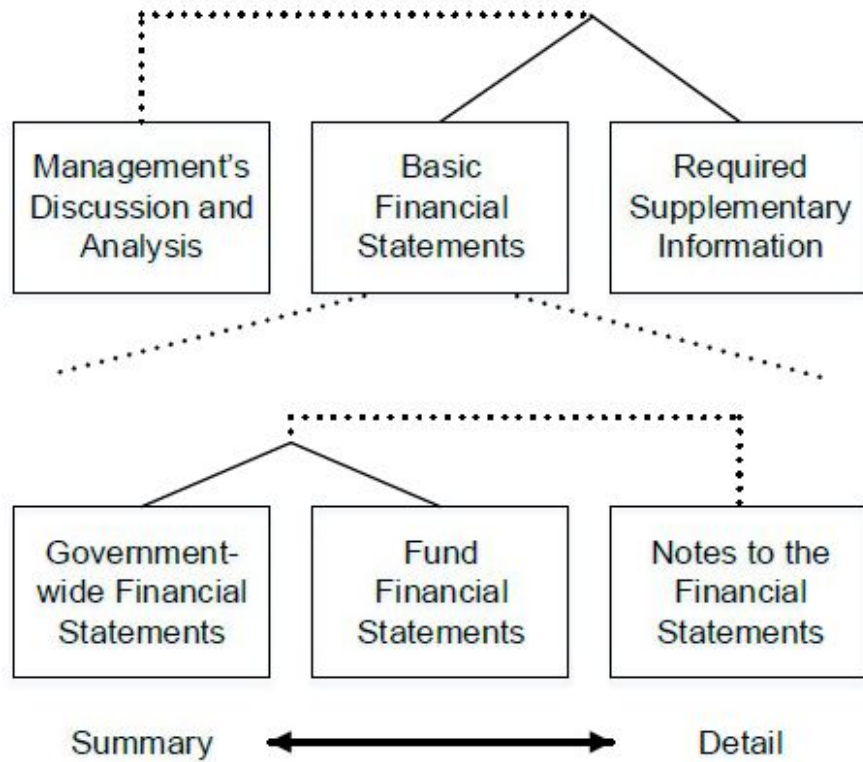
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,257,715 (*net position*). Of this amount, \$2,938,558 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$685,871. The majority of the increase can be attributed to unused capital contributions, which are restricted for future transportation improvements.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,117,600 an increase of \$2,087,839 in comparison with the prior year. The majority of the increase is due to bonds issued for the purchase of land held for resale and a capital contribution that will be used on future transportation costs. Approximately 17.8 percent of this total amount, \$734,640, is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$744,937, or 55.2 percent of 2018 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 inflow/outflow 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 eleven 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, Street Improvement fund and the TIF District No. 1-2 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 \$10,257,715 at the close of the most recent fiscal year.

The largest portion of the City's net position (62.5 percent) reflects its net 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 4,185,142	\$ 2,071,089	\$ 2,114,053	\$ 1,420,546	\$ 1,445,298	\$ (24,752)
Capital assets	4,706,410	5,005,958	(299,548)	1,701,771	1,627,765	74,006
Total Assets	8,891,552	7,077,047	1,814,505	3,122,317	3,073,063	49,254
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	39,641	120,431	(80,790)	12,896	21,612	(8,716)
<b>Liabilities</b>						
Long-term liabilities						
outstanding	1,568,092	326,060	1,242,032	86,859	91,350	(4,491)
Other liabilities	73,354	30,151	43,203	5,783	2,138	3,645
Total Liabilities	1,641,446	356,211	1,285,235	92,642	93,488	(846)
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	56,290	65,375	(9,085)	18,313	18,683	(370)
<b>Net Position</b>						
Investment in capital assets	4,706,410	4,864,214	(157,804)	1,701,771	1,627,765	74,006
Restricted	910,976	42,308	868,668	-	-	-
Unrestricted	1,616,071	1,682,818	(66,747)	1,322,487	1,354,739	(32,252)
Total Net Position	\$ 7,233,457	\$ 6,589,340	\$ 644,117	\$ 3,024,258	\$ 2,982,504	\$ 41,754

The remaining balance of *unrestricted net position* (\$2,938,558) 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.

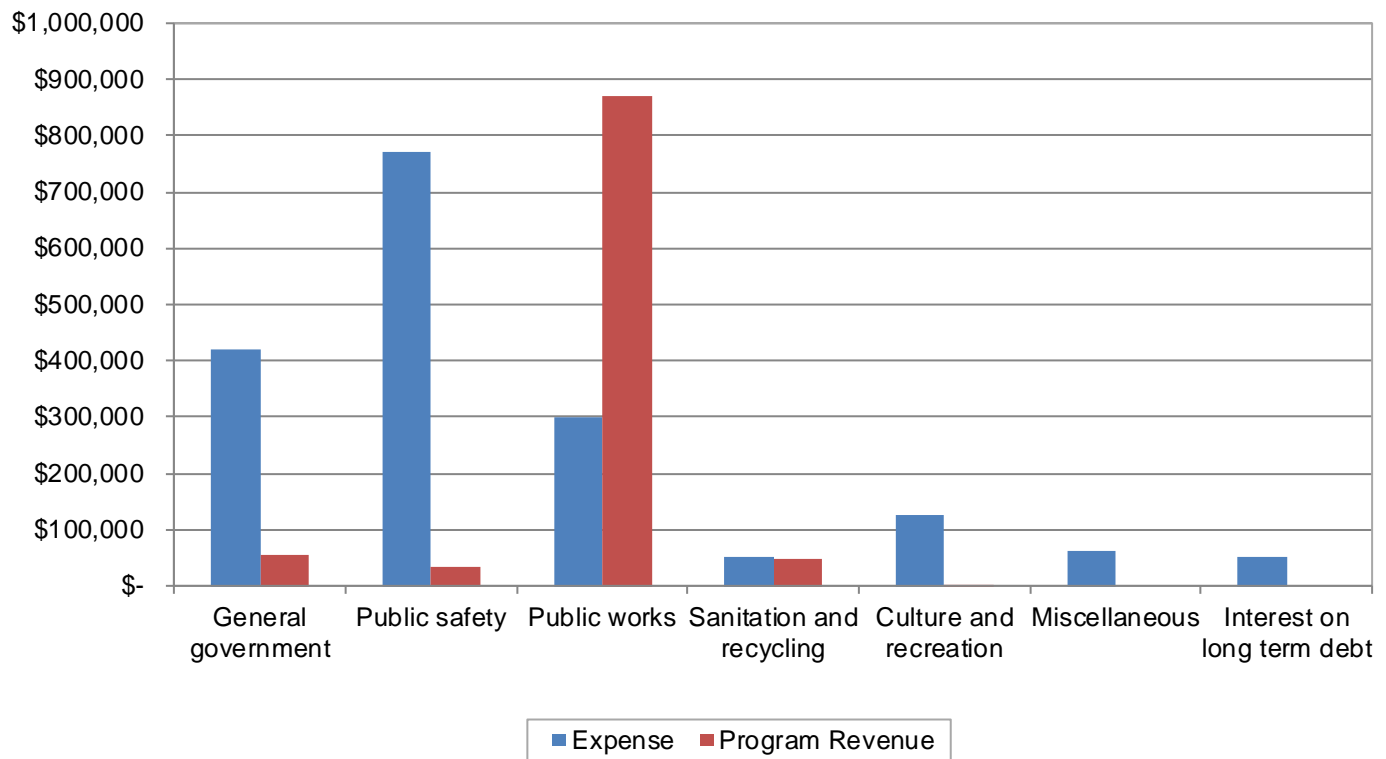
**Governmental Activities.** Governmental activities increased the City's net position by \$644,117 and business-type increased the City's net position by \$41,754. Key elements of the increase/decrease are as follows:

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

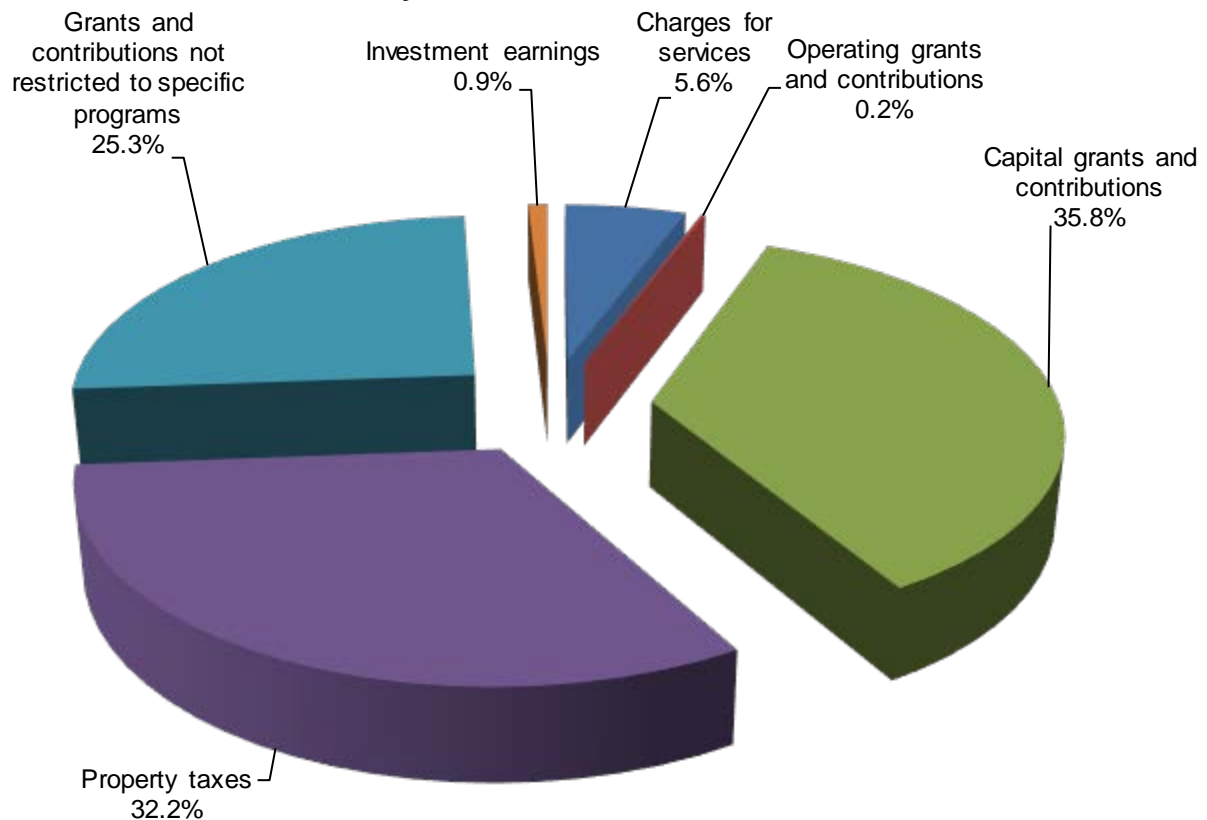
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 133,176	\$ 124,310	\$ 8,866	\$ 394,302	\$ 391,725	\$ 2,577
Operating grants and contributions	5,832	6,213	(381)	-	30	(30)
Capital grants and contributions	868,986	18,140	850,846	-	-	-
General Revenues						
Property taxes	782,618	730,360	52,258	-	-	-
Grants and contributions not restricted to specific programs	614,941	638,557	(23,616)	557	-	557
Investment earnings	22,007	6,724	15,283	22,465	15,925	6,540
Total Revenues	<u>2,427,560</u>	<u>1,524,304</u>	<u>903,256</u>	<u>417,324</u>	<u>407,680</u>	<u>9,644</u>
Expenses						
General government	420,291	414,171	6,120	-	-	-
Public safety	772,073	765,492	6,581	-	-	-
Public works	299,313	222,967	76,346	-	-	-
Sanitation and recycling	52,979	42,491	10,488	-	-	-
Culture and recreation	126,271	128,593	(2,322)	-	-	-
Miscellaneous	60,718	16,339	44,379	-	-	-
Debt service	51,798	-	51,798	-	-	-
Sewer	-	-	-	286,090	252,844	33,246
Storm sewer	-	-	-	89,480	93,419	(3,939)
Total Expenses	<u>1,783,443</u>	<u>1,590,053</u>	<u>193,390</u>	<u>375,570</u>	<u>346,263</u>	<u>29,307</u>
Change in Net Position	644,117	(65,749)	709,866	41,754	61,417	(19,663)
Net Position, January 1	<u>6,589,340</u>	<u>6,655,089</u>	<u>(65,749)</u>	<u>2,982,504</u>	<u>2,921,087</u>	<u>61,417</u>
Net Position, December 31	<u>\$ 7,233,457</u>	<u>\$ 6,589,340</u>	<u>\$ 644,117</u>	<u>\$ 3,024,258</u>	<u>\$ 2,982,504</u>	<u>\$ 41,754</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 \$41,754. The increase can be attributed to charges for services over operating costs.

## **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 \$4,117,600, an increase of \$2,087,839 in comparison with the prior year. Approximately 17.8 percent of this total amount (\$734,640) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund is *nonspendable* (\$2,921), *restricted* (\$2,117,516), *committed* (\$117,663), or *assigned* (\$1,144,860).

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 \$744,937. 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. Unassigned fund balance represents 53.3 percent of total General fund expenditures and 55.2 percent of the 2018 budget.

The fund balance of the City's General fund decreased by \$27,372 during the current fiscal year.

The *Street Improvement* fund has a total fund balance of \$1,270,489, an increase of \$824,931 from the previous year.

The *TIF District No. 1-2* fund has a total fund balance of \$1,190,757, an increase of \$1,190,757 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 \$961,044. The total increase in net position for the fund was \$12,586.

The *Storm Sewer* fund unrestricted net position amounted to \$361,443. The total increase in net position for the fund was \$29,168.

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 2018 fiscal year. Revenues were more than budgetary estimates by \$15,063 and expenditures were more than budgetary estimates by \$46,440. 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, 2018, amounts to \$6,408,181, (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 1.3 percent (a 3.2 percent decrease for governmental activities and a 4.5 percent increase for business-type activities).

### City of Lauderdale's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 411,347	\$ 411,347	\$ -	\$ -	\$ -	\$ -
Buildings	39,127	42,818	(3,691)	-	-	-
Improvements other than Buildings	84,180	101,311	(17,131)	-	-	-
Machinery and Equipment	105,388	128,159	(22,771)	5,333	6,333	(1,000)
Infrastructure	4,066,368	4,180,579	(114,211)	1,696,438	1,621,432	75,006
Total	<u>\$ 4,706,410</u>	<u>\$ 4,864,214</u>	<u>\$ (157,804)</u>	<u>\$ 1,701,771</u>	<u>\$ 1,627,765</u>	<u>\$ 74,006</u>

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

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,295,000.

### City of Lauderdale's Outstanding Debt

	Governmental Activities			Business Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Bonds Payable	<u>\$ 1,295,000</u>	<u>\$ -</u>	<u>\$ 1,295,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During 2018, the City issued 2018A G.O. Tax Increment Revenue Bonds for \$1,295,000.

Additional information on the City's long-term debt can be found in Note 3D starting on page 53 of this report.

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

- The City closed on the purchase of 1795 Eustis Street in May 2018. The City anticipates selling the property for redevelopment in 2019.
- The City successfully negotiated the jurisdictional transfer of Eustis Street and Roselawn Avenue with Ramsey County in 2018. The City will reconstruction the streets in 2019.
- The City deconstructed 1821 and 1825 Eustis Street in 2018. The City anticipates selling the properties in 2019.

## 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, 2018

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City of Lauderdale, Minnesota  
Statement of Net Position  
December 31, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 2,100,851	\$ 1,350,653	\$ 3,451,504
Receivables			
Accounts	33,526	56,013	89,539
Delinquent taxes	25,668	-	25,668
Interest	5,259	-	5,259
Special assessments	3,113	-	3,113
Due from other governments	838,661	-	838,661
Prepaid items	2,921	13,880	16,801
Land held for resale	1,175,143	-	1,175,143
Capital assets			
Land and construction in progress	411,347	-	411,347
Depreciable buildings, property and equipment, net	4,295,063	1,701,771	5,996,834
Total Assets	<u>8,891,552</u>	<u>3,122,317</u>	<u>12,013,869</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>39,641</u>	<u>12,896</u>	<u>52,537</u>
<b>Liabilities</b>			
Accounts payable	53,656	5,783	59,439
Salaries payable	3,492	-	3,492
Accrued interest payable	15,783	-	15,783
Due to other governments	423	-	423
Current liabilities - due within one year			
Compensated absences payable	24,168	11,959	36,127
Noncurrent liabilities - due in more than one year			
Compensated absences payable	18,710	-	18,710
Net pension liability	230,214	74,900	305,114
Bonds payable	1,295,000	-	1,295,000
Total Liabilities	<u>1,641,446</u>	<u>92,642</u>	<u>1,734,088</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>56,290</u>	<u>18,313</u>	<u>74,603</u>
<b>Net Position</b>			
Investment in capital assets	4,706,410	1,701,771	6,408,181
Restricted for			
Debt Service	41,654	-	41,654
Transportation	836,405	-	836,405
Street maintenance	32,917	-	32,917
Unrestricted	<u>1,616,071</u>	<u>1,322,487</u>	<u>2,938,558</u>
Total Net Position	<u>\$ 7,233,457</u>	<u>\$ 3,024,258</u>	<u>\$ 10,257,715</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current				
General government	\$ 420,291	\$ 55,510	\$ -	\$ -
Public safety	772,073	33,091	-	-
Public works	299,313	-	-	868,986
Sanitation and recycling	52,979	43,044	5,832	-
Culture and recreation	126,271	1,531	-	-
Economic development	60,718	-	-	-
Interest on long term debt	51,798	-	-	-
Total Governmental Activities	<u>1,783,443</u>	<u>133,176</u>	<u>5,832</u>	<u>868,986</u>
<b>Business-type Activities</b>				
Sewer	286,090	281,996	-	-
Storm sewer	89,480	112,306	-	-
Total Business-type Activities	<u>375,570</u>	<u>394,302</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 2,159,013</u>	<u>\$ 527,478</u>	<u>\$ 5,832</u>	<u>\$ 868,986</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
\$ (364,781)	\$ -	\$ (364,781)
(738,982)	-	(738,982)
569,673	-	569,673
(4,103)	-	(4,103)
(124,740)	-	(124,740)
(60,718)	-	(60,718)
(51,798)	-	(51,798)
<u>(775,449)</u>	<u>-</u>	<u>(775,449)</u>
-	(4,094)	(4,094)
-	22,826	22,826
-	<u>18,732</u>	<u>18,732</u>
<u>(775,449)</u>	<u>18,732</u>	<u>(756,717)</u>
763,192	-	763,192
19,426	-	19,426
614,941	557	615,498
<u>22,007</u>	<u>22,465</u>	<u>44,472</u>
<u>1,419,566</u>	<u>23,022</u>	<u>1,442,588</u>
644,117	41,754	685,871
<u>6,589,340</u>	<u>2,982,504</u>	<u>9,571,844</u>
<u>\$ 7,233,457</u>	<u>\$ 3,024,258</u>	<u>\$ 10,257,715</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, 2018

City of Lauderdale, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2018

		Capital Projects			
	General	Street Improvement	TIF District No. 1-2	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 736,188	\$ 469,985	\$ 94,624	\$ 800,054	\$ 2,100,851
Receivables					
Accounts	435	-	-	33,091	33,526
Delinquent taxes	25,668	-	-	-	25,668
Interest	5,259	-	-	-	5,259
Special assessments	2,373	-	-	740	3,113
Due from other funds	-	-	-	89,307	89,307
Due from other governments	2,256	836,405	-	-	838,661
Prepaid items	2,271	-	-	650	2,921
Land held for resale	-	-	1,096,133	79,010	1,175,143
<b>Total Assets</b>	<b>\$ 774,450</b>	<b>\$ 1,306,390</b>	<b>\$ 1,190,757</b>	<b>\$ 1,002,852</b>	<b>\$ 4,274,449</b>
<b>Liabilities</b>					
Accounts payable	\$ 13,583	\$ 35,901	\$ -	\$ 4,172	\$ 53,656
Due to other funds	-	-	-	89,307	89,307
Due to other governments	423	-	-	-	423
Salaries payable	3,265	-	-	227	3,492
<b>Total Liabilities</b>	<b>17,271</b>	<b>35,901</b>	<b>-</b>	<b>93,706</b>	<b>146,878</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	7,876	-	-	-	7,876
Unavailable revenue - special assessments	2,095	-	-	-	2,095
<b>Total Deferred Inflows of Resources</b>	<b>9,971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,971</b>
<b>Fund Balances</b>					
Nonspendable	2,271	-	-	650	2,921
Restricted	-	836,405	1,190,757	90,354	2,117,516
Committed	-	-	-	117,663	117,663
Assigned	-	434,084	-	710,776	1,144,860
Unassigned	744,937	-	-	(10,297)	734,640
<b>Total Fund Balances</b>	<b>747,208</b>	<b>1,270,489</b>	<b>1,190,757</b>	<b>909,146</b>	<b>4,117,600</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 774,450</b>	<b>\$ 1,306,390</b>	<b>\$ 1,190,757</b>	<b>\$ 1,002,852</b>	<b>\$ 4,274,449</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, 2018

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

Total Fund Balances - Governmental Funds	\$ 4,117,600
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	(2,254,908)
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	(42,878)
Pension liability	(230,214)
Bonds payable	(1,295,000)
Delinquent property taxes receivable are not available soon enough to pay for the current periods expenditures, and therefore are reported as deferred inflow of resources in the funds.	7,876
Special assessments receivable are not available soon enough to pay for the current periods expenditures, and therefore are reported as deferred inflow of resources in the funds.	2,095
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	39,641
Deferred inflows of pension resources	(56,290)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(15,783)</u>
Total Net Position - Governmental Activities	<u><u>\$ 7,233,457</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, 2018

		Capital Projects		Other	Total
	General	Street Improvement	TIF District No. 1-2	Governmental Funds	Governmental Funds
Revenues					
Taxes	\$ 762,857	\$ -	\$ -	\$ 19,426	\$ 782,283
Licenses and permits	44,459	-	-	-	44,459
Intergovernmental	540,760	16,447	-	5,832	563,039
Charges for services	18,631	-	-	43,044	61,675
Fines and forfeitures	25,488	-	-	-	25,488
Special assessments	3,914	-	-	-	3,914
Interest on investments	267	7,391	1,061	13,288	22,007
Miscellaneous	6,611	850,166	-	67,410	924,187
Total Revenues	<u>1,402,987</u>	<u>874,004</u>	<u>1,061</u>	<u>149,000</u>	<u>2,427,052</u>
Expenditures					
Current					
General government	399,905	-	-	-	399,905
Public safety	773,853	-	-	-	773,853
Public works	126,721	-	-	-	126,721
Sanitation and recycling	-	-	-	52,979	52,979
Culture and recreation	88,175	-	-	17,206	105,381
Economic development	7,710	-	-	-	7,710
Capital outlay	-	49,073	8,466	74,110	131,649
Debt service					
Bond issuance costs	-	-	36,015	-	36,015
Total Expenditures	<u>1,396,364</u>	<u>49,073</u>	<u>44,481</u>	<u>144,295</u>	<u>1,634,213</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,623</u>	<u>824,931</u>	<u>(43,420)</u>	<u>4,705</u>	<u>792,839</u>
Other Financing Sources (Uses)					
Transfers in	4,005	-	-	118,318	122,323
Transfers out	(38,000)	-	(4,005)	(80,318)	(122,323)
Bonds issued	-	-	1,238,182	56,818	1,295,000
Total Other Financing Sources (Uses)	<u>(33,995)</u>	<u>-</u>	<u>1,234,177</u>	<u>94,818</u>	<u>1,295,000</u>
Net Change in Fund Balances	(27,372)	824,931	1,190,757	99,523	2,087,839
Fund Balances, January 1	<u>774,580</u>	<u>445,558</u>	<u>-</u>	<u>809,623</u>	<u>2,029,761</u>
Fund Balances, December 31	<u>\$ 747,208</u>	<u>\$ 1,270,489</u>	<u>\$ 1,190,757</u>	<u>\$ 909,146</u>	<u>\$ 4,117,600</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, 2018

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,087,839
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.	
Depreciation expense	(157,804)
The issuance of long-term debt provides current financial resources to governmental funds. However, the transaction does not have any effect on net position.	
Bonds issued	(1,295,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	(15,783)
Long-term pension activity is not reported in governmental funds.	
Pension expense	24,177
Pension revenue from state contributions	1,714
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	(1,541)
Property taxes	335
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	180
Change in Net Position - Governmental Activities	<u><u>\$ 644,117</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 765,514	\$ 765,514	\$ 762,857	\$ (2,657)
Licenses and permits	30,850	30,850	44,459	13,609
Intergovernmental	540,760	540,760	540,760	-
Charges for services	12,300	12,300	18,631	6,331
Fines and forfeitures	30,000	30,000	25,488	(4,512)
Special assessments	-	-	3,914	3,914
Interest on investments	5,000	5,000	267	(4,733)
Miscellaneous	3,500	3,500	6,611	3,111
Total Revenues	<u>1,387,924</u>	<u>1,387,924</u>	<u>1,402,987</u>	<u>15,063</u>
Expenditures				
Current				
General government	377,977	377,977	399,905	(21,928)
Public safety	771,789	771,789	773,853	(2,064)
Public works	95,094	95,094	126,721	(31,627)
Culture and recreation	85,064	85,064	88,175	(3,111)
Economic development	20,000	20,000	7,710	12,290
Total Expenditures	<u>1,349,924</u>	<u>1,349,924</u>	<u>1,396,364</u>	<u>(46,440)</u>
Excess of Revenues Over Expenditures	<u>38,000</u>	<u>38,000</u>	<u>6,623</u>	<u>(31,377)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	4,005	4,005
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(38,000)</u>	<u>(38,000)</u>	<u>(33,995)</u>	<u>4,005</u>
Net Change in Fund Balances	-	-	(27,372)	(27,372)
Fund Balances, January 1	<u>774,580</u>	<u>774,580</u>	<u>774,580</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 774,580</u>	<u>\$ 774,580</u>	<u>\$ 747,208</u>	<u>\$ (27,372)</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, 2018

	Business-type Activities		
	Sewer	Storm Sewer	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 964,224	\$ 386,429	\$ 1,350,653
Accounts receivable	38,309	17,704	56,013
Prepaid items	13,645	235	13,880
Total Current Assets	<u>1,016,178</u>	<u>404,368</u>	<u>1,420,546</u>
Noncurrent Assets			
Capital assets			
Machinery and equipment	15,000	-	15,000
Infrastructure	2,190,470	-	2,190,470
Less accumulated depreciation	(503,699)	-	(503,699)
Total Noncurrent Assets	<u>1,701,771</u>	<u>-</u>	<u>1,701,771</u>
Total Assets	<u>2,717,949</u>	<u>404,368</u>	<u>3,122,317</u>
Deferred Outflows of Resources			
Deferred pensions resources	<u>6,933</u>	<u>5,963</u>	<u>12,896</u>
Liabilities			
Current Liabilities			
Accounts payable	5,653	130	5,783
Compensated absences payable	<u>6,299</u>	<u>5,660</u>	<u>11,959</u>
Total Current Liabilities	<u>11,952</u>	<u>5,790</u>	<u>17,742</u>
Noncurrent Liabilities			
Pension liability	<u>40,270</u>	<u>34,630</u>	<u>74,900</u>
Total Liabilities	<u>52,222</u>	<u>40,420</u>	<u>92,642</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>9,845</u>	<u>8,468</u>	<u>18,313</u>
Net Position			
Investment in capital assets	1,701,771	-	1,701,771
Unrestricted	<u>961,044</u>	<u>361,443</u>	<u>1,322,487</u>
Total Net Position	<u>\$ 2,662,815</u>	<u>\$ 361,443</u>	<u>\$ 3,024,258</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, 2018

	Business-type Activities		
	Sewer	Storm Sewer	Total
Operating Revenues			
Charges for services	\$ 281,996	\$ 112,306	\$ 394,302
Operating Expenses			
Personal services	77,316	61,345	138,661
Supplies	727	727	1,454
Other services and charges	159,635	27,008	186,643
Utilities	-	400	400
Depreciation	48,412	-	48,412
Total Operating Expenses	286,090	89,480	375,570
Operating Income (loss)	(4,094)	22,826	18,732
Nonoperating Revenues			
Other revenue	300	257	557
Interest income	16,380	6,085	22,465
Total Nonoperating Revenues	16,680	6,342	23,022
Change in Net Position	12,586	29,168	41,754
Net Position, January 1	2,650,229	332,275	2,982,504
Net Position, December 31	\$ 2,662,815	\$ 361,443	\$ 3,024,258

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, 2018

	Business-type Activities		
	Sewer	Storm Sewer	Total
Cash Flows from Operating Activities			
Receipts from tenants and users	\$ 283,213	\$ 113,436	\$ 396,649
Payments to suppliers	(169,493)	(29,239)	(198,732)
Payments to employees	(72,302)	(62,504)	(134,806)
Net Cash Provided by Operating Activities	<u>41,418</u>	<u>21,693</u>	<u>63,111</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	<u>(122,418)</u>	<u>-</u>	<u>(122,418)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>16,380</u>	<u>6,085</u>	<u>22,465</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64,620)	27,778	(36,842)
Cash and Cash Equivalents, January 1	<u>1,028,844</u>	<u>358,651</u>	<u>1,387,495</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 964,224</u></u>	<u><u>\$ 386,429</u></u>	<u><u>\$ 1,350,653</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (4,094)	\$ 22,826	\$ 18,732
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	48,412	-	48,412
Increase (decrease) in assets/deferred outflows			
Accounts receivable	917	873	1,790
Prepaid items	(13,645)	(235)	(13,880)
Pension liability	300	257	557
Deferred pension resources	3,943	4,773	8,716
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	4,514	(869)	3,645
Compensated absences payable	1,061	428	1,489
Net pension liability	(433)	(5,547)	(5,980)
Deferred pension resources	<u>443</u>	<u>(813)</u>	<u>(370)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 41,418</u></u>	<u><u>\$ 21,693</u></u>	<u><u>\$ 63,111</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, 2018

**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 *TIF District No. 1-2 fund* accounts for activity related to the tax increment financing district 1-2.

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, 2018

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 50 and are valued using a matrix pricing model (Level 2 inputs).

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

***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 2018. 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.

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

***Assets Held for Resale***

Assets held for resale represent property purchased by the City with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of costs or net realizable value. During the year ended December 31, 2018, management has reviewed the cost value reported for these assets and has indicated the properties are fairly presented for financial reporting purposes.

***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.

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

### ***Pensions***

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

### ***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, 2018

**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 2018.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2018 expenditures exceeded appropriations in the following funds.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 1,349,924	\$ 1,396,364	\$ 46,440

The excess expenditures were funded by revenues in excess of expectations and available fund balance.

**C. Deficit Fund Equity**

As of December 31, 2018, the following fund reported a deficit fund equity:

<u>Fund</u>	<u>Amount</u>
Housing Redevelopment	\$ 10,297

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



City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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 \$247,721 and the bank balance was \$286,283. 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, 2018

**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	\$ 6,557				
4M Fund	P1	less than 6 months	207,135				
4M Plus Fund	P1	less than 6 months	702,059				
Non-pooled Investments at Fair Value							
Negotiable Certificates of Deposit	N/A	less than 6 months	299,419	\$ -	\$ 299,419	\$ -	
Negotiable Certificates of Deposit	N/A	6 months to 1 year	996,303	-	996,303	-	
Negotiable Certificates of Deposit	N/A	1 to 3 years	991,910	-	991,910	-	
Total Investments			\$ 3,203,383	\$ -	\$ 2,287,632	\$ -	

(1) Ratings provided by Moody's credit rating agency.

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

N/A Indicates 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, 2018

**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	\$ 247,721
Investments	3,203,383
Cash on Hand	400
	<hr/>
Total Cash and Temporary Investments	<u>\$ 3,451,504</u>

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 411,347	\$ -	\$ -	\$ 411,347
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, being Depreciated				
Buildings	241,031	-	-	241,031
Improvements				
other than buildings	282,535	-	-	282,535
Machinery and equipment	315,840	-	-	315,840
Infrastructure	5,710,565	-	-	5,710,565
Total Capital Assets being Depreciated	<u>6,549,971</u>	<u>-</u>	<u>-</u>	<u>6,549,971</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation for				
Buildings	(198,213)	(3,691)	-	(201,904)
Improvements other				
than buildings	(181,224)	(17,131)	-	(198,355)
Machinery and equipment	(187,681)	(22,771)	-	(210,452)
Infrastructure	(1,529,986)	(114,211)	-	(1,644,197)
Total Accumulated Depreciation	<u>(2,097,104)</u>	<u>(157,804)</u>	<u>-</u>	<u>(2,254,908)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets being Depreciated, Net	<u>4,452,867</u>	<u>(157,804)</u>	<u>-</u>	<u>4,295,063</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activities Capital Assets, Net	<u>\$ 4,864,214</u>	<u>\$ (157,804)</u>	<u>\$ -</u>	<u>\$ 4,706,410</u>

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets being Depreciated				
Infrastructure	\$ 2,068,052	\$ 122,418	\$ -	\$ 2,190,470
Machinery and equipment	15,000	-	-	15,000
Total Capital Assets being Depreciated	<u>2,083,052</u>	<u>122,418</u>	<u>-</u>	<u>2,205,470</u>
Less Accumulated Depreciation for				
Infrastructure	(446,620)	(47,412)	-	(494,032)
Machinery and equipment	(8,667)	(1,000)	-	(9,667)
Total Accumulated Depreciation	<u>(455,287)</u>	<u>(48,412)</u>	<u>-</u>	<u>(503,699)</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,627,765</u>	<u>\$ 74,006</u>	<u>\$ -</u>	<u>\$ 1,701,771</u>

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

<b>Governmental Activities</b>	
General government	\$ 5,034
Public works	128,002
Culture and recreation	<u>24,768</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 157,804</u>
<b>Business-type Activities</b>	
Sewer	<u>\$ 48,412</u>

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

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

The composition of interfund balances as of December 31, 2018 is a \$89,307 interfund balance from the Development fund to the Nonmajor Housing Redevelopment fund to cover project costs.

The City made transfer during the fiscal year 2018 as shown and described below:

Fund	Transfer in		
	General	Other Governmental Funds	Total
Transfer Out			
General	\$ -	\$ 38,000	\$ 38,000
TIF District No. 1-2	4,005	-	4,005
Other governmental funds	-	80,318	80,318
Total Transfers Out	<u>\$ 4,005</u>	<u>\$ 118,318</u>	<u>\$ 122,323</u>

Transfers were made for the following purposes:

- \$4,005 was transferred from the TIF District No. 1-2 fund to the General fund to reimburse the General fund for costs incurred in prior years on behalf of the TIF District.
- \$80,318 was transferred between other governmental funds to fund the purchase of the home at 1825 Eustis Street.
- \$38,000 was transferred from the General fund to the other governmental funds to fund capital purchases.

**D. Long-term Debt**

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The bonds will be repaid from future net revenues pledged from the additional tax increments resulting from increased tax capacity of the redevelopment properties in the Tax Increment District No. 1-2 or land sale proceeds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Revenue Bonds, Series 2018A	\$ 1,295,000	1.950 %	05/01/18	02/01/21	<u>\$ 1,295,000</u>

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ -	\$ 31,566	\$ 31,566
2020	-	25,253	25,253
2021	1,295,000	12,625	1,307,625
Total	<u>\$ 1,295,000</u>	<u>\$ 69,444</u>	<u>\$ 1,364,444</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable					
G.O. tax increment bonds	\$ -	\$ 1,295,000	\$ -	\$ 1,295,000	\$ -
Net Pension Liability					
GERF	283,002	75	(52,863)	230,214	-
Compensated Absences Payable	<u>43,058</u>	<u>23,988</u>	<u>(24,168)</u>	<u>42,878</u>	<u>24,168</u>
Governmental Activity Long-term Liabilities	<u>\$ 326,060</u>	<u>\$ 24,063</u>	<u>\$ (77,031)</u>	<u>\$ 1,568,092</u>	<u>\$ 24,168</u>
<b>Business-type Activities</b>					
Net Pension Liability					
GERF	\$ 80,880	\$ 7,098	\$ (13,078)	\$ 74,900	\$ -
Compensated Absences Payable	<u>10,470</u>	<u>13,448</u>	<u>(11,959)</u>	<u>11,959</u>	<u>11,959</u>
Business-type Activity Long-term Liabilities	<u>\$ 91,350</u>	<u>\$ 20,546</u>	<u>\$ (25,037)</u>	<u>\$ 86,859</u>	<u>\$ 11,959</u>

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

**E. Components of Fund Balance**

At December 31, 2018, 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	\$ 2,271
Communications	Prepaid items	650
Total Fund Balance - Nonspendable		<u>2,921</u>
<b>Fund Balance - Restricted</b>		
Transportation	Traportation Improvements	836,405
TIF District No. 1-2	Tax increments	1,190,757
2018A GO TIF Revenue Bonds	Debt service	57,437
Street maintenance	Street maintenance	32,917
Total fund balance - Restricted		<u>2,117,516</u>
<b>Fund Balance - Committed</b>		
Communications	Cable access	16,367
Recycling	Recycling	101,296
Total Fund Balance - Committed		<u>117,663</u>
<b>Fund Balance - Assigned</b>		
Capital improvement - streets	Street capital	434,084
General capital improvement	Capital purchases	123,100
Development	Development	315,183
Park improvement	Park capital	272,493
Total Fund Balance - Assigned		<u>1,144,860</u>
<b>Fund Balance - Unassigned</b>		
General		744,937
Housing Redevelopment		<u>(10,297)</u>
Total Fund Balance - Unassigned		<u>734,640</u>
Total Fund Balance		<u><u>\$ 4,117,600</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 the Coordinated Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not.

### **B. Benefits Provided**

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

#### GERF Benefits

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

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

### **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

Coordinated Plan members were required to contribute 6.50 percent, respectively, of their annual covered salary in calendar year 2018. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$28,591, \$27,025 and \$25,156, 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, 2018

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

**D. Pension Costs**

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$305,114 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 2018. 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 \$9,738. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0055 percent which was an increase of 0.0002 from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of a 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of \$23,524 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$2,271 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, 2018, 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	\$ 104	\$ 40,697
Changes in Actuarial Assumptions	28,955	9,964
Net Difference between Projected and Actual Earnings on Plan Investments	-	14,282
Changes in Proportion	9,147	9,660
Contributions to GERF Subsequent to the Measurement Date	<u>14,331</u>	<u>-</u>
Total	<u>\$ 52,537</u>	<u>\$ 74,603</u>

Deferred outflows of resources totaling \$14,331 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	\$ 10,080
2020	(17,564)
2021	(22,552)
2022	(6,361)

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the GERP and PEPFF. Salary growth assumptions in the GERP decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the PEPFF, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the GERP are reviewed every four to six years. The most recent six-year experience study for the GERP was completed in 2015. The most recent four-year experience study for the PEPFF was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERP

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds	20.00	0.75
Alternative Assets	25.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

City of Lauderdale, Minnesota  
Notes to the Financial Statements  
December 31, 2018

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

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the 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	\$ 495,855	\$ 305,114	\$ 147,669

**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, 2018

## 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 2018 was \$539,562 for LGA. This accounted for 38 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, 2018 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	\$ 8,128,113
Benedictine Health System	7/14/2016	10,000,000	10,000,000
Catholic Eldercare	11/7/2017	9,000,000	9,000,000

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUDERDALE  
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Lauderdale, Minnesota  
Required Supplementary Information  
December 31, 2018

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0055 %	\$ 305,114	\$ 9,738	\$314,852	\$371,496	82.1 %	79.5 %
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**

Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contributions in Relation to the Statutorily Required Contribution (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 28,591	\$ 28,591	\$ -	\$ 381,213	7.5 %
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, 2018

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

Changes in Actuarial Assumptions

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

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

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

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

Changes in Plan Provisions

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, 2018

City of Lauderdale, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2018

	Special Revenue	Debt Service 2018A GO TIF Revenue Bonds	Capital Projects	Total
<b>Assets</b>				
Cash and temporary investments	\$ 115,909	\$ 57,437	\$ 626,708	\$ 800,054
Receivables				
Accounts	4,718	-	28,373	33,091
Special assessments	740	-	-	740
Due from other funds	-	-	89,307	89,307
Prepaid items	650	-	-	650
Land held for resale	-	-	79,010	79,010
<b>Total Assets</b>	<b><u>\$ 122,017</u></b>	<b><u>\$ 57,437</u></b>	<b><u>\$ 823,398</u></b>	<b><u>\$ 1,002,852</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 3,477	\$ -	\$ 695	\$ 4,172
Salaries payable	227	-	-	227
Due to other funds	-	-	89,307	89,307
<b>Total Liabilities</b>	<b><u>3,704</u></b>	<b><u>-</u></b>	<b><u>90,002</u></b>	<b><u>93,706</u></b>
<b>Fund Balances</b>				
Nonspendable	650	-	-	650
Restricted	-	57,437	32,917	90,354
Committed	117,663	-	-	117,663
Assigned	-	-	710,776	710,776
Unassigned	-	-	(10,297)	(10,297)
<b>Total Fund Balances</b>	<b><u>118,313</u></b>	<b><u>57,437</u></b>	<b><u>733,396</u></b>	<b><u>909,146</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 122,017</u></b>	<b><u>\$ 57,437</u></b>	<b><u>\$ 823,398</u></b>	<b><u>\$ 1,002,852</u></b>

City of Lauderdale, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2018

	Special Revenue	Debt Service 2018A GO TIF Revenue Bonds	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Franchise fees	\$ 19,426	\$ -	\$ -	\$ 19,426
Intergovernmental	5,832	-	-	5,832
Charges for services	43,044	-	-	43,044
Interest on investments	1,738	619	10,931	13,288
Miscellaneous	-	-	67,410	67,410
Total Revenues	<u>70,040</u>	<u>619</u>	<u>78,341</u>	<u>149,000</u>
Expenditures				
Current				
Sanitation and recycling	52,979	-	-	52,979
Culture and recreation	17,206	-	-	17,206
Capital outlay				
General government	-	-	28,873	28,873
Culture and recreation	-	-	695	695
Economic development	-	-	44,542	44,542
Total Expenditures	<u>70,185</u>	<u>-</u>	<u>74,110</u>	<u>144,295</u>
Excess (Deficiency) of Revenues Under (Over) Expenditures	<u>(145)</u>	<u>619</u>	<u>4,231</u>	<u>4,705</u>
Other Financing Sources (Uses)				
Transfers in	-	-	118,318	118,318
Transfers out	-	-	(80,318)	(80,318)
Bonds issued	-	56,818	-	56,818
Total Other Financing Sources (Uses)	<u>-</u>	<u>56,818</u>	<u>38,000</u>	<u>94,818</u>
Net Change in Fund Balances	(145)	57,437	42,231	99,523
Fund Balances, January 1	<u>118,458</u>	<u>-</u>	<u>691,165</u>	<u>809,623</u>
Fund Balances, December 31	<u>\$ 118,313</u>	<u>\$ 57,437</u>	<u>\$ 733,396</u>	<u>\$ 909,146</u>

City of Lauderdale, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2018

	<b>226</b>	<b>227</b>	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 12,518	\$ 103,391	\$ 115,909
Receivables			
Accounts	4,718	-	4,718
Special assessments	-	740	740
Prepaid items	<u>650</u>	<u>-</u>	<u>650</u>
Total Assets	<u><u>\$ 17,886</u></u>	<u><u>\$ 104,131</u></u>	<u><u>\$ 122,017</u></u>
Liabilities			
Accounts payable	\$ 806	\$ 2,671	\$ 3,477
Salaries payable	<u>63</u>	<u>164</u>	<u>227</u>
Total Liabilities	<u>869</u>	<u>2,835</u>	<u>3,704</u>
Fund Balances			
Nonspendable	650	-	650
Committed	<u>16,367</u>	<u>101,296</u>	<u>117,663</u>
Total Fund Balances	<u>17,017</u>	<u>101,296</u>	<u>118,313</u>
Total Liabilities and Fund Balances	<u><u>\$ 17,886</u></u>	<u><u>\$ 104,131</u></u>	<u><u>\$ 122,017</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, 2018

	<b>226</b>	<b>227</b>	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Revenues			
Taxes			
Franchise fees	\$ 19,426	\$ -	\$ 19,426
Intergovernmental	-	5,832	5,832
Charges for services	-	43,044	43,044
Interest on investments	214	1,524	1,738
Total Revenues	<u>19,640</u>	<u>50,400</u>	<u>70,040</u>
Expenditures			
Current			
Sanitation and recycling			
Personal services	-	22,550	22,550
Other services and charges	-	30,429	30,429
Culture and recreation			
Personal services	9,228	-	9,228
Other services and charges	7,978	-	7,978
Total Expenditures	<u>17,206</u>	<u>52,979</u>	<u>70,185</u>
Net Change in Fund Balances	2,434	(2,579)	(145)
Fund Balances, January 1	<u>14,583</u>	<u>103,875</u>	<u>118,458</u>
Fund Balances, December 31	<u><u>\$ 17,017</u></u>	<u><u>\$ 101,296</u></u>	<u><u>\$ 118,313</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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Franchise fees	\$ 20,000	\$ 19,426	\$ (574)	\$ 22,034
Interest on investments	40	214	174	97
Total Revenues	<u>20,040</u>	<u>19,640</u>	<u>(400)</u>	<u>22,131</u>
Expenditures				
Current				
Culture and recreation				
Personal services	9,067	9,228	(161)	8,969
Other services and charges	8,200	7,978	222	7,830
Total Expenditures	<u>17,267</u>	<u>17,206</u>	<u>61</u>	<u>16,799</u>
Net Change in Fund Balances	2,773	2,434	(339)	5,332
Fund Balances, January 1	<u>14,583</u>	<u>14,583</u>	-	<u>9,251</u>
Fund Balances, December 31	<u>\$ 17,356</u>	<u>\$ 17,017</u>	<u>\$ (339)</u>	<u>\$ 14,583</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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

		2018		2017
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
County	\$          5,832	\$          5,832	\$              -	\$          6,213
Charges for services				
Sanitation	40,460	43,044	2,584	41,859
Interest on investments	1,000	1,524	524	1,159
Total Revenues	<u>47,292</u>	<u>50,400</u>	<u>3,108</u>	<u>49,231</u>
Expenditures				
Current				
Sanitation and recycling				
Personal services	22,090	22,550	(460)	21,539
Other services and charges	<u>31,000</u>	<u>30,429</u>	<u>571</u>	<u>24,543</u>
Total Expenditures	<u>53,090</u>	<u>52,979</u>	<u>111</u>	<u>46,082</u>
Net Change in Fund Balances	(5,798)	(2,579)	3,219	3,149
Fund Balances, January 1	<u>103,875</u>	<u>103,875</u>	<u>-</u>	<u>100,726</u>
Fund Balances, December 31	<u>\$      98,077</u>	<u>\$     101,296</u>	<u>\$      3,219</u>	<u>\$     103,875</u>

City of Lauderdale, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
December 31, 2018

	<b>404</b>	<b>405</b>	<b>414</b>	<b>415</b>	<b>401</b>	
	Park	Rosehill		Housing	General	
	Improvement	Tax	Development	Redevelopment	Capital	Total
		Increments			Improvement	
<b>Assets</b>						
Cash and temporary investments	\$ 273,188	\$ -	\$ 258,793	\$ -	\$ 94,727	\$ 626,708
Receivables						
Accounts	-	-	-	-	28,373	28,373
Due from other funds	-	-	89,307	-	-	89,307
Land held for resale	-	-	-	79,010	-	79,010
<b>Total Assets</b>	<b>\$ 273,188</b>	<b>\$ -</b>	<b>\$ 348,100</b>	<b>\$ 79,010</b>	<b>\$ 123,100</b>	<b>\$ 823,398</b>
<b>Liabilities</b>						
Accounts payable	\$ 695	\$ -	\$ -	\$ -	\$ -	\$ 695
Due to other funds	-	-	-	89,307	-	89,307
<b>Total Liabilities</b>	<b>695</b>	<b>-</b>	<b>-</b>	<b>89,307</b>	<b>-</b>	<b>90,002</b>
<b>Fund Balances</b>						
Restricted						
Street maintenance	-	-	32,917	-	-	32,917
Assigned	272,493	-	315,183	-	123,100	710,776
Unassigned	-	-	-	(10,297)	-	(10,297)
<b>Total Fund Balances</b>	<b>272,493</b>	<b>-</b>	<b>348,100</b>	<b>(10,297)</b>	<b>123,100</b>	<b>733,396</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 273,188</b>	<b>\$ -</b>	<b>\$ 348,100</b>	<b>\$ 79,010</b>	<b>\$ 123,100</b>	<b>\$ 823,398</b>



City of Lauderdale, Minnesota  
Nonmajor Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2018

	<b>404</b>	<b>405</b>	<b>414</b>	<b>415</b>	<b>401</b>	
	Park	Rosehill		Housing	General	
	Improvement	Tax	Development	Redevelopment	Capital	Total
	Improvement	Increments	Development	Redevelopment	Improvement	Total
Revenues						
Interest on investments	\$ 4,412	\$ 43	\$ 4,711	\$ -	\$ 1,765	\$ 10,931
Miscellaneous	-	-	15,110	-	52,300	67,410
Total Revenues	<u>4,412</u>	<u>43</u>	<u>19,821</u>	<u>-</u>	<u>54,065</u>	<u>78,341</u>
Expenditures						
Capital outlay						
General government	-	-	-	-	28,873	28,873
Culture and recreation	695	-	-	-	-	695
Economic development	-	25,881	17,353	1,308	-	44,542
Total Expenditures	<u>695</u>	<u>25,881</u>	<u>17,353</u>	<u>1,308</u>	<u>28,873</u>	<u>74,110</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>3,717</u>	<u>(25,838)</u>	<u>2,468</u>	<u>(1,308)</u>	<u>25,192</u>	<u>4,231</u>
Other Financing Sources (Uses)						
Transfers in	-	-	38,000	80,318	-	118,318
Transfers out	-	-	(80,318)	-	-	(80,318)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(42,318)</u>	<u>80,318</u>	<u>-</u>	<u>38,000</u>
Net Change in Fund Balances	3,717	(25,838)	(39,850)	79,010	25,192	42,231
Fund Balances, January 1	<u>268,776</u>	<u>25,838</u>	<u>387,950</u>	<u>(89,307)</u>	<u>97,908</u>	<u>691,165</u>
Fund Balances, December 31	<u>\$ 272,493</u>	<u>\$ -</u>	<u>\$ 348,100</u>	<u>\$ (10,297)</u>	<u>\$ 123,100</u>	<u>\$ 733,396</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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 765,514	\$ 765,514	\$ 762,857	\$ 707,907
Licenses and permits				
Business	3,750	3,750	4,625	4,825
Nonbusiness	27,100	27,100	39,834	32,076
Total licenses and permits	30,850	30,850	44,459	36,901
Intergovernmental				
State				
Local government aid	539,562	539,562	539,562	537,817
Other state grants	1,198	1,198	1,198	6,198
Total intergovernmental	540,760	540,760	540,760	544,015
Charges for services				
General government	11,000	11,000	15,267	18,138
Public safety	600	600	1,833	1,928
Culture and recreation	700	700	1,531	517
Total charges for services	12,300	12,300	18,631	20,583
Fines and forfeitures	30,000	30,000	25,488	24,046
Special assessments	-	-	3,914	4,723
Interest on investments	5,000	5,000	267	(7,172)
Miscellaneous				
Contributions and donations	2,500	2,500	2,382	3,048
Other	1,000	1,000	4,229	9,550
Total miscellaneous	3,500	3,500	6,611	12,598
Total Revenues	1,387,924	1,387,924	1,402,987	1,343,601

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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Legislative and executive					
Personal services	\$ 17,803	\$ 17,803	\$ 17,802	\$ 1	\$ 17,666
Supplies	250	250	138	112	605
Other services and charges	9,900	9,900	7,125	2,775	7,001
Total legislative and executive	27,953	27,953	25,065	2,888	25,272
Administration					
Personal services	166,651	166,651	168,318	(1,667)	161,641
Supplies	7,700	7,700	4,716	2,984	5,655
Other services and charges	38,600	38,600	35,088	3,512	30,084
Total administration	212,951	212,951	208,122	4,829	197,380
Election, audit, and legal fees					
Personal services	19,351	19,351	18,448	903	13,780
Supplies	4,000	4,000	2,848	1,152	2,302
Other services and charges	39,500	39,500	49,045	(9,545)	64,186
Total election, audit, and legal fees	62,851	62,851	70,341	(7,490)	80,268
Planning and zoning					
Personal services	31,872	31,872	32,553	(681)	30,776
Supplies	1,000	1,000	1,336	(336)	1,375
Other services and charges	41,350	41,350	62,488	(21,138)	52,426
Total planning and zoning	74,222	74,222	96,377	(22,155)	84,577
Contingency					
Other services and charges	-	-	-	-	-
Total general government	377,977	377,977	399,905	(21,928)	387,497
Public safety					
Police					
Other services and charges	710,674	710,674	709,240	1,434	691,134
Fire					
Other services and charges	32,500	32,500	33,519	(1,019)	33,736
Building inspections					
Personal services	23,515	23,515	25,619	(2,104)	30,021
Other services and charges	5,100	5,100	5,475	(375)	10,601
Total building inspections	28,615	28,615	31,094	(2,479)	40,622
Total public safety	771,789	771,789	773,853	(2,064)	765,492

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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Streets and highways					
Personal services	\$ 50,994	\$ 50,994	\$ 54,655	\$ (3,661)	\$ 52,808
Supplies	5,850	5,850	5,178	672	3,512
Other services and charges	31,250	31,250	61,132	(29,882)	25,566
Total streets and highways	88,094	88,094	120,965	(32,871)	81,886
Street lighting					
Other services and charges	7,000	7,000	5,756	1,244	6,295
Total public works	95,094	95,094	126,721	(31,627)	88,181
Culture and recreation					
Parks and recreation					
Personal services	75,364	75,364	76,701	(1,337)	73,833
Supplies	1,000	1,000	688	312	139
Other services and charges	8,700	8,700	10,786	(2,086)	9,679
Total culture and recreation	85,064	85,064	88,175	(3,111)	83,651
Economic development					
Other services and charges	20,000	20,000	7,710	12,290	7,814
Total Expenditures	1,349,924	1,349,924	1,396,364	(46,440)	1,332,635
Excess of Revenues					
Over Expenditures	38,000	38,000	6,623	(31,377)	10,966
Other Financing Sources (Uses)					
Transfers in	-	-	4,005	4,005	-
Transfers out	(38,000)	(38,000)	(38,000)	-	(38,000)
Total Other Financing Sources (Uses)	(38,000)	(38,000)	(33,995)	4,005	(38,000)
Net Change in Fund Balances	-	-	(27,372)	(27,372)	(27,034)
Fund Balances, January 1	774,580	774,580	774,580	-	801,614
Fund Balances, December 31	\$ 774,580	\$ 774,580	\$ 747,208	\$ (27,372)	\$ 774,580

City of Lauderdale, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 782,283	\$ 729,941	7.17 %
Licenses and permits	44,459	36,901	20.48
Intergovernmental	563,039	566,698	(0.65)
Charges for services	61,675	62,442	(1.23)
Fines and forfeitures	25,488	24,046	6.00
Special assessments	3,914	4,723	(17.13)
Interest on investments	22,007	6,724	227.29
Miscellaneous	924,187	95,360	869.16
Total Revenues	<u>\$ 2,427,052</u>	<u>\$ 1,526,835</u>	58.96 %
Per Capita	<u>\$ 1,000</u>	<u>\$ 626</u>	59.88 %
Expenditures			
Current			
General government	\$ 399,905	\$ 387,497	3.20 %
Public safety	773,853	765,492	1.09
Public works	126,721	88,181	43.71
Sanitation and recycling	52,979	46,082	14.97
Economic development	7,710	7,814	(1.33)
Culture and recreation	105,381	100,450	4.91
Capital outlay	131,649	39,569	232.71
Debt service			
Bond issuance costs	36,015	-	N/A
Total Expenditures	<u>\$ 1,634,213</u>	<u>\$ 1,435,085</u>	13.88 %
Per Capita	<u>\$ 674</u>	<u>\$ 588</u>	14.53 %
Total Long-term Indebtedness	\$ 1,295,000	\$ -	N/A
Per Capita	534	-	N/A
General Fund Balance - December 31	\$ 747,208	\$ 774,580	(3.53) %
Per Capita	308	317	(2.98)

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, 2018

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2019.

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 4, 2019