

Annual Financial Report

City of Lauderdale

Lauderdale, Minnesota

For the Year Ended
December 31, 2019

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City of Lauderdale, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Gaasch	Mayor	12/31/20
Jeff Dains	Council Member	12/31/20
Kelly Dolphin	Council Member	12/31/20
Roxanne Grove	Council Member	12/31/22
Andi Moffatt	Council Member	12/31/22

APPOINTED

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

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2019, 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

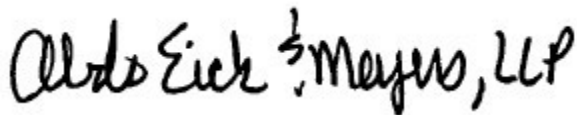
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions and the related note disclosures starting on page 62 be 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 13, 2020

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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, 2019.

Financial Highlights

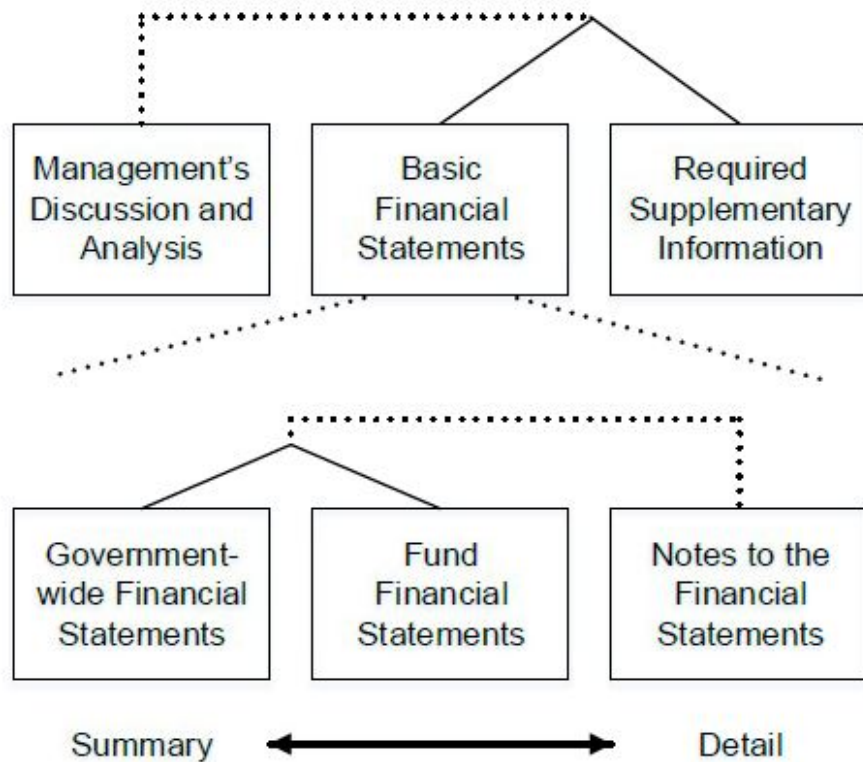
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,588,757 (*net position*). Of this amount, \$3,202,472 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$331,042. 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 \$3,567,414 a decrease of \$550,186 in comparison with the prior year. The majority of the decrease is due to the 2019 Infrastructure Improvement project that is held in construction work in process at December 31, 2019. Approximately 22.1 percent of this total amount, \$789,359, is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$789,359, or 56.4 percent of 2019 budgeted expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

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



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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of 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, TIF District No. 1-2 fund, and the 2019A G.O. Improvement Bonds 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 68 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 \$10,588,757 at the close of the most recent fiscal year.

The largest portion of the City's net position (64.4 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 4,174,249	\$ 4,185,142	\$ (10,893)	\$ 1,509,798	\$ 1,420,546	\$ 89,252
Capital assets	6,200,696	4,706,410	1,494,286	1,645,198	1,701,771	(56,573)
Total Assets	10,374,945	8,891,552	1,483,393	3,154,996	3,122,317	32,679
Deferred Outflows of Resources						
Deferred pension resources	18,063	39,641	(21,578)	5,812	12,896	(7,084)
Liabilities						
Long-term liabilities						
outstanding	2,586,838	1,568,092	1,018,746	88,962	86,859	2,103
Other liabilities	234,294	73,354	160,940	1,522	5,783	(4,261)
Total Liabilities	2,821,132	1,641,446	1,179,686	90,484	92,642	(2,158)
Deferred Inflows of Resources						
Deferred pension resources	40,036	56,290	(16,254)	13,407	18,313	(4,906)
Net Position						
Investment in capital assets	5,178,531	4,706,410	472,121	1,645,198	1,701,771	(56,573)
Restricted	562,556	910,976	(348,420)	-	-	-
Unrestricted	1,790,753	1,616,071	174,682	1,411,719	1,322,487	89,232
Total Net Position	\$ 7,531,840	\$ 7,233,457	\$ 298,383	\$ 3,056,917	\$ 3,024,258	\$ 32,659

The remaining balance of *unrestricted net position* (\$3,202,472) 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.

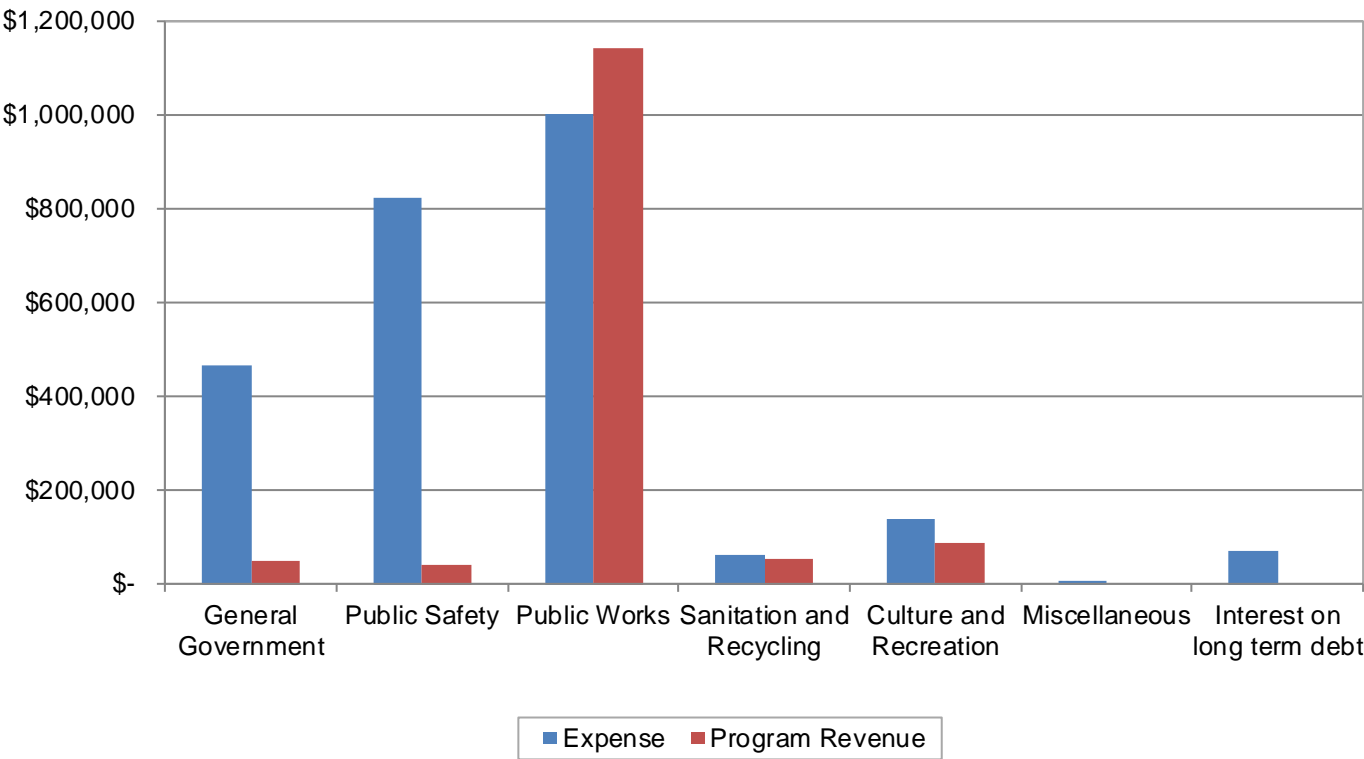
Governmental Activities. Governmental activities increased the City's net position by \$298,383 and business-type increased the City's net position by \$32,659. Key elements of the increase are as follows:

City of Lauderdale's Changes in Net Position

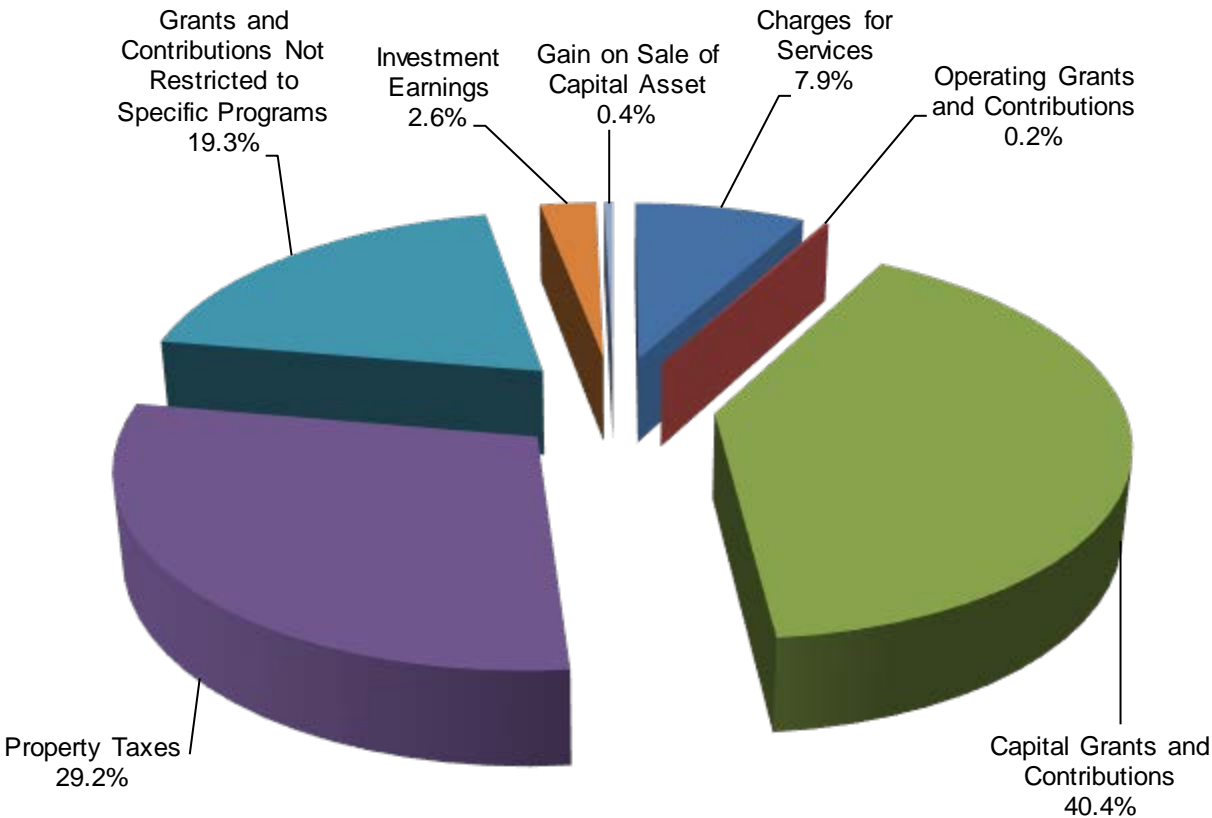
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 225,589	\$ 133,176	\$ 92,413	\$ 418,958	\$ 394,302	\$ 24,656
Operating grants and contributions	5,742	5,832	(90)	-	-	-
Capital grants and contributions	1,142,723	868,986	273,737	23,846	-	23,846
General Revenues						
Property taxes	828,027	782,618	45,409	-	-	-
Grants and contributions not restricted to specific programs	545,259	614,941	(69,682)	178	557	(379)
Investment earnings	73,592	22,007	51,585	28,152	22,465	5,687
Gain on sale of capital asset	10,412	-	10,412	-	-	-
Total Revenues	<u>2,831,344</u>	<u>2,427,560</u>	<u>403,784</u>	<u>471,134</u>	<u>417,324</u>	<u>53,810</u>
Expenses						
General government	463,927	420,291	43,636	-	-	-
Public safety	822,429	772,073	50,356	-	-	-
Public works	1,001,808	299,313	702,495	-	-	-
Sanitation and recycling	62,155	52,979	9,176	-	-	-
Culture and recreation	136,834	126,271	10,563	-	-	-
Miscellaneous	5,620	60,718	(55,098)	-	-	-
Debt service	72,188	51,798	20,390	-	-	-
Sewer	-	-	-	320,916	286,090	34,826
Storm sewer	-	-	-	85,559	89,480	(3,921)
Total Expenses	<u>2,564,961</u>	<u>1,783,443</u>	<u>781,518</u>	<u>406,475</u>	<u>375,570</u>	<u>30,905</u>
Increase in net position before transfers	266,383	644,117	(377,734)	64,659	41,754	22,905
Transfers	<u>32,000</u>	<u>-</u>	<u>32,000</u>	<u>(32,000)</u>	<u>-</u>	<u>(32,000)</u>
Change in Net Position	298,383	644,117	(345,734)	32,659	41,754	(9,095)
Net Position, January 1	<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>
Net Position, December 31	<u>\$ 7,531,840</u>	<u>\$ 7,233,457</u>	<u>\$ 298,383</u>	<u>\$ 3,056,917</u>	<u>\$ 3,024,258</u>	<u>\$ 32,659</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 \$32,659. 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 \$3,567,414, a decrease of \$550,186 in comparison with the prior year. Approximately 22.1 percent of this total amount (\$789,359) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund is *nonspendable* (\$3,629), *restricted* (\$1,425,106), *committed* (\$109,097), or *assigned* (\$1,240,223).

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 \$789,359. 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 56.4 percent of total General fund expenditures and 56.4 percent of the 2019 budget.

The fund balance of the City's General fund increased by \$45,130 during the current fiscal year because revenue from property taxes and interest on investments increased from the previous year.

The *Street Improvement* fund has a total fund balance of \$521,941, a decrease of \$748,548 from the previous year due to an increase in capital outlay expenditures in the current year.

The *TIF District No. 1-2* fund has a total fund balance of \$1,190,546, a decrease of \$211 from the previous year due to capital outlay expenditures exceeding revenues from interest on investments.

The *2019A G.O. Improvement Bonds* fund has a total fund balance of \$101,597, an increase of \$101,597 from the previous year because new general obligation special assessment bonds were issued in the current year.

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

The *Sewer* fund unrestricted net position of the Sewer operation amounted to \$1,026,733. The total increase in net position for the fund was \$9,116.

The *Storm Sewer* fund unrestricted net position amounted to \$384,986. The total increase in net position for the fund was \$23,543.

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 2019 fiscal year. Revenues were more than budgetary estimates by \$43,033 and expenditures were less than budgetary estimates by \$2,097. As a result the City experienced an overall favorable budget variance.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$7,845,894, (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 -22.4 percent (a -31.8 percent decrease for governmental activities and a 3.3 percent increase for business-type activities).

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 322,040	\$ 411,347	\$ (89,307)	\$ -	\$ -	\$ -
Construction in Progress	1,736,980	-	1,736,980	-	-	-
Buildings	37,467	39,127	(1,660)	-	-	-
Improvements other than Buildings	67,048	84,180	(17,132)	-	-	-
Machinery and Equipment	85,004	105,388	(20,384)	4,333	5,333	(1,000)
Infrastructure	3,952,157	4,066,368	(114,211)	1,640,865	1,696,438	(55,573)
Total	<u>\$ 6,200,696</u>	<u>\$ 4,706,410</u>	<u>\$ 1,494,286</u>	<u>\$ 1,645,198</u>	<u>\$ 1,701,771</u>	<u>\$ (56,573)</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 \$2,317,165.

City of Lauderdale's Outstanding Debt

	Governmental Activities			Business Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Bonds Payable	<u>\$ 2,317,165</u>	<u>\$ 1,295,000</u>	<u>\$ 1,022,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During 2019, the City issued 2019A G.O. Improvement Bonds for \$1,000,000.

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 2020.
- Luther Theological Seminary selected a developer to buy six acres of real estate in Lauderdale. Application for land use approvals are expected in 2020.
- Four new home were permitted in 2019. Two new home permits were approved so far in 2020.

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, 2019

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City of Lauderdale, Minnesota

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 2,648,605	\$ 1,436,107	\$ 4,084,712
Receivables			
Accounts	4,541	60,070	64,611
Delinquent taxes	26,708	-	26,708
Interest	2,957	-	2,957
Special assessments	389,908	-	389,908
Due from other governments	1,768	-	1,768
Prepaid items	3,629	13,621	17,250
Land held for resale	1,096,133	-	1,096,133
Capital assets			
Land and construction in progress	2,059,020	-	2,059,020
Depreciable buildings, property and equipment, net	4,141,676	1,645,198	5,786,874
Total Assets	<u>10,374,945</u>	<u>3,154,996</u>	<u>13,529,941</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>18,063</u>	<u>5,812</u>	<u>23,875</u>
Liabilities			
Accounts payable	207,152	1,522	208,674
Salaries payable	4,143	-	4,143
Accrued interest payable	21,347	-	21,347
Due to other governments	1,652	-	1,652
Current liabilities - due within one year			
Compensated absences payable	23,689	12,672	36,361
Noncurrent liabilities - due in more than one year			
Compensated absences payable	18,193	-	18,193
Net pension liability	227,791	76,290	304,081
Bonds payable	2,317,165	-	2,317,165
Total Liabilities	<u>2,821,132</u>	<u>90,484</u>	<u>2,911,616</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>40,036</u>	<u>13,407</u>	<u>53,443</u>
Net Position			
Investment in capital assets	5,178,531	1,645,198	6,823,729
Restricted for			
Debt Service	455,621	-	455,621
Transportation	74,018	-	74,018
Street maintenance	32,917	-	32,917
Unrestricted	<u>1,790,753</u>	<u>1,411,719</u>	<u>3,202,472</u>
Total Net Position	<u>\$ 7,531,840</u>	<u>\$ 3,056,917</u>	<u>\$ 10,588,757</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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current				
General government	\$ 463,927	\$ 50,123	\$ -	\$ -
Public safety	822,429	40,380	-	-
Public works	1,001,808	-	-	1,142,723
Sanitation and recycling	62,155	46,256	5,742	-
Culture and recreation	136,834	88,830	-	-
Economic development	5,620	-	-	-
Interest on long term debt	72,188	-	-	-
Total Governmental Activities	<u>2,564,961</u>	<u>225,589</u>	<u>5,742</u>	<u>1,142,723</u>
Business-type Activities				
Sewer	320,916	308,056	-	23,846
Storm sewer	85,559	110,902	-	-
Total Business-type Activities	<u>406,475</u>	<u>418,958</u>	<u>-</u>	<u>23,846</u>
Total	<u>\$ 2,971,436</u>	<u>\$ 644,547</u>	<u>\$ 5,742</u>	<u>\$ 1,166,569</u>

General Revenues and Transfers

Taxes

Property taxes, levied for general purposes

Franchise tax

Grants and contributions not restricted to specific programs

Investment earnings

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (413,804)	\$ -	\$ (413,804)
(782,049)	-	(782,049)
140,915	-	140,915
(10,157)	-	(10,157)
(48,004)	-	(48,004)
(5,620)	-	(5,620)
(72,188)	-	(72,188)
<u>(1,190,907)</u>	<u>-</u>	<u>(1,190,907)</u>
-	10,986	10,986
-	25,343	25,343
<u>-</u>	<u>36,329</u>	<u>36,329</u>
(1,190,907)	36,329	(1,154,578)
809,908	-	809,908
18,119	-	18,119
545,259	178	545,437
73,592	28,152	101,744
10,412	-	10,412
32,000	(32,000)	-
<u>1,489,290</u>	<u>(3,670)</u>	<u>1,485,620</u>
298,383	32,659	331,042
<u>7,233,457</u>	<u>3,024,258</u>	<u>10,257,715</u>
<u>\$ 7,531,840</u>	<u>\$ 3,056,917</u>	<u>\$ 10,588,757</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, 2019

City of Lauderdale, Minnesota

Balance Sheet
Governmental Funds
December 31, 2019

		Capital Projects		Debt Service		
				2019A		
	General	Street Improvement	TIF District No. 1-2	G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and temporary investments	\$ 777,769	\$ 714,526	\$ 94,413	\$ 101,597	\$ 960,300	\$ 2,648,605
Receivables						
Accounts	-	-	-	-	4,541	4,541
Delinquent taxes	26,708	-	-	-	-	26,708
Interest	2,957	-	-	-	-	2,957
Special assessments	191	-	-	349,343	40,374	389,908
Due from other governments	1,706	62	-	-	-	1,768
Prepaid items	2,979	-	-	-	650	3,629
Land held for resale	-	-	1,096,133	-	-	1,096,133
Total Assets	\$ 812,310	\$ 714,588	\$ 1,190,546	\$ 450,940	\$ 1,005,865	\$ 4,174,249
Liabilities						
Accounts payable	\$ 9,612	\$ 192,647	\$ -	\$ -	\$ 4,893	\$ 207,152
Due to other governments	1,652	-	-	-	-	1,652
Salaries payable	3,812	-	-	-	331	4,143
Total Liabilities	15,076	192,647	-	-	5,224	212,947
Deferred Inflows of Resources						
Unavailable revenue - property taxes	4,705	-	-	-	-	4,705
Unavailable revenue - special assessments	191	-	-	349,343	39,649	389,183
Total Deferred Inflows of Resources	4,896	-	-	349,343	39,649	393,888
Fund Balances						
Nonspendable	2,979	-	-	-	650	3,629
Restricted	-	106,935	1,190,546	101,597	26,028	1,425,106
Committed	-	-	-	-	109,097	109,097
Assigned	-	415,006	-	-	825,217	1,240,223
Unassigned	789,359	-	-	-	-	789,359
Total Fund Balances	792,338	521,941	1,190,546	101,597	960,992	3,567,414
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 812,310	\$ 714,588	\$ 1,190,546	\$ 450,940	\$ 1,005,865	\$ 4,174,249

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, 2019

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

Total Fund Balances - Governmental Funds	\$ 3,567,414
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	8,608,991
Less: accumulated depreciation	(2,408,295)
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	(41,882)
Pension liability	(227,791)
Bonds payable	(2,295,000)
Bond premium	(22,165)
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.	4,705
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.	389,183
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	18,063
Deferred inflows of pension resources	(40,036)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(21,347)</u>
Total Net Position - Governmental Activities	<u><u>\$ 7,531,840</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, 2019

	Capital Projects			Debt Service		
				2019A	Other	Total
	General	Street Improvement	TIF District No. 1-2	G.O. Improvement Bonds	Governmental Funds	Governmental Funds
Revenues						
Taxes	\$ 813,079	\$ -	\$ -	\$ -	\$ 18,119	\$ 831,198
Licenses and permits	42,775	-	-	-	-	42,775
Intergovernmental	540,820	-	-	-	5,742	546,562
Charges for services	17,205	-	-	-	46,256	63,461
Fines and forfeitures	29,977	-	-	-	-	29,977
Special assessments	2,303	-	-	88,130	-	90,433
Interest on investments	30,295	23,087	1,924	477	17,809	73,592
Miscellaneous	5,153	753,332	-	-	-	758,485
Total Revenues	<u>1,481,607</u>	<u>776,419</u>	<u>1,924</u>	<u>88,607</u>	<u>87,926</u>	<u>2,436,483</u>
Expenditures						
Current						
General government	370,627	-	-	-	-	370,627
Public safety	822,660	-	-	-	-	822,660
Public works	111,519	-	-	-	1,232	112,751
Sanitation and recycling	-	-	-	-	62,155	62,155
Culture and recreation	92,446	-	-	-	18,804	111,250
Economic development	1,225	-	-	-	-	1,225
Capital outlay	-	2,499,559	2,135	-	2,260	2,503,954
Debt service						
Interest	-	-	-	-	32,041	32,041
Bond issuance costs	-	35,750	-	-	-	35,750
Total Expenditures	<u>1,398,477</u>	<u>2,535,309</u>	<u>2,135</u>	<u>-</u>	<u>116,492</u>	<u>4,052,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,130</u>	<u>(1,758,890)</u>	<u>(211)</u>	<u>88,607</u>	<u>(28,566)</u>	<u>(1,615,930)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	70,000	70,000
Transfers out	(38,000)	-	-	-	-	(38,000)
Bonds issued	-	987,010	-	12,990	-	1,000,000
Premium on bonds issued	-	23,332	-	-	-	23,332
Gain on sale of land held for resale	-	-	-	-	10,412	10,412
Total Other Financing Sources (Uses)	<u>(38,000)</u>	<u>1,010,342</u>	<u>-</u>	<u>12,990</u>	<u>80,412</u>	<u>1,065,744</u>
Net Change in Fund Balances	45,130	(748,548)	(211)	101,597	51,846	(550,186)
Fund Balances, January 1	<u>747,208</u>	<u>1,270,489</u>	<u>1,190,757</u>	<u>-</u>	<u>909,146</u>	<u>4,117,600</u>
Fund Balances, December 31	<u>\$ 792,338</u>	<u>\$ 521,941</u>	<u>\$ 1,190,546</u>	<u>\$ 101,597</u>	<u>\$ 960,992</u>	<u>\$ 3,567,414</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, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (550,186)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,736,980
Depreciation expense	(153,387)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and dispositions) is to decrease net position.	(89,307)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources if governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Bonds issued	(1,000,000)
Premium on bonds issued	(23,332)
Amortization of bond premium	1,167
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.	(5,564)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(3,433)
Pension revenue from state contributions	532
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	387,088
Property taxes	(3,171)
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	996
Change in Net Position - Governmental Activities	<u>\$ 298,383</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 810,104	\$ 810,104	\$ 813,079	\$ 2,975
Licenses and permits	35,850	35,850	42,775	6,925
Intergovernmental	540,820	540,820	540,820	-
Charges for services	11,800	11,800	17,205	5,405
Fines and forfeitures	30,000	30,000	29,977	(23)
Special assessments	-	-	2,303	2,303
Interest on investments	6,000	6,000	30,295	24,295
Miscellaneous	4,000	4,000	5,153	1,153
Total Revenues	<u>1,438,574</u>	<u>1,438,574</u>	<u>1,481,607</u>	<u>43,033</u>
Expenditures				
Current				
General government	375,399	375,399	370,627	4,772
Public safety	811,723	811,723	822,660	(10,937)
Public works	100,630	100,630	111,519	(10,889)
Culture and recreation	92,822	92,822	92,446	376
Economic development	20,000	20,000	1,225	18,775
Total Expenditures	<u>1,400,574</u>	<u>1,400,574</u>	<u>1,398,477</u>	<u>2,097</u>
Excess of Revenues Over Expenditures	38,000	38,000	83,130	45,130
Other Financing Uses				
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	45,130	45,130
Fund Balances, January 1	<u>747,208</u>	<u>747,208</u>	<u>747,208</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 747,208</u>	<u>\$ 747,208</u>	<u>\$ 792,338</u>	<u>\$ 45,130</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, 2019

	Business-type Activities		
	Sewer	Storm Sewer	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 1,025,140	\$ 410,967	\$ 1,436,107
Accounts receivable	41,077	18,993	60,070
Prepaid items	13,381	240	13,621
Total Current Assets	<u>1,079,598</u>	<u>430,200</u>	<u>1,509,798</u>
Noncurrent Assets			
Capital assets			
Machinery and equipment	15,000	-	15,000
Infrastructure	2,190,470	-	2,190,470
Less accumulated depreciation	(560,272)	-	(560,272)
Total Noncurrent Assets	<u>1,645,198</u>	<u>-</u>	<u>1,645,198</u>
Total Assets	<u>2,724,796</u>	<u>430,200</u>	<u>3,154,996</u>
Deferred Outflows of Resources			
Deferred pensions resources	<u>3,141</u>	<u>2,671</u>	<u>5,812</u>
Liabilities			
Current Liabilities			
Accounts payable	800	722	1,522
Compensated absences payable	6,723	5,949	12,672
Total Current Liabilities	<u>7,523</u>	<u>6,671</u>	<u>14,194</u>
Noncurrent Liabilities			
Pension liability	<u>41,237</u>	<u>35,053</u>	<u>76,290</u>
Total Liabilities	<u>48,760</u>	<u>41,724</u>	<u>90,484</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>7,246</u>	<u>6,161</u>	<u>13,407</u>
Net Position			
Investment in capital assets	1,645,198	-	1,645,198
Unrestricted	<u>1,026,733</u>	<u>384,986</u>	<u>1,411,719</u>
Total Net Position	<u>\$ 2,671,931</u>	<u>\$ 384,986</u>	<u>\$ 3,056,917</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, 2019

	Business-type Activities		
	Sewer	Storm Sewer	Total
Operating Revenues			
Charges for services	\$ 308,056	\$ 110,902	\$ 418,958
Operating Expenses			
Personal services	80,812	67,871	148,683
Supplies	713	713	1,426
Other services and charges	182,818	16,975	199,793
Depreciation	56,573	-	56,573
Total Operating Expenses	320,916	85,559	406,475
Operating Income	(12,860)	25,343	12,483
Nonoperating Revenues			
Other revenue	96	82	178
Interest income	20,034	8,118	28,152
Total Nonoperating Revenues	20,130	8,200	28,330
Income Before Capital Grants and Transfers	7,270	33,543	40,813
Capital grants	23,846	-	23,846
Transfers Out	(22,000)	(10,000)	(32,000)
Total Capital Grants and Transfers	1,846	(10,000)	(8,154)
Change in Net Position	9,116	23,543	32,659
Net Position, January 1	2,662,815	361,443	3,024,258
Net Position, December 31	\$ 2,671,931	\$ 384,986	\$ 3,056,917

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, 2019

	Business-type Activities		
	Sewer	Storm Sewer	Total
Cash Flows from Operating Activities			
Receipts from tenants and users	\$ 305,384	\$ 109,695	\$ 415,079
Payments to suppliers	(188,120)	(17,101)	(205,221)
Payments to employees	(78,228)	(66,174)	(144,402)
Net Cash Provided by Operating Activities	<u>39,036</u>	<u>26,420</u>	<u>65,456</u>
Cash Flows From Noncapital And Related Financing Activities			
Transfers out	<u>(22,000)</u>	<u>(10,000)</u>	<u>(32,000)</u>
Cash Flows from Capital and Related Financing Activities			
Grants received	<u>23,846</u>	<u>-</u>	<u>23,846</u>
Cash Flows from Investing Activities			
Interest on investments	<u>20,034</u>	<u>8,118</u>	<u>28,152</u>
Net Increase in Cash and Cash Equivalents	60,916	24,538	85,454
Cash and Cash Equivalents, January 1	<u>964,224</u>	<u>386,429</u>	<u>1,350,653</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,025,140</u></u>	<u><u>\$ 410,967</u></u>	<u><u>\$ 1,436,107</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ (12,860)	\$ 25,343	\$ 12,483
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	56,573	-	56,573
Increase (decrease) in assets/deferred outflows			
Accounts receivable	(2,768)	(1,289)	(4,057)
Prepaid items	264	(5)	259
Pension liability	96	82	178
Deferred pension resources	3,792	3,292	7,084
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(4,853)	592	(4,261)
Compensated absences payable	424	289	713
Net pension liability	967	423	1,390
Deferred pension resources	(2,599)	(2,307)	(4,906)
Net Cash Provided by Operating Activities	<u><u>\$ 39,036</u></u>	<u><u>\$ 26,420</u></u>	<u><u>\$ 65,456</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.

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 *2019A G.O. Improvement Bonds fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the fund.

The City reports the following major proprietary funds:

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 City has the following recurring fair value measurements as of December 31, 2019:

- Negotiable certificates of deposit of \$1,310,547 are valued using a matrix pricing model (Level 2 inputs)

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. 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, 2019

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, 2019, 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.

The total pension expense for the for the year ended December 31, 2019 was \$37,661. The components of pension expense are noted in the plan summaries in Note 4.

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, 2019

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 2019.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019 expenditures exceeded appropriations in the following funds.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Communications	\$ 18,230	\$ 18,804	\$ 574
Recycling	61,846	62,040	194

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

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

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 \$317,002 and the bank balance was \$346,877. 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, 2019

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	\$ 113,619			
4M Fund	P1	less than 6 months	1,422,331			
4M Plus Fund	P1	less than 6 months	920,813			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	less than 1 year	800,960	\$ -	\$ 800,960	\$ -
Negotiable Certificates of Deposit	N/A	1 to 5 Years	509,587	-	509,587	-
Total Investments			\$ 3,767,310	\$ -	\$ 1,310,547	\$ -

(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, 2019

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	\$ 317,002
Investments	3,767,310
Cash on Hand	400
	<u>400</u>
Total Cash and Temporary Investments	<u><u>\$ 4,084,712</u></u>

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 411,347	\$ -	\$ (89,307)	\$ 322,040
Construction in progress	-	1,736,980	-	1,736,980
Total Capital Assets not being Depreciated	<u>411,347</u>	<u>1,736,980</u>	<u>(89,307)</u>	<u>2,059,020</u>
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>
Less Accumulated Depreciation for				
Buildings	(201,904)	(1,660)	-	(203,564)
Improvements other				
than buildings	(198,355)	(17,132)	-	(215,487)
Machinery and equipment	(210,452)	(20,384)	-	(230,836)
Infrastructure	(1,644,197)	(114,211)	-	(1,758,408)
Total Accumulated Depreciation	<u>(2,254,908)</u>	<u>(153,387)</u>	<u>-</u>	<u>(2,408,295)</u>
Total Capital Assets being Depreciated, Net	<u>4,295,063</u>	<u>(153,387)</u>	<u>-</u>	<u>4,141,676</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 4,706,410</u></u>	<u><u>\$ 1,583,593</u></u>	<u><u>\$ (89,307)</u></u>	<u><u>\$ 6,200,696</u></u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets being Depreciated				
Infrastructure	\$ 2,190,470	\$ -	\$ -	\$ 2,190,470
Machinery and equipment	15,000	-	-	15,000
Total Capital Assets being Depreciated	<u>2,205,470</u>	<u>-</u>	<u>-</u>	<u>2,205,470</u>
Less Accumulated Depreciation for				
Infrastructure	(494,032)	(55,573)	-	(549,605)
Machinery and equipment	(9,667)	(1,000)	-	(10,667)
Total Accumulated Depreciation	<u>(503,699)</u>	<u>(56,573)</u>	<u>-</u>	<u>(560,272)</u>
Total Capital Assets Being Depreciated, Net	<u>1,701,771</u>	<u>(56,573)</u>	<u>-</u>	<u>1,645,198</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,701,771</u>	<u>\$ (56,573)</u>	<u>\$ -</u>	<u>\$ 1,645,198</u>

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

Governmental Activities	
General government	\$ 3,003
Public works	125,616
Culture and recreation	<u>24,768</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 153,387</u>
Business-type Activities	
Sewer	<u>\$ 56,573</u>

Construction Commitments

The City has an active construction project as of December 31, 2019. The project include various street and road improvements. At year end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Project Name		
2019 Infrastructure Improvements	<u>\$ 2,056,433</u>	<u>\$ 212,661</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

The City made transfer during the fiscal year 2019 as shown and described below:

Fund	Transfer In Other Governmental Funds
Transfer Out	
General	\$ 38,000
Sewer	22,000
Storm Water	10,000
	<hr/>
Total Transfers Out	<u><u>\$ 70,000</u></u>

Transfers were made for the following purposes:

- \$22,000 was transferred from the Sewer fund to the other governmental funds to fund capital improvements.
- \$10,000 was transferred from the Storm Water fund to the other governmental funds to fund capital improvements.
- \$38,000 was transferred from the General fund to the other governmental funds to fund capital purchases.

D. Long-term Debt

General Obligation Special Assessment Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2019A	\$ 1,000,000	1.50 - 3.00 %	06/26/19	02/01/30	<u><u>\$ 1,000,000</u></u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ -	\$ 23,865	\$ 23,865
2021	100,000	21,000	121,000
2022	100,000	19,500	119,500
2023	100,000	17,938	117,938
2024	100,000	16,313	116,313
2025 - 2029	500,000	50,000	550,000
2030	100,000	1,500	101,500
Total	<u>\$ 1,000,000</u>	<u>\$ 150,116</u>	<u>\$ 1,150,116</u>

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>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ -	\$ 25,253	\$ 25,253
2021	<u>1,295,000</u>	<u>12,626</u>	<u>1,307,626</u>
Total	<u>\$ 1,295,000</u>	<u>\$ 37,879</u>	<u>\$ 1,332,879</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable					
G.O. improvement bonds	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
G.O. tax increment bonds	<u>1,295,000</u>	<u>-</u>	<u>-</u>	<u>1,295,000</u>	<u>-</u>
Total bonds payable	<u>1,295,000</u>	<u>1,000,000</u>	<u>-</u>	<u>2,295,000</u>	
Unamortized premium on bonds	-	23,332	(1,167)	22,165	-
Compensated Absences Payable	<u>42,878</u>	<u>22,693</u>	<u>(23,689)</u>	<u>41,882</u>	<u>23,689</u>
Governmental Activity Long-term Liabilities	<u>\$ 1,337,878</u>	<u>\$ 1,046,025</u>	<u>\$ (24,856)</u>	<u>\$ 2,359,047</u>	<u>\$ 23,689</u>
Business-type Activities					
Compensated Absences Payable	<u>\$ 11,959</u>	<u>\$ 13,385</u>	<u>\$ (12,672)</u>	<u>\$ 12,672</u>	<u>\$ 12,672</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2019, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Fund	Purpose	Amount
Fund Balance - Nonspendable		
General	Prepaid items	\$ 2,979
Communications	Prepaid items	650
Total Fund Balance - Nonspendable		<u>3,629</u>
Fund Balance - Restricted		
Transportation	Traportation Improvements	74,018
TIF District No. 1-2	Tax increments	1,190,546
2018A G.O. TIF Revenue Bonds	Debt service	26,028
2019A G.O. Improvement Bonds	Debt service	101,597
Street maintenance	Street maintenance	32,917
Total fund balance - Restricted		<u>1,425,106</u>
Fund Balance - Committed		
Communications	Cable access	15,980
Recycling	Recycling	93,117
Total Fund Balance - Committed		<u>109,097</u>
Fund Balance - Assigned		
Capital improvement - streets	Street capital	415,006
General capital improvement	Capital purchases	157,831
Development	Development	390,545
Park improvement	Park capital	276,841
Total Fund Balance - Assigned		<u>1,240,223</u>
Fund Balance - Unassigned		
General		<u>789,359</u>
Total Fund Balance		<u><u>\$ 3,567,414</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 Plan (GERP)

All full-time and certain part-time employees of the City, other than teachers, are covered by the General Employees Retirement Plan (GERP). GERP 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 state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERP Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, 2019, 2018 and 2017 were \$29,770, \$28,591 and \$27,025 respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$304,083 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,500. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0055 percent which was the same as its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 304,083
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>9,500</u>
Total	<u><u>\$ 313,583</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$36,950 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$711 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan'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 Economic Experience	\$ 4,429	\$ 15,663
Changes in Actuarial Assumptions	-	11,742
Net Difference between Projected and Actual Earnings on Plan Investments	-	19,600
Changes in Proportion	4,573	6,438
Contributions paid to PERA subsequent to the Measurement Date	<u>14,873</u>	<u>-</u>
Total	<u><u>\$ 23,875</u></u>	<u><u>\$ 53,443</u></u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$14,873 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (16,575)
2021	(22,270)
2022	(6,088)
2023	492

F. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.30
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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%)
General Employees Fund	\$ 499,896	\$ 304,081	\$ 142,400

H. Pension Plan Fiduciary Net Position

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

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2019

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 2019 was \$539,622 for LGA. This accounted for 36 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, 2019 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	\$ 7,725,226
Benedictine Health System	7/14/2016	10,000,000	9,467,297
Catholic Eldercare	11/7/2017	9,000,000	9,000,000

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Lauderdale, Minnesota
Required Supplementary Information
December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employees 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
06/30/19	0.0055 %	\$ 304,081	\$ 9,500	\$313,581	\$389,732	80.5 %	80.2 %
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 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)
12/31/19	\$ 29,770	29,770	-	396,933	7.5 %
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, 2019

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

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

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

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

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

Changes in Plan Provisions

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

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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, 2019

City of Lauderdale, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue	<u>Debt Service</u> 2018A G.O. TIF Revenue Bonds	Capital Projects	Total
Assets				
Cash and temporary investments	\$ 109,055	\$ 26,028	\$ 825,217	\$ 960,300
Receivables				
Accounts	4,541	-	-	4,541
Special assessments	40,374	-	-	40,374
Prepaid items	650	-	-	650
	<u>154,620</u>	<u>26,028</u>	<u>825,217</u>	<u>1,005,865</u>
Total Assets	\$ 154,620	\$ 26,028	\$ 825,217	\$ 1,005,865
Liabilities				
Accounts payable	\$ 4,893	\$ -	\$ -	\$ 4,893
Salaries payable	331	-	-	331
Total Liabilities	5,224	-	-	5,224
Deferred Inflows of Resources				
Unavailable revenue - special assessments	39,649	-	-	39,649
Fund Balances				
Nonspendable	650	-	-	650
Restricted	-	26,028	-	26,028
Committed	109,097	-	-	109,097
Assigned	-	-	825,217	825,217
Total Fund Balances	109,747	26,028	825,217	960,992
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 154,620	\$ 26,028	\$ 825,217	\$ 1,005,865

City of Lauderdale, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	Special Revenue	<u>Debt Service</u> 2018A G.O. TIF Revenue Bonds	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Franchise fees	\$ 18,119	\$ -	\$ -	\$ 18,119
Intergovernmental	5,742	-	-	5,742
Charges for services	46,256	-	-	46,256
Interest on investments	2,161	632	15,016	17,809
Total Revenues	<u>72,278</u>	<u>632</u>	<u>15,016</u>	<u>87,926</u>
Expenditures				
Current				
Public works	-	-	1,232	1,232
Sanitation and recycling	62,040	-	115	62,155
Culture and recreation	18,804	-	-	18,804
Capital outlay				
Economic development	-	-	2,260	2,260
Debt service				
Interest and other	-	32,041	-	32,041
Total Expenditures	<u>80,844</u>	<u>32,041</u>	<u>3,607</u>	<u>116,492</u>
Excess (Deficiency) of Revenues Under (Over) Expenditures	<u>(8,566)</u>	<u>(31,409)</u>	<u>11,409</u>	<u>(28,566)</u>
Other Financing Sources				
Transfers in	-	-	70,000	70,000
Gain on sale of land held for resale	-	-	10,412	10,412
Total Other Financing Source	<u>-</u>	<u>-</u>	<u>80,412</u>	<u>80,412</u>
Net Change in Fund Balances	(8,566)	(31,409)	91,821	51,846
Fund Balances, January 1	<u>118,313</u>	<u>57,437</u>	<u>733,396</u>	<u>909,146</u>
Fund Balances, December 31	<u>\$ 109,747</u>	<u>\$ 26,028</u>	<u>\$ 825,217</u>	<u>\$ 960,992</u>

City of Lauderdale, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2019

	226	227	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 13,010	\$ 96,045	\$ 109,055
Receivables			
Accounts	4,541	-	4,541
Special assessments	-	40,374	40,374
Prepaid items	<u>650</u>	<u>-</u>	<u>650</u>
Total Assets	<u><u>\$ 18,201</u></u>	<u><u>\$ 136,419</u></u>	<u><u>\$ 154,620</u></u>
Liabilities			
Accounts payable	\$ 1,478	\$ 3,415	\$ 4,893
Salaries payable	<u>93</u>	<u>238</u>	<u>331</u>
Total Liabilities	<u>1,571</u>	<u>3,653</u>	<u>5,224</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>39,649</u>	<u>39,649</u>
Fund Balances			
Nonspendable	650	-	650
Committed	<u>15,980</u>	<u>93,117</u>	<u>109,097</u>
Total Fund Balances	<u>16,630</u>	<u>93,117</u>	<u>109,747</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 18,201</u></u>	<u><u>\$ 136,419</u></u>	<u><u>\$ 154,620</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, 2019

	226	227	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Revenues			
Taxes			
Franchise fees	\$ 18,119	\$ -	\$ 18,119
Intergovernmental	-	5,742	5,742
Charges for services	-	46,256	46,256
Interest on investments	298	1,863	2,161
Total Revenues	<u>18,417</u>	<u>53,861</u>	<u>72,278</u>
Expenditures			
Current			
Sanitation and recycling			
Personal services	-	26,532	26,532
Other services and charges	-	35,508	35,508
Culture and recreation			
Personal services	9,706	-	9,706
Other services and charges	9,098	-	9,098
Total Expenditures	<u>18,804</u>	<u>62,040</u>	<u>80,844</u>
Net Change in Fund Balances	(387)	(8,179)	(8,566)
Fund Balances, January 1	<u>17,017</u>	<u>101,296</u>	<u>118,313</u>
Fund Balances, December 31	<u><u>\$ 16,630</u></u>	<u><u>\$ 93,117</u></u>	<u><u>\$ 109,747</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

		2019		2018
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Franchise fees	\$ 20,000	\$ 18,119	\$ (1,881)	\$ 19,426
Interest on investments	40	298	258	214
Total Revenues	<u>20,040</u>	<u>18,417</u>	<u>(1,623)</u>	<u>19,640</u>
Expenditures				
Current				
Culture and recreation				
Personal services	9,530	9,706	(176)	9,228
Other services and charges	8,700	9,098	(398)	7,978
Total Expenditures	<u>18,230</u>	<u>18,804</u>	<u>(574)</u>	<u>17,206</u>
Net Change in Fund Balances	1,810	(387)	(2,197)	2,434
Fund Balances, January 1	<u>17,017</u>	<u>17,017</u>	-	<u>14,583</u>
Fund Balances, December 31	<u>\$ 18,827</u>	<u>\$ 16,630</u>	<u>\$ (2,197)</u>	<u>\$ 17,017</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

		2019		2018
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
County	\$ 6,000	\$ 5,742	\$ (258)	\$ 5,832
Charges for services				
Sanitation	45,460	46,256	796	43,044
Interest on investments	1,000	1,863	863	1,524
Total Revenues	<u>52,460</u>	<u>53,861</u>	<u>1,401</u>	<u>50,400</u>
Expenditures				
Current				
Sanitation and recycling				
Personal services	22,996	26,532	(3,536)	22,550
Other services and charges	38,850	35,508	3,342	30,429
Total Expenditures	<u>61,846</u>	<u>62,040</u>	<u>(194)</u>	<u>52,979</u>
Net Change in Fund Balances	(9,386)	(8,179)	1,207	(2,579)
Fund Balances, January 1	<u>101,296</u>	<u>101,296</u>	-	<u>103,875</u>
Fund Balances, December 31	<u>\$ 91,910</u>	<u>\$ 93,117</u>	<u>\$ 1,207</u>	<u>\$ 101,296</u>

City of Lauderdale, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2019

	404	414	415	401	
	Park		Housing	General	
	Improvement	Development	Redevelopment	Capital	Total
				Improvement	
Assets					
Cash and temporary investments	<u>\$ 276,841</u>	<u>\$ 390,545</u>	<u>\$ -</u>	<u>\$ 157,831</u>	<u>\$ 825,217</u>
Fund Balances					
Assigned	<u>\$ 276,841</u>	<u>\$ 390,545</u>	<u>\$ -</u>	<u>\$ 157,831</u>	<u>\$ 825,217</u>

City of Lauderdale, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	404	414	415	401	
	Park		Housing	General	
	Improvement	Development	Redevelopment	Capital	Total
				Improvement	
Revenues					
Interest on investments	\$ 5,580	\$ 6,705	\$ -	\$ 2,731	\$ 15,016
Expenditures					
Current					
Public works	1,232	-	-	-	1,232
Sanitation and recycling	-	-	115	-	115
Capital outlay					
Economic development	-	2,260	-	-	2,260
Total Expenditures	1,232	2,260	115	-	3,607
Excess (Deficiency) Of Revenues Over (Under) Expenditures	4,348	4,445	(115)	2,731	11,409
Other Financing Sources					
Transfers in	-	38,000	-	32,000	70,000
Gain on sale of land held for resale	-	-	10,412	-	10,412
Total Other Financing Sources	-	38,000	10,412	32,000	80,412
Net Change in Fund Balances	4,348	42,445	10,297	34,731	91,821
Fund Balances, January 1	272,493	348,100	(10,297)	123,100	733,396
Fund Balances, December 31	\$ 276,841	\$ 390,545	\$ -	\$ 157,831	\$ 825,217

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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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 810,104	\$ 810,104	\$ 813,079	\$ 2,975	\$ 762,857
Licenses and permits					
Business	3,750	3,750	4,250	500	4,625
Nonbusiness	32,100	32,100	38,525	6,425	39,834
Total licenses and permits	35,850	35,850	42,775	6,925	44,459
Intergovernmental					
State					
Local government aid	539,622	539,622	539,622	-	539,562
Other state grants	1,198	1,198	1,198	-	1,198
Total intergovernmental	540,820	540,820	540,820	-	540,760
Charges for services					
General government	10,500	10,500	15,295	4,795	15,267
Public safety	600	600	1,210	610	1,833
Culture and recreation	700	700	700	-	1,531
Total charges for services	11,800	11,800	17,205	5,405	18,631
Fines and forfeitures	30,000	30,000	29,977	(23)	25,488
Special assessments	-	-	2,303	2,303	3,914
Interest on investments	6,000	6,000	30,295	24,295	267
Miscellaneous					
Contributions and donations	2,500	2,500	2,159	(341)	2,382
Other	1,500	1,500	2,994	1,494	4,229
Total miscellaneous	4,000	4,000	5,153	1,153	6,611
Total Revenues	1,438,574	1,438,574	1,481,607	43,033	1,402,987

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures				
Current				
General government				
Legislative and executive				
Personal services	\$ 17,802	\$ 17,802	\$ 17,807	\$ 17,802
Supplies	250	250	-	138
Other services and charges	9,750	9,750	8,473	7,125
Total legislative and executive	27,802	27,802	26,280	25,065
Administration				
Personal services	169,102	169,102	171,852	168,318
Supplies	7,500	7,500	7,502	4,716
Other services and charges	43,000	43,000	35,975	35,088
Total administration	219,602	219,602	215,329	208,122
Election, audit, and legal fees				
Personal services	15,157	15,157	15,358	18,448
Supplies	2,800	2,800	2,703	2,848
Other services and charges	42,500	42,500	48,907	49,045
Total election, audit, and legal fees	60,457	60,457	66,968	70,341
Planning and zoning				
Personal services	20,738	20,738	21,176	32,553
Supplies	1,500	1,500	1,128	1,336
Other services and charges	45,300	45,300	39,746	62,488
Total planning and zoning	67,538	67,538	62,050	96,377
Total general government	375,399	375,399	370,627	399,905
Public safety				
Police				
Other services and charges	729,011	729,011	729,063	709,240
Fire				
Other services and charges	35,300	35,300	42,207	33,519
Building inspections				
Personal services	42,312	42,312	45,080	25,619
Other services and charges	5,100	5,100	6,310	5,475
Total building inspections	47,412	47,412	51,390	31,094
Total public safety	811,723	811,723	822,660	773,853

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Streets and highways					
Personal services	\$ 50,230	\$ 50,230	\$ 52,017	\$ (1,787)	\$ 54,655
Supplies	4,850	4,850	4,609	241	5,178
Other services and charges	38,550	38,550	48,769	(10,219)	61,132
Total streets and highways	93,630	93,630	105,395	(11,765)	120,965
Street lighting					
Other services and charges	7,000	7,000	6,124	876	5,756
Total public works	100,630	100,630	111,519	(10,889)	126,721
Culture and recreation					
Parks and recreation					
Personal services	82,522	82,522	81,559	963	76,701
Supplies	500	500	1,029	(529)	688
Other services and charges	9,800	9,800	9,858	(58)	10,786
Total culture and recreation	92,822	92,822	92,446	376	88,175
Economic development					
Other services and charges	20,000	20,000	1,225	18,775	7,710
Total Expenditures	1,400,574	1,400,574	1,398,477	2,097	1,396,364
Excess of Revenues					
Over Expenditures	38,000	38,000	83,130	45,130	6,623
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	4,005
Transfers out	(38,000)	(38,000)	(38,000)	-	(38,000)
Total Other Financing Sources (Uses)	(38,000)	(38,000)	(38,000)	-	(33,995)
Net Change in Fund Balances	-	-	45,130	45,130	(27,372)
Fund Balances, January 1	747,208	747,208	747,208	-	774,580
Fund Balances, December 31	<u>\$ 747,208</u>	<u>\$ 747,208</u>	<u>\$ 792,338</u>	<u>\$ 45,130</u>	<u>\$ 747,208</u>

City of Lauderdale, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 831,198	\$ 782,283	6.25 %
Licenses and permits	42,775	44,459	(3.79)
Intergovernmental	546,562	563,039	(2.93)
Charges for services	63,461	61,675	2.90
Fines and forfeitures	29,977	25,488	17.61
Special assessments	90,433	3,914	2,210.50
Interest on investments	73,592	22,007	234.40
Miscellaneous	758,485	924,187	(17.93)
Total Revenues	<u>\$ 2,436,483</u>	<u>\$ 2,427,052</u>	0.39 %
Per Capita	<u>\$ 1,012</u>	<u>\$ 1,000</u>	1.14 %
Expenditures			
Current			
General government	\$ 370,627	\$ 399,905	(7.32) %
Public safety	822,660	773,853	6.31
Public works	112,751	126,721	(11.02)
Sanitation and recycling	62,155	52,979	17.32
Economic development	1,225	7,710	(84.11)
Culture and recreation	111,250	105,381	5.57
Capital outlay	2,503,954	131,649	1,801.99
Debt service			
Interest and bond issuance costs	67,791	36,015	88.23
Total Expenditures	<u>\$ 4,052,413</u>	<u>\$ 1,634,213</u>	147.97 %
Per Capita	<u>\$ 1,683</u>	<u>\$ 674</u>	149.83 %
Total Long-term Indebtedness	\$ 2,317,165	\$ 1,295,000	N/A
Per Capita	962	534	N/A
General Fund Balance - December 31	\$ 792,338	\$ 747,208	6.04 %
Per Capita	329	308	6.83

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, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories. 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 of those charged with governance and management of the City of Lauderdale and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 13, 2020