

Annual Financial Report

City of Lauderdale

Lauderdale, Minnesota

For the Year Ended

December 31, 2020

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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, 2020

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City of Lauderdale, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2020

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, 2020

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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, 2020, 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, 2020, 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

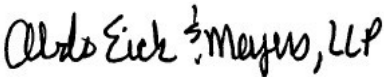
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions and the related note disclosures starting on page 66 be 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
April 20, 2021

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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, 2020.

Financial Highlights

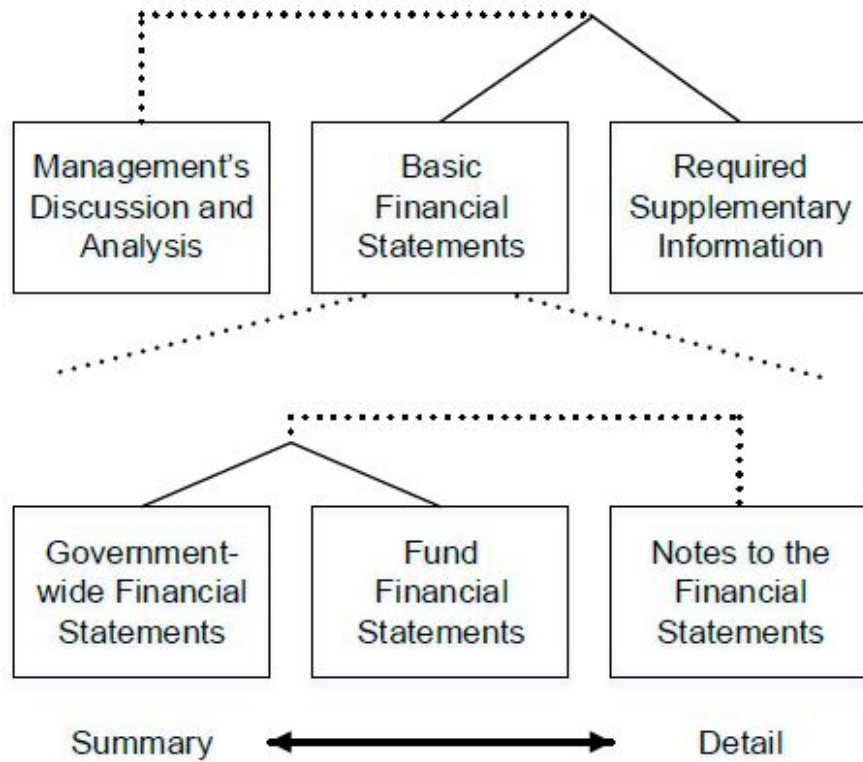
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,756,364 (*net position*). Of this amount, \$3,250,081 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$167,607. The majority of the increase can be attributed to an increase in operating grants and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,601,616 an increase of \$34,202 in comparison with the prior year. The majority of the increase is due to an debt service revenues collected for future years and an increase in the General fund reserves. Approximately 23.0 percent of this total amount, \$827,767, is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$827,767, or 57.2 percent of 2020 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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • 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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Street Improvement fund, TIF District No. 1-2 fund, Park Improvement 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 40 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 43 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 70 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 \$10,756,364 at the close of the most recent fiscal year.

The largest portion of the City’s net position (64.3 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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	\$ 4,250,079	\$ 4,174,249	\$ 75,830	\$ 1,593,476	\$ 1,509,798	\$ 83,678
Capital assets	6,270,334	6,200,696	69,638	1,663,811	1,645,198	18,613
Total Assets	10,520,413	10,374,945	145,468	3,257,287	3,154,996	102,291
Deferred Outflows of Resources						
Deferred pension resources	26,173	18,063	8,110	8,456	5,812	2,644
Liabilities						
Long-term liabilities outstanding	2,618,914	2,586,838	32,076	99,747	88,962	10,785
Other liabilities	243,638	234,294	9,344	76,856	1,522	75,334
Total Liabilities	2,862,552	2,821,132	41,420	176,603	90,484	86,119
Deferred Inflows of Resources						
Deferred pension resources	12,623	40,036	(27,413)	4,187	13,407	(9,220)
Net Position						
Net investment in capital assets	5,250,502	5,178,531	71,971	1,663,811	1,645,198	18,613
Restricted	591,970	562,556	29,414	-	-	-
Unrestricted	1,828,939	1,790,753	38,186	1,421,142	1,411,719	9,423
Total Net Position	\$ 7,671,411	\$ 7,531,840	\$ 139,571	\$ 3,084,953	\$ 3,056,917	\$ 28,036

The remaining balance of *unrestricted net position* (\$3,250,081) 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.

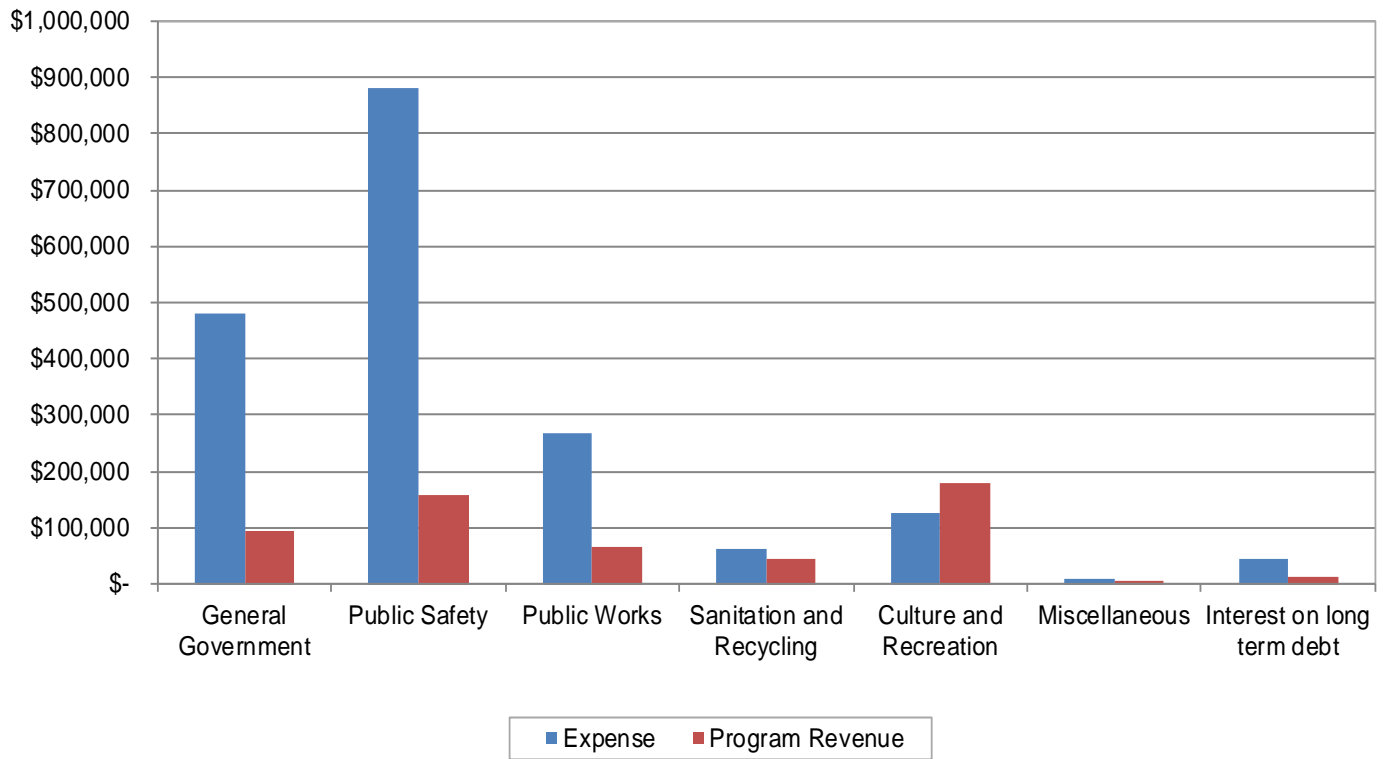
Governmental Activities. Governmental activities increased the City's net position by \$139,571 and business-type increased the City's net position by \$28,036. Key elements of the increase are as follows:

City of Lauderdale's Changes in Net Position

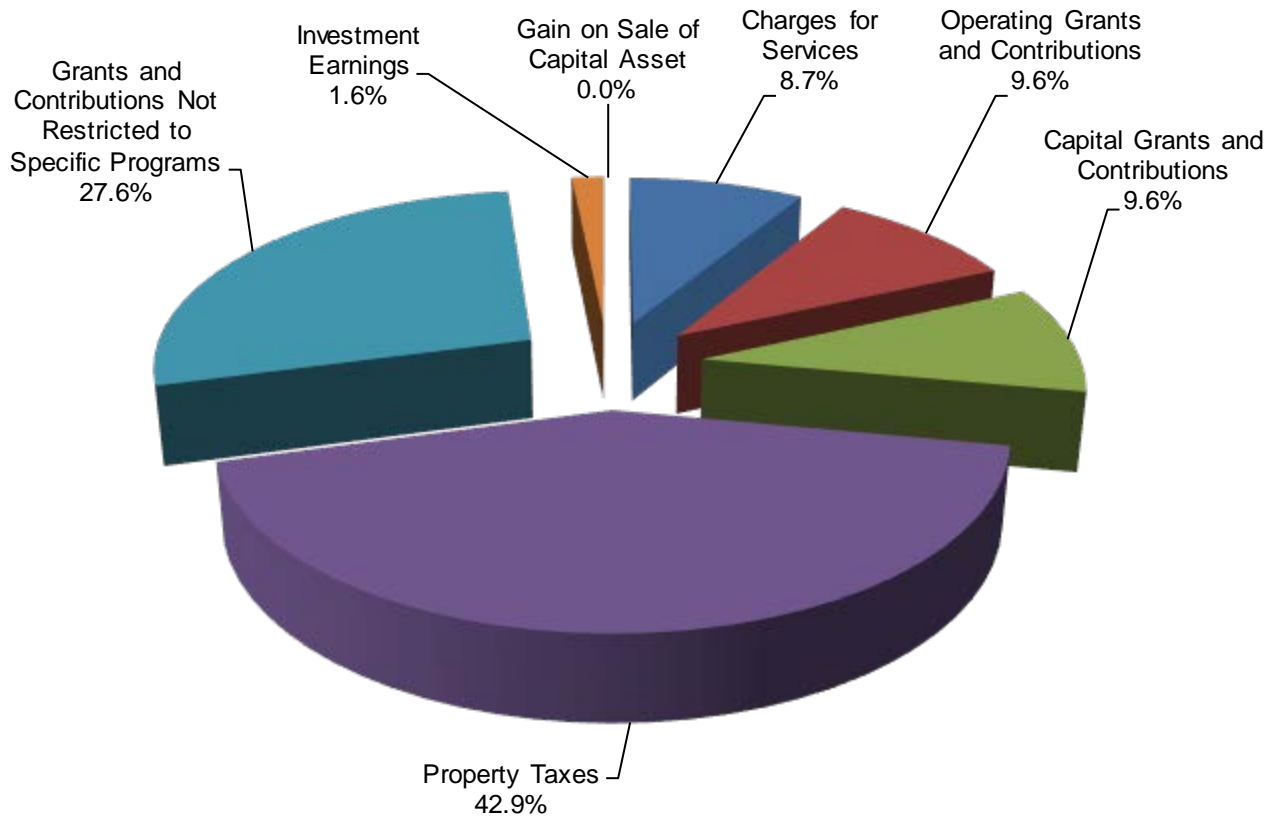
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 175,295	\$ 225,589	\$ (50,294)	\$ 419,691	\$ 418,958	\$ 733
Operating grants and contributions	192,195	5,742	186,453	-	-	-
Capital grants and contributions	193,601	1,142,723	(949,122)	-	23,846	(23,846)
General Revenues						
Property taxes	862,589	828,027	34,562	-	-	-
Grants and contributions not restricted to specific programs	556,042	545,259	10,783	225	178	47
Investment earnings	32,284	73,592	(41,308)	15,303	28,152	(12,849)
Gain on sale of capital asset	-	10,412	(10,412)	-	-	-
Total Revenues	2,012,006	2,831,344	(819,338)	435,219	471,134	(35,915)
Expenses						
General government	481,209	463,927	17,282	-	-	-
Public safety	879,792	822,429	57,363	-	-	-
Public works	266,394	1,001,808	(735,414)	-	-	-
Sanitation and recycling	63,800	62,155	1,645	-	-	-
Culture and recreation	126,000	136,834	(10,834)	-	-	-
Miscellaneous	9,267	5,620	3,647	-	-	-
Debt service	45,973	72,188	(26,215)	-	-	-
Sewer	-	-	-	313,326	320,916	(7,590)
Storm sewer	-	-	-	93,857	85,559	8,298
Total Expenses	1,872,435	2,564,961	(692,526)	407,183	406,475	708
Increase in net position before transfers	139,571	266,383	(126,812)	28,036	64,659	(36,623)
Transfers	-	32,000	(32,000)	-	(32,000)	32,000
Change in Net Position	139,571	298,383	(158,812)	28,036	32,659	(4,623)
Net Position, January 1	7,531,840	7,233,457	298,383	3,056,917	3,024,258	32,659
Net Position, December 31	\$ 7,671,411	\$ 7,531,840	\$ 139,571	\$ 3,084,953	\$ 3,056,917	\$ 28,036

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 \$28,036. 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 \$3,601,616, an increase of \$34,202 in comparison with the prior year. Approximately 23.0 percent of this total amount (\$827,767) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund is *nonspendable* (\$1,825), *restricted* (\$1,498,181), *committed* (\$90,005), or *assigned* (\$1,183,838).

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 \$827,767. 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 54.6 percent of total General fund expenditures and 57.2 percent of the 2020 budget.

The fund balance of the City's General fund increased by \$37,254 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 \$526,386, a decrease of -\$4,445 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 \$1,190,097, a decrease of \$449 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 \$222,641, an increase of \$121,044 from the previous year due to revenue collections for future payments.

The *Park Improvement* fund decreased \$59,548 from the previous year due to various park improvements.

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 \$1,010,589. The total increase in net position for the fund was \$2,469.

The *Storm Sewer* fund unrestricted net position amounted to \$410,553. The total increase in net position for the fund was \$25,567.

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 2020 fiscal year. Revenues were more than budgetary estimates by \$186,745 and expenditures were more than budgetary estimates by \$70,594. 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, 2020, amounts to \$7,934,145, (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was -1.1 percent (a -1.1 percent decrease for governmental activities and a 1.1 percent increase for business-type activities).

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

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 322,040	\$ 322,040	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	1,736,980	(1,736,980)	-	-	-
Buildings	35,992	37,467	(1,475)	-	-	-
Improvements other than Buildings	108,183	67,048	41,135	-	-	-
Machinery and Equipment	207,390	85,004	122,386	3,333	4,333	(1,000)
Infrastructure	5,596,729	3,952,157	1,644,572	1,660,478	1,640,865	19,613
Total	\$ 6,270,334	\$ 6,200,696	\$ 69,638	\$ 1,663,811	\$ 1,645,198	\$ 18,613

Additional information on the City's capital assets can be found in Note 3B starting on page 53 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,295,000.

City of Lauderdale's Outstanding Debt

	Governmental Activities			Business Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Bonds Payable	\$ 2,295,000	\$ 2,295,000	\$ -	\$ -	\$ -	\$ -

Additional information on the City's long-term debt can be found in Note 3D starting on page 55 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 senior affordable housing in 2021 upon receipt of bonding authority and a tax credit allocation from the State of Minnesota.
- Luther Theological Seminary (LTS) previously selected a developer to buy six acres of real estate in Lauderdale. That land sale fell through and LTS is looking for a new buyer.
- The City anticipates additional construction of new homes following the trend since 2019.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, Heather Butkowski, City of Lauderdale, 1891 Walnut Street, Lauderdale, MN 55113.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Lauderdale, Minnesota
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 2,610,089	\$ 1,521,551	\$ 4,131,640
Receivables			
Accounts	29,533	71,925	101,458
Delinquent taxes	12,422	-	12,422
Interest	6,045	-	6,045
Special assessments	423,949	-	423,949
Due from other governments	70,083	-	70,083
Prepaid items	1,825	-	1,825
Land held for resale	1,096,133	-	1,096,133
Capital assets			
Land and construction in progress	322,040	-	322,040
Depreciable buildings, property and equipment, net	5,948,294	1,663,811	7,612,105
Total Assets	<u>10,520,413</u>	<u>3,257,287</u>	<u>13,777,700</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>26,173</u>	<u>8,456</u>	<u>34,629</u>
Liabilities			
Accounts payable	207,801	1,670	209,471
Salaries payable	6,657	-	6,657
Accrued interest payable	19,585	-	19,585
Due to other governments	9,595	75,186	84,781
Current liabilities - due within one year			
Compensated absences payable	28,315	16,042	44,357
Bonds payable	1,395,000	-	1,395,000
Noncurrent liabilities - due in more than one year			
Compensated absences payable	23,730	-	23,730
Net pension liability	252,037	83,705	335,742
Bonds payable	919,832	-	919,832
Total Liabilities	<u>2,862,552</u>	<u>176,603</u>	<u>3,039,155</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>12,623</u>	<u>4,187</u>	<u>16,810</u>
Net Position			
Net investment in capital assets	5,250,502	1,663,811	6,914,313
Restricted for			
Debt Service	506,839	-	506,839
Transportation	52,214	-	52,214
Street maintenance	32,917	-	32,917
Unrestricted	<u>1,828,939</u>	<u>1,421,142</u>	<u>3,250,081</u>
Total Net Position	<u>\$ 7,671,411</u>	<u>\$ 3,084,953</u>	<u>\$ 10,756,364</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current				
General government	\$ 481,209	\$ 41,759	\$ 53,887	\$ -
Public safety	879,792	31,633	127,007	-
Public works	266,394	-	-	64,475
Sanitation and recycling	63,800	39,559	5,806	-
Culture and recreation	126,000	62,344	525	115,000
Economic development	9,267	-	4,970	-
Interest on long term debt	45,973	-	-	14,126
Total Governmental Activities	<u>1,872,435</u>	<u>175,295</u>	<u>192,195</u>	<u>193,601</u>
Business-type Activities				
Sewer	313,326	304,742	-	-
Storm sewer	93,857	114,949	-	-
Total Business-type Activities	<u>407,183</u>	<u>419,691</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,279,618</u>	<u>\$ 594,986</u>	<u>\$ 192,195</u>	<u>\$ 193,601</u>

General Revenues and Transfers

 Taxes

 Property taxes, levied for general purposes

 Franchise tax

 Grants and contributions not restricted to specific programs

 Investment earnings

 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
\$ (385,563)	\$ -	\$ (385,563)
(721,152)	-	(721,152)
(201,919)	-	(201,919)
(18,435)	-	(18,435)
51,869	-	51,869
(4,297)	-	(4,297)
(31,847)	-	(31,847)
<u>(1,311,344)</u>	<u>-</u>	<u>(1,311,344)</u>
-	(8,584)	(8,584)
-	21,092	21,092
<u>-</u>	<u>12,508</u>	<u>12,508</u>
<u>(1,311,344)</u>	<u>12,508</u>	<u>(1,298,836)</u>
845,428	-	845,428
17,161	-	17,161
556,042	225	556,267
32,284	15,303	47,587
<u>1,450,915</u>	<u>15,528</u>	<u>1,466,443</u>
139,571	28,036	167,607
<u>7,531,840</u>	<u>3,056,917</u>	<u>10,588,757</u>
<u>\$ 7,671,411</u>	<u>\$ 3,084,953</u>	<u>\$ 10,756,364</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, 2020

City of Lauderdale, Minnesota

Balance Sheet
Governmental Funds
December 31, 2020

	Capital Projects			
	General	Street Improvement	TIF District No. 1-2	Park Improvement
Assets				
Cash and temporary investments	\$ 811,968	\$ 551,513	\$ 94,494	\$ 322,603
Receivables				
Accounts	25,222	-	-	-
Delinquent taxes	12,422	-	-	-
Interest	6,045	-	-	-
Special assessments	2,872	58,266	-	-
Due from other governments	2,388	33,139	-	28,750
Prepaid items	1,825	-	-	-
Land held for resale	-	-	1,096,133	-
Total Assets	<u>\$ 862,742</u>	<u>\$ 642,918</u>	<u>\$ 1,190,627</u>	<u>\$ 351,353</u>
Liabilities				
Accounts payable	\$ 10,584	\$ 58,266	\$ -	\$ 134,060
Due to other governments	9,065	-	530	-
Salaries payable	6,138	-	-	-
Total Liabilities	<u>25,787</u>	<u>58,266</u>	<u>530</u>	<u>134,060</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	4,491	-	-	-
Unavailable revenue - special assessments	2,872	58,266	-	-
Total Deferred Inflows of Resources	<u>7,363</u>	<u>58,266</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	1,825	-	-	-
Restricted	-	85,131	1,190,097	-
Committed	-	-	-	-
Assigned	-	441,255	-	217,293
Unassigned	827,767	-	-	-
Total Fund Balances	<u>829,592</u>	<u>526,386</u>	<u>1,190,097</u>	<u>217,293</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 862,742</u>	<u>\$ 642,918</u>	<u>\$ 1,190,627</u>	<u>\$ 351,353</u>

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

<u>Debt Service</u>		
2019A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
\$ 219,491	\$ 610,020	\$ 2,610,089
-	4,311	29,533
-	-	12,422
-	-	6,045
306,933	55,878	423,949
-	5,806	70,083
-	-	1,825
-	-	1,096,133
<u>\$ 526,424</u>	<u>\$ 676,015</u>	<u>\$ 4,250,079</u>
\$ -	\$ 4,891	\$ 207,801
-	-	9,595
-	519	6,657
-	5,410	224,053
-	-	4,491
303,783	54,998	419,919
<u>303,783</u>	<u>54,998</u>	<u>424,410</u>
-	-	1,825
222,641	312	1,498,181
-	90,005	90,005
-	525,290	1,183,838
-	-	827,767
<u>222,641</u>	<u>615,607</u>	<u>3,601,616</u>
<u>\$ 526,424</u>	<u>\$ 676,015</u>	<u>\$ 4,250,079</u>

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

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City of Lauderdale, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2020

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

Total Fund Balances - Governmental Funds	\$ 3,601,616
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	8,763,435
Less: accumulated depreciation	(2,493,101)
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	(52,045)
Net pension liability	(252,037)
Bonds payable	(2,295,000)
Bond premium	(19,832)
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.	
	4,491
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.	
	419,919
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	26,173
Deferred inflows of pension resources	(12,623)
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(19,585)</u>
Total Net Position - Governmental Activities	<u><u>\$ 7,671,411</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, 2020

	Capital Projects			
	General	Street Improvement	TIF District No. 1-2	Park Improvement
Revenues				
Taxes	\$ 845,642	\$ -	\$ -	\$ -
Licenses and permits	36,457	-	-	-
Intergovernmental	734,565	-	-	115,000
Charges for services	11,609	-	-	-
Fines and forfeitures	24,203	-	-	-
Special assessments	539	-	-	-
Interest on investments	15,558	5,558	81	3,093
Miscellaneous	2,856	33,199	-	-
Total Revenues	<u>1,671,429</u>	<u>38,757</u>	<u>81</u>	<u>118,093</u>
Expenditures				
Current				
General government	437,705	-	-	-
Public safety	880,976	-	-	-
Public works	112,839	-	-	-
Sanitation and recycling	-	-	-	-
Culture and recreation	81,106	-	-	-
Economic development	4,652	-	-	-
Capital outlay	-	113,209	530	177,641
Debt service				
Interest	-	-	-	-
Total Expenditures	<u>1,517,278</u>	<u>113,209</u>	<u>530</u>	<u>177,641</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>154,151</u>	<u>(74,452)</u>	<u>(449)</u>	<u>(59,548)</u>
Other Financing Sources (Uses)				
Transfers in	-	78,897	-	-
Transfers out	(116,897)	-	-	-
Total Other Financing Sources (Uses)	<u>(116,897)</u>	<u>78,897</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	37,254	4,445	(449)	(59,548)
Fund Balances, January 1	<u>792,338</u>	<u>521,941</u>	<u>1,190,546</u>	<u>276,841</u>
Fund Balances, December 31	<u>\$ 829,592</u>	<u>\$ 526,386</u>	<u>\$ 1,190,097</u>	<u>\$ 217,293</u>

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

<u>Debt Service</u>		
2019A	Other	Total
G.O.	Governmental	Governmental
Improvement Bonds	Funds	Funds
\$ -	\$ 17,161	\$ 862,803
-	-	36,457
-	6,331	855,896
-	39,559	51,168
-	-	24,203
76,428	-	76,967
1,187	6,807	32,284
-	4,970	41,025
<u>77,615</u>	<u>74,828</u>	<u>1,980,803</u>
-	-	437,705
-	-	880,976
-	-	112,839
-	63,800	63,800
-	19,990	101,096
-	-	4,652
-	4,085	295,465
<u>24,340</u>	<u>25,728</u>	<u>50,068</u>
<u>24,340</u>	<u>113,603</u>	<u>1,946,601</u>
<u>53,275</u>	<u>(38,775)</u>	<u>34,202</u>
67,769	38,000	184,666
-	(67,769)	(184,666)
<u>67,769</u>	<u>(29,769)</u>	<u>-</u>
121,044	(68,544)	34,202
<u>101,597</u>	<u>684,151</u>	<u>3,567,414</u>
<u>\$ 222,641</u>	<u>\$ 615,607</u>	<u>\$ 3,601,616</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, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$ 34,202
<p>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.</p>	
Capital outlays	256,415
Depreciation expense	(150,687)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and dispositions) is to decrease net position.</p>	
	(36,090)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources 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.</p>	
Amortization of bond premium	2,333
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,762
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	10,597
Pension revenue from state contributions	680
<p>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.</p>	
Special assessments	30,737
Property taxes	(214)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	<u>(10,164)</u>
Change in Net Position - Governmental Activities	<u>\$ 139,571</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 845,614	\$ 845,614	\$ 845,642	\$ 28
Licenses and permits	40,650	40,650	36,457	(4,193)
Intergovernmental	549,070	549,070	734,565	185,495
Charges for services	12,350	12,350	11,609	(741)
Fines and forfeitures	27,000	27,000	24,203	(2,797)
Special assessments	-	-	539	539
Interest on investments	6,000	6,000	15,558	9,558
Miscellaneous	4,000	4,000	2,856	(1,144)
Total Revenues	<u>1,484,684</u>	<u>1,484,684</u>	<u>1,671,429</u>	<u>186,745</u>
Expenditures				
Current				
General government	387,490	387,490	437,705	(50,215)
Public safety	846,545	846,545	880,976	(34,431)
Public works	106,148	106,148	112,839	(6,691)
Culture and recreation	93,501	93,501	81,106	12,395
Economic development	13,000	13,000	4,652	8,348
Total Expenditures	<u>1,446,684</u>	<u>1,446,684</u>	<u>1,517,278</u>	<u>(70,594)</u>
Excess of Revenues Over Expenditures	38,000	38,000	154,151	116,151
Other Financing Uses				
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(116,897)</u>	<u>(78,897)</u>
Net Change in Fund Balances	-	-	37,254	37,254
Fund Balances, January 1	<u>792,338</u>	<u>792,338</u>	<u>792,338</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 792,338</u>	<u>\$ 792,338</u>	<u>\$ 829,592</u>	<u>\$ 37,254</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, 2020

	Business-type Activities		
	Sewer	Storm Sewer	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 1,095,404	\$ 426,147	\$ 1,521,551
Accounts receivable	42,658	29,267	71,925
Total Current Assets	1,138,062	455,414	1,593,476
Noncurrent Assets			
Capital assets			
Machinery and equipment	15,000	-	15,000
Infrastructure	2,265,656	-	2,265,656
Less accumulated depreciation	(616,845)	-	(616,845)
Total Noncurrent Assets	1,663,811	-	1,663,811
Total Assets	2,801,873	455,414	3,257,287
Deferred Outflows of Resources			
Deferred pensions resources	4,569	3,887	8,456
Liabilities			
Current Liabilities			
Accounts payable	835	835	1,670
Due to other governments	75,186	-	75,186
Compensated absences payable	8,528	7,514	16,042
Total Current Liabilities	84,549	8,349	92,898
Noncurrent Liabilities			
Net pension liability	45,231	38,474	83,705
Total Liabilities	129,780	46,823	176,603
Deferred Inflows of Resources			
Deferred pension resources	2,262	1,925	4,187
Net Position			
Investment in capital assets	1,663,811	-	1,663,811
Unrestricted	1,010,589	410,553	1,421,142
Total Net Position	\$ 2,674,400	\$ 410,553	\$ 3,084,953

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, 2020

	Business-type Activities		
	Sewer	Storm Sewer	Total
Operating Revenues			
Charges for services	\$ 304,742	\$ 114,949	\$ 419,691
Operating Expenses			
Personal services	77,111	65,436	142,547
Supplies	626	626	1,252
Other services and charges	179,016	27,795	206,811
Depreciation	56,573	-	56,573
Total Operating Expenses	<u>313,326</u>	<u>93,857</u>	<u>407,183</u>
Operating Income (Loss)	<u>(8,584)</u>	<u>21,092</u>	<u>12,508</u>
Nonoperating Revenues			
Other revenue	121	104	225
Interest income	10,932	4,371	15,303
Total Nonoperating Revenues	<u>11,053</u>	<u>4,475</u>	<u>15,528</u>
Change in Net Position	2,469	25,567	28,036
Net Position, January 1	<u>2,671,931</u>	<u>384,986</u>	<u>3,056,917</u>
Net Position, December 31	<u><u>\$ 2,674,400</u></u>	<u><u>\$ 410,553</u></u>	<u><u>\$ 3,084,953</u></u>

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

City of Lauderdale, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities		
	Sewer	Storm Sewer	Total
Cash Flows from Operating Activities			
Receipts from tenants and users	\$ 303,161	\$ 104,675	\$ 407,836
Payments to suppliers	(166,226)	(28,068)	(194,294)
Payments to employees	(77,603)	(65,798)	(143,401)
Net Cash Provided by Operating Activities	<u>59,332</u>	<u>10,809</u>	<u>70,141</u>
Cash Flows from Investing Activities			
Interest on investments	<u>10,932</u>	<u>4,371</u>	<u>15,303</u>
Net Increase in Cash and Cash Equivalents	70,264	15,180	85,444
Cash and Cash Equivalents, January 1	<u>1,025,140</u>	<u>410,967</u>	<u>1,436,107</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,095,404</u>	<u>\$ 426,147</u>	<u>\$ 1,521,551</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (8,584)	\$ 21,092	\$ 12,508
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	56,573	-	56,573
Other income	121	104	225
Increase (decrease) in assets/deferred outflows			
Accounts receivable	(1,581)	(10,274)	(11,855)
Prepaid items	13,381	240	13,621
Deferred pension resources	(1,428)	(1,216)	(2,644)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	35	113	148
Compensated absences payable	1,805	1,565	3,370
Net pension liability	3,994	3,421	7,415
Deferred pension resources	(4,984)	(4,236)	(9,220)
Net Cash Provided by Operating Activities	<u>\$ 59,332</u>	<u>\$ 10,809</u>	<u>\$ 70,141</u>
Noncash Capital and Related Financing Activities			
Capital assets purchased on account	<u>\$ 75,186</u>	<u>\$ -</u>	<u>\$ -</u>

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

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 *Park Improvement Projects fund* accounts for the costs associated with the park projects completed within the City.

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.

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 52 and are valued using a matrix pricing model (Level 2 inputs).

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2020:

- Negotiable certificates of deposit of \$2,267,129 are valued using a matrix pricing model (Level 2 inputs)

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

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. 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, 2020

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.

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 two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions made subsequent to the measurement dates.

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, 2020 was \$13,595. 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".

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

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

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 2020.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2020 expenditures exceeded appropriations in the following funds.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 1,446,684	\$ 1,517,278	\$ 70,594
Communications	18,257	19,990	1,733
Recycling	63,302	63,800	498

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, 2020

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 \$219,877 and the bank balance was \$233,992. 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, 2020

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	\$ 8,108			
4M Fund	P1	less than 6 months	1,636,526			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	less than 1 year	2,267,129	\$ -	\$ 2,267,129	\$ -
Total Investments			\$ 3,911,763	\$ -	\$ 2,267,129	\$ -

(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, 2020

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

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

	<u>Total Reporting Entity</u>
Carrying Amount of Deposits	\$ 219,877
Investments	<u>3,911,763</u>
 Total Cash and Temporary Investments	 <u><u>\$ 4,131,640</u></u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 322,040	\$ -	\$ -	\$ 322,040
Construction in progress	1,736,980	-	(1,736,980)	-
Total Capital Assets not being Depreciated	<u>2,059,020</u>	<u>-</u>	<u>(1,736,980)</u>	<u>322,040</u>
Capital Assets, being Depreciated				
Buildings	241,031	-	-	241,031
Improvements other than buildings	282,535	58,266	-	340,801
Machinery and equipment	315,840	176,346	(101,971)	390,215
Infrastructure	5,710,565	1,758,783	-	7,469,348
Total Capital Assets being Depreciated	<u>6,549,971</u>	<u>1,993,395</u>	<u>(101,971)</u>	<u>8,441,395</u>
Less Accumulated Depreciation for				
Buildings	(203,564)	(1,475)	-	(205,039)
Improvements other than buildings	(215,487)	(17,131)	-	(232,618)
Machinery and equipment	(230,836)	(17,870)	65,881	(182,825)
Infrastructure	(1,758,408)	(114,211)	-	(1,872,619)
Total Accumulated Depreciation	<u>(2,408,295)</u>	<u>(150,687)</u>	<u>65,881</u>	<u>(2,493,101)</u>
 Total Capital Assets being Depreciated, Net	 <u>4,141,676</u>	 <u>1,842,708</u>	 <u>(36,090)</u>	 <u>5,948,294</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$ 6,200,696</u></u>	 <u><u>\$ 1,842,708</u></u>	 <u><u>\$ (1,773,070)</u></u>	 <u><u>\$ 6,270,334</u></u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets being Depreciated				
Infrastructure	\$ 2,190,470	\$ 75,186	\$ -	\$ 2,265,656
Machinery and equipment	15,000	-	-	15,000
Total Capital Assets being Depreciated	<u>2,205,470</u>	<u>75,186</u>	<u>-</u>	<u>2,280,656</u>
Less Accumulated Depreciation for				
Infrastructure	(549,605)	(55,573)	-	(605,178)
Machinery and equipment	(10,667)	(1,000)	-	(11,667)
Total Accumulated Depreciation	<u>(560,272)</u>	<u>(56,573)</u>	<u>-</u>	<u>(616,845)</u>
Total Capital Assets Being Depreciated, Net	<u>1,645,198</u>	<u>18,613</u>	<u>-</u>	<u>1,663,811</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,645,198</u>	<u>\$ 18,613</u>	<u>\$ -</u>	<u>\$ 1,663,811</u>

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

Governmental Activities		
General government		\$ 2,818
Public works		122,274
Culture and recreation		<u>25,595</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 150,687</u>
Business-type Activities		
Sewer		<u>\$ 56,573</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

The City made transfer during the fiscal year 2020 as shown and described below:

Fund	Transfer In			Total
	Street Improvement	2019A G.O. Improvement Bonds	Other Governmental Funds	
Transfer Out				
General	\$ 78,897	\$ -	\$ 38,000	\$ 116,897
Other governmental funds	-	67,769	-	67,769
Total Transfers Out	\$ 78,897	\$ 67,769	\$ 38,000	\$ 184,666

Transfers were made for the following purposes:

- \$67,769 was transferred from the other governmental funds to the other 2019A GO Improvement Bonds fund to fund debt service requirements.
- \$38,000 was transferred from the General fund to the other governmental funds to fund capital purchases.
- \$78,897 was transferred from the General fund to the Street Improvement fund for future street improvement projects.

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>\$ 1,000,000</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

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
2021	\$ 100,000	\$ 21,000	\$ 121,000
2022	100,000	19,500	119,500
2023	100,000	17,938	117,938
2024	100,000	16,312	116,312
2025	100,000	14,625	114,625
2026 - 2030	500,000	36,875	536,875
Total	<u>\$ 1,000,000</u>	<u>\$ 126,250</u>	<u>\$ 1,126,250</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
2021	<u>\$ 1,295,000</u>	<u>\$ 12,626</u>	<u>\$ 1,307,626</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020, 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	\$ 100,000
G.O. tax increment bonds	<u>1,295,000</u>	<u>-</u>	<u>-</u>	<u>1,295,000</u>	<u>1,295,000</u>
Total Bonds Payable	2,295,000	-	-	2,295,000	1,395,000
Unamortized Premium on Bonds	22,165	-	(2,333)	19,832	-
Compensated Absences Payable	<u>41,882</u>	<u>38,478</u>	<u>(28,315)</u>	<u>52,045</u>	<u>28,315</u>
Governmental Activity Long-term Liabilities	<u>\$ 2,359,047</u>	<u>\$ 38,478</u>	<u>\$ (30,648)</u>	<u>\$ 2,366,877</u>	<u>\$ 1,423,315</u>
Business-type Activities					
Compensated Absences Payable	<u>\$ 12,672</u>	<u>\$ 19,412</u>	<u>\$ (16,042)</u>	<u>\$ 16,042</u>	<u>\$ 16,042</u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2020, 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	\$ 1,825
Fund Balance - Restricted		
Transportation	Traportation Improvements	52,214
TIF District No. 1-2	Tax increments	1,190,097
2018A G.O. TIF Revenue Bonds	Debt service	312
2019A G.O. Improvement Bonds	Debt service	222,641
Street maintenance	Street maintenance	32,917
Total fund balance - Restricted		<u>1,498,181</u>
Fund Balance - Committed		
Communications	Cable access	14,519
Recycling	Recycling	75,486
Total Fund Balance - Committed		<u>90,005</u>
Fund Balance - Assigned		
Capital improvement - streets	Street capital	441,255
General capital improvement	Capital purchases	159,489
Development	Development	365,801
Park improvement	Park capital	217,293
Total Fund Balance - Assigned		<u>1,183,838</u>
Fund Balance - Unassigned		
General		<u>827,767</u>
Total Fund Balance		<u>\$ 3,601,616</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

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

General Employee Plan Benefits

General Employees Plan 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2020, 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, 2020, 2019 and 2018 were \$30,623, \$29,770 and \$28,591 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, 2020

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$335,742 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 2020. 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 \$10,402. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0056 percent which was the same as its proportion measured as of June 30, 2019.

City's Proportionate Share of the Net Pension Liability	\$	335,742
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		10,402
Total		\$ 346,144

For the year ended December 31, 2020, the City recognized pension expense of \$12,690 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$905 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, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 3,006	\$ 1,270
Changes in Actuarial Assumptions	-	12,322
Net Difference between Projected and Actual Earnings on Plan Investments	11,704	-
Changes in Proportion	4,654	3,218
Contributions Paid to PERA Subsequent to the Measurement Date	15,265	-
Total	\$ 34,629	\$ 16,810

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

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

The \$15,265 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (14,835)
2022	1,348
2023	7,925
2024	8,116

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 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, 2020 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 2020:

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, 2020

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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	<u>2.0</u>	-
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent</u>		<u>1 Percent</u>
	<u>Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>Increase (8.50%)</u>
General Employees Fund	\$ 538,084	\$ 335,742	\$ 168,833

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, 2020

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 2020 was \$548,671 for LGA. This accounted for 33 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, 2020 the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding
Catholic Eldercare	12/1/2014	\$ 9,300,000	\$ 7,310,088
Benedictine Health System	7/14/2016	10,000,000	8,744,751
Catholic Eldercare	11/7/2017	9,000,000	8,865,539

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 7: Subsequent Event

On January 27, 2021, the City issued \$1,365,000 in Taxable General Obligation Tax Increment Revenue Refunding Bonds, Series 2021A. The bonds will be used to refund the 2018A General Obligation Tax Increment Revenue bonds.

Note 8: COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City’s financial condition, liquidity, and future results of its revenue collections is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Lauderdale, Minnesota
Required Supplementary Information
December 31, 2020

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
06/30/20	0.0056 %	\$ 335,742	\$ 10,402	\$346,144	\$403,062	83.3 %	79.0 %
06/30/19	0.0055	304,081	9,500	313,581	389,732	78.0	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 Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 30,623	30,623	-	408,307	7.5 %
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, 2020

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

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

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

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

City of Lauderdale, Minnesota
Required Supplementary Information (Continued)
December 31, 2020

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 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.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Lauderdale, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2020

	Special Revenue	<u>Debt Service</u> 2018A G.O. TIF Revenue Bonds	Capital Projects	Total
Assets				
Cash and temporary investments	\$ 84,418	\$ 312	\$ 525,290	\$ 610,020
Receivables				
Accounts	4,311	-	-	4,311
Special assessments	55,878	-	-	55,878
Due from other governments	5,806	-	-	5,806
	<u>150,413</u>	<u>312</u>	<u>525,290</u>	<u>676,015</u>
Total Assets	\$ 150,413	\$ 312	\$ 525,290	\$ 676,015
Liabilities				
Accounts payable	\$ 4,891	\$ -	\$ -	\$ 4,891
Salaries payable	519	-	-	519
Total Liabilities	<u>5,410</u>	<u>-</u>	<u>-</u>	<u>5,410</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	54,998	-	-	54,998
Fund Balances				
Restricted	-	312	-	312
Committed	90,005	-	-	90,005
Assigned	-	-	525,290	525,290
Total Fund Balances	<u>90,005</u>	<u>312</u>	<u>525,290</u>	<u>615,607</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ 150,413</u>	<u>\$ 312</u>	<u>\$ 525,290</u>	<u>\$ 676,015</u>

City of Lauderdale, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2020

	Special Revenue	Debt Service 2018A G.O. TIF Revenue Bonds	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Franchise fees	\$ 17,161	\$ -	\$ -	\$ 17,161
Intergovernmental	6,331	-	-	6,331
Charges for services	39,559	-	-	39,559
Interest on investments	997	12	5,798	6,807
Miscellaneous	-	-	4,970	4,970
Total Revenues	<u>64,048</u>	<u>12</u>	<u>10,768</u>	<u>74,828</u>
Expenditures				
Current				
Sanitation and recycling	63,800	-	-	63,800
Culture and recreation	19,990	-	-	19,990
Capital outlay				
Economic development	-	-	4,085	4,085
Debt service				
Interest and other	-	25,728	-	25,728
Total Expenditures	<u>83,790</u>	<u>25,728</u>	<u>4,085</u>	<u>113,603</u>
Excess (Deficiency) of Revenues Under (Over) Expenditures	<u>(19,742)</u>	<u>(25,716)</u>	<u>6,683</u>	<u>(38,775)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	38,000	38,000
Transfers out	-	-	(67,769)	(67,769)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(29,769)</u>	<u>(29,769)</u>
Net Change in Fund Balances	(19,742)	(25,716)	(23,086)	(68,544)
Fund Balances, January 1	<u>109,747</u>	<u>26,028</u>	<u>548,376</u>	<u>684,151</u>
Fund Balances, December 31	<u>\$ 90,005</u>	<u>\$ 312</u>	<u>\$ 525,290</u>	<u>\$ 615,607</u>

City of Lauderdale, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2020

	226	227	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 11,984	\$ 72,434	\$ 84,418
Receivables			
Accounts	4,311	-	4,311
Special assessments	-	55,878	55,878
Due from other governments	-	5,806	5,806
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 16,295</u>	<u>\$ 134,118</u>	<u>\$ 150,413</u>
Liabilities			
Accounts payable	\$ 1,631	\$ 3,260	\$ 4,891
Salaries payable	145	374	519
Total Liabilities	<u>1,776</u>	<u>3,634</u>	<u>5,410</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>54,998</u>	<u>54,998</u>
Fund Balances			
Committed	<u>14,519</u>	<u>75,486</u>	<u>90,005</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,295</u>	<u>\$ 134,118</u>	<u>\$ 150,413</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, 2020

	226	227	Total
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Revenues			
Taxes			
Franchise fees	\$ 17,161	\$ -	\$ 17,161
Intergovernmental	525	5,806	6,331
Charges for services	-	39,559	39,559
Interest on investments	193	804	997
Total Revenues	<u>17,879</u>	<u>46,169</u>	<u>64,048</u>
Expenditures			
Current			
Sanitation and recycling			
Personal services	-	21,147	21,147
Other services and charges	-	42,653	42,653
Culture and recreation			
Personal services	10,163	-	10,163
Other services and charges	9,827	-	9,827
Total Expenditures	<u>19,990</u>	<u>63,800</u>	<u>83,790</u>
Net Change in Fund Balances	(2,111)	(17,631)	(19,742)
Fund Balances, January 1	<u>16,630</u>	<u>93,117</u>	<u>109,747</u>
Fund Balances, December 31	<u>\$ 14,519</u>	<u>\$ 75,486</u>	<u>\$ 90,005</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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Taxes				
Franchise fees	\$ 20,000	\$ 17,161	\$ (2,839)	\$ 18,119
Intergovernmental	-	525	525	-
Interest on investments	40	193	153	298
Total Revenues	<u>20,040</u>	<u>17,879</u>	<u>(2,161)</u>	<u>18,417</u>
Expenditures				
Current				
Culture and recreation				
Personal services	9,957	10,163	(206)	9,706
Other services and charges	8,300	9,827	(1,527)	9,098
Total Expenditures	<u>18,257</u>	<u>19,990</u>	<u>(1,733)</u>	<u>18,804</u>
Net Change in Fund Balances	1,783	(2,111)	(3,894)	(387)
Fund Balances, January 1	<u>16,630</u>	<u>16,630</u>	-	<u>17,017</u>
Fund Balances, December 31	<u>\$ 18,413</u>	<u>\$ 14,519</u>	<u>\$ (3,894)</u>	<u>\$ 16,630</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, 2020
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Intergovernmental				
County	\$ 5,900	\$ 5,806	\$ (94)	\$ 5,742
Charges for services				
Sanitation	35,115	39,559	4,444	46,256
Interest on investments	1,200	804	(396)	1,863
Total Revenues	<u>42,215</u>	<u>46,169</u>	<u>3,954</u>	<u>53,861</u>
Expenditures				
Current				
Sanitation and recycling				
Personal services	23,830	21,147	2,683	26,532
Other services and charges	39,472	42,653	(3,181)	35,508
Total Expenditures	<u>63,302</u>	<u>63,800</u>	<u>(498)</u>	<u>62,040</u>
Net Change in Fund Balances	(21,087)	(17,631)	3,456	(8,179)
Fund Balances, January 1	<u>93,117</u>	<u>93,117</u>	-	<u>101,296</u>
Fund Balances, December 31	<u>\$ 72,030</u>	<u>\$ 75,486</u>	<u>\$ 3,456</u>	<u>\$ 93,117</u>

City of Lauderdale, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2020

	414	401	
	<u>Development</u>	<u>General Capital Improvement</u>	<u>Total</u>
Assets			
Cash and temporary investments	<u>\$ 365,801</u>	<u>\$ 159,489</u>	<u>\$ 525,290</u>
Fund Balances			
Assigned	<u>\$ 365,801</u>	<u>\$ 159,489</u>	<u>\$ 525,290</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, 2020

	414	401	
	<u>Development</u>	<u>General Capital Improvement</u>	<u>Total</u>
Revenues			
Interest on investments	\$ 4,140	\$ 1,658	\$ 5,798
Miscellaneous	4,970	-	4,970
Total Revenues	<u>9,110</u>	<u>1,658</u>	<u>10,768</u>
Expenditures			
Capital outlay			
Economic development	<u>4,085</u>	<u>-</u>	<u>4,085</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>5,025</u>	<u>1,658</u>	<u>6,683</u>
Other Financing Sources (Uses)			
Transfers in	38,000	-	38,000
Transfers out	(67,769)	-	(67,769)
Total Other Financing Sources (Uses)	<u>(29,769)</u>	<u>-</u>	<u>(29,769)</u>
Net Change in Fund Balances	(24,744)	1,658	(23,086)
Fund Balances, January 1	<u>390,545</u>	<u>157,831</u>	<u>548,376</u>
Fund Balances, December 31	<u>\$ 365,801</u>	<u>\$ 159,489</u>	<u>\$ 525,290</u>

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City of Lauderdale, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 845,614	\$ 845,614	\$ 845,642	\$ 28	\$ 813,079
Licenses and permits					
Business	4,050	4,050	4,118	68	4,250
Nonbusiness	36,600	36,600	32,339	(4,261)	38,525
Total licenses and permits	40,650	40,650	36,457	(4,193)	42,775
Intergovernmental					
Federal					
Other Federal Aid	-	-	127,007	127,007	-
State					
Local government aid	547,872	547,872	548,671	799	539,622
Other state grants	1,198	1,198	53,887	52,689	1,198
Local					
Other local grants	-	-	5,000	5,000	-
Total intergovernmental	549,070	549,070	734,565	185,495	540,820
Charges for services					
General government	10,750	10,750	11,532	782	15,295
Public safety	1,000	1,000	35	(965)	1,210
Culture and recreation	600	600	42	(558)	700
Total charges for services	12,350	12,350	11,609	(741)	17,205
Fines and forfeitures	27,000	27,000	24,203	(2,797)	29,977
Special assessments	-	-	539	539	2,303
Interest on investments	6,000	6,000	15,558	9,558	30,295
Miscellaneous					
Contributions and donations	2,500	2,500	55	(2,445)	2,159
Other	1,500	1,500	2,801	1,301	2,994
Total miscellaneous	4,000	4,000	2,856	(1,144)	5,153
Total Revenues	1,484,684	1,484,684	1,671,429	186,745	1,481,607

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures					
Current					
General government					
Legislative and executive					
Personal services	\$ 17,803	\$ 17,803	\$ 17,811	\$ (8)	\$ 17,807
Supplies	350	350	695	(345)	-
Other services and charges	8,370	8,370	5,701	2,669	8,473
Total legislative and executive	<u>26,523</u>	<u>26,523</u>	<u>24,207</u>	<u>2,316</u>	<u>26,280</u>
Administration					
Personal services	175,360	175,360	179,210	(3,850)	171,852
Supplies	5,050	5,050	8,358	(3,308)	7,502
Other services and charges	41,400	41,400	94,612	(53,212)	35,975
Total administration	<u>221,810</u>	<u>221,810</u>	<u>282,180</u>	<u>(60,370)</u>	<u>215,329</u>
Election, audit, and legal fees					
Personal services	20,830	20,830	21,206	(376)	15,358
Supplies	3,000	3,000	3,188	(188)	2,703
Other services and charges	43,500	43,500	58,594	(15,094)	48,907
Total election, audit, and legal fees	<u>67,330</u>	<u>67,330</u>	<u>82,988</u>	<u>(15,658)</u>	<u>66,968</u>
Planning and zoning					
Personal services	21,402	21,402	21,886	(484)	21,176
Supplies	1,500	1,500	627	873	1,128
Other services and charges	48,925	48,925	25,817	23,108	39,746
Total planning and zoning	<u>71,827</u>	<u>71,827</u>	<u>48,330</u>	<u>23,497</u>	<u>62,050</u>
Total general government	<u>387,490</u>	<u>387,490</u>	<u>437,705</u>	<u>(50,215)</u>	<u>370,627</u>
Public safety					
Police					
Other services and charges	<u>762,463</u>	<u>762,463</u>	<u>762,452</u>	<u>11</u>	<u>729,063</u>
Fire					
Other services and charges	<u>34,000</u>	<u>34,000</u>	<u>64,574</u>	<u>(30,574)</u>	<u>42,207</u>
Building inspections					
Personal services	43,982	43,982	47,232	(3,250)	45,080
Other services and charges	6,100	6,100	6,718	(618)	6,310
Total building inspections	<u>50,082</u>	<u>50,082</u>	<u>53,950</u>	<u>(3,868)</u>	<u>51,390</u>
Total public safety	<u>846,545</u>	<u>846,545</u>	<u>880,976</u>	<u>(34,431)</u>	<u>822,660</u>

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Streets and highways					
Personal services	\$ 56,148	\$ 56,148	\$ 51,443	\$ 4,705	\$ 52,017
Supplies	6,850	6,850	3,736	3,114	4,609
Other services and charges	37,150	37,150	51,619	(14,469)	48,769
Total streets and highways	<u>100,148</u>	<u>100,148</u>	<u>106,798</u>	<u>(6,650)</u>	<u>105,395</u>
Street lighting					
Other services and charges	<u>6,000</u>	<u>6,000</u>	<u>6,041</u>	<u>(41)</u>	<u>6,124</u>
Total public works	<u>106,148</u>	<u>106,148</u>	<u>112,839</u>	<u>(6,691)</u>	<u>111,519</u>
Culture and recreation					
Parks and recreation					
Personal services	82,501	82,501	73,327	9,174	81,559
Supplies	600	600	1,178	(578)	1,029
Other services and charges	<u>10,400</u>	<u>10,400</u>	<u>6,601</u>	<u>3,799</u>	<u>9,858</u>
Total culture and recreation	<u>93,501</u>	<u>93,501</u>	<u>81,106</u>	<u>12,395</u>	<u>92,446</u>
Economic development					
Other services and charges	<u>13,000</u>	<u>13,000</u>	<u>4,652</u>	<u>8,348</u>	<u>1,225</u>
Total Expenditures	<u>1,446,684</u>	<u>1,446,684</u>	<u>1,517,278</u>	<u>(70,594)</u>	<u>1,398,477</u>
Excess of Revenues Over Expenditures	38,000	38,000	154,151	116,151	83,130
Other Financing Sources (Uses)					
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(116,897)</u>	<u>(78,897)</u>	<u>(38,000)</u>
Net Change in Fund Balances	-	-	37,254	37,254	45,130
Fund Balances, January 1	<u>792,338</u>	<u>792,338</u>	<u>792,338</u>	-	<u>747,208</u>
Fund Balances, December 31	<u>\$ 792,338</u>	<u>\$ 792,338</u>	<u>\$ 829,592</u>	<u>\$ 37,254</u>	<u>\$ 792,338</u>

City of Lauderdale, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes	\$ 862,803	\$ 831,198	3.80 %
Licenses and permits	36,457	42,775	(14.77)
Intergovernmental	855,896	546,562	56.60
Charges for services	51,168	63,461	(19.37)
Fines and forfeitures	24,203	29,977	(19.26)
Special assessments	76,967	90,433	(14.89)
Interest on investments	32,284	73,592	(56.13)
Miscellaneous	41,025	758,485	(94.59)
Total Revenues	<u>\$ 1,980,803</u>	<u>\$ 2,436,483</u>	(18.70) %
Per Capita	<u>\$ 811</u>	<u>\$ 1,012</u>	(19.83) %
Expenditures			
Current			
General government	\$ 437,705	\$ 370,627	18.10 %
Public safety	880,976	822,660	7.09
Public works	112,839	112,751	0.08
Sanitation and recycling	63,800	62,155	2.65
Economic development	4,652	1,225	279.76
Culture and recreation	101,096	111,250	(9.13)
Capital outlay	295,465	2,503,954	(88.20)
Debt service			
Interest and bond issuance costs	50,068	67,791	(26.14)
Total Expenditures	<u>\$ 1,946,601</u>	<u>\$ 4,052,413</u>	(51.96) %
Per Capita	<u>\$ 797</u>	<u>\$ 1,683</u>	(52.63) %
Total Long-term Indebtedness	\$ 2,295,000	\$ 2,295,000	N/A
Per Capita	940	953	N/A
General Fund Balance - December 31	\$ 829,592	\$ 792,338	4.70 %
Per Capita	340	329	3.25

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, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2021.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 20, 2021