



Annual Financial Report

City of Lauderdale

Lauderdale, Minnesota

For the year ended December 31, 2021



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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, 2021

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City of Lauderdale, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Gaasch	Mayor	12/31/22
Jeff Dains	Council Member	12/31/24
Duane Pulford	Council Member	12/31/24
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, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lauderdale, Minnesota

Report on the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lauderdale and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lauderdale's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Lauderdale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lauderdale's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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
Minneapolis, Minnesota
April 5, 2022



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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, 2021.

Financial Highlights

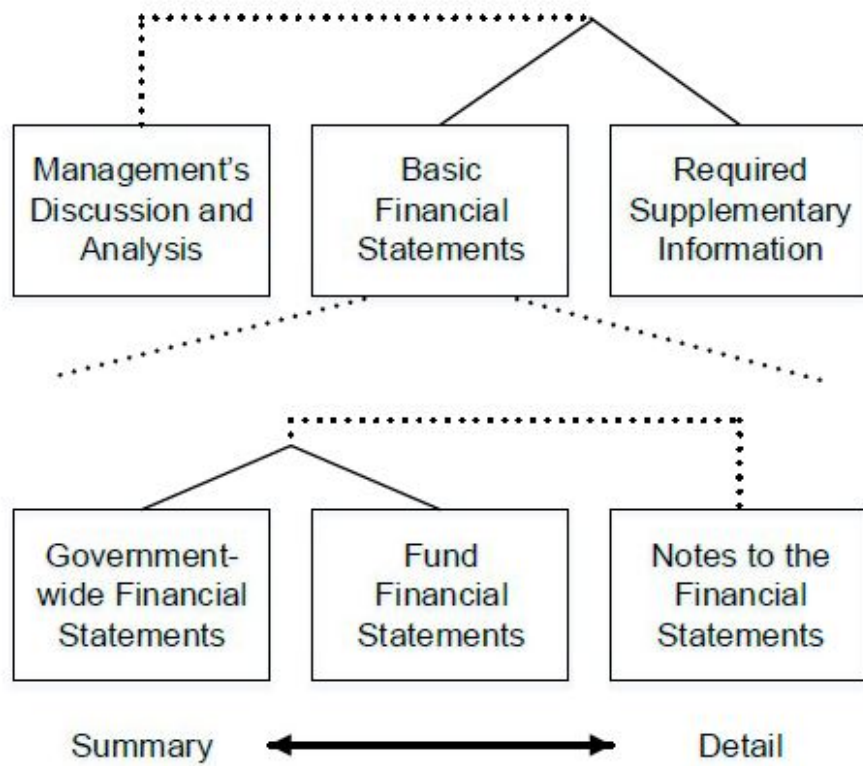
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,334,272 (*net position*). Of this amount, \$2,970,800 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$422,092. The majority of the decrease can be attributed to a decrease both in operating grants and contributions and capital grants and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,406,053 a decrease of \$195,563 in comparison with the prior year.. Approximately 24.5 percent of this total amount, \$833,425, is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$833,425, or 55.3 percent of 2021 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 eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Street Improvement fund, TIF District No. 1-2 fund, Park Improvement fund, ARPA fund, 2018A / 2021A G.O. Tax Increment Revenue Refunding Bond 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 \$10,334,272 at the close of the most recent fiscal year.

The largest portion of the City's net position (66.6 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets						
Current and other assets	\$ 3,965,845	\$ 4,250,079	\$ (284,234)	\$ 1,399,906	\$ 1,593,476	\$ (193,570)
Capital assets	6,052,998	6,270,334	(217,336)	1,743,745	1,663,811	79,934
Total Assets	<u>10,018,843</u>	<u>10,520,413</u>	<u>(501,570)</u>	<u>3,143,651</u>	<u>3,257,287</u>	<u>(113,636)</u>
Deferred Outflows of Resources						
Deferred pension resources	129,841	26,173	103,668	43,078	8,456	34,622
Liabilities						
Long-term liabilities						
outstanding	2,514,294	2,618,914	(104,620)	73,963	99,747	(25,784)
Other liabilities	172,822	243,638	(70,816)	12,173	76,856	(64,683)
Total Liabilities	<u>2,687,116</u>	<u>2,862,552</u>	<u>(175,436)</u>	<u>86,136</u>	<u>176,603</u>	<u>(90,467)</u>
Deferred Inflows of Resources						
Deferred pension resources	170,884	12,623	158,261	57,005	4,187	52,818
Net Position						
Net investment in capital assets	5,135,499	5,250,502	(115,003)	1,743,745	1,663,811	79,934
Restricted	484,228	591,970	(107,742)	-	-	-
Unrestricted	1,670,957	1,828,939	(157,982)	1,299,843	1,421,142	(121,299)
Total Net Position	<u>\$ 7,290,684</u>	<u>\$ 7,671,411</u>	<u>\$ (380,727)</u>	<u>\$ 3,043,588</u>	<u>\$ 3,084,953</u>	<u>\$ (41,365)</u>

The remaining balance of *unrestricted net position* (\$2,970,800) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

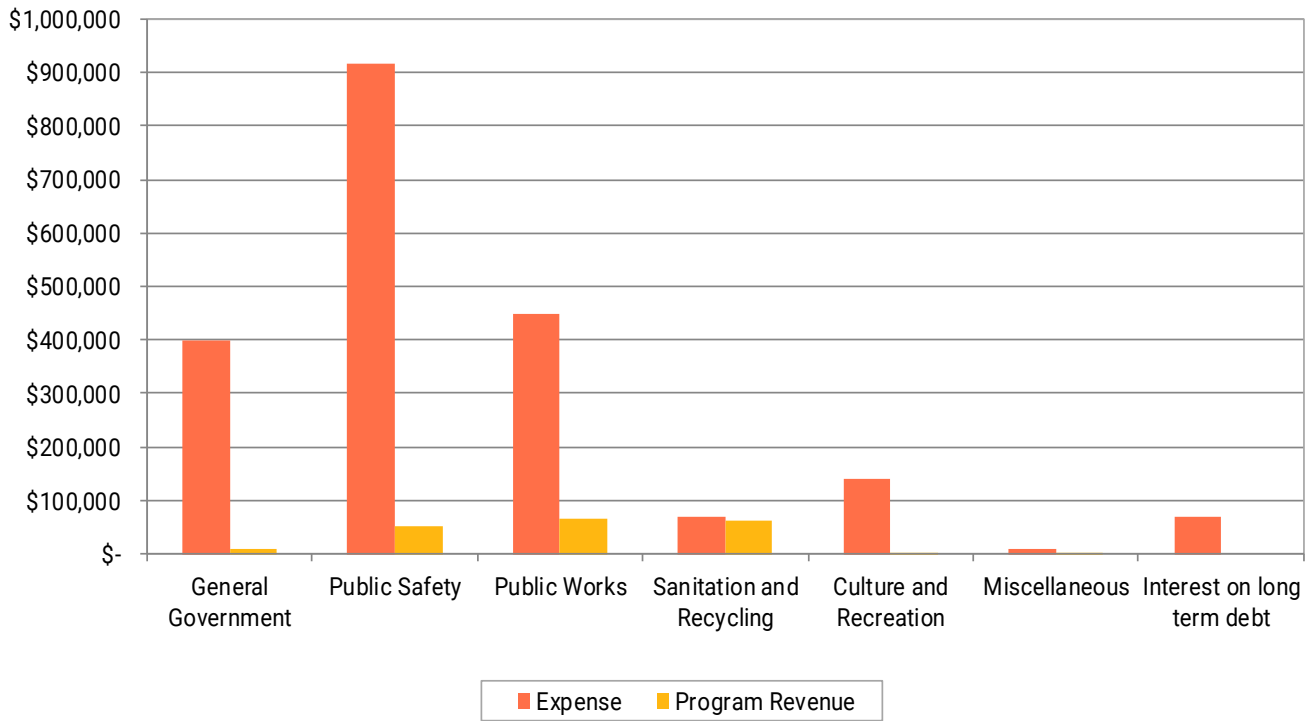
Governmental Activities. Governmental activities decreased the City's net position by \$380,727 and business-type decreased the City's net position by \$41,365. Key elements of the increase are as follows:

City of Lauderdale's Changes in Net Position

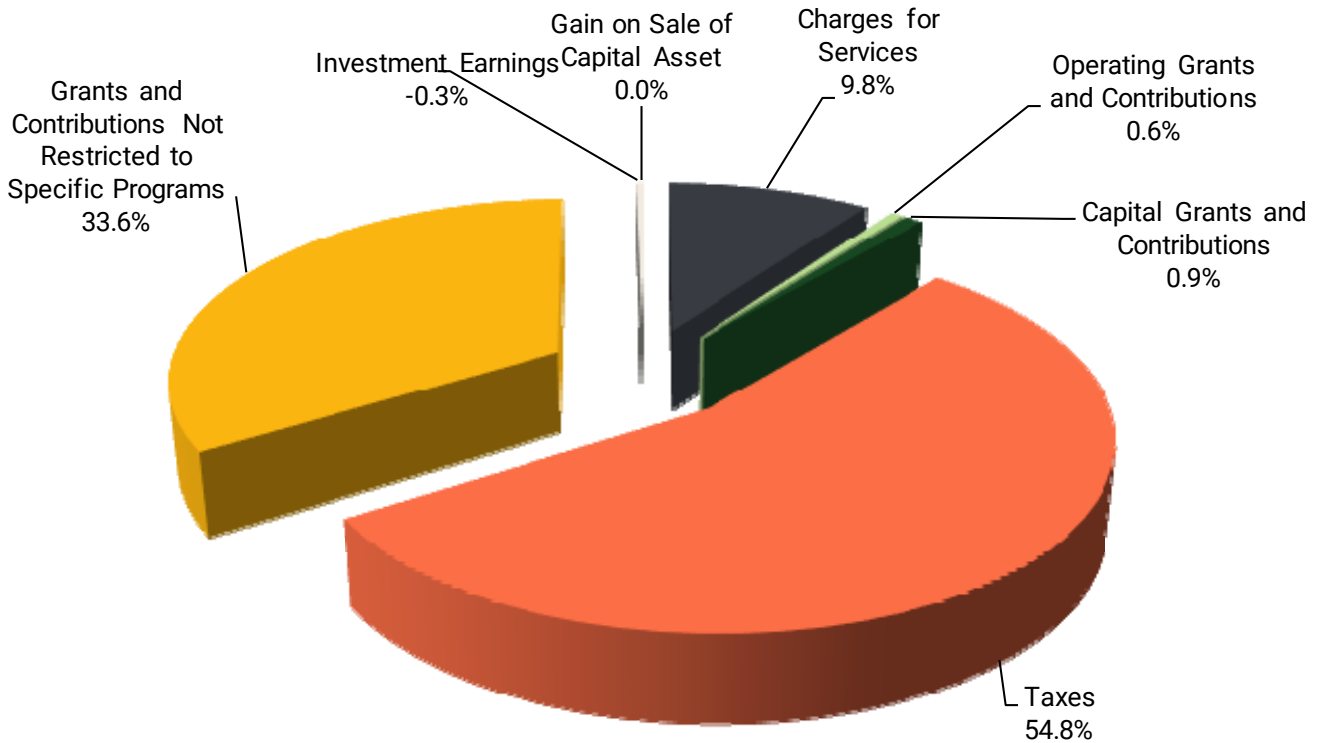
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 163,690	\$ 175,295	\$ (11,605)	\$ 442,140	\$ 419,691	\$ 22,449
Operating grants and contributions	10,583	192,195	(181,612)	-	-	-
Capital grants and contributions	15,557	193,601	(178,044)	-	-	-
General Revenues						
Property taxes	917,667	862,589	55,078	-	-	-
Grants and contributions not restricted to specific programs	562,964	556,042	6,922	151	225	(74)
Investment earnings	(4,758)	32,284	(37,042)	(2,636)	15,303	(17,939)
Gain on sale of capital asset	-	-	-	2,167	-	2,167
Total Revenues	1,665,703	2,012,006	(346,303)	441,822	435,219	6,603
Expenses						
General government	397,586	481,209	(83,623)	-	-	-
Public safety	914,573	879,792	34,781	-	-	-
Public works	448,897	266,394	182,503	-	-	-
Sanitation and recycling	68,109	63,800	4,309	-	-	-
Culture and recreation	138,655	126,000	12,655	-	-	-
Miscellaneous	9,007	9,267	(260)	-	-	-
Debt service	69,603	45,973	23,630	-	-	-
Sewer	-	-	-	318,690	313,326	5,364
Storm sewer	-	-	-	164,497	93,857	70,640
Total Expenses	2,046,430	1,872,435	173,995	483,187	407,183	76,004
Change in Net Position	(380,727)	139,571	(520,298)	(41,365)	28,036	(69,401)
Net Position, January 1	7,671,411	7,531,840	139,571	3,084,953	3,056,917	28,036
Net Position, December 31	<u>\$ 7,290,684</u>	<u>\$ 7,671,411</u>	<u>\$ (380,727)</u>	<u>\$ 3,043,588</u>	<u>\$ 3,084,953</u>	<u>\$ (41,365)</u>

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased the City's net position by \$41,365. The decrease can be attributed to an increase in expenses.

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 \$3,406,053, a decrease of \$195,563 in comparison with the prior year. Approximately 24.5 percent of this total amount \$833,425 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund is *nonspendable* \$748, *restricted* \$1,415,915, *committed* \$80,343, or *assigned* \$1,075,622.

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 \$833,425. 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 55.3 percent of total General fund expenditures and 55.3 percent of the 2020 budget.

The fund balance of the City's General fund increased by \$4,581 during the current fiscal year because revenue from property taxes and spending less than budget.

The *Street Improvement* fund has a total fund balance of \$414,980, a decrease of \$111,406 from the previous year due to capital outlay expenditures in the current year.

The *TIF District No. 1-2* fund has a total fund balance of \$1,188,143, a decrease of \$1,954 from the previous year due to capital outlay expenditures.

The *2018A / 2021A G.O Tax Increment Revenue Refunding Bond* fund has a total fund balance of \$10,699 an increase of \$10,387 from the prior year due to refunding bonds issued.

The *2019A G.O. Improvement Bonds* fund has a total fund balance of \$217,073, a decrease of \$5,568 from the previous year due to expenditures higher than revenues and transfers in.

The *Park Improvement* fund decreased \$441 from the previous year due to various park improvements.

The ARPA fund balance is zero as a result of the revenues for the year being deemed as unearned.

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 \$936,022. The total decrease in net position for the fund was \$5,367.

The *Storm Sewer* fund unrestricted net position amounted to \$363,821. The total decrease in net position for the fund was \$46,732.

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 2021 fiscal year. Revenues were more than budgetary estimates by \$2,944 and expenditures were less than budgetary estimates by \$1,637. 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, 2021, amounts to \$7,796,743, (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 1.7 percent (a 3.5 percent decrease for governmental activities and a 4.8 percent increase for business-type activities).

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

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 322,040	\$ 322,040	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	142,600	-	142,600
Buildings	34,517	35,992	(1,475)	-	-	-
Improvements other than Buildings	88,138	108,183	(20,045)	-	-	-
Machinery and Equipment	196,137	207,390	(11,253)	-	3,333	(3,333)
Infrastructure	5,412,166	5,596,729	(184,563)	1,601,145	1,660,478	(59,333)
Total	\$ 6,052,998	\$ 6,270,334	\$ (217,336)	\$ 1,743,745	\$ 1,663,811	\$ 79,934

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 \$2,265,000.

City of Lauderdale's Outstanding Debt

	Governmental Activities			Business Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Bonds Payable	\$ 2,265,000	\$ 1,000,000	\$ 1,265,000	\$ -	\$ -	\$ -

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 January 2022. The sale of the property to the developer is expected mid-2022 with construction starting shortly thereafter.
- 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 Butkowsky, 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, 2021

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City of Lauderdale, Minnesota

Statement of Net Position

December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 2,371,150	\$ 1,305,119	\$ 3,676,269
Receivables			
Accounts	29,357	70,276	99,633
Delinquent taxes	62,860	-	62,860
Interest	3,016	-	3,016
Special assessments	392,738	12,398	405,136
Due from other governments	9,843	-	9,843
Prepaid items	748	12,113	12,861
Land held for resale	1,096,133	-	1,096,133
Capital assets			
Land and construction in progress	322,040	142,600	464,640
Depreciable buildings, property and equipment, net	5,730,958	1,601,145	7,332,103
Total Assets	<u>10,018,843</u>	<u>3,143,651</u>	<u>13,162,494</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>129,841</u>	<u>43,078</u>	<u>172,919</u>
Liabilities			
Accounts payable	11,816	12,153	23,969
Salaries payable	7,527	-	7,527
Accrued interest payable	10,144	-	10,144
Due to other governments	5,585	20	5,605
Unearned revenue	137,750	-	137,750
Current liabilities - due within one year			
Compensated absences payable	26,617	12,044	38,661
Bonds payable	100,000	-	100,000
Noncurrent liabilities - due in more than one year			
Compensated absences payable	19,411	-	19,411
Bonds payable	2,182,499	-	2,182,499
Net pension liability	185,767	61,919	247,686
Total Liabilities	<u>2,687,116</u>	<u>86,136</u>	<u>2,773,252</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>170,884</u>	<u>57,005</u>	<u>227,889</u>
Net Position			
Net investment in capital assets	5,135,499	1,743,745	6,879,244
Restricted for			
Debt Service	484,228	-	484,228
Tax increment financing	-	-	-
Unrestricted	<u>1,670,957</u>	<u>1,299,843</u>	<u>2,970,800</u>
Total Net Position	<u>\$ 7,290,684</u>	<u>\$ 3,043,588</u>	<u>\$ 10,334,272</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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current				
General government	\$ 397,586	\$ 8,891	\$ -	\$ -
Public safety	914,573	51,624	-	-
Public works	448,897	48,699	-	15,557
Sanitation and recycling	68,109	54,314	8,833	-
Culture and recreation	138,655	162	-	-
Economic development	9,007	-	1,750	-
Interest on long term debt	69,603	-	-	-
Total Governmental Activities	<u>2,046,430</u>	<u>163,690</u>	<u>10,583</u>	<u>15,557</u>
Business-type Activities				
Sewer	318,690	323,668	-	-
Storm sewer	164,497	118,472	-	-
Total Business-type Activities	<u>483,187</u>	<u>442,140</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,529,617</u>	<u>\$ 605,830</u>	<u>\$ 10,583</u>	<u>\$ 15,557</u>

General Revenues and Transfers

Taxes

Property taxes, levied for general purposes

Franchise tax

Grants and contributions not restricted to specific programs

Investment earnings (loss)

Gain on sale of capital assets

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
\$ (388,695)	\$ -	\$ (388,695)
(862,949)	-	(862,949)
(384,641)	-	(384,641)
(4,962)	-	(4,962)
(138,493)	-	(138,493)
(7,257)	-	(7,257)
(69,603)	-	(69,603)
<u>(1,856,600)</u>	<u>-</u>	<u>(1,856,600)</u>
-	4,978	4,978
-	(46,025)	(46,025)
<u>-</u>	<u>(41,047)</u>	<u>(41,047)</u>
(1,856,600)	(41,047)	(1,897,647)
899,760	-	899,760
17,907	-	17,907
562,964	151	563,115
(4,758)	(2,636)	(7,394)
-	2,167	2,167
<u>1,475,873</u>	<u>(318)</u>	<u>1,475,555</u>
(380,727)	(41,365)	(422,092)
<u>7,671,411</u>	<u>3,084,953</u>	<u>10,756,364</u>
<u>\$ 7,290,684</u>	<u>\$ 3,043,588</u>	<u>\$ 10,334,272</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, 2021

City of Lauderdale, Minnesota

Balance Sheet

Governmental Funds

December 31, 2021

	Capital Projects			
	General	Street Improvement	TIF District No. 1-2	Park Improvement
Assets				
Cash and temporary investments	\$ 766,617	\$ 414,980	\$ 92,010	\$ 216,852
Receivables				
Accounts	25,165	-	-	-
Delinquent taxes	62,860	-	-	-
Interest	3,016	-	-	-
Special assessments	7,966	52,439	-	-
Due from other governments	1,010	-	-	-
Prepaid items	748	-	-	-
Land held for resale	-	-	1,096,133	-
	<u>\$ 867,382</u>	<u>\$ 467,419</u>	<u>\$ 1,188,143</u>	<u>\$ 216,852</u>
Liabilities				
Accounts payable	\$ 5,171	\$ -	\$ -	\$ -
Due to other governments	5,585	-	-	-
Salaries payable	7,527	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	<u>18,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	6,960	-	-	-
Unavailable revenue - special assessments	7,966	52,439	-	-
Total Deferred Inflows of Resources	<u>14,926</u>	<u>52,439</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	748	-	-	-
Restricted	-	-	1,188,143	-
Committed	-	-	-	-
Assigned	-	414,980	-	216,852
Unassigned	833,425	-	-	-
Total Fund Balances	<u>834,173</u>	<u>414,980</u>	<u>1,188,143</u>	<u>216,852</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 867,382</u>	<u>\$ 467,419</u>	<u>\$ 1,188,143</u>	<u>\$ 216,852</u>

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

Debt Service

2019A G.O. Improvement Bonds	2018A / 2021A G.O Tax Increment Revenue Refunding Bond	ARPA	Other Governmental Funds	Total Governmental Funds
\$ 215,996	\$ 10,699	\$ 137,750	\$ 516,246	\$ 2,371,150
-	-	-	4,192	29,357
-	-	-	-	62,860
-	-	-	-	3,016
267,677	-	-	64,656	392,738
-	-	-	8,833	9,843
-	-	-	-	748
-	-	-	-	1,096,133
<u>\$ 483,673</u>	<u>\$ 10,699</u>	<u>\$ 137,750</u>	<u>\$ 593,927</u>	<u>\$ 3,965,845</u>
\$ -	\$ -	\$ -	\$ 6,645	\$ 11,816
-	-	-	-	5,585
-	-	-	-	7,527
-	-	137,750	\$ -	137,750
-	-	137,750	6,645	162,678
-	-	-	-	6,960
266,600	-	-	63,149	390,154
<u>266,600</u>	<u>-</u>	<u>-</u>	<u>63,149</u>	<u>397,114</u>
-	-	-	-	748
217,073	10,699	-	-	1,415,915
-	-	-	80,343	80,343
-	-	-	443,790	1,075,622
-	-	-	-	833,425
<u>217,073</u>	<u>10,699</u>	<u>-</u>	<u>524,133</u>	<u>3,406,053</u>
<u>\$ 483,673</u>	<u>\$ 10,699</u>	<u>\$ 137,750</u>	<u>\$ 593,927</u>	<u>\$ 3,965,845</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, 2021

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

Total Fund Balances - Governmental Funds	\$ 3,406,053
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	8,772,998
Less: accumulated depreciation	(2,720,000)
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	(46,028)
Net pension liability	(185,767)
Bonds payable	(2,265,000)
Bond premium	(17,499)
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.	
	6,960
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.	
	390,154
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	129,841
Deferred inflows of pension resources	(170,884)
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(10,144)</u>
Total Net Position - Governmental Activities	<u><u>\$ 7,290,684</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, 2021

	Capital Projects			
	General	Street Improvement	TIF District No. 1-2	Park Improvement
Revenues				
Taxes	\$ 897,291	\$ -	\$ -	\$ -
Licenses and permits	29,689	-	-	-
Intergovernmental	524,591	37,418	-	-
Charges for services	7,913	-	-	-
Fines and forfeitures	22,615	-	-	-
Special assessments	843	8,245	-	-
Interest on investments	(1,785)	(842)	(184)	(441)
Miscellaneous	30,136	7,062	-	-
Total Revenues	1,511,293	51,883	(184)	(441)
Expenditures				
Current				
General government	401,487	-	-	-
Public safety	915,827	-	-	-
Public works	97,508	-	-	-
Sanitation and recycling	-	-	-	-
Culture and recreation	88,559	-	-	-
Economic development	3,331	-	-	-
Capital outlay	-	163,289	1,770	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,506,712	163,289	1,770	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,581	(111,406)	(1,954)	(441)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Bonds issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,581	(111,406)	(1,954)	(441)
Fund Balances, January 1	829,592	526,386	1,190,097	217,293
Fund Balances, December 31	\$ 834,173	\$ 414,980	\$ 1,188,143	\$ 216,852

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

2018A / 2021A G.O. Tax Increment Revenue Refund

Debt Service				
2019A G.O. Improvement Bonds	2018A / 2021A G.O Tax Increment Revenue Refunding Bond	ARPA	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 17,907	\$ 915,198
-	-	-	-	29,689
-	-	-	8,833	570,842
-	-	-	54,314	62,227
-	-	-	-	22,615
48,699	-	-	-	57,787
(437)	(22)	-	(1,047)	(4,758)
-	-	-	1,750	38,948
<u>48,262</u>	<u>(22)</u>	<u>-</u>	<u>81,757</u>	<u>1,692,548</u>
-	-	-	-	401,487
-	-	-	-	915,827
-	-	-	-	97,508
-	-	-	68,109	68,109
-	-	-	22,460	111,019
-	-	-	-	3,331
-	-	-	14,394	179,453
100,000	1,295,000	-	-	1,395,000
21,786	59,591	-	-	81,377
<u>121,786</u>	<u>1,354,591</u>	<u>-</u>	<u>104,963</u>	<u>3,253,111</u>
<u>(73,524)</u>	<u>(1,354,613)</u>	<u>-</u>	<u>(23,206)</u>	<u>(1,560,563)</u>
67,956	-	-	-	67,956
-	-	-	(67,956)	(67,956)
-	1,365,000	-	-	1,365,000
<u>67,956</u>	<u>1,365,000</u>	<u>-</u>	<u>(67,956)</u>	<u>1,365,000</u>
(5,568)	10,387	-	(91,162)	(195,563)
<u>222,641</u>	<u>312</u>	<u>-</u>	<u>615,295</u>	<u>3,601,616</u>
<u>\$ 217,073</u>	<u>\$ 10,699</u>	<u>\$ -</u>	<u>\$ 524,133</u>	<u>\$ 3,406,053</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, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ (195,563)
<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	9,563
Depreciation expense	(226,899)
<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>	
Bonds issued	(1,365,000)
Bond principal paid	1,395,000
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>	
	9,441
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	11,225
Pension revenue from state contributions	452
<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	(29,766)
Property taxes	2,469
<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	6,018
Change in Net Position - Governmental Activities	\$ (380,727)

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 899,710	\$ 899,710	\$ 897,291	\$ (2,419)
Licenses and permits	37,750	37,750	29,689	(8,061)
Intergovernmental	525,789	525,789	524,591	(1,198)
Charges for services	10,600	10,600	7,913	(2,687)
Fines and forfeitures	27,000	27,000	22,615	(4,385)
Special assessments	-	-	843	843
Interest on investments	6,000	6,000	(1,785)	(7,785)
Miscellaneous	1,500	1,500	30,136	28,636
Total Revenues	<u>1,508,349</u>	<u>1,508,349</u>	<u>1,511,293</u>	<u>2,944</u>
Expenditures				
Current				
General government	384,304	384,304	401,487	(17,183)
Public safety	912,439	912,439	915,827	(3,388)
Public works	107,487	107,487	97,508	9,979
Culture and recreation	92,119	92,119	88,559	3,560
Economic development	12,000	12,000	3,331	8,669
Total Expenditures	<u>1,508,349</u>	<u>1,508,349</u>	<u>1,506,712</u>	<u>1,637</u>
Net Change in Fund Balances	-	-	4,581	4,581
Fund Balances, January 1	<u>829,592</u>	<u>829,592</u>	<u>829,592</u>	-
Fund Balances, December 31	<u>\$ 829,592</u>	<u>\$ 829,592</u>	<u>\$ 834,173</u>	<u>\$ 4,581</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, 2021

	Business-type Activities		
	Sewer	Storm Sewer	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 922,034	\$ 383,085	\$ 1,305,119
Receivables			
Accounts receivable	48,956	21,320	70,276
Special assessments	12,398	-	12,398
Prepaid items	11,864	249	12,113
Total Current Assets	<u>995,252</u>	<u>404,654</u>	<u>1,399,906</u>
Noncurrent Assets			
Capital assets			
Construction in progress	142,600	-	142,600
Infrastructure	2,265,656	-	2,265,656
Less accumulated depreciation	(664,511)	-	(664,511)
Total Noncurrent Assets	<u>1,743,745</u>	<u>-</u>	<u>1,743,745</u>
Total Assets	<u>2,738,997</u>	<u>404,654</u>	<u>3,143,651</u>
Deferred Outflows of Resources			
Deferred pensions resources	23,272	19,806	43,078
Liabilities			
Current Liabilities			
Accounts payable	11,958	195	12,153
Due to other governments	20	-	20
Compensated absences payable	6,275	5,769	12,044
Total Current Liabilities	<u>18,253</u>	<u>5,964</u>	<u>24,217</u>
Noncurrent Liabilities			
Net pension liability	33,453	28,466	61,919
Total Liabilities	<u>51,706</u>	<u>34,430</u>	<u>86,136</u>
Deferred Inflows of Resources			
Deferred pension resources	30,796	26,209	57,005
Net Position			
Investment in capital assets	1,743,745	-	1,743,745
Unrestricted	936,022	363,821	1,299,843
Total Net Position	<u>\$ 2,679,767</u>	<u>\$ 363,821</u>	<u>\$ 3,043,588</u>

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

City of Lauderdale, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities		
	Sewer	Storm Sewer	Total
Operating Revenues			
Charges for services	\$ 323,668	\$ 118,472	\$ 442,140
Operating Expenses			
Personal services	77,293	65,710	143,003
Supplies	600	570	1,170
Other services and charges	180,964	44,651	225,615
Repair and maintenance	-	53,566	53,566
Depreciation	59,833	-	59,833
Total Operating Expenses	<u>318,690</u>	<u>164,497</u>	<u>483,187</u>
Operating Income (Loss)	<u>4,978</u>	<u>(46,025)</u>	<u>(41,047)</u>
Nonoperating Revenues			
Gain on sale of capital asset	2,167	-	2,167
Other revenue	81	70	151
Interest income	(1,859)	(777)	(2,636)
Total Nonoperating Revenues	<u>389</u>	<u>(707)</u>	<u>(318)</u>
Change in Net Position	5,367	(46,732)	(41,365)
Net Position, January 1	<u>2,674,400</u>	<u>410,553</u>	<u>3,084,953</u>
Net Position, December 31	<u>\$ 2,679,767</u>	<u>\$ 363,821</u>	<u>\$ 3,043,588</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, 2021

	Business-type Activities		
	Sewer	Storm Sewer	Total
Cash Flows from Operating Activities			
Receipts from tenants and users	\$ 304,972	\$ 126,419	\$ 431,391
Payments to suppliers	(193,983)	(99,676)	(293,659)
Payments to employees	(81,412)	(69,028)	(150,440)
Net Cash Provided by Operating Activities	<u>29,577</u>	<u>(42,285)</u>	<u>(12,708)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(206,088)	-	(206,088)
Proceeds from sale of capital assets	5,000	-	5,000
Net Cash Provided By Capital and Related Financing Activities	<u>(201,088)</u>	<u>-</u>	<u>(201,088)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>(1,859)</u>	<u>(777)</u>	<u>(2,636)</u>
Net Increase in Cash and Cash Equivalents	(173,370)	(43,062)	(216,432)
Cash and Cash Equivalents, January 1	<u>1,095,404</u>	<u>426,147</u>	<u>1,521,551</u>
Cash and Cash Equivalents, December 31	<u>\$ 922,034</u>	<u>\$ 383,085</u>	<u>\$ 1,305,119</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 4,978	\$ (46,025)	\$ (41,047)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	59,833	-	59,833
Other income	81	70	151
Increase (decrease) in assets/deferred outflows			
Accounts receivable	(6,298)	7,947	1,649
Prepaid items	(11,864)	(249)	(12,113)
Special Assessments	(12,398)	-	(12,398)
Deferred pension resources	(18,703)	(15,919)	(34,622)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(575)	(640)	(1,215)
Due to other governments payable	20	-	20
Compensated absences payable	(2,253)	(1,745)	(3,998)
Net pension liability	(11,778)	(10,008)	(21,786)
Deferred pension resources	28,534	24,284	52,818
Net Cash Provided by Operating Activities	<u>\$ 29,577</u>	<u>\$ (42,285)</u>	<u>\$ (12,708)</u>
Noncash Capital and Related Financing Activities			
Book value of assets sold	<u>\$ 2,833</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets purchased on account	<u>\$ 11,698</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lauderdale, Minnesota (the City), operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the GASB criteria.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

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

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

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

The *2018A / 2021A G.O. Tax Increment Revenue Refunding Bonds fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the fund.

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 *ARPA fund* accounts for the activity related to how the ARPA funds are collected and spent.

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.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 52 and are valued using a matrix pricing model (Level 2 inputs).

The City has the following recurring fair value measurements as of December 31, 2021:

- Negotiable certificates of deposit of \$2,692,862 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 2021. 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.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2021, 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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2021 was \$17,322. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

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

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

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

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.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 2021.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2021 expenditures exceeded appropriations in the following funds.

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Communications	\$ 18,212	\$ 22,460	\$ 4,248
Recycling	64,813	68,109	3,296

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, 2021

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 \$243,872 and the bank balance was \$251,398. 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, 2021

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	\$ 1,221	\$ -	\$ -	\$ -
4M Fund	P1	less than 6 months	738,314	-	-	-
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	less than 1 year	2,692,862	-	2,692,862	-
Total Investments			\$ 3,432,397	\$ -	\$ 2,692,862	\$ -

(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, 2021

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

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

	Total Reporting Entity
Carrying Amount of Deposits	\$ 243,872
Investments	3,432,397
Total Cash and Temporary Investments	\$ 3,676,269

B. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 322,040	\$ -	\$ -	\$ 322,040
Capital Assets, being Depreciated				
Buildings	241,031	-	-	241,031
Improvements other than buildings	340,801	-	-	340,801
Machinery and equipment	390,215	9,563	-	399,778
Infrastructure	7,469,348	-	-	7,469,348
Total Capital Assets being Depreciated	8,441,395	9,563	-	8,450,958
Less Accumulated Depreciation for				
Buildings	(205,039)	(1,475)	-	(206,514)
Improvements other than buildings	(232,618)	(20,045)	-	(252,663)
Machinery and equipment	(182,825)	(20,816)	-	(203,641)
Infrastructure	(1,872,619)	(184,563)	-	(2,057,182)
Total Accumulated Depreciation	(2,493,101)	(226,899)	-	(2,720,000)
Total Capital Assets being Depreciated, Net	5,948,294	(217,336)	-	5,730,958
Governmental Activities Capital Assets, Net	\$ 6,270,334	\$ (217,336)	\$ -	\$ 6,052,998

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Construction in progress	\$ -	\$ 142,600	\$ -	\$ 142,600
Capital Assets being Depreciated				
Infrastructure	2,265,656	-	-	2,265,656
Machinery and equipment	15,000	-	(15,000)	-
Total Capital Assets being Depreciated	<u>2,280,656</u>	<u>-</u>	<u>(15,000)</u>	<u>2,265,656</u>
Less Accumulated Depreciation for				
Infrastructure	(605,178)	(59,333)	-	(664,511)
Machinery and equipment	(11,667)	(500)	12,167	-
Total Accumulated Depreciation	<u>(616,845)</u>	<u>(59,833)</u>	<u>12,167</u>	<u>(664,511)</u>
Total Capital Assets Being Depreciated, Net	<u>1,663,811</u>	<u>(59,833)</u>	<u>(2,833)</u>	<u>1,601,145</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,663,811</u>	<u>\$ 82,767</u>	<u>\$ (2,833)</u>	<u>\$ 1,743,745</u>

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

Governmental Activities

General government	\$ 3,615
Public works	193,557
Culture and recreation	<u>29,727</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 226,899</u>

Business-type Activities

Sewer	<u>\$ 59,833</u>
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City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

The City made transfer during the fiscal year 2021 as shown and described below:

Fund	Transfer In 2019A G.O. Improvement Bonds
Transfer Out	
Other governmental funds	\$ 67,956

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.

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	\$ 900,000

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
2022	\$ 100,000	\$ 19,500	\$ 119,500
2023	100,000	17,938	117,938
2024	100,000	16,313	116,313
2025	100,000	14,625	114,625
2026	100,000	12,875	112,875
2027 - 2030	400,000	23,999	423,999
Total	\$ 900,000	\$ 105,250	\$ 1,005,250

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

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 2021A	\$ 1,365,000	0.03 %	01/27/21	02/01/24	<u>\$ 1,365,000</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
2022	\$ -	\$ 4,096	\$ 4,096
2023	-	4,095	4,095
2024	<u>1,365,000</u>	<u>2,047</u>	<u>1,367,047</u>
Total	<u>\$ 1,365,000</u>	<u>\$ 10,238</u>	<u>\$ 1,375,238</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. improvement bonds	\$ 1,000,000	\$ -	\$ (100,000)	\$ 900,000	\$ 100,000
G.O. tax increment bonds	<u>1,295,000</u>	<u>1,365,000</u>	<u>(1,295,000)</u>	<u>1,365,000</u>	<u>-</u>
Total Bonds Payable	2,295,000	1,365,000	(1,395,000)	2,265,000	100,000
Unamortized Premium on Bonds	19,832	-	(2,333)	17,499	-
Compensated Absences Payable	<u>52,045</u>	<u>-</u>	<u>(26,617)</u>	<u>46,028</u>	<u>26,617</u>
Governmental Activity Long-term Liabilities	<u>\$ 2,366,877</u>	<u>\$ 1,365,000</u>	<u>\$ (2,818,950)</u>	<u>\$ 2,328,527</u>	<u>\$ 126,617</u>
Business-type Activities					
Compensated Absences Payable	<u>\$ 16,042</u>	<u>\$ -</u>	<u>\$ (12,044)</u>	<u>\$ 12,044</u>	<u>\$ 12,044</u>

On January 27, 2021, the City issued \$1,365,000 of General Obligation Tax Increment Refunding Bonds, Series 2021A. The bonds bear an average coupon rate of .3 percent and will refund the outstanding principal of the General Obligation Tax Increment Revenue Bonds, Series 2018A. As a result of the refunding issue, the City will save \$59,421 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$14,177.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2021, 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	\$ 748
Fund Balance - Restricted		
TIF District No. 1-2	Tax increments	1,188,143
2018A / 2021A G.O. TIF Revenue Bonds	Debt service	10,699
2019A G.O. Improvement Bonds	Debt service	217,073
Total fund balance - Restricted		<u>1,415,915</u>
Fund Balance - Committed		
Communications	Cable access	9,954
Recycling	Recycling	70,389
Total Fund Balance - Committed		<u>80,343</u>
Fund Balance - Assigned		
Capital improvement - streets	Street capital	414,980
General capital improvement	Capital purchases	148,700
Development	Development	295,090
Park improvement	Park capital	216,852
Total Fund Balance - Assigned		<u>1,075,622</u>
Fund Balance - Unassigned		
General		<u>833,425</u>
Total Fund Balance		<u><u>\$ 3,406,053</u></u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

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 is 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 2021 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, 2021, 2020 and 2019 were \$31,987, \$30,623 and \$29,770 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, 2021

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$247,686 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 2021. 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 \$7,466. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City's proportionate share was 0.0058 percent which was the same as its proportion measured as of June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$ 247,686
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>7,466</u>
Total	<u><u>\$ 255,152</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$16,720 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$602 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, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 1,445	\$ 7,547
Changes in Actuarial Assumptions	151,232	5,260
Net Difference between Projected and Actual Earnings on Plan Investments	-	215,082
Changes in Proportion	4,115	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>16,127</u>	<u>-</u>
Total	<u><u>\$ 172,919</u></u>	<u><u>\$ 227,889</u></u>

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

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

The \$16,127 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (8,645)
2022	(2,068)
2023	(1,881)
2024	(58,503)

E. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 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 following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

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	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	<u>16.5</u>	5.30
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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 Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
General Employees Fund	\$ 505,153	\$ 247,686	\$ 36,419

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, 2021

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 2021 was \$524,591 for LGA. This accounted for 35 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.

City of Lauderdale, Minnesota
Notes to the Financial Statements
December 31, 2021

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, 2021 the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding
Catholic Eldercare	12/1/2014	\$ 9,300,000	\$ 6,882,318
Benedictine Health System	7/14/2016	10,000,000	8,141,415
Catholic Eldercare	11/7/2017	9,000,000	8,628,721

Note 7: 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUDERDALE
LAUDERDALE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Lauderdale, Minnesota
Required Supplementary Information
December 31, 2021

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
06/30/21	0.0058 %	\$ 247,686	\$ 7,466	\$ 255,152	\$ 415,003	59.7 %	87.0 %
06/30/20	0.0056	335,746	10,402	346,148	403,062	83.3	79.0
06/30/19	0.0055	304,083	9,500	313,583	389,732	78.0	80.2
06/30/18	0.0055	305,117	9,738	314,855	371,496	82.1	79.5
06/30/17	0.0057	363,884	-	363,884	365,590	99.5	75.9
06/30/16	0.0054	438,453	-	438,453	348,652	125.8	68.9
06/30/15	0.0054	279,856	-	279,856	312,684	89.5	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)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/21	\$ 31,987	\$ 31,987	\$ -	\$ 426,493	7.5 %
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	26,561	26,561	-	354,147	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, 2021

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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, 2021

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

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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.

2016 - There were no changes in plan provisions since the previous valuation.

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, 2021

City of Lauderdale, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2021

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 72,456	\$ 443,790	\$ 516,246
Receivables			
Accounts	4,192	-	4,192
Special assessments	64,656	-	64,656
Due from other governments	8,833	-	8,833
 Total Assets	 \$ 150,137	 \$ 443,790	 \$ 593,927
Liabilities			
Accounts payable	\$ 6,645	\$ -	\$ 6,645
Deferred Inflows of Resources			
Unavailable revenue - special assessments	63,149	-	63,149
Fund Balances			
Committed	80,343	-	80,343
Assigned	-	443,790	443,790
Total Fund Balances	80,343	443,790	524,133
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 150,137	 \$ 443,790	 \$ 593,927

City of Lauderdale, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Franchise fees	\$ 17,907	\$ -	\$ 17,907
Intergovernmental	8,833	-	8,833
Charges for services	54,314	-	54,314
Interest on investments	(147)	(900)	(1,047)
Miscellaneous	-	1,750	1,750
Total Revenues	<u>80,907</u>	<u>850</u>	<u>81,757</u>
Expenditures			
Current			
Sanitation and recycling	68,109	-	68,109
Culture and recreation	22,460	-	22,460
Capital outlay			
General government	-	10,488	10,488
Economic development	-	3,906	3,906
Total Expenditures	<u>90,569</u>	<u>14,394</u>	<u>104,963</u>
Excess (Deficiency) of Revenues Under (Over) Expenditures	(9,662)	(13,544)	(23,206)
Other Financing Sources (Uses)			
Transfers out	-	(67,956)	(67,956)
Net Change in Fund Balances	(9,662)	(81,500)	(91,162)
Fund Balances, January 1	<u>90,005</u>	<u>525,290</u>	<u>615,295</u>
Fund Balances, December 31	<u>\$ 80,343</u>	<u>\$ 443,790</u>	<u>\$ 524,133</u>

City of Lauderdale, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	226	227	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 5,762	\$ 66,694	\$ 72,456
Receivables			
Accounts	4,192	-	4,192
Special assessments	-	64,656	64,656
Due from other governments	-	8,833	8,833
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,954</u>	<u>\$ 140,183</u>	<u>\$ 150,137</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ 6,645</u>	<u>\$ 6,645</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>63,149</u>	<u>63,149</u>
Fund Balances			
Committed	<u>9,954</u>	<u>70,389</u>	<u>80,343</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,954</u>	<u>\$ 140,183</u>	<u>\$ 150,137</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, 2021

	226	227	
	<u>Communications</u>	<u>Recycling</u>	<u>Total</u>
Revenues			
Taxes			
Franchise fees	\$ 17,907	\$ -	\$ 17,907
Intergovernmental	-	8,833	8,833
Charges for services	-	54,314	54,314
Interest on investments	(12)	(135)	(147)
Total Revenues	<u>17,895</u>	<u>63,012</u>	<u>80,907</u>
Expenditures			
Current			
Sanitation and recycling			
Personal services	-	27,907	27,907
Other services and charges	-	40,202	40,202
Culture and recreation			
Personal services	9,546	-	9,546
Other services and charges	12,914	-	12,914
Total Expenditures	<u>22,460</u>	<u>68,109</u>	<u>90,569</u>
Net Change in Fund Balances	(4,565)	(5,097)	(9,662)
Fund Balances, January 1	<u>14,519</u>	<u>75,486</u>	<u>90,005</u>
Fund Balances, December 31	<u>\$ 9,954</u>	<u>\$ 70,389</u>	<u>\$ 80,343</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Franchise fees	\$ 19,000	\$ 17,907	\$ (1,093)	\$ 17,161
Intergovernmental	-	-	-	525
Interest on investments	100	(12)	(112)	193
Total Revenues	<u>19,100</u>	<u>17,895</u>	<u>(1,205)</u>	<u>17,879</u>
Expenditures				
Current				
Culture and recreation				
Personal services	9,612	9,546	66	9,513
Other services and charges	8,600	12,914	(4,314)	10,477
Total Expenditures	<u>18,212</u>	<u>22,460</u>	<u>(4,248)</u>	<u>19,990</u>
Net Change in Fund Balances	888	(4,565)	(5,453)	(2,111)
Fund Balances, January 1	<u>14,519</u>	<u>14,519</u>	-	<u>16,630</u>
Fund Balances, December 31	<u>\$ 15,407</u>	<u>\$ 9,954</u>	<u>\$ (5,453)</u>	<u>\$ 14,519</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, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Intergovernmental				
County	\$ 5,900	\$ 8,833	\$ 2,933	\$ 5,806
Charges for services				
Sanitation	48,699	54,314	5,615	39,559
Interest on investments	1,200	(135)	(1,335)	804
Total Revenues	<u>55,799</u>	<u>63,012</u>	<u>7,213</u>	<u>46,169</u>
Expenditures				
Current				
Sanitation and recycling				
Personal services	24,594	27,907	(3,313)	21,147
Other services and charges	40,219	40,202	17	42,653
Total Expenditures	<u>64,813</u>	<u>68,109</u>	<u>(3,296)</u>	<u>63,800</u>
Net Change in Fund Balances	(9,014)	(5,097)	3,917	(17,631)
Fund Balances, January 1	<u>75,486</u>	<u>75,486</u>	-	<u>93,117</u>
Fund Balances, December 31	<u>\$ 66,472</u>	<u>\$ 70,389</u>	<u>\$ 3,917</u>	<u>\$ 75,486</u>

City of Lauderdale, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2021

	414	401	
	Development	General Capital Improvement	Total
	<u>Development</u>	<u>Improvement</u>	<u>Total</u>
Assets			
Cash and temporary investments	<u>\$ 295,090</u>	<u>\$ 148,700</u>	<u>\$ 443,790</u>
Fund Balances			
Assigned	<u>\$ 295,090</u>	<u>\$ 148,700</u>	<u>\$ 443,790</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, 2021

	414	401	
	<u>Development</u>	<u>General Capital Improvement</u>	<u>Total</u>
Revenues			
Interest on investments	\$ (599)	\$ (301)	\$ (900)
Miscellaneous	1,750	-	1,750
Total Revenues	<u>1,151</u>	<u>(301)</u>	<u>850</u>
Expenditures			
Capital outlay			
General government	-	10,488	10,488
Economic development	3,906	-	3,906
Total Expenditures	<u>3,906</u>	<u>10,488</u>	<u>14,394</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(2,755)	(10,789)	(13,544)
Other Financing Sources (Uses)			
Transfers out	<u>(67,956)</u>	<u>-</u>	<u>(67,956)</u>
Net Change in Fund Balances	(70,711)	(10,789)	(81,500)
Fund Balances, January 1	<u>365,801</u>	<u>159,489</u>	<u>525,290</u>
Fund Balances, December 31	<u>\$ 295,090</u>	<u>\$ 148,700</u>	<u>\$ 443,790</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 899,710	\$ 899,710	\$ 897,291	\$ (2,419)	\$ 845,642
Licenses and permits					
Business	3,650	3,650	4,125	475	4,118
Nonbusiness	34,100	34,100	25,564	(8,536)	32,339
Total licenses and permits	<u>37,750</u>	<u>37,750</u>	<u>29,689</u>	<u>(8,061)</u>	<u>36,457</u>
Intergovernmental					
Federal					
Other Federal Aid	-	-	-	-	127,007
State					
Local government aid	524,591	524,591	524,591	-	548,671
Other state grants	1,198	1,198	-	(1,198)	53,887
Local					
Other local grants	-	-	-	-	5,000
Total intergovernmental	<u>525,789</u>	<u>525,789</u>	<u>524,591</u>	<u>(1,198)</u>	<u>734,565</u>
Charges for services					
General government	10,000	10,000	7,751	(2,249)	11,532
Public safety	-	-	-	-	35
Culture and recreation	600	600	162	(438)	42
Total charges for services	<u>10,600</u>	<u>10,600</u>	<u>7,913</u>	<u>(2,687)</u>	<u>11,609</u>
Fines and forfeitures	<u>27,000</u>	<u>27,000</u>	<u>22,615</u>	<u>(4,385)</u>	<u>24,203</u>
Special assessments	<u>-</u>	<u>-</u>	<u>843</u>	<u>843</u>	<u>539</u>
Interest on investments	<u>6,000</u>	<u>6,000</u>	<u>(1,785)</u>	<u>(7,785)</u>	<u>15,558</u>
Miscellaneous					
Contributions and donations	-	-	305	305	55
Other	1,500	1,500	29,831	28,331	2,801
Total miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>30,136</u>	<u>28,636</u>	<u>2,856</u>
Total Revenues	<u>1,508,349</u>	<u>1,508,349</u>	<u>1,511,293</u>	<u>2,944</u>	<u>1,671,429</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures					
Current					
General government					
Legislative and executive					
Personal services	\$ 17,803	\$ 17,803	\$ 17,800	\$ 3	\$ 17,811
Supplies	350	350	119	231	695
Other services and charges	5,800	5,800	5,620	180	5,701
Total legislative and executive	<u>23,953</u>	<u>23,953</u>	<u>23,539</u>	<u>414</u>	<u>24,207</u>
Administration					
Personal services	180,861	180,861	190,905	(10,044)	179,210
Supplies	5,850	5,850	3,684	2,166	8,358
Other services and charges	37,498	37,498	39,090	(1,592)	94,612
Total administration	<u>224,209</u>	<u>224,209</u>	<u>233,679</u>	<u>(9,470)</u>	<u>282,180</u>
Election, audit, and legal fees					
Personal services	16,335	16,335	16,517	(182)	21,206
Supplies	2,600	2,600	1,167	1,433	3,188
Other services and charges	49,500	49,500	36,948	12,552	58,594
Total election, audit, and legal fees	<u>68,435</u>	<u>68,435</u>	<u>54,632</u>	<u>13,803</u>	<u>82,988</u>
Planning and zoning					
Personal services	22,082	22,082	22,076	6	21,886
Supplies	1,200	1,200	914	286	627
Other services and charges	44,425	44,425	66,647	(22,222)	25,817
Total planning and zoning	<u>67,707</u>	<u>67,707</u>	<u>89,637</u>	<u>(21,930)</u>	<u>48,330</u>
Total general government	<u>384,304</u>	<u>384,304</u>	<u>401,487</u>	<u>(17,183)</u>	<u>437,705</u>
Public safety					
Police					
Other services and charges	<u>786,021</u>	<u>786,021</u>	<u>785,422</u>	<u>599</u>	<u>762,452</u>
Fire					
Other services and charges	<u>75,000</u>	<u>75,000</u>	<u>75,773</u>	<u>(773)</u>	<u>64,574</u>
Building inspections					
Personal services	45,218	45,218	49,195	(3,977)	47,232
Other services and charges	6,200	6,200	5,437	763	6,718
Total building inspections	<u>51,418</u>	<u>51,418</u>	<u>54,632</u>	<u>(3,214)</u>	<u>53,950</u>
Total public safety	<u>912,439</u>	<u>912,439</u>	<u>915,827</u>	<u>(3,388)</u>	<u>880,976</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, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Public works					
Streets and highways					
Personal services	\$ 57,837	\$ 57,837	\$ 52,052	\$ 5,785	\$ 51,443
Supplies	5,200	5,200	5,194	6	3,736
Other services and charges	38,450	38,450	33,938	4,512	51,619
Total streets and highways	<u>101,487</u>	<u>101,487</u>	<u>91,184</u>	<u>10,303</u>	<u>106,798</u>
Street lighting					
Other services and charges	<u>6,000</u>	<u>6,000</u>	<u>6,324</u>	<u>(324)</u>	<u>6,041</u>
Total public works	<u>107,487</u>	<u>107,487</u>	<u>97,508</u>	<u>9,979</u>	<u>112,839</u>
Culture and recreation					
Parks and recreation					
Personal services	84,969	84,969	75,115	9,854	73,327
Supplies	1,000	1,000	1,044	(44)	1,178
Other services and charges	6,150	6,150	12,400	(6,250)	6,601
Total culture and recreation	<u>92,119</u>	<u>92,119</u>	<u>88,559</u>	<u>3,560</u>	<u>81,106</u>
Economic development					
Other services and charges	<u>12,000</u>	<u>12,000</u>	<u>3,331</u>	<u>8,669</u>	<u>4,652</u>
Total Expenditures	<u>1,508,349</u>	<u>1,508,349</u>	<u>1,506,712</u>	<u>1,637</u>	<u>1,517,278</u>
Excess of Revenues					
Over Expenditures	-	-	4,581	4,581	154,151
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	(116,897)
Net Change in Fund Balances	-	-	4,581	4,581	37,254
Fund Balances, January 1	<u>829,592</u>	<u>829,592</u>	<u>829,592</u>	-	<u>792,338</u>
Fund Balances, December 31	<u>\$ 829,592</u>	<u>\$ 829,592</u>	<u>\$ 834,173</u>	<u>\$ 4,581</u>	<u>\$ 829,592</u>

City of Lauderdale, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 915,198	\$ 862,803	6.07 %
Licenses and permits	29,689	36,457	(18.56)
Intergovernmental	570,842	855,896	(33.30)
Charges for services	62,227	51,168	21.61
Fines and forfeitures	22,615	24,203	(6.56)
Special assessments	57,787	76,967	(24.92)
Interest on investments	(4,758)	32,284	(114.74)
Miscellaneous	38,948	41,025	(5.06)
Total Revenues	<u>\$ 1,692,548</u>	<u>\$ 1,980,803</u>	(14.55) %
Per Capita	<u>\$ 745</u>	<u>\$ 811</u>	(8.12) %
Expenditures			
Current			
General government	\$ 401,487	\$ 437,705	(8.27) %
Public safety	915,827	880,976	3.96
Public works	97,508	112,839	(13.59)
Sanitation and recycling	68,109	63,800	6.75
Economic development	3,331	4,652	(28.40)
Culture and recreation	111,019	101,096	9.82
Capital outlay	179,453	295,465	(39.26)
Debt service			
Principal	1,395,000	-	N/A
Interest and bond issuance costs	81,377	50,068	62.53
Total Expenditures	<u>\$ 3,253,111</u>	<u>\$ 1,946,601</u>	67.12 %
Per Capita	<u>\$ 1,432</u>	<u>\$ 797</u>	79.70 %
Total Long-term Indebtedness	\$ 2,265,000	\$ 1,000,000	N/A
Per Capita	997	410	N/A
General Fund Balance - December 31	\$ 834,173	\$ 829,592	0.55 %
Per Capita	367	340	8.12

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, 2021

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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, 2021, 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 5, 2022.

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
Minneapolis, Minnesota
April 5, 2022