



COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT  
2017

Year Ended December 31, 2017  
City of Lakeville, Minnesota

**CITY OF LAKEVILLE, MINNESOTA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2017**

**PREPARED BY THE FINANCE DEPARTMENT**

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## **INTRODUCTORY SECTION**

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**City of Lakeville**  
*Positioned to Thrive*

June 5, 2018

The Honorable Mayor and Council Members  
20195 Holyoke Avenue Lakeville, Minnesota 55044

Honorable Mayor, Members of the City Council and Citizens of the City of Lakeville:

The Comprehensive Annual Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2017. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principles (GAAP).

This report was prepared by the City's Finance Department and consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established internal controls designed to protect the City's assets from loss, theft or misuse and to provide sufficient reliable information for the preparation of these financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this report is complete and reliable in all material respects.

The City of Lakeville's financial statements have been audited by CliftonLarsonAllen LLP, a professional firm of certified public accountants. The independent auditor's report is included in the Financial Section of this report. The auditors have given this report an unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2017 and the changes in financial position for the year then ended.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.



## **Profile of Government**

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within Dakota County. Lakeville enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highway I-35. The City is also just 25 minutes from the Minneapolis-Saint Paul International Airport. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 43,128 in 2000 to 62,402 in 2017.

The City of Lakeville operates under the Mayor-Council form of organization. The governing City Council consists of the Mayor and four other Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various committees and commissions and hiring the City Administrator. The City Administrator is responsible for carrying out the policies, directions, and ordinances of the City Council and for overseeing the day-to-day operations of the City. The City Council is elected on a nonpartisan at-large basis. The Mayor is elected to serve a two-year term, while Council Members serve four-year staggered terms, with two Council Members elected every two years. Effective following the 2018 election the mayoral term will change to a four-year term.

The City provides its residents and businesses with a full range of municipal services consisting of public safety (police and fire), public works, parks and recreation, and general government administration. The City also operates two enterprises: utilities (public water, sanitary sewer, street lights and environmental resources) and off-sale liquor stores. Sewage treatment and disposal is operated on a regional basis by the Metropolitan Council Environmental Services (MCES) and refuse collection and disposal are handled on a private basis through contractual arrangements by City residents with private haulers. Further information regarding city services can be obtained from the City's website at [www.lakevillemn.gov](http://www.lakevillemn.gov).

The City is financially accountable for the Housing and Redevelopment Authority (HRA), which is included in the City's financial statement. Additional information on the HRA can be found in Note 1A. – Summary of Significant Accounting Policies of the Notes to Basic Financial Statements.

The annual budget serves as the foundation for the City of Lakeville's financial planning and control. The budgetary process is outlined in the notes within the required supplementary information section of this report. The City applies budgetary controls to ensure compliance with legal provisions of the laws of Minnesota. Budgets are adopted on a basis consistent with GAAP. Annual budgets are adopted for the general fund and special revenue funds. The general fund budgetary comparison schedules are presented within the required supplementary information section and the special revenue funds budgetary comparison schedules are presented in the nonmajor governmental funds subsection of this report.

## Factors Affecting Financial Condition

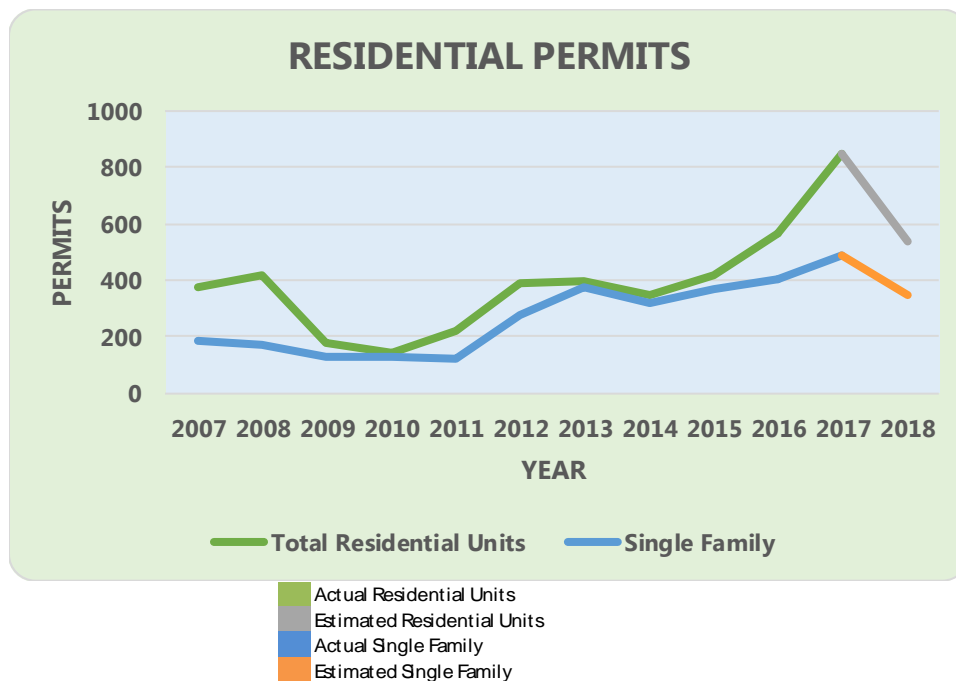
The City of Lakeville is committed to maintaining a strong financial condition, while continuing to provide quality public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in this report, is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates.

### Local Economy

The City's tax base is primarily residential and consists of mostly single family homes. Commercial and industrial properties make up approximately 11% of the tax base. The City's valuation declined from its peak in 2009 to a low point in 2013. Since 2013, valuations have steadily grown due to a mix of new construction and appreciating values. The City's valuation is now at a new peak and continues to grow. The City has grown by an estimated 6,600 new residents or approximately 11.9% since 2009, while the number of City employees has increased by 13.0%.

The City has a land area of 38 square miles with approximately 30% of its land available for development. In 2017, final plats were approved for 176 single-family units, 63 detached townhomes, 44 attached townhomes, 336 apartment units, 11 commercial developments and one institutional development.

The trend for building permit activity for single-family homes is on the rise with building permits for single family homes/detached townhomes increasing from 403 in 2016 to 487 in 2017. The 2018 budget is premised on conservative but assumed steady growth of new single-family homes in the coming year.



Commercial and industrial building permit activity was valued at \$30.4 million. Commercial projects constructed in 2017 included:

- Caribou Coffee & Einstein Bros. Bagels
  - A new 2,700 square-foot restaurant
- Christian Brothers Automotive
  - A new 5,000 square-foot auto services business
- Christian Heritage Academy
  - A new 28,444 square-foot private elementary and middle school
- Lakeview Bank
  - Added 2,105 square feet to existing building
- McDonald Eye Care Associates
  - A new 6,772 square-foot building
- PetSmart
  - A new 18,000 square-foot retail store
- Rainbow Child Care Center
  - A new 10,000 square-foot child care facility
- Schneiderman's
  - A new 112,000 square-foot furniture showroom
- Taco Bell
  - A new 2,800 square-foot restaurant
- The Moments
  - A new 20,000 square-foot health-care facility

Industrial development in 2017 included:

- Launch Park I
  - 286,000 square-foot, multi-tenant building
  - Menasha Packaging occupies 150,000 square-feet
- Interstate PowerSystems
  - 82,000 square-foot new truck maintenance facility
  - Created 100 new jobs
- Globus Transport Inc.
  - 48,000 square-foot warehouse facility
  - General freight transportation company
- Agape Mechanical
  - 20,000 square-foot building
  - Midwest HVAC, plumbing and electrical company
- Dakota Truck
  - 13,000 square-foot new truck and trailer maintenance facility
  - Specializes in medium and heavy-duty truck repair
- Bass Flexible Packaging
  - 7,058 square-foot addition to existing building
  - Specializes in printed and plain polypropylene bags and PVC shrinkable materials

Commercial projects under construction:

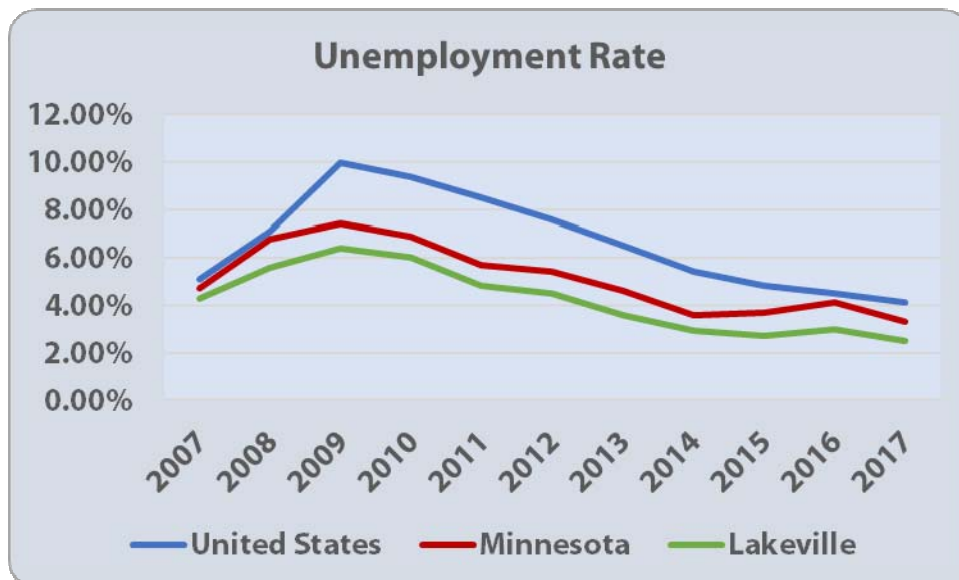
- Dunn Brothers Coffee
  - A new 9,360 square-foot multi-tenant building
- Freddy's Frozen Custard and Steakburgers
  - A new 3,010 square-foot restaurant

New commercial businesses:

- Align Chiropractic
  - A new chiropractic clinic
- Bowlero Lakeville
  - A newly remodeled bowling alley, arcade and entertainment destination
- Emagine Lakeville
  - A newly remodeled movie theatre (formerly Muller Family Theatre)
- EXIT Realty Leaders
  - A newly remodeled full-service real estate franchise
- Gander Outdoors
  - A newly remodeled outdoor outfitter (formerly Gander Mountain)
- Hypointe Childcare
  - A new child care center moved into a newly remodeled building
- Invigorate Chiropractic
  - A new chiropractic clinic
- Lakeville Advanced Dental Care
  - A new dentist office
- Lakeville Family Pet Clinic
  - A new pet clinic
- MedExpress Urgent Care
  - A new urgent care clinic
- Mowers to Blowers
  - A new automotive shop
- WaterWerks Car Wash
  - A newly remodeled full-service car wash and detailing center
- Zika Chiropractic
  - A new chiropractic clinic

According to the Dakota County Assessor's office, the median value home increased by 6.64% as of February 2017 (for taxes payable 2018). The trend of improving market values is expected to continue as the number of foreclosures and regional unemployment becomes more favorable. The improving housing market is also strengthened with the current low inflation and interest rate environment.

According to the Bureau of Labor Statistics, Lakeville's unemployment rate is favorable compared to the State and National rates.



Source: <https://mn.gov/deed/data>

## Major Initiatives

Pressures and issues confronting the City were taken into account with the 2017 adopted budget including community growth, aging infrastructure, inflationary pressures, emerging trends, innovation and efficiencies, entrepreneurial efforts and preparing for the future.

**Community Growth.** New residential housing construction continues to rise due in large part to improved economic conditions. The resumption of growth will result in increased demands for infrastructure enhancements as well as service delivery such as inspections, code enforcement, police, fire, streets, and parks.

**Addressing Aging Infrastructure.** Our City has more than \$300 million of investment in infrastructure such as roads, water mains, parks, trails, facilities, equipment and other assets. The assets have maintenance, and in certain situations, replacement requirements. The 2017 budget addressed the short-term plan while the Capital Improvement Plan addressed the anticipated intermediate and long-term needs. The most significant 2017 projects included:

- Accelerated pavement management program to improve city-wide pavement management index
  - 2017 Street Reconstruction
  - Holyoke Avenue: 215<sup>th</sup> – Heritage Drive
  - Holyoke Avenue/210<sup>th</sup> Street Intersection
  - Kenwood Trail Reconstruction: Dodd Boulevard to 185<sup>th</sup> Street
  - 162<sup>nd</sup> Street and Buck Hill Road/Kenyon Avenue Intersection
- Utility infrastructure
  - Well #21 & #22

**Inflationary Pressures.** As the economy improves there will be upward pressure on commodities, services and personnel costs. Although inflation is still relatively benign, the budget anticipated modest price increases in the near term.

**Emerging Trends.** There are trends emerging within our community which are influenced at least in part by external factors such as technology-related crimes. Currently, there is a defined need for our community to react to or be prepared to react to the issues; however, there is little or no financial assistance available from State or Federal agencies to react to the trends.

**Innovation and Efficiencies.** Lakeville has a long-standing history of being fiscally conservative and prudent. In spite of the fact that the City of Lakeville receives no state aid for property tax relief, per capita current expenditures for operations are still amongst the lowest in the twin cities according to the Minnesota State Auditor's Office. The adopted budget included several initiatives which continued the focus on a commitment to cost effectiveness and efficiencies. Effective application of technology is a major factor in optimizing organizational efficiencies.

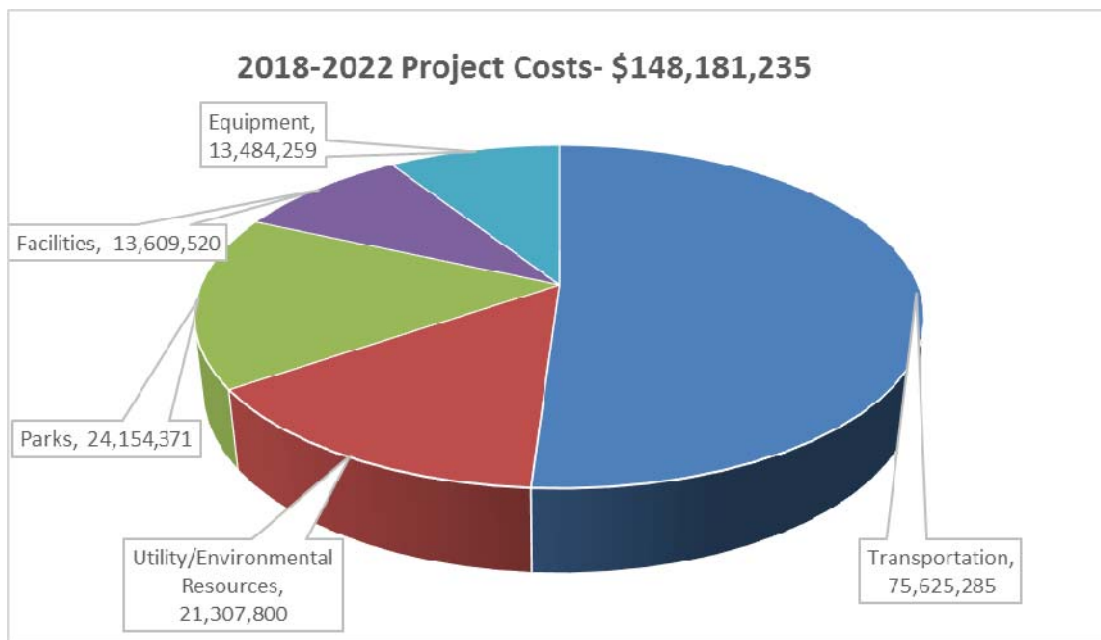
**Entrepreneurial Efforts.** Continued marketing initiatives are proposed to promote economic developments. Several years ago, property was acquired in southwestern Lakeville for a future new liquor store to improve revenues and sales opportunities.

**Preparing for the Future.** As a Community that embraces a high quality of life and a pro-business attitude, Lakeville is “Positioned to Thrive.” It is an objective that embraces a vision for the future and a commitment to preparing for it.

### Long-term Financial Planning

There is an interrelationship between a community’s physical development and its long-term financial plan. A comprehensive plan provides the guidance for current and future land use and public infrastructure decisions to provide managed growth throughout the community. The City of Lakeville completes an update of its Comprehensive Plan every ten years. The scheduled Plan update started in 2017 and will be completed in 2018.

A Capital Improvement Plan (CIP) is a flexible, five-year plan that identifies the City’s infrastructure, development objectives and allocation of financial resources. It provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects. The City will invest \$148 million in transportation, utility, equipment, facilities and parks over the next five years to achieve program objectives.



As of December 31, 2017, the City of Lakeville had approximately \$123.585 million of debt outstanding including \$1.530 million of refunding debt issued in September 2017 to refinance the 2007H Street Reconstruction Bonds. The City will issue approximately \$48 million general obligation improvement bonds in the coming years to finance street reconstruction projects.

## Relevant Financial Policies

The City has a number of policies which are utilized in the management of its fiscal affairs. The primary policies include, but are not limited to, operating budget policy, budget amendment process, revenue, debt, investment, and fund balance.

- **Operating Budgets.** The City's operating budget policy sets forth guidance with respect to balanced operating budgets, with an overriding goal of achieving structural balance over a longer-term period, while recognizing that in certain periods, revenues and expenditures may not be equal. A balanced budget for the General Fund is defined as revenues and other sources equal to or exceeding operating expenditures and other uses. Other sources can include that portion of General Fund balance that is allowed to be budgeted for use per the City's fund balance policy. The budget will provide for adequate maintenance of capital facilities and equipment and for their orderly replacement.

Balanced budgets for the proprietary enterprise funds are defined as providing sufficient revenues to support the operations of those funds, without subsidy from the General Fund or property taxes. Charges from the Proprietary Internal Service Funds shall be sufficient to support such activities, with no trend of operating deficits.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level for the General Fund and Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for each department. Budgeted expenditure appropriations lapse at year-end. Supplementary appropriations can be carried forward to the following year if approved by the City Council.

- **Revenue Policies.** The City will project its annual revenues by a conservative objective and thorough analytical process. The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source. All existing and potential revenue sources will be reexamined annually. New sources of nonproperty-tax revenue should be actively explored at all times. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees. User fees and cost allocation formulas will be updated periodically (annually, if needed). Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other factors. The fees along with the resulting net property tax costs will be reviewed with the City Council during the budget process. Sensitivity to market rates will also be considered in setting fees. Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.
- **Debt.** The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Limiting long-term borrowing to capital improvements or other long-term projects which cannot, and appropriately should not, be financed from current revenues. Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued. Where possible, the City will endeavor to pledge special assessments, State-aid or other nontax revenues to debt service payments.

- **Investments.** The City's policy is to invest all available monies at competitive interest rates, coordinated with projections of the City's operating and program cash flow needs. Interest earnings will be distributed to the funds based on the average cash balances. Investments will take into consideration safety, liquidity and yield as well as complying with State regulations.
- **Fund Balance.** Fund balance or net position are terms used to define the difference between a fund's assets, deferred outflows of financial resources, liabilities and deferred inflows of financial resources. Fund balance is used in governmental fund types and net position is used in proprietary fund types and also the government-wide financial statements.

### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This is the twenty-ninth consecutive year that the City of Lakeville has received this prestigious award.


In order to be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized comprehensive annual financial report, and the contents must conform to the program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement for Excellence program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department, with special recognition to Assistant Finance Director Julie Werner and Senior Accountants David Lang, Laura Miller and Tom Nesseth.

We would also like to express our sincere gratitude to the City Council for its sincere commitment and progressive leadership in the financial affairs of our community.

Respectfully submitted,

  
Justin Miller  
City Administrator

  
Jerilyn Erickson  
Finance Director/Treasurer



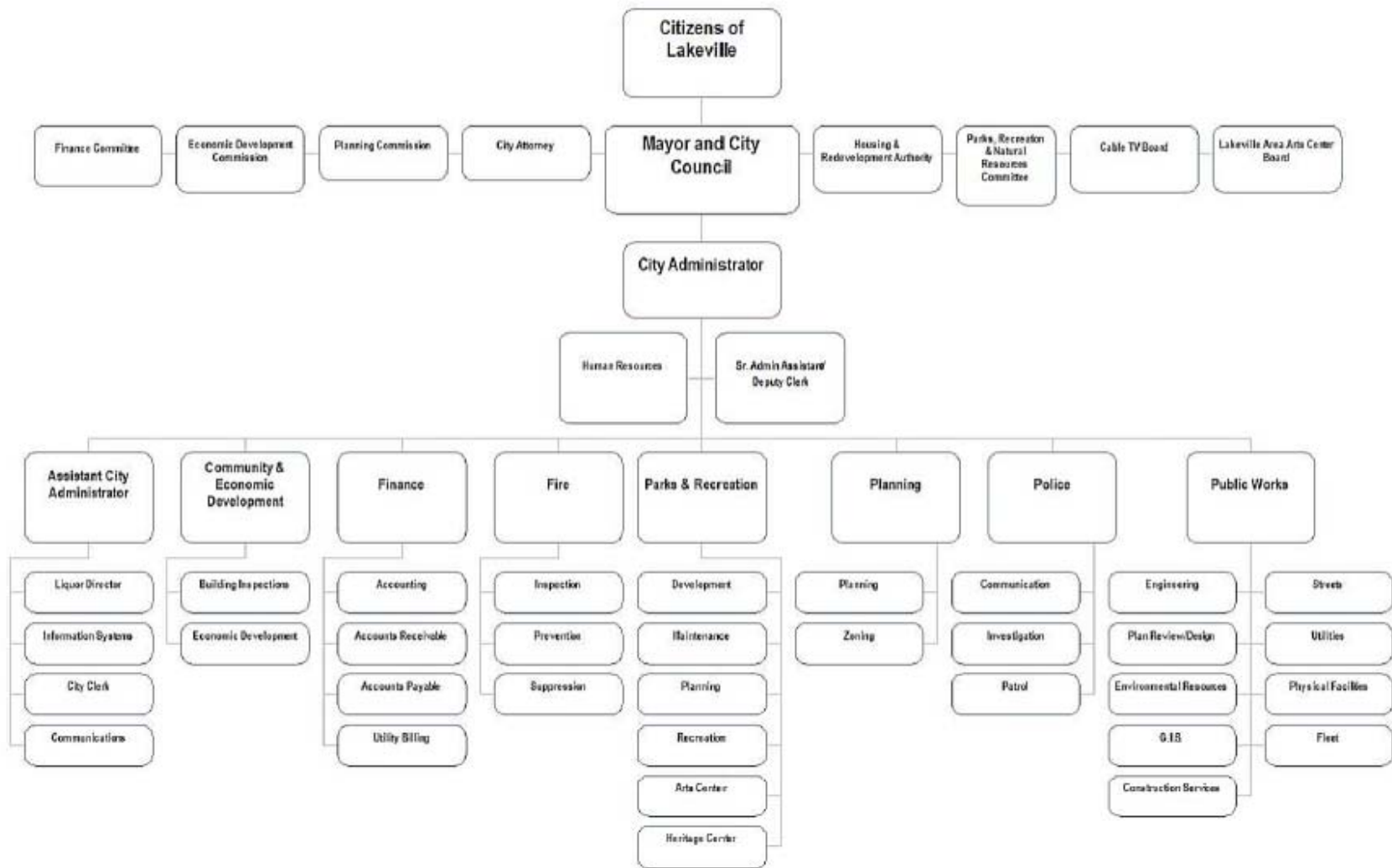
**CITY OF LAKEVILLE  
ELECTED AND APPOINTED OFFICIALS  
YEAR ENDED DECEMBER 31, 2017**

<b>Elected Officials</b>		<b><u>Term Expires December 31,</u></b>
Douglas P. Anderson	Mayor	2018
Bart Davis	Council Member	2018
Luke Hellier	Council Member	2020
Colleen Ratzlaff LaBeau	Council Member	2018
Brian Wheeler	Council Member	2020

**APPOINTED PERSONNEL**

Justin Miller	City Administrator
Jerilyn Erickson	Finance Director/Treasurer
Charlene Friedges	City Clerk

**CITY OF LAKEVILLE  
ORGANIZATIONAL CHART  
YEAR ENDED DECEMBER 31, 2017**



CITY OF LAKEVILLE  
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING  
DECEMBER 31, 2017



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Lakeville**  
**Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council  
City of Lakeville, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Lakeville's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, 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 of Lakeville as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits, schedule of the City's proportionate share of net pension liability, schedule of the City's pension contributions, and the schedule of changes in net pension liability and related ratios, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the City of Lakeville's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

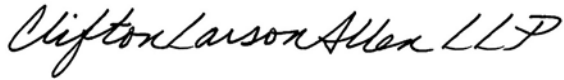
The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 basic financial statements or to the basic 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Honorable Mayor and the City Council  
City of Lakeville, Minnesota

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018, on our consideration of the City of Lakeville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Lakeville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lakeville's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 5, 2018



**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

As management of the City of Lakeville, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. The discussion and analysis is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$343,741,024 (net position) at the close of the most recent fiscal year. Of this amount, \$16,827,726 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$15,238,949 in 2017.
- The City's governmental funds reported combined ending fund balances of \$70,800,227. Of this total amount, \$39,998,032 or 56.5% is not restricted or nonspendable and is available for use within the City's constraints and policies.
- As of the end of the current fiscal year, the City's total unassigned fund balance for the general fund was \$13,613,203 or 53.2% of total general fund expenditures of \$25,607,540.

**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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**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 government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate housing and redevelopment authority (HRA) for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is blended within the financial information presented for the primary government itself.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, 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.

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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, and parks and recreation. The business-type activities of the City include the enterprise activities of the liquor operation and utility operation.

**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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 of 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 24 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, general obligation (debt service) fund, G.O. improvement (debt service) fund, building (capital projects) fund, and the improvement construction (capital projects) fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

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The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Special revenue funds budgetary comparison schedules can be found in the nonmajor governmental funds subsection of the report after the capital projects funds.

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses enterprise funds to account for its off-sale liquor and utility (water, sanitary sewer, street light, and environmental resources) operations. The City uses an internal service fund to account for its risk management insurance liability program. These services benefit the governmental and business-type functions; therefore, they have been included within governmental and business-type activities in the government-wide financial statements.

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, all of which are considered to be major funds of the City. The internal service fund is presented in a single aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to basic 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

This section includes a budgetary comparison schedule and related notes for the general fund, a schedule of funding progress for the other postemployment benefits plan of the City and schedules related to the City's participation in defined benefit pension plans administered by the Minnesota Public Employees Retirement Association (PERA) and the Lakeville Fire Relief Association. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**Government-wide Financial Analysis**

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$343,741,024 at December 31, 2017. By far the largest portion or 81.4% of net position is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) 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 net investment in 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.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 95,722,645	\$ 99,772,074	\$ 15,323,758	\$ 14,651,404	\$ 111,046,403	\$ 114,423,478
Capital assets	250,253,453	247,536,952	145,772,588	139,038,667	396,026,041	386,575,619
Total Assets	345,976,098	347,309,026	161,096,346	153,690,071	507,072,444	500,999,097
Deferred outflows of resources	13,100,824	21,087,868	664,042	1,304,959	13,764,866	22,392,827
Current and other liabilities	5,753,143	41,610,507	1,159,391	5,175,349	6,912,534	46,785,856
Other liabilities	141,126,300	133,451,920	13,710,725	10,326,033	154,837,025	143,777,953
Total Liabilities	146,879,443	175,062,427	14,870,116	15,501,382	161,749,559	190,563,809
Deferred inflows of resources	14,895,794	3,999,757	450,933	326,283	15,346,727	4,326,040
Net Position:						
Net Investment in Capital Assets	144,581,700	148,684,068	135,324,120	129,086,090	279,905,820	277,770,158
Restricted	46,683,603	38,516,463	323,875	323,875	47,007,478	38,840,338
Unrestricted	6,036,382	2,134,179	10,791,344	9,757,400	16,827,726	11,891,579
Total Net Position	<u>\$ 197,301,685</u>	<u>\$ 189,334,710</u>	<u>\$ 146,439,339</u>	<u>\$ 139,167,365</u>	<u>\$ 343,741,024</u>	<u>\$ 328,502,075</u>

The City's total restricted net position of \$47,007,478 comprises 13.7% of total net position at the close of the fiscal year ending December 31, 2017. These assets are subject to external restrictions on how they may be used.

The 2017 remaining balance of \$16,827,726 (4.9% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position in the governmental activities increased a total of \$3,902,203 primarily due to higher than budgeted revenues and lower than budgeted expenditures during the year. Certain balances within unrestricted net position have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

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**Change in net position.** The City's 2017 total net position during the current fiscal year increased by \$15,238,949 as shown in the following table. This increase is primarily attributed to economic conditions and increase in community growth. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

	Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 14,734,286	\$ 17,135,407	\$ 27,168,964	\$ 14,156,328	\$ 41,903,250	\$ 31,291,735
Operating Grants and Contributions	2,567,027	6,797,043	172,943	115,334	2,739,970	6,912,377
Capital Grants and Contributions	13,263,177	26,684,224	4,791,313	8,973,280	18,054,490	35,657,504
General Revenues:						
Property Taxes	27,317,169	26,173,822	-	-	27,317,169	26,173,822
Unrestricted Investment Earnings	597,513	388,672	91,472	71,109	688,985	459,781
Total Revenues	<u>58,479,172</u>	<u>77,179,168</u>	<u>32,224,692</u>	<u>23,316,051</u>	<u>90,703,864</u>	<u>100,495,219</u>
<b>EXPENSES</b>						
General Government	4,579,478	8,028,316	-	-	4,579,478	8,028,316
Public Safety	14,250,572	16,369,670	-	-	14,250,572	16,369,670
Public Works	18,944,454	17,711,240	-	-	18,944,454	17,711,240
Parks and Recreation	6,645,057	5,626,149	-	-	6,645,057	5,626,149
Interest on Long-Term Debt	3,268,426	3,930,168	-	-	3,268,426	3,930,168
Municipal Liquor	-	-	13,638,043	2,601,732	13,638,043	2,601,732
Utility	-	-	14,138,885	13,558,839	14,138,885	13,558,839
Total Expenses	<u>47,687,987</u>	<u>51,665,543</u>	<u>27,776,928</u>	<u>16,160,571</u>	<u>75,464,915</u>	<u>67,826,114</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	10,791,185	25,513,625	4,447,764	7,155,480	15,238,949	32,669,105
Transfers and Contributions	<u>(2,824,210)</u>	<u>(6,978,829)</u>	<u>2,824,210</u>	<u>6,978,829</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	7,966,975	18,534,796	7,271,974	14,134,309	15,238,949	32,669,105
Net Position - Beginning of Year	<u>189,334,710</u>	<u>170,799,914</u>	<u>139,167,365</u>	<u>125,033,056</u>	<u>328,502,075</u>	<u>295,832,970</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 197,301,685</u>	<u>\$ 189,334,710</u>	<u>\$ 146,439,339</u>	<u>\$ 139,167,365</u>	<u>\$ 343,741,024</u>	<u>\$ 328,502,075</u>

**Governmental activities.** The governmental activities change in net position before transfers decreased by \$14,722,440. This decrease is primarily due to a decrease in capital contributions in 2017 as compared to 2016. The governmental revenue decrease in charges for services is directly related to both a decrease in park dedication fees collected, as well as a decrease in the engineering revenues generated on City improvement projects during 2017, partially offset by an increase in development activity. Operating grants decreased in 2017 primarily because the City took an advance Municipal State Aid funding during 2016 to fund large City improvement projects, thus limiting 2017 Municipal State Aid. Capital grants and contributions decreased due to a fewer number of developer-installed assets reported during 2017 than in 2016.

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*Revenues*

The City's 2017 total revenues for governmental activities decreased by \$18,699,996. Charges for services decreased a total of \$2,401,121 primarily due to a decrease in park dedication fees collected, as well as a decrease in engineering revenues generated on City improvement projects during 2017, partially offset by continued growth in the community as evidenced by an increase in building permit fees. A summary of the various increases is shown as follows:

	2017	2016	Increase / (Decrease)
<b><u>Charges for services</u></b>			
Licenses and building permit fees	\$ 3,988,189	\$ 3,706,567	\$ 281,622
Connection and area charges	5,416,811	5,702,940	(286,129)
Engineering fees - reconstruction projects	1,065,099	1,994,074	(928,975)
Park dedication fees	1,154,433	2,458,083	(1,303,650)
Other	3,109,754	3,273,743	(163,989)
Total charges for services	<u>\$ 14,734,286</u>	<u>\$ 17,135,407</u>	<u>\$ (2,401,121)</u>

Operating grants and contributions experienced an overall decrease of \$4,230,016. The decrease is primarily composed of state-aid provided for street maintenance and improvement projects. The City received an advance on their annual allotment of state-aid in the amount of \$2.140 million in 2016, in addition to the normal 2016 allotment of \$3.5 million. A summary of the various operating grants and contributions is shown as follows:

	2017	2016	Increase / (Decrease)
<b><u>Operating grants and contributions</u></b>			
State-aid for street maintenance	\$ 120,000	\$ 3,519,294	\$ (3,399,294)
State-aid for street revenue bonds	1,187,082	1,260,456	(73,374)
County grant for joint road improvements	-	86,970	(86,970)
Federal street reconstruction bonds payment	61,513	64,181	(2,668)
State grant for economic development	-	750,000	(750,000)
Other grants, contributions and donations	1,198,432	1,116,142	82,290
Total Operating grants and contributions	<u>\$ 2,567,027</u>	<u>\$ 6,797,043</u>	<u>\$ (4,230,016)</u>

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Capital grants and contributions decreased by \$13,421,047. Contributed infrastructure from private land developers decreased by \$12,314,113; the infrastructure consists of street, storm sewer, and park and trail capital assets. Special assessments increased by \$1,032,483 primarily due to two major street projects that were levied against the benefitting property owners in 2017. The County grant provided for joint road improvements decreased \$1,196,451 due to multiple road projects that had occurred in 2016. The summary of capital grants and contributions is shown as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase / (Decrease)</u>
<b><u>Capital grants and contributions</u></b>			
Contributed infrastructure from developers	\$ 7,040,618	\$ 19,354,731	\$ (12,314,113)
Special assessments	4,451,646	3,419,163	1,032,483
County grant for joint road improvements	933,091	2,129,542	(1,196,451)
Developer escrows for road improvements	266,824	898,239	(631,415)
Playground donations	-	288,256	(288,256)
Other grants and contributions	508,897	238,587	270,310
Property acquisition federal CDBG grant	-	229,220	(229,220)
PEG fees	62,101	126,486	(64,385)
Total capital grants and contributions	<u>\$ 13,263,177</u>	<u>\$ 26,684,224</u>	<u>\$ (13,421,047)</u>

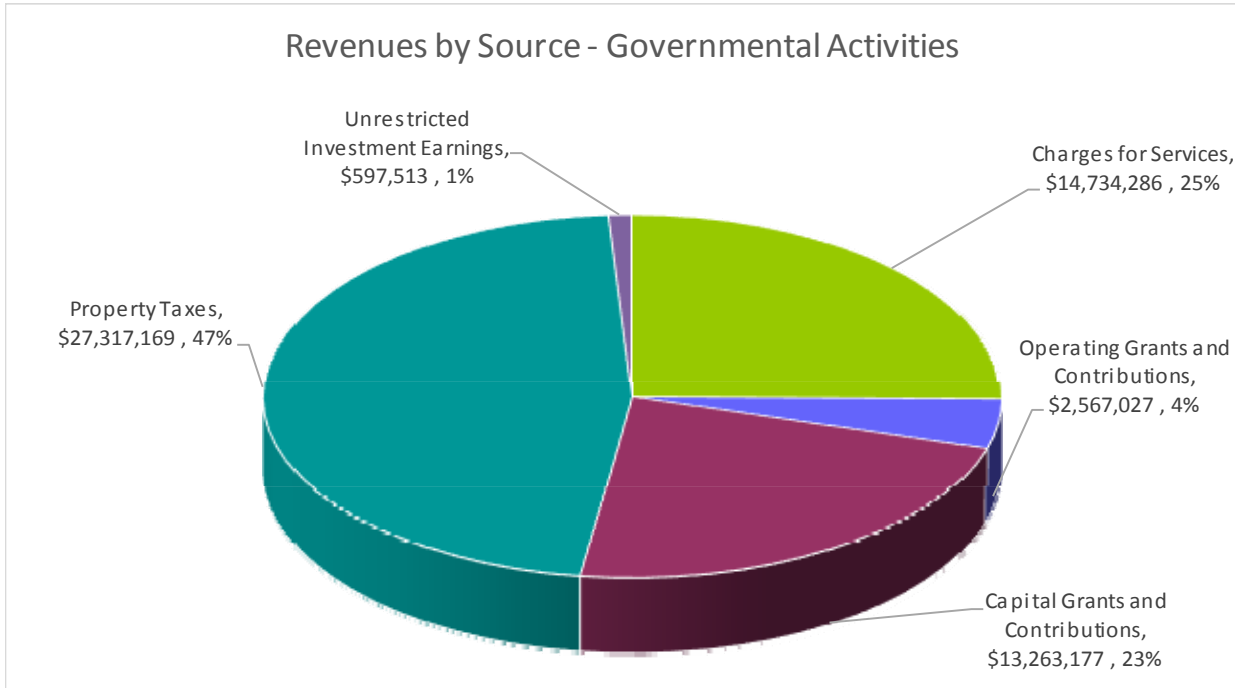
Property tax revenue increased \$1,143,347 or 4.4% primarily due to an increase in the overall tax levy.

Investment income earnings increased by \$208,841. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates. The increase is consistent with prevailing market conditions.

	<u>2017</u>	<u>2016</u>	<u>Increase / (Decrease)</u>
<b><u>General revenues</u></b>			
Property taxes	\$ 27,317,169	\$ 26,173,822	\$ 1,143,347
Investment income	597,513	388,672	208,841
Total general revenues	<u>\$ 27,914,682</u>	<u>\$ 26,562,494</u>	<u>\$ 1,352,188</u>

**CITY OF LAKEVILLE  
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A summary of 2017 revenues by source for governmental activities is shown as follows:



**Expenses**

The City's 2017 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) decreased by \$4,648,180 or 12.8%. Total governmental activities expenses decreased by \$3,977,556 or 7.7%, shown as follows:

	2017	2016	Increase / (Decrease)
<b><u>Governmental activities expenses</u></b>			
General government	\$ 4,305,625	\$ 7,729,880	\$ (3,424,255)
Public safety	13,149,699	15,148,411	(1,998,712)
Public works	9,716,809	9,804,006	(87,197)
Parks and recreation	4,566,853	3,704,869	861,984
Total before depreciation and interest	<u>31,738,986</u>	<u>36,387,166</u>	<u>(4,648,180)</u>
Depreciation on capital assets	12,680,575	11,348,209	1,332,366
Interest on long-term debt	3,268,426	3,930,168	(661,742)
Total governmental activities expenses	<u><u>\$ 47,687,987</u></u>	<u><u>\$ 51,665,543</u></u>	<u><u>\$ (3,977,556)</u></u>



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Following are explanations of various increases and (decreases) in expenses by governmental function as shown above.

*General government* expenses decreased by \$3,424,255 or 44.3%; which is primarily attributed to expenses incurred in the prior year (2016) to promote economic development within the City.

*Public safety* expenses decreased by \$1,998,712 or 13.2%; primarily due to the overall decrease in the plan's net pension liability and related defined benefit pension plan expense due to changes in assumptions.

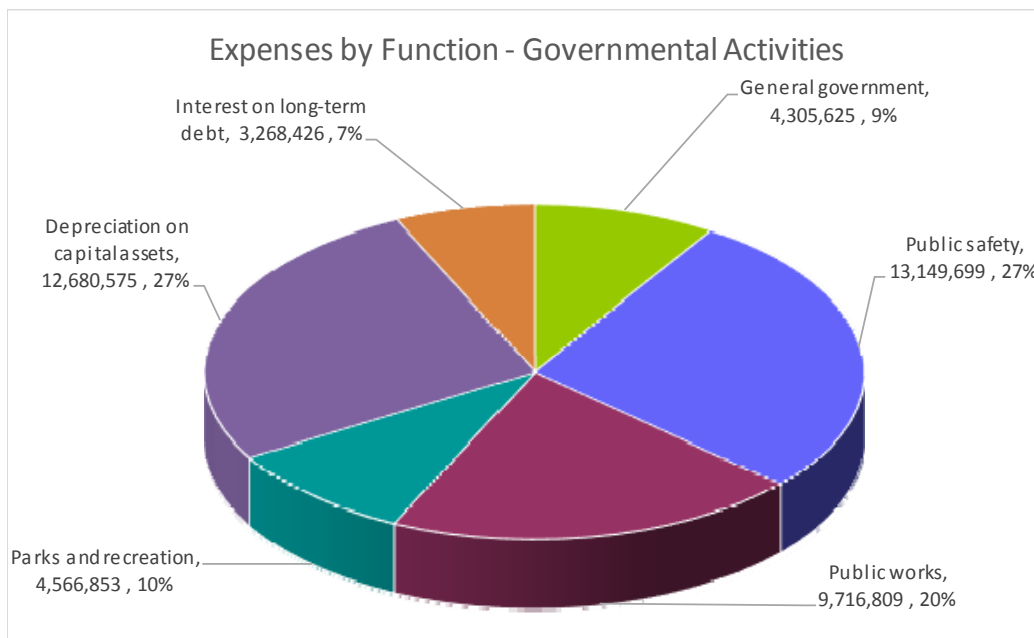
*Public works* expenses decreased by \$87,197 or 0.9%; primarily due to improved soil conditions in our 2017 street reconstruction areas as compared to 2015 and 2016.

*Parks and recreation* expenses increased \$861,984 or 23.3%; primarily due to increases in park maintenance and trail improvement expenses on existing trails, compared to more expenses in the prior year (2016) for new trails, which were capitalized instead of expensed.

*Depreciation on capital assets* increased by \$1,332,366 or 11.7%; primarily due to an increase in contributed infrastructure from development.

*Interest on long-term debt* decreased by \$661,742 or 17.1%; primarily due to the reduction in debt.

A summary of 2017 expenses by function for governmental activities is shown as follows:



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**Business-type activities.** Business-type activities increased the City's 2017 total net position by \$7,271,974. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2017 and 2016 are shown as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase / (Decrease)</u>
Revenues			
Charges for services			
Liquor	\$ 14,583,514	\$ 14,130,830	\$ 452,684
Utility	12,585,450	10,692,185	1,893,265
Operating grants and contributions			
Liquor	6,716	3,762	2,954
Utility	166,227	111,572	54,655
Capital contributions			
Utility	4,791,313	8,973,280	(4,181,967)
Investment earnings	91,472	71,109	20,363
Total revenues	<u>32,224,692</u>	<u>33,982,738</u>	<u>(1,758,046)</u>
Expenses			
Liquor	13,638,043	13,268,419	369,624
Utility	14,138,885	13,558,839	580,046
Total expenses	<u>27,776,928</u>	<u>26,827,258</u>	<u>949,670</u>
Change in net position before transfers	4,447,764	7,155,480	(2,707,716)
Transfers	2,824,210	6,978,829	(4,154,619)
Change in net position	<u>7,271,974</u>	<u>14,134,309</u>	<u>(6,862,335)</u>
Net position - beginning	139,167,365	125,033,056	14,134,309
Net position - ending	<u>\$ 146,439,339</u>	<u>\$ 139,167,365</u>	<u>\$ 7,271,974</u>

The City's 2017 business-type total revenues decreased by \$1,758,046 or 5.2%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2017 charges for services increased due to sales volume. The 2017 cost of goods sold as a percentage of sales were 75.5%, compared to 75.5% in 2016.
- The overall utility revenue charges for services increased by \$1,893,265. This overall increase is represented by a water revenue increase of \$1,258,430, sanitary sewer revenue increase of \$532,648, street light revenue increase of \$35,198, and environmental resources revenue increase of \$66,989. The water and sanitary sewer increases are due to customer consumption as a result of changes in weather patterns, rate increases, and an increase in customers as a result of community growth. The street light and environmental resources increases are due to an increase in customers and rate increases.

**CITY OF LAKEVILLE  
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- The utility fund experienced a total decrease of \$4,181,967 in capital contributions. The majority of the decrease is derived from water and sanitary sewer contributed from developer improvement projects (greater number of contributions during 2016). City improvement project infrastructure assets of \$4,464,787 were contributed to the utility fund which is within the net transfer amount of \$2,824,210 on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings increased \$20,363. The increase is the combination of increased earnings and changes in investment asset values which are inversely related to the changes in market rates. The increase is consistent with prevailing market conditions.

The City's 2017 business-type total expenses increased by \$949,670 or 3.5% as follows:

	Increase(Decrease) from 2016		
	Liquor Fund	Utility Fund	Total
<b><u>Business-type activities expenses</u></b>			
Cost of Goods Sold	\$ 338,558	\$ -	\$ 338,558
Personnel services	26,940	46,113	73,053
Commodities	377	(17,762)	(17,385)
Other charges and services	18,650	581,938	600,588
Sanitary sewage treatment and disposal	-	246,046	246,046
Depreciation on capital assets	9,198	448,136	457,334
Interest, fiscal charges, bond premium (net)	(30,207)	117,906	87,699
Loss on Disposal of Capital Assets	6,108	(842,331)	(836,223)
Total Business-type Expenses	<u>\$ 369,624</u>	<u>\$ 580,046</u>	<u>\$ 949,670</u>

- The liquor fund personnel services increase of \$26,940 is primarily the result of the cost of living increase as well as adjustments to the existing pay structure for the Assistant Store Managers.
- The utility fund other charges and services increase is attributed to two large improvement projects during 2017 including new streetlights on Holyoke Ave (downtown), and the 205<sup>th</sup> St. Channel project.

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

**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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**CITY OF LAKEVILLE  
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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$70,800,227. Of this amount, \$39,998,032 or 56.5% of this combined ending fund balance constitutes fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$914,375 are amounts that are not in a spendable form, such as prepaid items, inventory, and advances to other funds (general fund). The remaining fund balance is restricted for (a) debt service of \$19,883,355, (b) capital acquisition of \$9,901,859, and (c) other restricted purposes of \$102,606.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$15,269,442, an increase from the prior year resulting from \$1,128,499 of revenues over expenditures, net transfers out of \$1,076,076, and a change in supplies inventory of \$140,519.

The general obligation (debt service) fund balance decreased by \$9,726,910 due to the payment of refunding debt obligations. The G.O. improvement (debt service) fund balance increased by \$2,939,075. The City levies the required property taxes and special assessments levied against benefited property owners to meet the bonded debt service requirements in the following year. The change in fund balance is subject to principal and interest requirements of existing debt and that of new debt issuance.

The building (capital projects) fund expended \$458,978 for major facility maintenance projects. Financing was provided by \$363,497 of revenues from property taxes, investment income, sale of land, a general fund transfer, and other revenue sources.

The improvement construction (capital projects) fund accounts for major infrastructure reconstruction projects that require debt issuance for financing purposes. The activity in this fund may fluctuate from year to year depending on the scope of the project. Large projects such as the interstate highway interchange and bridge reconstruction projects may take several years to complete. The fund balance decreased by \$513,264 due to the completion of the 2016 street reconstruction project and preliminary engineering costs associated with the 2018 street reconstruction project. The 2018 street reconstruction project will be financed with a bond issuance in 2018.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**General Fund Budgetary Highlights**

With the exception of the fire department, all other general fund departments expended their 2017 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 18,833,557	\$ 18,833,557	\$ 18,967,562	\$ 134,005
Licenses and permits	2,202,952	2,341,308	3,306,525	965,217
Intergovernmental	1,021,685	1,038,920	1,143,174	104,254
Charges for services	2,644,748	2,708,505	2,710,628	2,123
Fines	466,000	466,000	392,514	(73,486)
Interest income	90,071	90,071	180,064	89,993
Change in value of investments	-	-	(63,378)	(63,378)
Donations	8,750	30,291	52,209	21,918
Miscellaneous	51,060	51,060	46,741	(4,319)
Total revenues	<u>25,318,823</u>	<u>25,559,712</u>	<u>26,736,039</u>	<u>1,176,327</u>
<b>Expenditures</b>				
Personnel services	19,412,029	19,467,136	18,963,508	503,628
Commodities	1,909,947	1,931,768	1,760,028	171,740
Other charges and services	5,072,888	5,337,669	4,815,714	521,955
Capital outlay	40,135	65,135	68,290	(3,155)
Total expenditures	<u>26,434,999</u>	<u>26,801,708</u>	<u>25,607,540</u>	<u>1,194,168</u>
Other financing sources (uses)	<u>(362,346)</u>	<u>(1,076,076)</u>	<u>(1,076,076)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,478,522)</u>	<u>\$ (2,318,072)</u>	<u>\$ 52,423</u>	<u>\$ 2,370,495</u>

The 2017 actual general fund revenues exceeded the final budget by \$1,176,327 and expenditures were under final adopted budget by \$1,194,168. Other financing sources (uses) were at the final budget. The general fund actual net change in fund balance surpassed final budget by \$2,370,495.

The general fund budget was amended to reflect the increase in revenues from higher than forecasted building permits, additional contracted security services, and grants that were not originally anticipated. Expenditures were modified to reflect the change in personnel services due to the addition of a building inspector mid-year and additional contracted security services. Transfers to other funds were modified to provide additional funding for equipment replacement and a fiber infrastructure project.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

The following is a brief summary explanation of the various budgets to actual variances for revenues:

- Property taxes were more than anticipated by \$134,005 due to the collection of delinquent taxes. Starting in 2016 all delinquencies are carried by the general fund rather than allocated to other funds.
- Licenses and permits exceeded estimates by \$965,217 due to greater than anticipated building permit fees. The number of residential building permits budgeted were 350 compared to 531 actual. Permits for apartment complexes were budgeted at 195 units compared to 315 actual units.
- Intergovernmental revenues exceeded estimates by \$104,254 due to the timing of federal grants for public safety initiatives.
- Charges for services experienced a variance of \$2,123.
- Fines were below estimates by \$73,486 due to police officer vacancies in the traffic control division.
- Interest income and the change in value of investments were above estimates by \$26,615 due to prevailing market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury.
- Donations and miscellaneous revenues experienced variances of \$21,918 and (\$4,319), respectively.

The following is a brief summary explanation of the various budgets to actual variances for expenditures:

- Personnel costs including benefits were \$503,628 below budget estimates due to vacant positions as a result of retirements, resignations and a delay in filling new positions, mild fall weather conditions, and fewer contracted security hours which reduced overtime.
- Commodities were \$171,740 below budget due to savings from the fuel contract.
- Other charges and services were \$521,955 below budget which is attributed to milder weather which resulted in overall lower cost of natural gas and electricity.
- Capital outlay was \$3,155 over the budget due to slightly higher costs for new inspection and construction services vehicles.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**Capital Asset and Debt Administration**

**Capital assets.** The City's capital assets for governmental and business-type activities as of December 31, 2017 are \$396 million (net of accumulated depreciation). This amount represents an increase (including additions, deletions, and depreciation) of approximately \$9.4 million from 2016.

The net investment in capital assets including land, historical treasures, buildings, machinery and equipment, other improvements, infrastructure, and construction in process is shown as follows:

	Capital Assets at Year-End (Net of Accumulated Depreciation)		
	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Land	28,147,439	3,854,623	32,002,062
Historical treasures	100,000	-	100,000
Construction in process	3,425,646	-	3,425,646
Buildings and improvements	54,921,360	29,612,379	84,533,739
Machinery and equipment	24,015,298	3,664,394	27,679,692
Other improvements	8,950,650	-	8,950,650
Infrastructure			
Streets	169,561,210	-	169,561,210
Storm sewer	79,369,672	-	79,369,672
Parks	26,111,738	-	26,111,738
Water	-	103,566,523	103,566,523
Sanitary sewer	-	71,654,532	71,654,532
Total Capital Assets	394,603,013	212,352,451	606,955,464
Less: Accumulated Depreciation	(144,349,560)	(66,579,863)	(210,929,423)
Total Capital Assets, Net	\$ 250,253,453	\$ 145,772,588	\$ 396,026,041

The City's 2018 adopted budget provides funding for \$26.2 million in infrastructure capital assets, public buildings improvements and upgrades, and equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3. - *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**Debt administration.** At the end of the current fiscal year, the City of Lakeville had total bonded debt outstanding of \$123.585 million, which is a decrease of \$8.365 million compared to the prior year. The decrease is due to one new bond issuance totaling \$10.165 million and principal bond maturities, as well as an advance refunding of \$2.255 million.

The City manages its debt structure by utilizing approaches that take full advantage of its financial position, revenue trends and conditions in municipal bond markets. Refer to Note 5. – *Long-Term Liabilities*, of the Notes to Basic Financial Statements for additional information about the City's governmental and business-type long-term debt activity.

The City's outstanding bonded obligation debt as of December 31, 2017 is shown as follows:

	Outstanding Debt			
	Bonds and Capital Leases Payable			Balance December 31
	Balance January 1	Issued	Redeemed	
Governmental Activities				
General obligation bonds				
Capital improvement	\$ 35,025,000	\$ -	\$ 12,230,000	\$ 22,795,000
Street reconstruction	15,680,000	1,530,000	1,150,000	16,060,000
G.O. improvement	47,470,000	7,465,000	2,715,000	52,220,000
State-aid street revenue	7,145,000	-	940,000	6,205,000
Water revenue	8,280,000	-	340,000	7,940,000
Tax increment	1,460,000	-	220,000	1,240,000
Arena revenue	490,000	-	155,000	335,000
HRA lease revenue	7,115,000	-	320,000	6,795,000
Total governmental activities	<u>122,665,000</u>	<u>8,995,000</u>	<u>18,070,000</u>	<u>113,590,000</u>
Business-Type Activities				
Liquor revenue	2,715,000	-	2,715,000	-
Water revenue	6,075,000	835,000	-	6,910,000
Sewer revenue	495,000	-	-	495,000
Street light revenue	-	335,000	-	335,000
Capital Lease Payable	-	2,255,000	-	2,255,000
Total business-type activities	<u>9,285,000</u>	<u>3,425,000</u>	<u>2,715,000</u>	<u>9,995,000</u>
Total bonds payable	<u>\$ 131,950,000</u>	<u>\$ 12,420,000</u>	<u>\$ 20,785,000</u>	<u>\$ 123,585,000</u>

**Credit Rating**

The City of Lakeville's general obligation bond rating as of December 31, 2017 is "Aa1" as rated by Moody's Investors Service. Moody's Investor Service credit report stated the rating was *"The Aa1 GOULT rating reflects the city's large and growing tax base located in the Twin Cities metropolitan area, above average resident income indices, and healthy financial profile. The rating further considers a growing pension burden and a somewhat elevated debt burden, both of which contribute to high fixed costs."*

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor's taxable market valuation. The City has \$32,593,536 of net bonded debt, which is subject to the \$186,036,656 current debt limitation, thereby resulting in a legal debt margin of \$153,443,120. Refer to the Statistical Section of this report for a detailed computation of the City's legal debt margin.



**CITY OF LAKEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**Economic Conditions and Next Year's Budget**

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area. The trend for building permit activity for single family homes is on the rise, the building permits for single family homes increased to 487 in 2017 compared to 403 permits in 2016. In our opinion, the resurgence is due to several factors including, but not limited to, near historical low interest rates, low regional unemployment rate of 2.7%, improved personal income levels, reduced number of home foreclosures and increasing home values. The budget and five year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2018 budget reflects a continuation of the program and service levels established by the City Council over the past several years. No new programs or services were included in the adopted budget; however, key staff positions and resources were added to accommodate community growth. The 2018 budget also focuses on City efforts to achieve strategic priorities established in the Envision Lakeville Community Vision Plan to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lakeville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeville Finance Department at 20195 Holyoke Avenue, Lakeville, Minnesota 55044, (952) 985-4400, or email request to [jerickson@lakevillemn.gov](mailto:jerickson@lakevillemn.gov).

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF LAKEVILLE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 69,056,503	\$ 9,680,990	\$ 78,737,493
Receivables	20,081,802	3,255,441	23,337,243
Internal balances	(163,698)	163,698	-
Inventories	483,145	1,889,571	2,372,716
Prepaid items	28,544	10,183	38,727
Restricted assets (temporarily)			
Cash and investments	-	323,875	323,875
Investments held by trustee	2,346,754	-	2,346,754
Net pension asset - fire relief	3,889,595	-	3,889,595
Capital assets			
Nondepreciable	31,673,085	3,854,623	35,527,708
Depreciable, net	218,580,368	141,917,965	360,498,333
Total capital assets	<u>250,253,453</u>	<u>145,772,588</u>	<u>396,026,041</u>
Total assets	345,976,098	161,096,346	507,072,444
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	121,037	-	121,037
Pension plan deferments - PERA	12,696,266	664,042	13,360,308
Pension plan deferments - fire relief	283,521	-	283,521
Total deferred outflows of resources	<u>13,100,824</u>	<u>664,042</u>	<u>13,764,866</u>
<b>LIABILITIES</b>			
Salaries, accounts, contracts, and deposits	3,292,340	1,044,644	4,336,984
Accrued interest	1,671,262	114,747	1,786,009
Unearned revenue	789,541	-	789,541
Noncurrent liabilities			
Net pension liability - PERA	15,009,514	2,521,174	17,530,688
Net OPEB obligation	450,858	78,795	529,653
Other long-term liabilities due within one year	10,735,109	631,639	11,366,748
Other long-term liabilities due in more than one year	114,930,819	10,479,117	125,409,936
Total liabilities	<u>146,879,443</u>	<u>14,870,116</u>	<u>161,749,559</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred gain on refunding	107,538	-	107,538
Pension plan deferments - PERA	14,123,849	450,933	14,574,782
Pension plan deferments - fire relief	664,407	-	664,407
Total deferred inflows of resources	<u>14,895,794</u>	<u>450,933</u>	<u>15,346,727</u>
<b>NET POSITION</b>			
Net investment in capital assets	144,581,700	135,324,120	279,905,820
Restricted for:			
Special purposes	102,606	-	102,606
Debt service	34,293,639	323,875	34,617,514
Capital acquisition	8,778,649	-	8,778,649
Fire relief pensions	3,508,709	-	3,508,709
Unrestricted	6,036,382	10,791,344	16,827,726
Total Net Position	<u>\$ 197,301,685</u>	<u>\$ 146,439,339</u>	<u>\$ 343,741,024</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 4,579,478	\$ 4,348,910	\$ 68,095	\$ 62,101	\$ (100,372)	\$ -	\$ (100,372)
Public safety	14,250,572	934,444	1,061,252	-	(12,254,876)	-	(12,254,876)
Public works	18,944,454	7,081,317	1,382,380	13,018,689	2,537,932	-	2,537,932
Parks and recreation	6,645,057	2,369,615	55,300	182,387	(4,037,755)	-	(4,037,755)
Interest on long-term debt	3,268,426	-	-	-	(3,268,426)	-	(3,268,426)
Total-governmental activities	47,687,987	14,734,286	2,567,027	13,263,177	(17,123,497)	-	(17,123,497)
Business-Type Activities:							
Liquor	13,638,043	14,583,514	6,716	-	-	952,187	952,187
Utility	14,138,885	12,585,450	166,227	4,791,313	-	3,404,105	3,404,105
Total Business-Type Activities	27,776,928	27,168,964	172,943	4,791,313	-	4,356,292	4,356,292
Total Primary Government	\$ 75,464,915	\$ 41,903,250	\$ 2,739,970	\$ 18,054,490	(17,123,497)	4,356,292	(12,767,205)
General Revenues:							
Property taxes					27,317,169	-	27,317,169
Investment income					597,513	91,472	688,985
Transfers					(2,824,210)	2,824,210	-
Total general revenues and transfers					25,090,472	2,915,682	28,006,154
Change in Net Position							
					7,966,975	7,271,974	15,238,949
Net Position - Beginning of Year							
					189,334,710	139,167,365	328,502,075
Net Position - End of Year							
					\$ 197,301,685	\$ 146,439,339	\$ 343,741,024

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

ASSETS	General Fund	Debt Service		Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		General Obligation	G.O. Improvement	Building	Improvement Construction		
Cash and investments	\$ 14,072,773	\$ 3,429,134	\$ 9,721,867	\$ 711,860	\$ 1,536,336	\$ 39,069,342	\$ 68,541,312
Investments held by trustee	-	1,738,173	-	-	-	608,581	2,346,754
Interest receivable	55,295	9,450	46,353	4,650	(2,279)	172,873	286,342
Taxes receivable	2,047,946	-	-	-	-	-	2,047,946
Accounts receivable	598,817	-	-	-	13,186	783,939	1,395,942
Advances to other funds	402,686	-	-	-	-	-	402,686
Special assessments receivable	114,755	369,949	15,310,840	-	180,859	264,459	16,240,862
Leases Receivable	-	-	-	-	-	2,255,000	2,255,000
Inventory	483,145	-	-	-	-	-	483,145
Prepaid items	28,544	-	-	-	-	-	28,544
<b>Total Assets</b>	<b>\$ 17,803,961</b>	<b>\$ 5,546,706</b>	<b>\$ 25,079,060</b>	<b>\$ 716,510</b>	<b>\$ 1,728,102</b>	<b>\$ 43,154,194</b>	<b>\$ 94,028,533</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Salaries payable	\$ 688,726	\$ -	\$ -	\$ -	\$ -	\$ 14,081	\$ 702,807
Accounts payable	704,366	626	5,650	3,566	265,043	884,148	1,863,399
Advances from other funds	-	-	-	-	-	402,686	402,686
Contracts payable	-	-	-	-	345,371	260,894	606,265
Interest payable	-	-	-	-	-	2,200	2,200
Deposits payable	7,610	-	-	-	-	98,190	105,800
Unearned revenue	785,015	-	-	-	-	4,526	789,541
	2,185,717	626	5,650	3,566	610,414	1,666,725	4,472,698
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - taxes	348,802	-	-	-	-	-	348,802
Unavailable revenue - special assessments	-	369,452	15,097,020	-	180,464	264,400	15,911,336
Unavailable revenue - other	-	-	-	-	-	2,495,470	2,495,470
<b>Total Deferred Inflows of Resources</b>	<b>348,802</b>	<b>369,452</b>	<b>15,097,020</b>	<b>-</b>	<b>180,464</b>	<b>2,759,870</b>	<b>18,755,608</b>
<b>FUND BALANCE</b>							
Nonspendable	914,375	-	-	-	-	-	914,375
Restricted	-	5,176,628	9,976,390	-	842,797	13,892,005	29,887,820
Committed	-	-	-	712,944	328,100	25,478,515	26,519,559
Assigned	741,864	-	-	-	-	-	741,864
Unassigned	13,613,203	-	-	-	(233,673)	(642,921)	12,736,609
<b>Total Fund Balance</b>	<b>15,269,442</b>	<b>5,176,628</b>	<b>9,976,390</b>	<b>712,944</b>	<b>937,224</b>	<b>38,727,599</b>	<b>70,800,227</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 17,803,961</b>	<b>\$ 5,546,706</b>	<b>\$ 25,079,060</b>	<b>\$ 716,510</b>	<b>\$ 1,728,102</b>	<b>\$ 43,154,194</b>	<b>\$ 94,028,533</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

Total Fund Balances for Governmental Funds		\$ 70,800,227
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Governmental capital assets	\$ 394,603,013	
Less: Accumulated Depreciation	<u>(144,349,560)</u>	250,253,453
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.		
		3,889,595
Grant receivable that is applicable towards accrued bond interest payable is susceptible to full accrual on the government-wide statements.		
		26,903
Long-term liabilities are not payable with current financial resources and therefore, are not reported in the governmental funds.		
Bonds	(113,590,000)	
Accrued interest	(1,671,262)	
Loan	(1,897,014)	
Unamortized bond premium	(7,493,676)	
Deferred charge on refunding	121,037	
Deferred gain on refunding	(107,538)	
Compensated absences	<u>(2,685,238)</u>	(127,323,691)
The City's net pension liability and related and deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year end are:		
Net pension liability	(15,009,514)	
Deferred inflows of resources	(14,788,256)	
Deferred outflows of resources	<u>12,979,787</u>	(16,817,983)
Accrued net OPEB obligations are not payable with current financial resources and, therefore, are not reported in the governmental funds.		
		(450,858)
Deferred inflows of resources related to unavailable revenue in governmental funds are susceptible to full accrual on the government-wide statements.		
		16,500,608
The City uses an internal service fund to charge the cost of insurance activities to individual funds. A portion of the assets and liabilities of the municipal reserves fund are included in governmental activities in the Statement of Net Position.		
		<u>423,431</u>
Total Net Position of Governmental Activities		<u>\$ 197,301,685</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	General Fund	Debt Service		Capital Projects		Nonmajor Governmental Funds	Total Governmental Totals
		General Obligation	G.O. Improvement	Building	Improvement Construction		
<b>REVENUE</b>							
Property taxes	\$ 18,967,562	\$ 3,218,208	\$ 2,298,106	\$ 150,000	\$ 50,000	\$ 2,144,967	\$ 26,828,843
Tax increment	-	-	-	-	-	572,352	572,352
Licenses and permits	3,306,525	-	-	-	-	681,664	3,988,189
Intergovernmental	1,143,174	61,513	-	-	335,460	2,231,739	3,771,886
Charges for services	2,710,628	-	-	-	-	7,305,389	10,016,017
Special assessments	-	16,999	2,720,378	-	-	75,210	2,812,587
Fines	392,514	-	-	-	-	-	392,514
Interest Income	180,064	32,380	121,029	13,574	20,462	553,590	921,099
Change in Fair Value of Investments	(63,378)	(5,034)	(43,863)	(5,177)	(236)	(205,898)	(323,586)
Donations	52,209	-	-	-	-	186,174	238,383
Miscellaneous	46,741	-	-	5,100	-	401,680	453,521
Total Revenue	26,736,039	3,324,066	5,095,650	163,497	405,686	13,946,867	49,671,805
<b>EXPENDITURES</b>							
Current:							
General government	5,315,189	-	-	-	-	1,109,071	6,424,260
Public safety	12,215,659	-	-	-	-	560,148	12,775,807
Public works	4,240,756	-	-	-	-	5,545,565	9,786,321
Parks and recreation	3,767,646	-	-	-	-	1,454,857	5,222,503
Capital Outlay:							
General government	26,536	-	-	97,973	-	2,367,828	2,492,337
Public safety	-	-	-	67,344	-	-	67,344
Public works	29,886	-	-	94,103	9,100,353	-	9,224,342
Parks and recreation	11,868	-	-	199,558	-	-	211,426
Debt Service:							
Principal bond maturities	-	2,195,000	2,715,000	-	-	1,975,000	6,885,000
Interest on debt	-	1,534,184	1,538,734	-	-	808,261	3,881,179
Fiscal charges	-	22,052	23,549	-	-	83,557	129,158
Total Expenditures	25,607,540	3,751,236	4,277,283	458,978	9,100,353	13,904,287	57,099,677
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	1,128,499	(427,170)	818,367	(295,481)	(8,694,667)	42,580	(7,427,872)
<b>OTHER FINANCE SOURCES (USES)</b>							
Issuance of Bonds and Other Debt	-	1,530,000	-	-	8,202,171	2,255,000	11,987,171
Premium on Issued Debt	-	231,329	-	-	982,020	96,558	1,309,907
Payment of Refunded Bonds	-	(11,368,146)	-	-	-	-	(11,368,146)
Capital Lease Proceeds	-	-	-	-	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-	-	-	516,380	516,380
Transfers in from other funds	782,654	346,360	2,168,936	200,000	641,354	4,216,170	8,355,474
Transfers out to other funds	(1,858,730)	(39,283)	(48,228)	-	(1,644,142)	(3,071,457)	(6,661,840)
Total Other Finance Sources	(1,076,076)	(9,299,740)	2,120,708	200,000	8,181,403	4,012,651	4,138,946
<b>NET CHANGE IN FUND BALANCES</b>	52,423	(9,726,910)	2,939,075	(95,481)	(513,264)	4,055,231	(3,288,926)
<b>FUND BALANCES</b>							
Beginning of Year	15,076,500	14,903,538	7,037,315	808,425	1,450,488	34,672,368	73,948,634
Change in Supplies - Inventory	140,519	-	-	-	-	-	140,519
End of Year	\$ 15,269,442	\$ 5,176,628	\$ 9,976,390	\$ 712,944	\$ 937,224	\$ 38,727,599	\$ 70,800,227

See accompanying Notes to Basic Financial Statements.



**CITY OF LAKEVILLE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances-Total Governmental Funds \$ (3,288,926)

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

Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay.

Capital outlay	\$ 9,444,729	
Capital contributed by developer	7,040,618	
Depreciation expense	<u>(12,680,575)</u>	3,804,772

In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of. (1,088,271)

Governmental funds report inventory related to snow removing chemicals as an expenditure at the time of purchase rather than when it is consumed. The change in supplies is shown as a direct adjustment to fund balance. On the government-wide statement of activities, inventories are shown as an expenditure when consumed. As a result, the change in net position must be adjusted by the change in supplies. 140,519

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Deferred inflows of resources - December 31, 2016	(14,732,605)	
Deferred inflows of resources - December 31, 2017	<u>18,755,608</u>	4,023,003

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond and loan principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities.

Bond proceeds	(11,987,171)	
Bond and loan principal maturities	<u>18,253,146</u>	6,265,975

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas material amounts are deferred and amortized in the statement of activities.

Change in accrued interest payable	149,843	
Change in grant applicable towards accrued interest payable	(1,254)	
Premium on bonds issued in the current year	(1,213,349)	
Deferred gain on refunding	-	
Amortization of deferred charge on refunding	(8,594)	
Amortization of deferred gain on refunding	7,000	
Amortization of debt premiums/discounts	<u>497,104</u>	(569,250)

In the statement of activities, certain operating expenses, severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (and amounts actually paid). (180,532)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability(asset) and the related deferred inflows and outflows of resources. (1,068,786)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with the governmental activities. (71,529)

Change in Net Position of Governmental Activities \$ 7,966,975

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Totals	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 257,022	\$ 9,423,968	\$ 9,680,990	\$ 515,191
Interest receivable	2,744	53,129	55,873	1,140
Accounts receivable	3,443	3,196,125	3,199,568	82,667
Inventory	1,613,999	275,572	1,889,571	-
Prepaid expenses	-	10,183	10,183	-
Total current assets	<u>1,877,208</u>	<u>12,958,977</u>	<u>14,836,185</u>	<u>598,998</u>
<b>NONCURRENT ASSETS</b>				
Restricted cash and investments	323,875	-	323,875	-
Capital assets:				
Land	3,314,738	539,885	3,854,623	-
Buildings and improvements	3,414,187	26,198,192	29,612,379	-
Machinery and equipment	507,237	3,157,157	3,664,394	-
Infrastructure	-	175,221,055	175,221,055	-
Accumulated depreciation	(1,159,136)	(65,420,727)	(66,579,863)	-
Net Capital Assets	<u>6,077,026</u>	<u>139,695,562</u>	<u>145,772,588</u>	<u>-</u>
Total noncurrent assets	<u>6,400,901</u>	<u>139,695,562</u>	<u>146,096,463</u>	<u>-</u>
Total assets	<u>8,278,109</u>	<u>152,654,539</u>	<u>160,932,648</u>	<u>598,998</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plan deferments - PERA	271,267	392,775	664,042	-
Total Assets and Deferred Outflows of Resources	<u>\$ 8,549,376</u>	<u>\$ 153,047,314</u>	<u>\$ 161,596,690</u>	<u>\$ 598,998</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Salaries payable	\$ 51,386	\$ 66,095	\$ 117,481	\$ -
Accounts payable	501,434	386,693	888,127	11,869
Contracts payable	-	11,579	11,579	-
Accrued interest payable	-	114,747	114,747	-
Deposits payable	15,057	12,400	27,457	-
Accrued compensated absences	86,312	165,327	251,639	-
Long-term debt - current	-	380,000	380,000	-
Total current liabilities	<u>654,189</u>	<u>1,136,841</u>	<u>1,791,030</u>	<u>11,869</u>
<b>NONCURRENT LIABILITIES</b>				
Accrued compensated absences	32,604	43,045	75,649	-
Net pension liability - PERA	1,029,921	1,491,253	2,521,174	-
Net OPEB obligation	27,123	51,672	78,795	-
Long-term debt	2,255,000	8,148,468	10,403,468	-
Total noncurrent liabilities	<u>3,344,648</u>	<u>9,734,438</u>	<u>13,079,086</u>	<u>-</u>
Total liabilities	<u>3,998,837</u>	<u>10,871,279</u>	<u>14,870,116</u>	<u>11,869</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plan deferments - PERA	184,210	266,723	450,933	-
<b>NET POSITION</b>				
Net investment in capital assets	3,822,026	131,502,094	135,324,120	-
Restricted for debt service	323,875	-	323,875	-
Unrestricted	220,428	10,407,218	10,627,646	587,129
Total Net Position	<u>4,366,329</u>	<u>141,909,312</u>	<u>146,275,641</u>	<u>587,129</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 8,549,376</u>	<u>\$ 153,047,314</u>	<u>161,596,690</u>	<u>\$ 598,998</u>

Explanation of difference between Enterprise Funds  
Statement of Net Position and government-wide Statement of  
Net Position:

The City uses an internal service fund to charge the cost of  
its insurance activities to individual funds. This amount  
consists of the necessary adjustments to reflect the  
consolidation of internal service fund activities:

Net position of business-type activities

163,698  
\$ 146,439,339

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE**  
**STATEMENT OF NET REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
<b>SALES AND COST OF SALES</b>				
Sales	\$ 14,583,514	\$ -	\$ 14,583,514	\$ -
Cost of sales	11,005,245	-	11,005,245	-
Gross profit	3,578,269	-	3,578,269	-
<b>OPERATING REVENUE</b>				
User Charges	-	12,369,308	12,369,308	400,618
Other	-	216,142	216,142	38,867
Total operating revenue	-	12,585,450	12,585,450	439,485
<b>OPERATING EXPENSES</b>				
Personnel services	1,540,328	2,237,790	3,778,118	-
Commodities	56,273	358,800	415,073	-
Other charges and services	786,194	3,517,314	4,303,508	466,510
Disposal charges	-	3,509,576	3,509,576	-
Depreciation	135,482	4,295,521	4,431,003	-
Total operating expenses	2,518,277	13,919,001	16,437,278	466,510
<b>OPERATING INCOME (LOSS)</b>	1,059,992	(1,333,551)	(273,559)	(27,025)
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Intergovernmental - grants	6,716	166,227	172,943	-
Interest Income	9,595	134,095	143,690	(345)
Change in Fair Value of Investments	(3,660)	(48,558)	(52,218)	132
Interest, fiscal charges, bond premium (net)	(105,176)	(202,735)	(307,911)	-
Disposal of capital assets	(7,340)	(10,388)	(17,728)	-
Total Nonoperating Revenue (Expenses)	(99,865)	38,641	(61,224)	(213)
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	960,127	(1,294,910)	(334,783)	(27,238)
Contributed capital from developers	-	4,791,313	4,791,313	-
Contributed capital from governmental activities	-	4,464,787	4,464,787	-
Transfers from other funds	809,069	23,341	832,410	-
Transfers to other funds	(1,345,322)	(1,127,665)	(2,472,987)	(53,057)
Total Contributions and Transfers	(536,253)	8,151,776	7,615,523	(53,057)
<b>CHANGE IN NET POSITION</b>	423,874	6,856,866	7,280,740	(80,295)
<b>NET POSITION</b>				
Beginning of Year	3,942,455	135,052,446		667,424
End of Year	\$ 4,366,329	\$ 141,909,312		\$ 587,129

Explanation of difference between Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Position and the Statement of Activities:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount represents the income that has been allocated back to the business-type activities in the government-wide Statement of Activities that is attributable to the City's business-type activities:

	(8,766)
Change in net Position of business-type activities	<u>\$ 7,271,974</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 14,580,525	\$ 12,065,015	\$ 26,645,540	\$ 364,652
Cash received from general service charges	-	-	-	(470,357)
Cash paid to suppliers	(12,460,096)	(7,606,430)	(20,066,526)	-
Cash paid to and for employees	(1,492,183)	(2,176,897)	(3,669,080)	-
Net Cash Provided (Used) by Operating Activities	<u>628,246</u>	<u>2,281,688</u>	<u>2,909,934</u>	<u>(105,705)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental - grant	6,716	166,227	172,943	-
Transfers from other funds	333,606	23,341	356,947	-
Transfers to other funds	(1,345,322)	(1,127,665)	(2,472,987)	(53,057)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,005,000)</u>	<u>(938,097)</u>	<u>(1,943,097)</u>	<u>(53,057)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(56,272)	(1,904,091)	(1,960,363)	-
Proceeds from sale of capital assets	-	33,811	33,811	-
Proceeds from Issuance of Capital Debt	-	1,355,451	1,355,451	-
Interest and fiscal charges	(161,739)	(239,413)	(401,152)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(218,011)</u>	<u>(754,242)</u>	<u>(972,253)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income received	5,207	75,878	81,085	(186)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(589,558)</u>	<u>665,227</u>	<u>75,669</u>	<u>(158,948)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>1,170,455</u>	<u>8,758,741</u>	<u>9,929,196</u>	<u>674,139</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 580,897</u>	<u>\$ 9,423,968</u>	<u>\$ 10,004,865</u>	<u>\$ 515,191</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,059,992	\$ (1,333,551)	\$ (273,559)	\$ (27,025)
Adjustments				
Depreciation expense	135,482	4,295,521	4,431,003	-
(Increase) decrease in assets and deferred outflows				
Accounts receivable	(1,587)	(518,435)	(520,022)	(74,833)
Inventory	(38,367)	(36,492)	(74,859)	-
Prepaid expenses	-	(183)	(183)	-
Pension-related deferred outflows	260,450	380,467	640,917	-
Increase (decrease) in liabilities and deferred inflows				
Salaries payable	3,803	(4,875)	(1,072)	-
Accounts payable	(574,017)	(184,065)	(758,082)	(3,847)
Deposits payable	(1,402)	(2,000)	(3,402)	-
Accrued compensated absences	(25,161)	(30,878)	(56,039)	-
Net pension liability and related deferred inflows	(193,727)	(289,383)	(483,110)	-
Net OPEB obligation	2,780	5,562	8,342	-
Total adjustments	<u>2,780</u>	<u>5,562</u>	<u>8,342</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 628,246</u>	<u>\$ 2,281,688</u>	<u>\$ 2,909,934</u>	<u>\$ (105,705)</u>
<b>Supplemental schedule of non-cash financing activities:</b>				
The City assumes ownership of utility capital assets from governmental projects and land developers. Capital assets assumed were as follows:	<u>\$ -</u>	<u>\$ 9,280,817</u>	<u>\$ 9,280,817</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF LAKEVILLE  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
YEAR ENDED DECEMBER 31, 2017**

	<u>Escrow Fund</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 9,764,702</u>
<b>LIABILITIES</b>	
Deposits payable	<u>\$ 9,764,702</u>

*See accompanying Notes to Basic Financial Statements.*

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The City of Lakeville, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. The Statutes prescribe a Mayor-Council form of organization. The City provides the following services: public safety, highways and streets, water and sanitary sewer, public improvements, planning and zoning, culture-recreation, and general administration.

The basic financial statements of the City of Lakeville have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s more significant accounting policies are described below.

**B. Reporting Entity**

The City of Lakeville is a municipal corporation governed by an elected mayor and a four-member council. In accordance with GASB standards, these financial statements represent the City of Lakeville and its sole component unit. The City includes all funds, organizations, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City based on the nature and the significance of their operational or financial relationships with 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 primary government 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. Based upon the application of these criteria, the City has the following component units:

**Blended Component Unit**

The Housing and Redevelopment Authority (HRA) of Lakeville, Minnesota was created by the City to provide housing and redevelopment assistance to its citizens. The HRA provides this assistance through the administration of various programs. The HRA is governed by a five-member Board of Commissioners comprised of the City of Lakeville Council in accordance with Minnesota Statutes 469.003, Subdivision 6. Although it is legally separate from the City, the HRA is reported as if it were a part of the City (blended) because the City Council is also the HRA governing board. The Commissioners’ terms of office coincide with those of the City Council member. The City Administrator serves as the HRA Executive Director. The operational responsibility for the HRA rests with management of the City.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

During fiscal year 2006, the HRA issued \$9,230,000 in Ice Arena Lease Revenue Bonds, Series 2006, to finance the construction of the single sheet Hasse ice arena facility. The Ice Arena Lease Revenue Bonds, Series 2006 were subsequently refunded in 2016. Debt service will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA and the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. In 2017, the HRA issued \$2,255,000 in Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A, to refund the existing liquor revenue bonds through a purchase (and subsequent lease-back) of the liquor store land and building. Debt service will be payable from lease payments made by the City's liquor enterprise fund.

These HRA bond obligations are combined and presented separately in the debt service funds as debt supported by HRA lease revenue.

The HRA has not issued separate financial statements for the period ending December 31, 2017. Information of a nonfinancial matter regarding the HRA can be obtained at the City's Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

**C. Government-Wide Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole (consolidation of the City, excluding fiduciary funds) while the fund financial statements focus on the major individual funds (reported as separate columns within the fund financial statements). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets, receivables, deferred inflows and outflows of resources as well as long-term debt and other obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross cost and the net cost per function category (general government, public safety, public works, and parks and recreation) which are otherwise being supported by both program and general revenues (charges for services, grants and contributions, property taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by the related program revenues and operating/capital grants and contributions.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Government-Wide Financial Statements (Continued)**

The program revenues must be directly associated with the function (general government, public safety, public works, and parks and recreation) or a business-type activity. Program revenues are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary grants while the capital grants and contributions column includes capital specific grants and contributions.

**D. Fund Financial Statement Presentation**

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statement's governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

Both the City as a whole and the City's major funds, including both governmental and enterprise funds, as well as an agency fund, are presented utilizing the focus of the GASB Statement No. 34 reporting model. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities, deferred inflows and outflows of resources and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Major governmental funds - The City reports the following major governmental funds:

*General fund* – The general fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund records revenues such as property taxes, licenses, and permits, intergovernmental revenues, charges for services, fines, and investment income. Most of the day-to-day operations of the City are financed from this fund.

*Debt service general obligation fund* – This fund accounts for those bond issues that financed debt approved by voter referendum, equipment certificates of indebtedness, and capital improvement bonds. Revenues are provided primarily from property taxes.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Financial Statement Presentation (Continued)**

*Debt service G.O. improvement fund* – This fund accounts for those bond issues that financed street, storm sewer, water, and sanitary sewer improvements. The special assessments levied against benefited property owners are pledged toward the repayment of the principal and interest on these bonds.

*Capital projects building fund* – This fund accounts for the accumulation and disbursement of funds for the construction or improvement of public buildings.

*Capital projects improvement construction fund* – This fund accounts for complex construction contracts that involve multiple financing resources from the City and other government entities. Construction projects usually extend over several years before completion.

Major enterprise funds – The City reports the following major proprietary funds:

*Enterprise liquor fund* – This fund is used to account for the retail operations of three off-sale liquor stores.

*Enterprise utility fund* – This fund is used to account for water, sanitary sewer, street lighting, and environmental resources services provided to City customers.

Other funds – The City reports the following other funds:

*Internal service fund* – The internal service fund accounts for the City's risk management program relating to general liability, excess liability, property, and casualty insurance costs which are charged to other departments of the City.

*Agency fund* – The agency fund is used to record the receipt and remittance of monies held by the City as an agent primarily for land developers and builders that will be refunded to the respective depositors when the conditions are satisfied in accordance with the respective agreements.

**E. Measurement Focus and Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. To provide an accurate cost measurement of individual activities in the fund financial statement consolidation process, the City's interfund activity relating to services provided by and used between functions has been removed from these statements; exceptions are for charges between the government's liquor and utility function and other functions of the government.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus and Basis of Accounting (Continued)**

Governmental Funds:

*Measurement focus:* Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

*Basis of accounting:* Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose the City generally considers revenues to be available if collected within 60 days of year-end or if intergovernmental revenues related to a joint project venture with the county are considered to be available if collected within 181 days of year-end.

*Revenues:* Major revenues that are susceptible to accrual include property taxes, excluding delinquent taxes received over 60 days after current fiscal year-end; special assessments, intergovernmental revenue, excluding intergovernmental revenues related to a joint project venture with the county are considered revenue if collected within 181 days of after current fiscal year-end; charges for services, investment income, and donations. Major revenues that are not susceptible to accrual (i.e., license and permit revenues, and miscellaneous revenues) are recorded when received because they are not measurable until collected.

*Expenditures:* Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on long-term debt, other postemployment benefits, pension benefits and compensated absences which are recognized when due.

Proprietary and Fiduciary Funds:

*Measurement focus:* Proprietary funds and fiduciary funds (with the exception of agency funds) are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, and all liabilities, including long-term liabilities, and deferred inflows and outflows of resources associated with fund activity are included on the Statement of Net Position. Proprietary fund types Statement of Revenues, Expenses and Changes in Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus and Basis of Accounting (Continued)**

Proprietary and Fiduciary Funds (Continued):

*Basis of accounting:* Proprietary funds and fiduciary funds (including agency funds) are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. Unbilled utility service receivables are recorded at current fiscal year-end.

*Operating versus nonoperating items:* 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 revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

**F. Cash and Investments**

Cash balances from all funds are combined and invested to the extent available in certificates of deposit, commercial paper, U.S. Government securities, and other securities authorized by State Statutes. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee represent in part the value of deposits that are required to be held in trust for various City obligations. These established escrow accounts will remain in effect until the terms and conditions of the obligations have been fulfilled. Earnings from such investments are allocated directly to the respective funds in which the assets are held.

**G. Taxes Receivable**

Property tax levies are set by the City Council in December each year and are certified to Dakota County for collection in the following year. Such taxes become a receivable of the City and become a lien on the respective property as of January 1. In Minnesota, most counties act as collection agents for all property taxes. Dakota County spreads the levies over all taxable property within the City of Lakeville. Real and personal property taxes are payable in equal installments by property owners to Dakota County on May 15 and October 15 of each year. Dakota County remits these and delinquent collections to the City twice a year, in January and July. Unpaid taxes on December 31 are classified in the fund financial statements as delinquent taxes receivable.

Taxes receivable include the following components:

**Unremitted** - amounts collected by Dakota County but not yet remitted to the City by December 31.

**Delinquent** - amounts billed to property owners but not paid.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Special Assessments Receivable**

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when construction contracts will be awarded for the individual projects. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. As of December 31, 2017, the special assessment delinquent receivable was \$13,692 in the governmental funds and \$25,777 in the proprietary enterprise utility fund. Special assessments receivable includes the following components:

**Unremitted** - amounts collected by Dakota County but not yet remitted to the City by December 31.

**Delinquent** - amounts billed to property owners but not paid.

**Deferred** - assessment installments that will be billed to property owners in future years.

**Other** - assessments for which payment has been delayed based on State Statutes or City Council action.

**I. Inventory**

Inventories are valued on a first-in, first-out method. The cost of inventories is recorded as expenses/expenditures when consumed rather than purchased except for, general fund inventory related to snow removing chemicals. These materials are recorded as expenditure at the time of purchase rather than when it is consumed.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. Prepaid items are also accounted for using the consumption method.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Unamortized Bond Premium and Bond Discount**

In the governmental fund financial statements, bond premiums and discounts are recognized as other financing sources and uses, respectively in the current fiscal year. Bond discounts and bond premiums for the City's government-wide financial statements are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond premiums and discounts are included within the noncurrent liabilities due in more than one year of the City's government-wide statement of net position.

The enterprise utility fund includes a noncurrent liability for unamortized bond premium associated with the issuance of the water and sewer bonds of 2016. The bond premium is amortized over the term of the bonds using the straight-line method.

**L. Restricted Assets**

The government-wide Statement of Net Position "restricted assets (temporarily)" represents cash and investments, and investments held by trustee that have imposed restrictions placed on them by parties outside the government. These restricted amounts are pledged by bond covenants to the repayment of City indebtedness. The assets are temporarily restricted until the terms and conditions of the obligations have been fulfilled.

**M. Capital Assets**

Capital assets, which include land, historical treasures, construction in process, buildings and improvements, machinery and equipment, other improvements, and infrastructure, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net position and proprietary funds statement of net position. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life of not less than three years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital outlays are recorded as expenditures in the City's governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays that meet the City's capitalization criteria are reported in the government-wide Statement of Net Position and proprietary funds statement of net position, both of which use the full accrual basis of accounting. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalization value of assets constructed.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Capital Assets (Continued)**

Depreciation on the capital assets is recorded in the government-wide and proprietary fund financial statements. Land, historical treasures, and construction in process are not depreciated. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	50-75 years
Machinery and equipment	3-20 years
Other improvements	10-50 years
Infrastructure	20-50 years

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has three items that qualifies for reporting in this category. The first two items are the deferred outflows of resources related to pensions reported in the government-wide and proprietary fund statements of net position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards. The third item is a deferred outflow related to a current refunding that resulted in a defeasance of debt reported by the governmental activities. This deferred outflow results from the difference between the reacquisition price and the net carrying amount of the old debt. This amount is deferred and amortized over the remaining life of the debt.

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two items which qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and other, primarily long-term capital leases receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item, deferred inflows of resources related to pensions, is reported in the government-wide and proprietary fund statements of net position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused leave benefits as either paid time off (PTO), or vacation and sick leave. Under the City's personnel policies and collective bargaining contracts, City employees are granted leave benefits in varying amounts based on length of service. PTO accruals vary from 18 to 30 days per year, vacation accruals vary from 10 to 20 days per year, and sick leave accrues at a rate of 12 days per year.

As benefits accrue to employees, the accumulated PTO, vacation and vested sick leave is reported as an expense and liability in the government-wide and proprietary fund financial statements. Accrued PTO, vacation and a percentage of sick leave is paid to employees upon termination (severance) only if they have vested and is reported as an expenditure in the governmental fund that will pay for it. No liability is recorded for nonvesting accumulating rights to receive sick leave benefits.

**P. Pensions**

For purposes of measuring the net pension asset/liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Lakeville Fire Relief Association and the applicable pension additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the plan except that the PERA pension plan'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.

**Q. Other Postemployment Benefits (OPEB) Obligation**

In accordance with the provisions of GASB Statement No. 45, Accounting and financial Reporting by Employers for Post-employment Benefits Other Than Pensions, an actuarial valuation is required to be computed and reported for the City's post-employment health insurance benefits provided to eligible employees through the City's Other Post-Employment Benefits Plan. OPEB is reported as an expense on a pay-as-you-go basis and is accrued as it is earned. The net OPEB obligation liability and corresponding expense for governmental activities is reported within the government-wide financial statements. The net OPEB obligation liability and corresponding expense for enterprise funds are recorded within those funds.

**R. Long-Term Obligations**

Long-term obligations are recorded in the City's government-wide and proprietary fund statements of net position when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund only when due or when payment is made to the paying agent.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Fund Balance**

In the fund financial statements, governmental funds report fund balance classification that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* – consists of amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Pursuant to City resolution, the City Administrator and the Finance Director are authorized to establish assignments of fund balances.

*Unassigned* – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

The City will endeavor to maintain an unrestricted (committed, assigned and unassigned) fund balance in the General fund of an amount not less than 40 and not greater than 50% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2017, the unrestricted fund balance of the General Fund was 53.2% of the subsequent year's budgeted expenditures. The City has opted to reduce fund balance with the 2018 budget.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1.) committed, 2.) assigned, and 3.) unassigned.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Net Position**

In the government-wide and proprietary fund 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:

*Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

*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.

*Unrestricted net position* - All other net position balances that does 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.

**U. Revenues and Expenditures/Expenses**

In the governmental fund financial statements property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. All delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund financial statements. Taxes due from Dakota County on December 31 are included in revenue since they are remitted to the City within 60 days after December 31. In the government-wide Statement of Activities property tax revenue is recognized when levied.

In the governmental fund financial statements special assessments principal and interest are recognized as revenue when they become measurable and available to finance expenditures of the current fiscal year. All delinquent and deferred assessments receivable are fully offset by deferred inflow of resources in the fund financial statements. Both the principal and interest on special assessments are payable in installments over a term of years that matches the scheduled payments for the bond issue which financed the project. In the government-wide Statement of Activities special assessments revenue is recognized when levied.

Investment income is recorded as revenue in the year earned. Elements of investment income include interest earned on investments and unrealized gains or losses on net increases or decreases in the fair value of investments.

Certain grants and aids received by the City require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded in the period of which eligible expenditures are made.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Revenues and Expenditures/Expenses (Continued)**

Enterprise utility fund service charges are recognized when earned with no allowance for uncollectibles because delinquent accounts deemed uncollectible during the normal billing process are certified to Dakota County as a property tax lien. Quarterly utility service charges provided to customers but unbilled are included as receivables as of December 31.

Interfund service transactions are accounted for as expenditures or expenses. Service transaction payments to a fund are recorded as an expenditure or expense in the paying fund and conversely recorded as a reduction of expenditure or expense in the fund that is receiving payment. Interfund service transactions within the respective categories of governmental activities and business-type activities in the government-wide Statement of Activities are eliminated.

**V. Cash Flows**

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase of three months or less to be cash equivalents. The proprietary funds' equity in the government-wide cash and investments management pool is considered to be a cash equivalent.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Components of Cash and Investments**

The City's cash surpluses are pooled and invested in accordance with State Statute and City investment policy. Investment earnings and unrealized gains and losses are allocated to funds on the basis of average cash balances. Investments are stated at fair value, which is the amount that a financial instrument could be exchanged for in a current transaction between willing parties. The investments are not identified with specific funds with the exception for bond proceeds related to bond series 2016 A and 2017 A. Investments held by trustee include balances held in segregated accounts for specific purposes. Interest earned on these trustee accounts is allocated directly to the responsible fund. The amounts represent funds held as required by the debt obligation covenants and other agreements.

The City's cash and investments as of December 31, 2017 consist of the following:

Cash on hand	\$	12,875
Deposits		1,768,443
Investments		<u>89,391,506</u>
Total cash and investments	\$	<u><u>91,172,824</u></u>

The City's cash and investments as of December 31, 2017 are presented in the financial statements as follows:

<b><u>Statement of Net Position</u></b>		
Cash and investments	\$	78,737,493
Temporarily restricted cash and investments		323,875
Temporarily restricted investments held by trustee		2,346,754
 <b><u>Statement of Fiduciary Net Position</u></b>		
Cash and investments		<u>9,764,702</u>
Total cash and investments	\$	<u><u>91,172,824</u></u>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit. The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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 City does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City’s deposits was \$1,768,443 while the balance on the bank records was \$3,114,058. At December 31, 2017, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

**C. Investments**

The City’s investments as of December 31, 2017 are as follows:

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Total Value</u>	<u>Interest Risk - Maturity Duration in Years</u>		
	<u>Rating</u>	<u>Agency</u>		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Money market funds						
Minnesota Municipal (4M)	N/R	N/A	\$ 8,893,904	\$ -	\$ -	\$ -
Wells Fargo Advantage	AAAm	S&P	1,587,216	-	-	-
First American Treasury Obligation	AAAm	S&P	608,581	-	-	-
Certificates of deposit	N/R	N/A	24,928,988	8,289,354	15,439,934	1,199,700
U.S. treasury securities	N/R	N/A	3,737,109	3,737,109	-	-
U.S. government agencies	AA+	S&P	36,055,910	9,978,354	23,258,302	2,819,254
Municipal Bonds	Aaa	Moody's	596,784	298,092	298,692	-
Municipal Bonds	Aa1	Moody's	4,610,682	750,685	3,859,997	-
Municipal Bonds	AA+	S&P	988,836	-	566,221	422,615
Municipal Bonds	Aa2	Moody's	1,550,828	189,124	1,361,704	-
Municipal Bonds	AA	S&P	1,289,286	534,404	754,882	-
Municipal Bonds	Aa3	Moody's	102,539	-	102,539	-
Municipal Bonds	AA-	S&P	2,164,200	299,982	1,420,486	443,732.00
Municipal Bonds	A1	Moody's	585,267	-	585,267	-
Municipal Bonds	A+	S&P	-	-	-	-
Municipal Bonds	AA-	S&P	1,255,419	404,838	850,581	-
<b>Total investments</b>			<b>\$ 89,391,506</b>	<b>\$ 24,917,899</b>	<b>\$ 48,498,605</b>	<b>\$ 4,885,301</b>

N/R - Note rated

N/A - Not applicable

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

The 4M 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 and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. Investments are subject to various risks, the following of which are considered the most significant;

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any custodial credit risk for its investments since all of the City's investments held in safekeeping by the City's brokerage firm in the City's name are insured and registered.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State Statutes authorize investments in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. government agencies, and other securities provided they meet the two highest quality ratings of nationally recognized rating organizations.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

As of December 31, 2017, the City's investment portfolio includes the following securities of single issuers exceeding 5%:

Federal National Mortgage Association	10.81%
Federal Farm Credit Bank	12.37%
Federal Home Loan Bank	5.59%
Federal Home Loan Mortgage	7.10%

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. Investments Policy**

The City's investment policy limits exposure to interest rate risk by investing in shorter term securities (maturing in one year or less) to meet current operating cash requirements. Longer term investments are to be purchased with the intent to match maturity periods with future funding needs for capital replacement and debt obligations. The City will not purchase investments that, at the time of investment, cannot be held to maturity. This does not mean that an investment cannot be sold prior to maturity.

Investment activity will focus upon protection of taxpayer dollars and investment income, consistent with statutory authorization and financial prudence. The City will conduct its investment transactions with several legal competing, reputable investment security dealers, and qualifying banks. The City will invest only in the following instruments or those others that may subsequently be permitted by State Statute.

- United States Treasury obligations
- Federal Agency Securities
- Certificates of Deposit
- Commercial Paper
- Banker's Acceptance
- Money Market Funds
- State and local securities

**E. Fair Value Measurements**

The City uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**E. Fair Value Measurements (Continued)**

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
First American Treasury Obligation	\$ 608,581	\$ -	\$ -	\$ 608,581
U.S. treasury securities	3,737,109	-	-	3,737,109
U.S. government securities	36,055,910	-	-	36,055,910
Certificates of deposit	-	24,928,988	-	24,928,988
Municipal bonds	-	13,579,798	-	13,579,798
	<u>\$ 40,401,600</u>	<u>\$ 38,508,786</u>	<u>\$ -</u>	<u>\$ 78,910,386</u>
Investments measured at amortized cost				<u>10,481,120</u>
Total				<u>\$ 89,391,506</u>

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3 CAPITAL ASSETS**

A summary of changes in governmental capital assets during the year ended December 31, 2017 are as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 26,676,857	\$ 1,874,459	\$ (403,877)	\$ -	\$ 28,147,439
Historical treasures	100,000	-	-	-	100,000
Construction in progress	4,322,863	3,345,673	(4,242,890)	-	3,425,646
Total Capital Assets, Not Being Depreciated	<u>31,099,720</u>	<u>5,220,132</u>	<u>(4,646,767)</u>	<u>-</u>	<u>31,673,085</u>
Capital Assets, Being Depreciated:					
Building and improvements	54,986,625	150,153	(215,418)	-	54,921,360
Machinery and equipment	23,494,222	1,669,719	(1,123,926)	(24,717)	24,015,298
Other improvements	8,507,138	533,132	(89,620)	-	8,950,650
Infrastructure					
Streets	165,239,374	8,192,702	(3,870,866)	-	169,561,210
Storm Sewer	75,664,090	3,930,437	(224,855)	-	79,369,672
Parks	25,079,776	1,031,962	-	-	26,111,738
Total Capital Assets, Being Depreciated	<u>352,971,225</u>	<u>15,508,105</u>	<u>(5,524,685)</u>	<u>(24,717)</u>	<u>362,929,928</u>
Accumulated Depreciation for:					
Buildings and improvements	(15,080,108)	(1,176,904)	112,966	-	(16,144,046)
Machinery and equipment	(13,117,250)	(1,666,497)	1,096,537	24,717	(13,662,493)
Other improvements	(3,075,150)	(417,081)	89,620	-	(3,402,611)
Infrastructure					
Streets	(74,462,999)	(6,700,631)	3,404,832	-	(77,758,798)
Storm Sewer	(18,209,806)	(1,736,679)	136,336	-	(19,810,149)
Parks	(12,588,680)	(982,783)	-	-	(13,571,463)
Total Accumulated Depreciation	<u>(136,533,993)</u>	<u>(12,680,575)</u>	<u>4,840,291</u>	<u>24,717</u>	<u>(144,349,560)</u>
Total Capital Assets, Being Depreciated, Net	<u>216,437,232</u>	<u>2,827,530</u>	<u>(684,394)</u>	<u>-</u>	<u>218,580,368</u>
Governmental Activities Capital Assets, Net	<u>\$ 247,536,952</u>	<u>\$ 8,047,662</u>	<u>\$ (5,331,161)</u>	<u>\$ -</u>	<u>\$ 250,253,453</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 273,853
Public safety	1,100,873
Public works	9,227,645
Parks and recreation	2,078,204
Total depreciation expense	<u>\$ 12,680,575</u>



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

A summary of changes in business-type capital assets during the year ended December 31, 2017 are as follows:

<b>PRIMARY GOVERNMENT Business-Type Activities:</b>	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 3,854,623	\$ -	\$ -	\$ -	\$ 3,854,623
Capital Assets, Being Depreciated:					
Buildings and improvements	30,071,536	70,813	(529,970)	-	29,612,379
Machinery and equipment	3,256,461	452,176	(52,074)	7,831	3,664,394
Infrastructure					
Water	95,830,029	7,847,084	(110,590)	-	103,566,523
Sanitary Sewer	68,791,254	2,863,278	-	-	71,654,532
Total Capital Assets, Being Depreciated	<u>197,949,280</u>	<u>11,233,351</u>	<u>(692,634)</u>	<u>7,831</u>	<u>208,497,828</u>
Accumulated Depreciation for:					
Buildings and improvements	(9,108,432)	(650,762)	522,628	-	(9,236,566)
Machinery and equipment	(1,649,283)	(276,496)	47,486	(7,831)	(1,886,124)
Infrastructure					
Water	(28,534,514)	(2,062,638)	54,093	-	(30,543,059)
Sanitary Sewer	(23,473,007)	(1,441,107)	-	-	(24,914,114)
Total Accumulated Depreciation	<u>(62,765,236)</u>	<u>(4,431,003)</u>	<u>624,207</u>	<u>(7,831)</u>	<u>(66,579,863)</u>
Total Capital Assets, Being Depreciated, Net	<u>135,184,044</u>	<u>6,802,348</u>	<u>(68,427)</u>	<u>-</u>	<u>141,917,965</u>
Business-Type Activities Capital Assets, Net	<u>\$ 139,038,667</u>	<u>\$ 6,802,348</u>	<u>\$ (68,427)</u>	<u>\$ -</u>	<u>\$ 145,772,588</u>

Depreciation expense was charged to governmental functions as follows:

Liquor fund	\$ 135,482
Utility fund	4,295,521
Total Depreciation Expense, Business-Type Activities	<u>\$ 4,431,003</u>

**NOTE 4 OPERATING LEASES**

Operating Lease (Ames Arena):

On December 1, 2006, the City (as lessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as lessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Ames Arena. Lakeville Arenas shall pay all debt service requirements due on the Gross Revenue Recreation Facility Bonds of 1999 less payments received by Lakeville Hockey Association, Inc. (Boosters) towards debt service payments in accordance with the revised and restated gaming revenue agreement dated February 16, 1999. The agreement will remain in effect until August 1, 2019. The cost of the leased space is included in the total Ames ice arena cost of \$4,143,826, of which \$1,723,122 has been depreciated to date. These amounts are recorded in the City's capital assets. The 2017 lease revenue totaled \$88,626.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 4 OPERATING LEASES (CONTINUED)**

Operating Sublease (Hasse Arena):

On December 1, 2006, the City (as sublessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as sublessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Hasse Arena. In addition, the joint powers agreement calls for Independent School District No. 194 to provide for one-half of all future ice arena lease payments to the City. Lease agreement payments coinciding with the bonded debt service schedule commencing February 1, 2007 will remain in effect until February 1, 2032. The 2017 lease revenue totaled \$286,594.

Operating Lease (Heritage Liquor Store):

The Heritage Liquor Store (located in Heritage Shopping Center) consists of 8,859 square feet of space at a monthly lease cost of \$11,812 plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The lease had an original term of fifteen years and was subsequently renewed for an additional four years expiring June 30, 2019. The fiscal year 2017 lease expense totaled \$141,744. The City owns the land and buildings of its other two liquor stores. The following is a schedule by years of future minimum payments required under the lease as of December 31, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ 141,744
2019	70,872
Total	<u>\$ 212,616</u>

**NOTE 5 LONG-TERM DEBT**

**A. Components of Long-Term Debt**

General Obligation Bonds

The City's general obligation bonds are supported primarily from revenues derived from property tax levies, special assessment levies, tax increment levies, state-aid street revenue, water connection revenue charges, ice arena operations, and contributions by an organization conducting lawful gaming at approved locations. These bonds are backed by the full-faith and credit of the City.

Revenue Bonds

The following revenue bonds are not general obligations of the City and accordingly are not backed by the full-faith and credit of the City.

Governmental Activities

The Gross Revenue Recreation Facility Bonds, Series 1999, are supported primarily from revenues derived from ice arena operations and contributions from gaming revenues.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

Revenue Bonds (Continued)

Governmental Activities (Continued)

The HRA Ice Arena Lease Revenue Refunding Bonds, Series 2016, will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA of Lakeville, the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. The City's portion of the lease payments are supported by property tax levies.

The lease, consisting of land, building and equipment of the Hasse Arena located at 8525 215th Street West, requires the City to provide lease payments sufficient to pay when due, the principal and interest on the HRA Ice Arena Lease Revenue Refunding Bonds, Series 2016 (\$7,115,000 original amount issued), of which the first principal and interest payment was due in 2017. Title to the arena will transfer to the City upon completing the prescribed lease payments coinciding with the bonded debt service schedule commencing February 1, 2017 and maturing February 1, 2032. The cost of the leased space is included in the total Hasse ice arena cost of \$7,505,840, of which \$1,436,382 has been depreciated to date. These amounts are recorded in the HRA's capital assets.

Business-type Activities

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Type	Term of Pledge	Revenue Pledged		Current Year	
				Remaining Principal and Interest	Interest	Principal and Interest Paid	Pledged Revenue Received
Recreation Facility	Ice arena	Arena Revenues	2016 - 2019	\$ 362,270	\$	\$ 181,305	\$ 183,626
Ice Arena Lease Revenue	Additional ice arena	Lease Revenues	2016 - 2032	8,848,201		521,512	286,594
Utility - Water Revenue	Water infrastructure	Utility user fees	2016 - 2034	7,680,939		217,850	4,782,686
Utility - Sewer Revenue	Sewer infrastructure	Utility user fees	2016 - 2025	582,250		21,275	5,711,696
Water Connection Revenue	Water infrastructure	Connection charges	2016 - 2032	10,161,000		624,200	3,143,470

Metropolitan Council Loan Agreements

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2017, the City made no payments on this loan. As of December 31, 2017 the balance of the loan is \$1,159,843. On January 3, 2017, the City entered into another loan agreement with the Metropolitan Council for the purpose of acquiring property within a proposed state trunk highway right-of-way. The amount of the loan was \$737,171 and the City made no payments on the loan in 2017. The loans (both free of interest charge) will be discharged by the Metropolitan Council upon the conveyance of the properties to the highway authority at an undetermined future date.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

General Obligation Refunding Bonds, Series 2014 B

On August 20, 2014, the City issued \$12,660,000 in General Obligation Refunding Bonds, Series 2014 B. The proceeds of this issue were used to retire, in advance of their stated maturities, the 2018 through 2032 maturities of the Capital Improvement Plan Bonds, Series 2007 D (refunded principal of \$11,185,000) on their February 1, 2017 call date; and the 2017 through 2026 maturities of the Street Reconstruction Bonds, Series 2005 A (refunded principal \$1,950,000) on their February 1, 2016 call date.

General Obligation Water Utility Bonds, Series 2016 A

On February 25, 2016, the City issued \$8,280,000 in General Obligation Water Utility Bonds, Series 2016 A to finance various improvement projects. The bonds mature February 1, 2034, with a provisional call date of February 1, 2025, bearing interest rates ranging from 2.0% to 5.0%. Debt service will be payable from connection charges.

General Obligation Bonds, Series 2016 B

On July 21, 2016, the City issued \$22,250,000 in General Obligation Bonds, Series 2016 B to finance various improvement projects in the City. The bonds mature February 1, 2037, with a provisional call date of February 1, 2026, bearing interest rates ranging from 1.5% to 5.0%. Debt service will be payable from property taxes, special assessments levied to benefitting properties and user fees.

HRA Lease Refunding Bonds (Ice Arena Project), Series 2016 A

On September 22, 2016, the City issued \$7,115,000 in HRA Lease Revenue Refunding Bonds (Ice Arena Project), Series 2016 A. The proceeds of this issue were used to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for generating resources for all future debt service payments on \$7,585,000 of refunded debt (HRA Lease Revenue Bonds, Series 2006). As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net position.

Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A

On October 25, 2017, the City issued \$2,255,000 in HRA Lease Revenue Liquor Enterprise Refunding Bonds, Series 2017A. The proceeds of this issue were deposited with the Trustee in order to call and prepay the outstanding liquor revenue bonds of 2007. In exchange for the refunding of the existing liquor revenue bonds, the liquor fund conveyed related capital assets consisting of land and building to the HRA fund. The HRA then leased the building back to the liquor fund under a capital lease agreement, resulting in the capital assets being reported back in the liquor fund and the long-term debt being shown in the liquor fund as a capital lease. The lease terms include interest of between 2.0%-3.0% with payments totaling \$2,255,000 through 2027. The capital assets being leased had a total cost of \$2,522,470 and accumulated depreciation of \$512,115 at December 31 2017. Per governmental accounting standards the related long-term debt is not shown in both the governmental and business-type activities, therefore the long-term liability is included in business-type activities as a capital lease, as is noted in the table on page 68.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

The City had the following long-term liabilities outstanding at December 31, 2017:

Description	Maturities	Interest Rates	Amount
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities:			
General Obligation Bonds Payable:			
Capital improvement bonds	2017 - 2032	1.75% - 5.00%	\$ 22,795,000
Street reconstruction bonds	2016 - 2030	1.75% - 5.95%	16,060,000
G.O. Improvement bonds	2018 - 2037	1.40% - 5.00%	52,220,000
Tax increment bonds	2022	4.00% - 4.20%	1,240,000
State-aid street revenue bonds	2018 - 2036	1.25% - 5.00%	6,205,000
G.O. water revenue bonds	2034	2.00% - 5.00%	7,940,000
Arena revenue bonds	2019	5.30% - 5.40%	<u>335,000</u>
Total General Obligation Bonds			106,795,000
HRA lease revenue bonds			<u>6,795,000</u>
Total Governmental Activities			113,590,000
Business-Type Activities:			
Revenue Bonds			
Water revenue bonds	2034	1.50% - 5.00%	6,910,000
Sewer revenue bonds	2025	1.50% - 5.00%	495,000
Street light revenue bonds			<u>335,000</u>
Total Revenue Bonds			7,740,000
Capital Lease	07/19/05	2.00% - 3.00%	<u>2,255,000</u>
Total Business-Type Activities			<u>9,995,000</u>
Total long-term bonded debt outstanding			<u><u>\$ 123,585,000</u></u>

The City is in compliance with all significant bond covenants. Annual bond debt service requirements to maturity for long-term obligations, excluding the Lease Revenue Liquor Enterprise Refunding Bonds of 2017 (see page 67), are as follows:

Year Ending December 31,	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2018	\$ 9,420,000	\$ 3,880,779	\$ 380,000	\$ 272,123	\$ 13,952,902
2019	7,925,000	3,599,796	480,000	256,063	12,260,859
2020	8,040,000	3,300,311	530,000	230,813	12,101,124
2021	7,900,000	3,013,689	555,000	211,388	11,680,077
2022	7,840,000	2,732,189	570,000	197,713	11,339,902
2023-2027	36,670,000	9,151,126	2,830,000	598,965	49,250,091
2028-2032	27,010,000	3,562,641	1,780,000	222,440	32,575,081
2033-2037	8,700,000	545,362	615,000	17,194	9,877,556
2038	<u>85,000</u>	<u>1,328</u>	-	-	<u>86,328</u>
Total	<u>\$ 113,590,000</u>	<u>\$ 29,787,221</u>	<u>\$ 7,740,000</u>	<u>\$ 2,006,699</u>	<u>\$ 153,123,920</u>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

Accrued Compensated Absences

Governmental Activities

The governmental funds accumulated liability for accrued PTO, vacation and vested sick pay (including applicable salary-related payments) as of December 31, 2017 is \$2,685,238. This amount is included in the noncurrent liabilities of the government-wide Statement of Net Position.

In the event of employee separation from the City, the general fund and the responsible special revenue fund will pay the accumulated vacation portion.

Business-type Activities

The accumulated liability for accrued PTO, vacation and vested sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2017 is \$327,288. In the event of employee separation from the City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

Unamortized Bond Premium and Discount

Unamortized bond premium and bond discount included within noncurrent liabilities are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Unamortized bond premium	\$ 7,493,676	\$ 788,468

Liquor Capital Lease

The capital lease reported in business-type activities on page 68 has the following annual debt service requirements:

<u>Year Ending December 31.</u>	<u>Liquor Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 44,418
2019	215,000	58,650
2020	230,000	54,200
2021	240,000	49,500
2022	245,000	43,425
2023-2027	1,325,000	101,475
Total	\$ 2,255,000	\$ 351,668

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**B. Changes in Long-Term Debt**

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

<b>PRIMARY GOVERNMENT</b>	Beginning of Year	Additions	Deletions	End of Year	Due Within One Year
<b>Governmental Activities</b>					
G.O. Improvement bonds	\$ 50,705,000	\$ 1,530,000	\$ (13,380,000)	\$ 38,855,000	\$ 4,095,000
Other bonds	71,960,000	7,465,000	(4,690,000)	74,735,000	5,325,000
Total bonds	122,665,000	8,995,000	(18,070,000)	113,590,000	9,420,000
Metropolitan Council loans	1,159,843	737,171	-	1,897,014	-
Total long-term debt	123,824,843	9,732,171	(18,070,000)	115,487,014	9,420,000
Accrued compensated absences	2,551,962	1,448,385	(1,315,109)	2,685,238	1,315,109
Unamortized bond premium/discount	7,075,115	1,213,349	(794,788)	7,493,676	-
Total Governmental Activities	133,451,920	12,393,905	(20,179,897)	125,665,928	10,735,109
<b>Business-Type Activities:</b>					
Liquor revenue bonds	2,715,000	-	(2,715,000)	-	-
Utility - water revenue bonds	6,075,000	835,000	-	6,910,000	325,000
Utility - sewer revenue bonds	495,000	-	-	495,000	55,000
Utility - street light revenue bonds	-	335,000	-	335,000	-
Liquor - capital leases	-	2,255,000	-	2,255,000	-
Accrued compensated absences	373,456	205,471	(251,639)	327,288	251,639
Unamortized Bond Premiums	667,577	185,451	(64,560)	788,468	-
Total Business-Type Activities	10,326,033	3,815,922	(3,031,199)	11,110,756	631,639
Total Primary Government	<u>\$ 143,777,953</u>	<u>\$ 16,209,827</u>	<u>\$ (23,211,096)</u>	<u>\$ 136,776,684</u>	<u>\$ 11,366,748</u>

**NOTE 6 NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets as of December 31, 2017 is calculated as follows:

	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
Capital assets, net of depreciation	\$ 250,253,453	\$ 145,772,588	\$ 396,026,041
Less applicable:			
Bonds payable	(97,775,000)	(9,660,000)	(107,435,000)
Capital lease payable	-	(2,255,000)	(2,255,000)
Loan payable	(1,897,014)	-	(1,897,014)
Unamortized bond premium / discount (net)	(6,594,603)	(788,468)	(7,383,071)
Unamortized deferred charge on refunding	121,037	-	121,037
Unamortized deferred gain on refunding	(107,538)	-	(107,538)
Unspent bond proceeds	1,468,582	-	1,468,582
Contracts Payable	(887,217)	-	(887,217)
Invested in capital assets, net	<u>\$ 144,581,700</u>	<u>\$ 133,069,120</u>	<u>\$ 277,650,820</u>

The City has \$17,354,000 in bonds and \$771,705 in unamortized bond premiums that are not included in the calculation above as they are not capital in nature.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 7 RESTRICTED NET POSITION**

The government-wide Statement of Net Position reports restricted amounts in the net position section. These amounts represent assets and deferred outflows (less any related liabilities and deferred inflows) that have imposed restrictions placed on them by parties outside the City government. Net position restricted for debt service represents assets pledged by bond covenant to the repayment of City bond obligations. The government-wide restricted net position is as follows:

<u>Restricted Net Position</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 27,448,349	\$ -	\$ 27,448,349
Temporarily restricted			
Cash and investments	-	323,875	323,875
Investments held by trustee	2,346,754	-	2,346,754
Net pension asset	3,889,595	-	3,889,595
Receivables	18,416,150	-	18,416,150
Deferred outflows - pension plan deferments	283,521	-	283,521
Deferred inflows - pension plan deferral	(664,407)	-	(664,407)
Less related liabilities	<u>(2,273,175)</u>	-	<u>(2,273,175)</u>
Total restricted net position	<u>\$ 49,446,787</u>	<u>\$ 323,875</u>	<u>\$ 49,770,662</u>

**NOTE 8 CONSTRUCTION COMMITMENTS**

The City has outstanding construction and build projects as of December 31, 2017. These projects include street reconstruction projects, equipment purchases, land purchases and other water and sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<u>Projects</u> <u>Governmental Activities</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Holyoke Avenue water tower	\$ 3,300,661	\$ 173,982
City of Lakeville / City of Apple Valley sanitary sewer interceptor	53,591	55,614
Landscaping/mowing services (2018)	-	132,599
King Park baseball complex lighting	-	568,670
West Lake Marion Park bike course	92,186	6,250
Well #21 and #22	574,658	1,188,315
Holyoke Avenue improvements	1,744,702	207,375
Total governmental	<u>\$ 5,765,798</u>	<u>\$ 2,332,805</u>



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 FUND BALANCES**

A summary of the City's governmental fund balance classifications at December 31, 2017 is as follows:

	General Fund	Debt Service		Capital Projects		Nonmajor	Total
		General Obligation	G.O. Improvement	Building	Improvement Construction		
<b>Nonspendable</b>							
Inventory	\$ 483,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 483,145
Prepaid Items	28,544	-	-	-	-	-	28,544
Advances to Other Funds	402,686	-	-	-	-	-	402,686
Total nonspendable	914,375	-	-	-	-	-	914,375
<b>Restricted for:</b>							
Debt Service	-	5,176,628	9,976,390	-	-	4,730,337	19,883,355
Public improvements	-	-	-	-	842,797	-	842,797
Street construction	-	-	-	-	-	3,150,076	3,150,076
Water trunk system	-	-	-	-	-	625,785	625,785
Park development	-	-	-	-	-	5,264,307	5,264,307
Tax increment	-	-	-	-	-	18,894	18,894
Public communications	-	-	-	-	-	67,900	67,900
Special Service District	-	-	-	-	-	34,706	34,706
Total Restricted	-	5,176,628	9,976,390	-	842,797	13,892,005	29,887,820
<b>Committed for:</b>							
Public improvements	-	-	-	-	328,100	-	328,100
Public buildings	-	-	-	712,944	-	-	712,944
Pavement management	-	-	-	-	-	939,856	939,856
Storm sewer trunk system	-	-	-	-	-	7,409,341	7,409,341
Water trunk system	-	-	-	-	-	7,352,060	7,352,060
Sanitary sewer trunk system	-	-	-	-	-	6,884,920	6,884,920
Trail improvement	-	-	-	-	-	349,638	349,638
Park improvement	-	-	-	-	-	8,842	8,842
Capital acquisitions	-	-	-	-	-	1,967,301	1,967,301
Public communications	-	-	-	-	-	535,275	535,275
Economic development	-	-	-	-	-	31,282	31,282
Total Committed	-	-	-	712,944	328,100	25,478,515	26,519,559
<b>Assigned for:</b>							
Subsequent year budget	741,864	-	-	-	-	-	741,864
<b>Unassigned</b>							
	13,613,203	-	-	-	(233,673)	(642,921)	12,736,609
<b>Total</b>	<b>\$ 15,269,442</b>	<b>\$ 5,176,628</b>	<b>\$ 9,976,390</b>	<b>\$ 712,944</b>	<b>\$ 937,224</b>	<b>\$ 38,727,599</b>	<b>\$ 70,800,227</b>

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 10 CONTRIBUTED CAPITAL**

The ownership of local streets, storm sewer, parks, water and sanitary sewer infrastructure capital assets that are constructed and completed during the year by private land developers becomes contributed property of the City. Storm sewer, water, and sanitary sewer infrastructure assets constructed within Dakota County and State of Minnesota right-of-way boundaries also become City capital assets since they are serviced and maintained by the City. Roads and highways constructed within Dakota County and State of Minnesota right-of-way boundaries are excluded from City capital assets. The City assumed ownership of the following governmental and business-type capital assets contributed from private land developers during the current fiscal year as follows:

<u>From Private Land Developers</u>	<u>Governmental</u>	<u>Enterprise Utility Fund</u>
Infrastructure		
Streets	\$ 3,033,333	\$ -
Storm sewer	3,040,058	-
Parks	967,227	-
Water	-	2,521,450
Sanitary sewer	-	2,269,863
Total	<u>\$ 7,040,618</u>	<u>\$ 4,791,313</u>

The ownership of water and sanitary sewer infrastructure assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City's enterprise utility fund. The City's enterprise utility fund assumed ownership of the following capital assets contributed during the current fiscal year as follows:

<u>From Governmental Activities</u>	<u>Enterprise Utility Fund</u>
Infrastructure	
Water	\$ 4,142,303
Sanitary sewer	322,484
Total	<u>\$ 4,464,787</u>

**NOTE 11 DEFICIT FUND BALANCES**

The capital projects tax abatement fund had a deficit fund balance of (\$402,451) as of December 31, 2017 as a result of providing tax abatement assistance to retain the headquarters of a manufacturing facility within the City. It is anticipated that the deficit will be financed by future tax abatements collected after an existing Tax Increment Financing District in which the property is currently located will be decertified.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 12 INTERFUND RECEIVABLES AND PAYABLES**

Activity between funds representative of lending or borrowing arrangements is reported in the fund financial statements as “due from/to other funds” (current portion) or “advances to/from other funds.” Such amounts are eliminated in the government-wide financial statements, with any residual balances outstanding between the governmental and business-type activities reported as “internal balances.” At December 31, 2017, the capital projects fund tax abatement fund had a payable of \$402,686 to the general fund to finance a long-term cash deficit.

**NOTE 13 INTERFUND TRANSFERS**

The City provides financing for a variety of operations and capital projects utilizing resources from certain funds; interfund transfers used for these various activities during the current fiscal year are as follows:

Transfers From	Transfers To:								Total
	General Fund	Debt Service		Capital Projects		Nonmajor Govntl. Funds	Enterprise		
		G.O Bonds	G.O Improvement	Bldg.	Improv. Constr.		Utility	Liquor	
General Fund	\$ -	\$ -	\$ -	\$ 200,000	\$ 1,179	\$ 1,657,551	\$ -	\$ -	\$ 1,858,730
G.O. Bonds	-	-	-	-	-	39,283	-	-	39,283
G.O. Improvement Bonds	-	-	-	-	48,228	-	-	-	48,228
Improv. Const. (CP)	-	-	1,644,142	-	-	-	-	-	1,644,142
Nonmajor Govntl. Funds	75,429	-	-	-	591,947	1,574,153	20,859	809,069	3,071,457
<b>Total</b>	<b>75,429</b>	<b>-</b>	<b>1,644,142</b>	<b>200,000</b>	<b>641,354</b>	<b>3,270,987</b>	<b>20,859</b>	<b>809,069</b>	<b>6,661,840</b>
Enterprise - Liquor	198,819	346,360	-	-	-	797,661	2,482	-	1,345,322
Enterprise - Utility	455,349	-	524,794	-	-	147,522	-	-	1,127,665
Internal Service Fund	53,057	-	-	-	-	-	-	-	53,057
<b>Total</b>	<b>\$ 782,654</b>	<b>\$ 346,360</b>	<b>\$ 2,168,936</b>	<b>\$ 200,000</b>	<b>\$ 641,354</b>	<b>\$ 4,216,170</b>	<b>\$ 23,341</b>	<b>\$ 809,069</b>	<b>9,187,884</b>
	(1)	(2)	(3)	(4)	(5)	(6)(7)	(8)	(9)	-
Less: Utility fund									
Total governmental funds									<u>\$ 9,187,884</u>

The following are explanations to interfund transfers sub-notes 1 through 9.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund, (E) enterprise fund, (IS) internal service fund.

- (1) The transfers to the general fund were provided mainly as overhead and maintenance costs from the following funds:

Fund	Amount	Description
Communications (SR)	\$ 75,429	Public communications and city hall overhead costs.
Liquor (Ent)	198,819	City hall overhead costs.
Utility (Ent)	455,349	City hall overhead costs.
Municipal Reserve (IS)	53,057	City hall overhead costs.
<b>Total</b>	<b>\$ 782,654</b>	

- (2) The total transfer to the debt service general obligation fund was provided by the liquor fund (\$346,360) to be applied towards the debt service of the police station completed in 2008.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 13 INTERFUND TRANSFERS (CONTINUED)**

- (3) The total transfer to the debt service G.O. improvement fund was provided by the capital projects improvement construction fund (\$1,644,142) to reduce the future special assessment fee requirements and provide adequate cash flow, and the enterprise utility fund (\$524,794) related to the City improvements projects whereby user fees are pledged towards the improvement bonds debt service requirements.
- (4) The total transfer to the capital projects building fund was provided by the general fund (\$200,000) to finance capital projects.
- (5) The total transfer to the capital projects fund improvement construction of (\$641,354) was provided by the following governmental funds to finance various road construction projects:

<u>From:</u>	<u>Amount</u>
General	\$ 1,179
G.O. Improvement Bonds (DS)	48,228
Tax Increment (DS)	146,707
Municipal state aid (CP)	35,505
Pavement management (CP)	244,142
Storm sewer (CP)	7,447
Tax Increment (CP)	158,146
Total improv. const.	<u>\$ 641,354</u>

- (6) The total transfer to nonmajor governmental funds (\$3,270,987) was provided by the following governmental funds:

<u>From:</u>	<u>Amount</u>	
General fund	\$ 181,957	Communications Fund (SR) for city fiber internet connections
General fund	24,495	Municipal State Aid (CP) for city fiber internet connections
General fund	6,099	TIF (CP) for administrative expenditures
General fund	1,445,000	Equipment (CP) for future equipment acquisitions
Economic development (SR)	9,784	TIF (CP) for administrative expenditures
G.O. Bonds (DS)	39,283	State aid revenue (DS) for debt service requirements
Municipal state aid (CP)	420,679	Municipal State Aid (CP) for debt service requirements
Storm Sewer (CP)	336,101	Municipal State Aid (CP) for road construction projects
Water (CP)	83,389	Municipal State Aid (CP) for road construction projects
Water (CP)	624,200	Water revenue (DS) for debt service requirements
Pavement mgmt (CP)	100,000	Equipment (CP) for future equipment acquisitions
Total other govntl.	<u>\$ 3,270,987</u>	

- (7) The total transfer to the nonmajor governmental funds was provided by the enterprise liquor fund (\$797,661) and the enterprise utility fund (\$147,522) to finance various equipment purchases.
- (8) The total transfer to the enterprise utility fund was provided by the storm sewer capital projects fund (\$20,859) and the enterprise liquor fund (\$2,482) for customer service billing overhead costs.
- (9) The HRA transferred \$809,069 to the liquor fund as part of the refunding of the liquor revenue bonds and purchase of the building and land.

Included within transfers on the Statement of Activities is the City's contributed capital from governmental activities to the enterprise utility fund capital assets of \$4,464,787.

**CITY OF LAKEVILLE  
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**NOTE 14 JOINT POWERS DEBT COMMITMENT**

On August 25, 2005 the City of Lakeville entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county (members). Pursuant to the joint powers agreement, members are required to provide the DCC their pro rata share of cost of operations and maintenance, and capital projects. Information regarding the Dakota Communications Center can be obtained at the website [www.mn-dcc.org/stats.asp](http://www.mn-dcc.org/stats.asp) or by contacting Jerilyn Erickson at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address [jerickson@lakevillemn.gov](mailto:jerickson@lakevillemn.gov).

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

The City provides postemployment insurance benefits to certain eligible employees through the City's Other Post-Employment Benefits Plan, a single-employer defined benefit plan administered by the City. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Postemployment Insurance Benefits - All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy."

This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

**B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the plan:

Annual Required Contribution	\$ 106,653
Interest on Net OPEB Obligation	16,592
Adjustment to Annual Required Contribution	<u>(25,335)</u>
Annual OPEB Cost (Expense)	97,910
Contributions Made	<u>(42,312)</u>
Increase in Net OPEB Obligation	55,598
Net OPEB Obligation - Beginning of Year	<u>474,055</u>
Net OPEB Obligation - End of Year	<u><u>\$ 529,653</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	\$ 97,910	43.2%	\$ 529,653
December 31, 2016	88,359	20.6%	474,055
December 31, 2015	89,904	23.2%	403,941

**D. Funded Status and Funding Progress**

As of January 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$529,653, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$529,653.

The covered payroll (annual payroll of active employees covered by the plan) was \$14,645,426, and the ratio of the UAAL to the covered payroll was 3.62%.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**D. Funded Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5% investment rate of return (net of administrative expenses) based on the City's own investments; a 2017 annual healthcare cost trend rate of 6.5%, and reduced by decrements to an ultimate rate of 5.0% over 6 years. Both rates included a 2.5% inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at January 1, 2017 for the various amortization layers ranged from 24 to 30 years.

**NOTE 16 RISK FINANCING AND RELATED INSURANCE ISSUES**

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. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota Statutes Subd. 466.04) provide limits of liability for the City.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**A. Plan Description**

The City of Lakeville 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.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**B. Benefits Provided (Continued)**

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**C. Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City contributions to the GERF for the year ended December 31, 2017 were \$791,612, which was equal to the required contribution as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2017. The City contributions to the PEPFF for the year ended December 31, 2017 were \$942,349. The City contributions were equal to the required contributions as set by state statute.

**CITY OF LAKEVILLE  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**D. Pension Costs**

1. GERF Pension Costs

At December 31, 2017, the City reported a liability of \$10,118,535 for its proportionate share of the GERF's net pension liability. The city's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund during PERA's fiscal year ending June 30, 2017. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$127,203. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on its respective contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's combined proportion was .1585%, an increase of .0041% from the June 30, 2016 measurement date.

For the year ended December 31, 2017, the City recognized pension expense of \$1,438,159 for its proportionate share of the GERF's pension expense.

At December 31, 2017, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 333,476	\$ 650,950
Changes in Actuarial Assumptions	1,679,896	1,014,384
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	65,352	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	183,588	144,448
City Contributions Subsequent to the Measurement Date	402,769	-
Total	<u>\$ 2,665,081</u>	<u>\$ 1,809,782</u>

A total of \$402,769 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 366,634
2018	649,129
2019	(133,722)
2020	(429,511)
2021	-
Thereafter	-

**CITY OF LAKEVILLE  
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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**D. Pension Costs (Continued)**

2. PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$7,412,153 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .549%, a decrease of .013% from the June 30, 2016 measurement date.

For the year ended December 31, 2017, the City recognized pension expense of \$1,828,096 for its proportionate share of the PEPFF's pension expense. The City also recognized \$49,410 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2017, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 170,611	\$ 1,981,557
Changes in Actuarial Assumptions	9,700,281	10,523,419
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	101,799	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	224,505	260,024
City Contributions Subsequent to the Measurement Date	498,031	-
Total	<u>\$ 10,695,227</u>	<u>\$ 12,765,000</u>

A total of \$498,031 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**D. Pension Costs (Continued)**

2. PEPFF Pension Costs

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 122,364
2018	122,364
2019	(149,349)
2020	(556,817)
2021	(2,106,366)
Thereafter	-

For year ended December 31, 2017, the City recognized total pension expenses of \$3,266,255 for all of the plans in which it participates.

**E. Actuarial Assumptions**

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for GERF through 2044 and PEPFF through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for the Police and Fire plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017 for the General Employees Fund:

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

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2017 for PEPFF:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular as is 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 below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10%
International Equity	19	5.30%
Bonds	19	0.75%
Alternative Assets	20	5.90%
Cash	2	0.00%
Totals	<u>99 %</u>	

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 17 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

<b>GERF PENSION LIABILITY</b>	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Description			
City's Proportionate Share of the GERF Net Pension Liability	\$ 15,694,600	\$ 10,118,535	\$ 5,553,513
<b>PEPFF PENSION LIABILITY</b>			
Description	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 13,959,247	\$ 7,412,153	\$ 2,007,166

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 18 DEFINED CONTRIBUTION PLAN**

Council members of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer.

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member's account annually.

Total contributions made by the City for the last three fiscal years were:

For the Year Ended, December 31,	Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
	Employee	Employer	Employee	Employer	
2017	\$ 2,261	\$ 2,261	5%	5%	5%
2016	1,759	1,759	5%	5%	5%
2015	1,760	1,760	5%	5%	5%

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION**

**A. Plan Description**

Volunteer firefighters of the City of Lakeville Fire Department (the Department) are members of the Lakeville Fire Relief Association (the Association), which administers a single-employer defined benefit plan established to provide benefits for its members. The plan is established and administered in accordance with Minnesota Statute, Chapter 69 and 424, as amended. The Association is governed by a board of six members elected by the members of the Association for three-year terms. One City Council member, Finance Director and Fire Chief are ex officio, nonvoting members of the Board of Trustees. As of December 31, 2016, the plan covered 77 active firefighters and 20 vested terminated firefighters whose pension benefits are deferred.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980). Funds are also derived from investment income.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**B. Benefits Provided**

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60% of the pension as described by the bylaws. This percentage increases 4% per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

**C. Contributions**

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The firefighters have no obligation to contribute to the plan. Nonemployer pension contributions include state aid from the state of Minnesota and municipal contributions from the City. On-behalf of the state payments from the state of Minnesota are received initially by the City and subsequently remitted to the Association. These on-behalf of the state aid payments in addition to the City's municipal contribution payments to the Association plan are recognized as revenues and expenditures in the City's General Fund during the period received.

The state of Minnesota contributed \$351,635 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2017, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2017 were \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

**D. Pension Costs**

At December 31, 2017, the City reported a net pension liability (asset) of (\$3,889,595) for the plan. The net pension liability (asset) was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates, applying an actuarial formula to specific census data certified by the Department as of December 31, 2017.



**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**D. Pension Costs (Continued)**

The following table presents the changes in the net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance - January 1, 2017	\$ 4,678,115	\$ 7,821,651	\$ (3,143,536)
Changes for the year:			
Service cost	231,712	-	231,712
Interest on pension liability (asset)	345,935	-	345,935
Difference between expected and actual economic experience	-	-	-
Changes of assumptions	38,230	-	38,230
Changes of benefit terms	154,012	-	154,012
Contributions (employer)	-	-	-
Contributions (state)	-	351,635	(351,635)
Net investment income	-	1,175,892	(1,175,892)
Benefit payments	(276,622)	(276,622)	-
Administrative costs	-	(11,579)	11,579
Total net changes	<u>493,267</u>	<u>1,239,326</u>	<u>(746,059)</u>
Ending balance - December 31, 2017	<u>\$ 5,171,382</u>	<u>\$ 9,060,977</u>	<u>\$ (3,889,595)</u>

For the year ended December 31, 2017, the City recognized pension expense of \$121,411.

At December 31, 2017, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 283,521	\$ 126,434
Difference between expected and actual experience	-	157,777
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	380,196
City Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 283,521</u>	<u>\$ 664,407</u>

Deferred outflows of resources totaling \$-0- related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ (58,023)
2018	(58,023)
2019	(142,392)
2020	(122,637)
2021	(220)
Thereafter	409

The total pension liability at December 31, 2017 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 7 years of service vested at 52 percent and increased by 4 percent for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 and based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service.

Inflation	2.75% per year
Active Member Payroll Growth	2.75% per year
Investment Rate of Return	7.00%
20-Year Municipal Bond Yield	3.31%

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nomina Rate of Return</u>
Domestic Equity	62.73 %	5.39%	8.14%
International Equity	5.66	5.20%	7.95%
Fixed Income	5.03	1.98%	4.73%
Real Estate and Alternatives	-	4.25%	7.00%
Cash and Equivalents	26.58	0.79%	3.54%
Totals	<u>100.00 %</u>		7.00%

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

**CITY OF LAKEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 19 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**G. Pension Liability Sensitivity**

The following presents the City’s net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Description	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Defined Benefit Plan	\$ (3,726,011)	\$ (3,889,595)	\$ (4,047,214)

**H. Pension Plan Fiduciary Net Position**

The Association issues a publicly available financial report. This report may be obtained by writing to the Lakeville Firefighters’ Relief Association, 20195 Holyoke Avenue, Lakeville, Minnesota, 55044 or by calling (952) 985-4480.

**NOTE 20 DEFERRED COMPENSATION PLAN**

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which permits them to tax defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under provisions of Section 72(p) of the Internal Revenue Code, a plan may permit participant loans once 457 plan assets are held in a trust. As of the current fiscal year, the City’s plan does not have a loan provision for its participants. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan’s trustee under various investment options or a combination thereof. The choice of investment options is made by the participant.

**NOTE 21 LITIGATION**

There are several lawsuits pending in which the City is involved. The City Attorney has indicated that existing and pending lawsuit claims and other actions in which the City is a defendant are either covered by insurance, fully reserved for by the City, or the cases are in the early stages of discovery, and accordingly, the ultimate outcome cannot presently be determined. It is the opinion of City management that in each case the possibility of material loss, net of amounts reserved is remote.

**CITY OF LAKEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 22 CONDUIT DEBT**

On April 7, 2008, the Housing and Redevelopment Authority (HRA) of Lakeville approved the issuance of the Housing and Redevelopment Authority of Lakeville, Minnesota Education Facilities Revenue Note (All Saints School Project), Series 2008. The HRA acted as the conduit for a bank qualified tax-exempt refinancing of existing debt for All Saints School (the School) under the responsibility of All Saints Church (the Church), a religious corporation organized as a nonprofit corporation under the laws of the State of Minnesota. The note funds provided funding for the nonreligious portions of the renovation and equipping of, and construction of additions to the School (serving kindergarten through 8th grade), owned and operated by the Church, and located at 19795 Holyoke Avenue in Lakeville.

The HRA authorized the \$2,000,000 revenue note to provide needed financial assistance to a private-sector entity deemed to be in the public interest. Neither the HRA nor the City is obligated in any circumstance for repayment of this note, and accordingly the note is not reported as a liability in the accompanying financial statements. As of December 31, 2017, \$2,000,000 remains outstanding on this note.

**NOTE 23 TAX ABATEMENT**

The City has two pay-as-you go tax increment financing districts with local businesses to promote economic development within the City. The City agrees pursuant to the authority granted in the TIF Act to abate real estate taxes based on the increased property value from improvements on the owned property. The agreements call for 95% of the property tax increments collected to be returned to the developers. The City will retain 5% for administrative fees for the periods of time specified in each agreement. For the year ended December 31, 2017, the City paid excess tax increment in the amount of \$142,011. No other commitments were made by the City as part of these agreements.

**NOTE 24 COMMITMENT**

On November 2, 2015 and subsequently amended on March 6, 2017 the City entered into an agreement with Dakota County for the engineering, right-of-way acquisition and construction of Kenwood Trail. As part of this agreement, Dakota County will be administering the contract and be acting as the paying agent. Dakota County will be advancing the City up to \$3,000,000 of the City's share of this construction project. The City's advance of up to \$3,000,000 will be due back to Dakota County in three equal installments once Dakota County has provided invoices to the City to support construction costs of this amount. As of December 31, 2017, Dakota County had not invoiced or provided the City a status update and therefore no liability is recorded.

**NOTE 25 SUBSEQUENT EVENTS**

Subsequent to year-end, the City entered into an agreement for the sale of real property to a third party and subsequent lease and improvement agreement in the amount of \$2,370,000.

In addition, subsequent to year-end the City entered into a three-year lease for various communications equipment with total future lease payments of around \$450,000.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUE</b>				
<b>Property Taxes</b>				
General property taxes:				
Current	\$ 15,892,620	\$ 15,892,620	\$ 15,969,830	\$ 77,210
Delinquent	126,156	126,156	224,460	98,304
Fiscal Disparities	2,760,956	2,760,956	2,725,862	(35,094)
Mobile Home Tax	47,825	47,825	45,000	(2,825)
Gravel Tax	6,000	6,000	2,410	(3,590)
	<u>18,833,557</u>	<u>18,833,557</u>	<u>18,967,562</u>	<u>134,005</u>
<b>Total property taxes</b>	<u>18,833,557</u>	<u>18,833,557</u>	<u>18,967,562</u>	<u>134,005</u>
<b>Licenses and permits</b>	<u>2,202,952</u>	<u>2,341,308</u>	<u>3,306,525</u>	<u>965,217</u>
<b>Intergovernmental</b>				
Market value homestead credit	-	-	2,565	2,565
State-aid police	459,200	459,200	450,655	(8,545)
State-aid fire	340,899	340,899	347,635	6,736
State-aid PERA	21,303	21,303	89,750	68,447
State police and fire grants	68,310	68,310	93,517	25,207
State other grants	35,200	52,435	52,435	-
Federal other grants	96,773	96,773	106,617	9,844
	<u>1,021,685</u>	<u>1,038,920</u>	<u>1,143,174</u>	<u>104,254</u>
<b>Total intergovernmental</b>	<u>1,021,685</u>	<u>1,038,920</u>	<u>1,143,174</u>	<u>104,254</u>
<b>Charges for services</b>				
General government	237,718	255,218	318,439	63,221
Public safety	507,018	507,018	541,930	34,912
Public works	1,188,412	1,188,412	1,065,099	(123,313)
Parks and recreation	711,600	757,857	785,160	27,303
	<u>2,644,748</u>	<u>2,708,505</u>	<u>2,710,628</u>	<u>2,123</u>
<b>Total charges for services</b>	<u>2,644,748</u>	<u>2,708,505</u>	<u>2,710,628</u>	<u>2,123</u>
<b>Fines</b>	<u>466,000</u>	<u>466,000</u>	<u>392,514</u>	<u>(73,486)</u>
<b>Investment Income</b>				
Interest Income	90,071	90,071	180,064	89,993
Increase (Decrease in Fair Market Value)	-	-	(63,378)	(63,378)
	<u>90,071</u>	<u>90,071</u>	<u>116,686</u>	<u>26,615</u>
<b>Donations</b>	<u>8,750</u>	<u>30,291</u>	<u>52,209</u>	<u>21,918</u>
<b>Miscellaneous</b>	<u>51,060</u>	<u>51,060</u>	<u>46,741</u>	<u>(4,319)</u>
<b>Total revenues</b>	<u>25,318,823</u>	<u>25,559,712</u>	<u>26,736,039</u>	<u>1,176,327</u>

(continued)



**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
<b>General government</b>				
<b>Mayor and council</b>				
Personnel services	\$ 49,151	\$ 49,151	\$ 49,305	\$ 154
Commodities	50	50	-	(50)
Other charges and services	51,889	51,889	48,331	(3,558)
Total mayor and council	<u>101,090</u>	<u>101,090</u>	<u>97,636</u>	<u>(3,454)</u>
<b>Committees/commissions</b>				
Personnel services	61,412	66,888	69,868	2,980
Commodities	1,530	1,530	2,550	1,020
Other charges and services	12,718	24,742	20,738	(4,004)
Total committees/commissions	<u>75,660</u>	<u>93,160</u>	<u>93,156</u>	<u>(4)</u>
<b>City administration</b>				
Personnel services	404,834	404,834	391,691	(13,143)
Commodities	800	800	811	11
Other charges and services	17,513	17,513	15,443	(2,070)
Total city administration	<u>423,147</u>	<u>423,147</u>	<u>407,945</u>	<u>(15,202)</u>
<b>City clerk</b>				
Personnel services	110,468	110,468	110,217	(251)
Commodities	200	200	215	15
Other charges and services	29,106	29,106	26,108	(2,998)
Total city clerk	<u>139,774</u>	<u>139,774</u>	<u>136,540</u>	<u>(3,234)</u>
<b>Legal counsel</b>				
Other charges and services	<u>57,000</u>	<u>80,000</u>	<u>77,936</u>	<u>(2,064)</u>
<b>Planning</b>				
Personnel services	505,012	505,012	477,105	(27,907)
Commodities	2,731	2,731	1,079	(1,652)
Other charges and services	56,519	56,519	34,833	(21,686)
Total planning	<u>564,262</u>	<u>564,262</u>	<u>513,017</u>	<u>(51,245)</u>
<b>Community and economic development</b>				
Personnel services	284,506	284,506	273,881	(10,625)
Commodities	250	250	242	(8)
Other charges and services	73,516	73,516	36,362	(37,154)
Total community and economic development	<u>358,272</u>	<u>358,272</u>	<u>310,485</u>	<u>(47,787)</u>
<b>Inspections</b>				
Personnel services	830,402	871,402	873,780	2,378
Commodities	12,627	12,627	13,708	1,081
Other charges and services	218,555	290,911	252,948	(37,963)
Capital Outlay	-	25,000	26,536	1,536
Total inspections	<u>1,061,584</u>	<u>1,199,940</u>	<u>1,166,972</u>	<u>(32,968)</u>

(continued)

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>General government (continued)</b>				
<b>General government facilities</b>				
Personnel services	\$ 332,817	\$ 332,817	\$ 325,674	\$ (7,143)
Commodities	24,907	24,907	22,268	(2,639)
Other charges and services	171,887	171,887	164,912	(6,975)
Total general government facilities	<u>529,611</u>	<u>529,611</u>	<u>512,854</u>	<u>(16,757)</u>
<b>Finance</b>				
Personnel services	670,563	670,563	659,046	(11,517)
Commodities	4,229	4,229	2,426	(1,803)
Other charges and services	84,823	84,823	77,000	(7,823)
Total finance	<u>759,615</u>	<u>759,615</u>	<u>738,472</u>	<u>(21,143)</u>
<b>Information systems</b>				
Personnel services	391,170	391,170	371,062	(20,108)
Commodities	6,276	6,276	4,617	(1,659)
Other charges and services	223,296	223,296	165,531	(57,765)
Total information systems	<u>620,742</u>	<u>620,742</u>	<u>541,210</u>	<u>(79,532)</u>
<b>Human resources</b>				
Personnel services	389,063	389,063	364,391	(24,672)
Commodities	1,340	1,340	1,853	513
Other charges and services	130,223	130,223	94,258	(35,965)
Total human resources	<u>520,626</u>	<u>520,626</u>	<u>460,502</u>	<u>(60,124)</u>
<b>Insurance coverage</b>				
Other charges and services	182,180	285,000	285,000	-
Total general government	<u>5,393,563</u>	<u>5,675,239</u>	<u>5,341,725</u>	<u>(333,514)</u>
<b>Public safety</b>				
<b>Police</b>				
Personnel services	8,220,190	8,220,190	8,198,697	(21,493)
Commodities	411,866	411,866	379,387	(32,479)
Other charges and services	1,861,188	1,861,188	1,820,055	(41,133)
Total police	<u>10,493,244</u>	<u>10,493,244</u>	<u>10,398,139</u>	<u>(95,105)</u>
<b>Fire Protection</b>				
Personnel services	1,348,421	1,348,421	1,378,273	29,852
Commodities	155,422	176,963	156,257	(20,706)
Other charges and services	284,927	284,927	282,990	(1,937)
Total fire protection	<u>1,788,770</u>	<u>1,810,311</u>	<u>1,817,520</u>	<u>7,209</u>
Total public safety	<u>12,282,014</u>	<u>12,303,555</u>	<u>12,215,659</u>	<u>(87,896)</u>

(continued)

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>Public Works</b>				
<b>Engineering</b>				
Personnel services	\$ 704,482	\$ 704,482	\$ 679,094	\$ (25,388)
Commodities	8,766	8,766	6,911	(1,855)
Other charges and services	292,149	292,149	116,189	(175,960)
Total engineering	<u>1,005,397</u>	<u>1,005,397</u>	<u>802,194</u>	<u>(203,203)</u>
<b>Operations and maintenance</b>				
Personnel services	614,951	614,951	423,947	(191,004)
Commodities	7,723	7,723	7,293	(430)
Other charges and services	14,318	14,318	12,354	(1,964)
Capital Outlay	27,485	27,485	29,886	2,401
Total operations and maintenance	<u>664,477</u>	<u>664,477</u>	<u>473,480</u>	<u>(190,997)</u>
<b>Street maintenance</b>				
Personnel services	2,011,988	2,011,988	1,876,234	(135,754)
Commodities	912,051	912,051	819,315	(92,736)
Other charges and services	352,444	352,444	299,419	(53,025)
Total street maintenance	<u>3,276,483</u>	<u>3,276,483</u>	<u>2,994,968</u>	<u>(281,515)</u>
Total public works	<u>4,946,357</u>	<u>4,946,357</u>	<u>4,270,642</u>	<u>(675,715)</u>
<b>Parks and recreation</b>				
<b>Park maintenance</b>				
Personnel services	1,785,414	1,785,414	1,742,703	(42,711)
Commodities	277,283	277,283	269,936	(7,347)
Other charges and services	475,478	475,478	455,845	(19,633)
Capital Outlay	3,750	3,750	2,725	(1,025)
Total park maintenance	<u>2,541,925</u>	<u>2,541,925</u>	<u>2,471,209</u>	<u>(70,716)</u>
<b>Recreation</b>				
Personnel services	393,149	375,129	369,112	(6,017)
Commodities	35,483	35,483	31,498	(3,985)
Other charges and services	244,349	244,349	252,833	8,484
Total recreation	<u>672,981</u>	<u>654,961</u>	<u>653,443</u>	<u>(1,518)</u>
<b>Heritage center</b>				
Personnel services	34,274	60,925	57,499	(3,426)
Commodities	12,663	12,663	8,589	(4,074)
Other charges and services	48,885	50,885	48,895	(1,990)
Total heritage center	<u>95,822</u>	<u>124,473</u>	<u>114,983</u>	<u>(9,490)</u>
<b>Arts center</b>				
Personnel services	269,762	269,762	271,929	2,167
Commodities	33,750	34,030	31,073	(2,957)
Other charges and services	189,925	242,506	227,734	(14,772)
Capital Outlay	8,900	8,900	9,143	243
Total arts center	<u>502,337</u>	<u>555,198</u>	<u>539,879</u>	<u>(15,319)</u>
Total parks and recreation	<u>3,813,065</u>	<u>3,876,557</u>	<u>3,779,514</u>	<u>(97,043)</u>
Total expenditures	<u>26,434,999</u>	<u>26,801,708</u>	<u>25,607,540</u>	<u>(1,194,168)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(1,116,176)	(1,241,996)	1,128,499	2,370,495

(continued)

**CITY OF LAKEVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGETARY COMPARISON  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers In From:				
Special Revenue - Communications Fund	\$ 75,429	\$ 75,429	\$ 75,429	\$ -
Enterprise - Liquor Fund	198,819	198,819	198,819	-
Enterprise - Utility Fund	455,349	455,349	455,349	-
Internal Service - Municipal Reserves Fund	53,057	53,057	53,057	-
Transfers Out To:				
Special Revenue - Communications Fund	-	(181,957)	(181,957)	-
Capital Projects - Building Fund	-	(200,000)	(200,000)	-
Capital Projects - Improvement Construction	-	(1,179)	(1,179)	-
Capital Projects - Equipment Fund	(1,145,000)	(1,475,594)	(1,475,594)	-
Total Other Finance Sources (Uses)	<u>(362,346)</u>	<u>(1,076,076)</u>	<u>(1,076,076)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (1,478,522)</u>	<u>\$ (2,318,072)</u>	52,423	<u>\$ 2,370,495</u>
<b>FUND BALANCES</b>				
Beginning of Year			15,076,500	
Change in Supplies - Inventory			<u>140,519</u>	
End of Year			<u>\$ 15,269,442</u>	

**CITY OF LAKEVILLE  
GENERAL FUND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. Upon Council approval the budget is legally adopted and employs formal budgetary integration during the year.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action.
5. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund and total expenditures for the Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items.
6. Budget appropriations of all funds lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

**CITY OF LAKEVILLE  
PERA – GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2017**

**GERF Schedule of the City's Proportionate Share of the Net Pension Liability  
Last Three Fiscal Years\***

	Measurement Date		
	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.1585%	0.1544%	0.1540%
City's Proportionate Share of the Net Pension Liability	\$ 10,118,535	\$ 12,536,514	\$ 7,981,079
State's Proportionate Share of the Net Pension Liability Associated with the City	127,203	-	-
Total	<u>\$ 10,245,738</u>	<u>\$ 12,536,514</u>	<u>\$ 7,981,079</u>
City's Covered Payroll	\$ 10,213,446	\$ 9,572,229	\$ 9,046,858
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.07%	130.97%	88.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%

\* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**GERF Schedule of City Contributions  
Last Three Fiscal Years\***

	Fiscal Year Ended December 31,		
	2017	2016	2015
Statutorily Required Contribution	\$ 791,612	\$ 741,919	\$ 705,189
Contributions in Relation to the Statutorily Required Contribution	(791,612)	(741,919)	(705,189)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 10,554,827	\$ 9,892,253	\$ 9,402,520
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%

\* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten-year trend. Additional years will be reported as they become available.

**CITY OF LAKEVILLE  
PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2017**

**PEPFF Schedule of the City's Proportionate Share of the Net Pension Liability  
Last Three Fiscal Years\***

	Measurement Date		
	6/30/2017	6/30/2016	6/30/2015
City's Proportion of the Net Pension Liability	0.5490%	0.5620%	0.5320%
City's Proportionate Share of the Net Pension Liability	\$ 7,412,153	\$ 22,554,038	\$ 6,044,765
City's Covered Payroll	\$ 5,635,205	\$ 5,423,663	\$ 4,870,941
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.53%	415.85%	124.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	63.90%	86.60%

\* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**PEPFF Schedule of City Contributions  
Last Three Fiscal Years\***

	Fiscal Year Ended December 31,		
	2017	2016	2015
Statutorily Required Contribution	\$ 942,349	\$ 904,571	\$ 845,144
Contributions in Relation to the Statutorily Required Contribution	(942,349)	(904,571)	(845,144)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,816,969	\$ 5,583,772	\$ 5,216,938
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%

\* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten-year trend. Additional years will be reported as they become available.

**CITY OF LAKEVILLE  
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
LAKEVILLE FIRE RELIEF ASSOCIATION  
DECEMBER 31, 2017**

	2017	2016	2015
<b>Total Pension Liability (TPL)</b>			
Service Cost	\$ 231,712	\$ 270,846	\$ 223,785
Interest	345,935	301,640	269,493
Differences Between Expected and Actual Experience	-	(201,242)	-
Changes of Assumptions	38,230	(161,264)	353,037
Changes of Benefit Terms	154,012	186,369	-
Benefit Payments, Including Member Contribution Refunds	(276,622)	(547,241)	(210,816)
Net Change in Total Pension Liability	493,267	(150,892)	635,499
Total Pension Liability - Beginning	4,678,115	4,829,007	4,193,508
Total Pension Liability - Ending (a)	5,171,382	4,678,115	4,829,007
<b>Plan Fiduciary Net Position</b>			
Municipal Contributions	-	-	-
State Contributions	351,635	348,276	338,889
Net Investment Income	1,175,892	551,474	39,474
Benefit Payments, including refunds of member contributions	(276,622)	(547,241)	(210,816)
Administrative Expenses	(11,579)	(9,817)	(11,292)
Other	-	-	(40)
Net Change in Fiduciary Net Position	1,239,326	342,692	156,215
Fiduciary Net Position - Beginning	7,821,651	7,478,959	7,322,744
Fiduciary Net Position - Ending (b)	9,060,977	7,821,651	7,478,959
Ending Net Pension Liability (Asset) (a-b)	\$ (3,889,595)	\$ (3,143,536)	\$ (2,649,952)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	175.21%	167.20%	154.88%
Covered Payroll	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A

\*Ten Years of Data Will Eventually Be Presented When Available

**Schedule of Employer Contributions**

	2017	2016	2015
Statutorily Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -

\*Ten Years of Data Will Eventually Be Presented When Available

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten-year trend. Additional years will be reported as they become available.



**CITY OF LAKEVILLE  
OTHER POSTEMPLOYMENT BENEFIT PLAN – SCHEDULE OF FUNDING PROGRESS  
DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2017	\$ 529,653	\$ -	\$ 529,653	-	\$ 14,645,426	3.62%
January 1, 2014	728,720	-	728,720	-	12,363,168	5.89%
January 1, 2011	588,458	-	588,458	-	11,683,196	5.04%

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds** - These funds are used to account for revenues and expenditures that have a legally restricted or committed use for a specific purpose.

### **Communications Fund**

This fund accounts for franchise fees from cable TV provider operations. Expenditures and other financing uses are used to finance the City's cable TV channels and public communications, including long-term replacement of equipment.

### **Economic Development Fund**

This fund accounts for a \$125,000 Economic Recovery Grant received from the State of Minnesota Department of Trade and Economic Development in 1995. The grant purpose is to provide loans to businesses expanding in or locating to Lakeville. The fund also accounts for administrative fees received from the issuance of conduit debt.

### **Downtown Special Service District Fund**

The Downtown Special Service District was created in 1998 pursuant to Minnesota Statute 428A. A service charge, payable with property taxes, is levied against the commercial properties in the Downtown Business District for the purpose of financing budgeted programs and activities within the District.

**Debt Service Funds** – These funds account for the accumulation of resources that are restricted to the payment of long-term debt principal and interest, but excluding debt issued for and serviced by an enterprise fund.

### **Tax Increment Fund**

Debt issued to finance construction of public improvements in accordance with approved tax increment plans. Property tax increments received from designated tax increment financing districts are pledged to the payment of the bonds.

### **State-aid Revenue Fund**

Debt issued to finance construction of State-aid street projects within the City. The primary revenue source is municipal state aid allotments from the State of Minnesota Department of Transportation.

### **Water Revenue Fund**

Debt issued to finance the construction of wells, pump houses, towers, water main systems, and the City's water treatment facility. Water connection fees are pledged toward the repayment of the principal and interest on these bonds.

### **Arena Revenue Fund**

Debt issued for the construction of the Lakeville Ames Ice Arena first and second sheet of ice, spectator seating and locker rooms. Revenue sources include donations from net operating ice arena revenues and other sources pledged to the payment of the bonds. The Ice Center Refunding Bonds, Series 2008 A and the 2005 Capital Dehumidification Lease-Purchase agreement are general obligations that are backed by the full-faith and credit of the City. The Gross Revenue Recreation Facility Bonds of 1999 are not general obligations and accordingly are not backed by the full-faith and credit of the City.

(continued)

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Debt Service Funds** (continued)

#### **HRA Revenue Fund**

The HRA also issued the HRA Ice Arena Lease Revenue Bonds, Series 2006 for the Hasse single sheet ice arena facility. Debt service will be payable from property taxes and lease payments to be made to the City pursuant to the lease agreement between the Authority and Independent School District 194. These HRA bonds are not general obligations and accordingly are not backed by the full-faith and credit of the City.

**Capital Projects Funds** – These funds account for financial resources used in the acquisition of capital facilities, equipment, and infrastructure (except those financed by enterprise funds).

#### **Municipal State-aid Fund**

This fund accounts for an annual allotment from the State of Minnesota Municipal State-aid street construction account.

#### **Pavement Management Fund**

This fund accounts for pavement management activities relating to cracksealing, patching, seal coating and overlays. These major maintenance projects are financed with property taxes.

#### **Storm Sewer Fund**

This fund accounts for fees and area charges to land developers for construction of storm sewer systems.

#### **Water Fund**

This fund accounts for revenues derived primarily from connection charges collected at the time building permits are issued and antenna site leases with wireless communications companies. Funds are appropriated towards construction costs of water supply lines, wells and water storage facilities, and provide the debt service to bonds issued to finance the construction of the City's water treatment facility and other trunk infrastructure improvements.

#### **Sanitary Sewer Fund**

This fund accounts for sewer connection and area fees charged to land developers for connecting to the City's sanitary sewer system, appropriations are applied to the construction of sanitary sewer trunk systems.

#### **Park Dedication Fund**

This fund accounts for park dedication fees received from land developers. The expenditures consist of acquiring and developing City parks and trails.

#### **Trail Improvement Fund**

This fund accounts for the long-term maintenance, repairs, and replacement of City trails.

#### **Park Improvement Fund**

This fund accounts for the long-term maintenance, repairs, and replacement of City parks.

#### **Tax Increment Fund**

This fund accounts for revenue received from tax increment property districts that does not require debt financing. The expenditures are for current and future development of tax increment property.

#### **Tax Abatement Fund**

This fund accounts for economic development assistance provided to local businesses. The expenditures are for current and future economic development incentives.

#### **Equipment Fund**

This fund accounts for the purchase of equipment for general government, public safety, public works, and park maintenance.

**CITY OF LAKEVILLE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

<b>ASSETS</b>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and investments	\$ 532,853	\$ 4,054,414	\$ 34,482,075	\$ 39,069,342
Investments held by trustee	-	608,581	-	608,581
Receivables:				
Interest receivable	1,310	22,042	149,521	172,873
Special assessments				
Unremitted	-	-	59	59
Delinquent	-	-	355	355
Deferred	-	-	120,379	120,379
Other	-	-	143,666	143,666
Accounts receivable	181,452	47,500	554,987	783,939
Leases receivable	-	2,255,000	-	2,255,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 715,615</u>	<u>\$ 6,987,537</u>	<u>\$ 35,451,042</u>	<u>\$ 43,154,194</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Salaries payable	\$ 14,081	\$ -	\$ -	\$ 14,081
Accounts payable	32,371	-	851,777	884,148
Advances from other funds	-	-	402,686	402,686
Contracts payable	-	-	260,894	260,894
Interest payable	-	2,200	-	2,200
Deposits payable	-	-	98,190	98,190
Unearned revenue	-	-	4,526	4,526
Total Liabilities	<u>46,452</u>	<u>2,200</u>	<u>1,618,073</u>	<u>1,666,725</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	-	-	264,400	264,400
Unavailable revenue - other	-	2,255,000	240,470	2,495,470
Total Deferred Inflows of Resources	<u>-</u>	<u>2,255,000</u>	<u>504,870</u>	<u>2,759,870</u>
 <b>FUND BALANCE</b>				
Restricted	102,606	4,730,337	9,059,062	13,892,005
Committed	566,557	-	24,911,958	25,478,515
Unassigned	-	-	(642,921)	(642,921)
Total Fund Balance	<u>669,163</u>	<u>4,730,337</u>	<u>33,328,099</u>	<u>38,727,599</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 715,615</u>	<u>\$ 6,987,537</u>	<u>\$ 35,451,042</u>	<u>\$ 43,154,194</u>

**CITY OF LAKEVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Special Revenue	Debt Service	Capital Projects	Totals
<b>REVENUE</b>				
Property taxes				
Current and delinquent	\$ -	\$ 293,550	\$ 1,851,417	\$ 2,144,967
Licenses and permits	681,664	-	-	681,664
Special assessments	-	-	75,210	75,210
Tax increment	-	411,366	160,986	572,352
Intergovernmental revenue				
State-aid PERA	516	1,187,082	-	1,187,598
Municipal state-aid	-	-	120,000	120,000
County and local grants	-	-	924,141	924,141
Charges for services	92,101	375,220	6,838,068	7,305,389
Interest income	4,562	52,106	496,922	553,590
Change in fair value of investments	(1,740)	(19,308)	(184,850)	(205,898)
Donations	-	95,000	91,174	186,174
Miscellaneous revenue	-	-	401,680	401,680
Total Revenue	<u>777,103</u>	<u>2,395,016</u>	<u>10,774,748</u>	<u>13,946,867</u>
<b>EXPENDITURES</b>				
Current:				
General government	538,240	-	570,831	1,109,071
Public safety	-	-	560,148	560,148
Public works	-	-	5,545,565	5,545,565
Parks and recreation	-	-	1,454,857	1,454,857
Capital Outlay:				
General government	112,828	2,255,000	-	2,367,828
Debt Service:				
Principal retirement	-	1,975,000	-	1,975,000
Interest on debt	-	808,261	-	808,261
Fiscal charges	-	83,557	-	83,557
Total Expenditures	<u>651,068</u>	<u>5,121,818</u>	<u>8,131,401</u>	<u>13,904,287</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	126,035	(2,726,802)	2,643,347	42,580
<b>OTHER FINANCE SOURCES (USES)</b>				
Issuance of bonds and other debt	-	2,255,000	-	2,255,000
Premium on debt Issued	-	96,558	-	96,558
Proceeds from the sale of capital assets	-	-	516,380	516,380
Transfers in from other funds	238,912	1,871,371	2,105,887	4,216,170
Transfers out to other funds	(85,213)	(955,776)	(2,030,468)	(3,071,457)
Total Other Finance Sources (Uses)	<u>153,699</u>	<u>3,267,153</u>	<u>591,799</u>	<u>4,012,651</u>
<b>NET CHANGE IN FUND BALANCES</b>	279,734	540,351	3,235,146	4,055,231
<b>FUND BALANCES</b>				
Beginning of Year	<u>389,429</u>	<u>4,189,986</u>	<u>30,092,953</u>	<u>34,672,368</u>
End of Year	<u>\$ 669,163</u>	<u>\$ 4,730,337</u>	<u>\$ 33,328,099</u>	<u>\$ 38,727,599</u>

**CITY OF LAKEVILLE  
SPECIAL REVENUE FUNDS (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017**

	<u>Communications</u>	<u>Economic Development</u>	<u>Downtown Special Service District</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 467,103	\$ 31,044	\$ 34,706	\$ 532,853
Interest receivable	1,072	238	-	1,310
Accounts receivable	<u>181,452</u>	<u>-</u>	<u>-</u>	<u>181,452</u>
Total Assets	<u>\$ 649,627</u>	<u>\$ 31,282</u>	<u>\$ 34,706</u>	<u>\$ 715,615</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Salaries payable	\$ 14,081	\$ -	\$ -	\$ 14,081
Accounts payable	<u>32,371</u>	<u>-</u>	<u>-</u>	<u>32,371</u>
Total Liabilities	46,452	-	-	46,452
<b>FUND BALANCE</b>				
Restricted	67,900	-	34,706	102,606
Committed	<u>535,275</u>	<u>31,282</u>	<u>-</u>	<u>566,557</u>
Total Fund Balance	<u>603,175</u>	<u>31,282</u>	<u>34,706</u>	<u>669,163</u>
Total Liabilities and Fund Balance	<u>\$ 649,627</u>	<u>\$ 31,282</u>	<u>\$ 34,706</u>	<u>\$ 715,615</u>

**CITY OF LAKEVILLE  
SPECIAL REVENUE FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2017**

	Communications	Economic Development	Downtown Special Service District	Totals
<b>REVENUE</b>				
Licenses and permits	\$ 681,664	\$ -	\$ -	\$ 681,664
Intergovernmental				
State-aid PERA	516	-	-	516
Charges for services	62,101	2,500	27,500	92,101
Interest income	4,046	516	-	4,562
Change in fair value of investments	(1,543)	(197)	-	(1,740)
Total revenue	<u>746,784</u>	<u>2,819</u>	<u>27,500</u>	<u>777,103</u>
<b>EXPENDITURES</b>				
Current:				
General government	512,960	7,766	17,514	538,240
Capital outlay				
General government	112,828	-	-	112,828
Total expenditures	<u>625,788</u>	<u>7,766</u>	<u>17,514</u>	<u>651,068</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	120,996	(4,947)	9,986	126,035
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers In	238,912	-	-	238,912
Transfers Out	(75,429)	(9,784)	-	(85,213)
Total other finance sources (uses)	<u>163,483</u>	<u>(9,784)</u>	<u>-</u>	<u>153,699</u>
<b>NET CHANGE IN FUND BALANCES</b>	284,479	(14,731)	9,986	279,734
<b>FUND BALANCES</b>				
Beginning of Year	<u>318,696</u>	<u>46,013</u>	<u>24,720</u>	<u>389,429</u>
End of Year	<u>\$ 603,175</u>	<u>\$ 31,282</u>	<u>\$ 34,706</u>	<u>\$ 669,163</u>



**CITY OF LAKEVILLE  
DEBT SERVICE FUNDS (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017**

	<b>Bonds</b>					<b>Total</b>
	<b>Tax Increment</b>	<b>State-aid Revenue</b>	<b>Water Revenue</b>	<b>Arena Revenue</b>	<b>HRA Revenue</b>	
<b>ASSETS</b>						
Cash and Investments	\$ 2,755,198	\$ 736,067	\$ -	\$ 87,374	\$ 475,775	\$ 4,054,414
Investments held by trustee	-	-			608,581	608,581
Interest receivable	16,529	4,519	-	608	386	22,042
Accounts receivable	-	-	-	47,500	-	47,500
Leases Receivable	-	-	-	-	2,255,000	2,255,000
<b>Total Assets</b>	<b><u>\$ 2,771,727</u></b>	<b><u>\$ 740,586</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 135,482</u></b>	<b><u>\$ 3,339,742</u></b>	<b><u>\$ 6,987,537</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Interest payable	\$ 1,550	\$ 650	\$ -	\$ -	\$ -	\$ 2,200
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - leases	-	-	-	-	2,255,000	2,255,000
<b>FUND BALANCE</b>						
Restricted for debt service	<u>2,770,177</u>	<u>739,936</u>	<u>-</u>	<u>135,482</u>	<u>1,084,742</u>	<u>4,730,337</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u>\$ 2,771,727</u></b>	<b><u>\$ 740,586</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 135,482</u></b>	<b><u>\$ 3,339,742</u></b>	<b><u>\$ 6,987,537</u></b>

**CITY OF LAKEVILLE  
DEBT SERVICE FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2017**

	<b>Bonds</b>					<b>Total</b>
	<b>Tax Increment</b>	<b>State-aid Revenue</b>	<b>Water Revenue</b>	<b>Arena Revenue</b>	<b>HRA Revenue</b>	
<b>REVENUE</b>						
Property taxes						
Current and delinquent	\$ -	\$ -	\$ -	\$ -	\$ 293,550	\$ 293,550
Tax increment	411,366	-	-	-	-	411,366
Intergovernmental - State-aid	-	1,187,082	-	-	-	1,187,082
Charges for services	-	-	-	88,626	286,594	375,220
Interest Income	39,575	7,414	(188)	1,800	3,505	52,106
Change in Fair Value of Investments	(15,095)	(2,828)	-	(687)	(698)	(19,308)
Donations	-	-	-	95,000	-	95,000
<b>Total revenues</b>	<b>435,846</b>	<b>1,191,668</b>	<b>(188)</b>	<b>184,739</b>	<b>582,951</b>	<b>2,395,016</b>
<b>EXPENDITURES</b>						
Capital Outlay:						
General Government	-	-	-	-	2,255,000	2,255,000
Debt Service:						
Principal bond maturities	220,000	940,000	340,000	155,000	320,000	1,975,000
Interest on debt	55,160	241,084	284,200	26,305	201,512	808,261
Fiscal charges	4,331	2,040	546	96	76,544	83,557
<b>Total expenditures</b>	<b>279,491</b>	<b>1,183,124</b>	<b>624,746</b>	<b>181,401</b>	<b>2,853,056</b>	<b>5,121,818</b>
<b>DEFICIENCY OF REVENUE UNDER EXPENDITURES</b>	<b>156,355</b>	<b>8,544</b>	<b>(624,934)</b>	<b>3,338</b>	<b>(2,270,105)</b>	<b>(2,726,802)</b>
<b>OTHER FINANCE SOURCES</b>						
Issuance of refunding bonds	-	-	-	-	2,255,000	2,255,000
Premium on bonds issued	-	-	-	-	96,558	96,558
Transfers from (to):						
Debt Service - General Obligation Bonds	-	39,283	-	-	-	39,283
Capital Projects - Improvement Construction	(146,707)	-	-	-	-	(146,707)
Capital Projects - Municipal State-Aid	-	420,679	-	-	-	420,679
Capital Projects - Water Fund	-	-	624,200	-	-	624,200
Enterprise - Liquor Fund	-	-	-	-	787,209	787,209
Enterprise - Liquor Fund	-	-	-	-	(809,069)	(809,069)
<b>Total other finance sources (uses)</b>	<b>(146,707)</b>	<b>459,962</b>	<b>624,200</b>	<b>-</b>	<b>2,329,698</b>	<b>3,267,153</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,648</b>	<b>468,506</b>	<b>(734)</b>	<b>3,338</b>	<b>59,593</b>	<b>540,351</b>
<b>FUND BALANCES</b>						
Beginning of Year	2,760,529	271,430	734	132,144	1,025,149	4,189,986
End of Year	<u>\$ 2,770,177</u>	<u>\$ 739,936</u>	<u>\$ -</u>	<u>\$ 135,482</u>	<u>\$ 1,084,742</u>	<u>\$ 4,730,337</u>

**CITY OF LAKEVILLE  
CAPITAL PROJECTS FUND (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017**

	<u>Municipal State-aid</u>	<u>Pavement Management</u>	<u>Storm Sewer</u>	<u>Water</u>
<b>ASSETS</b>				
Cash and investments	\$ 3,387,906	\$ 1,059,843	\$ 7,139,975	\$ 8,258,756
Interest receivable	20,286	6,163	31,308	24,820
Accounts receivable	310,733	-	240,470	-
Special assessments				
Unremitted	-	-	-	-
Delinquent	-	355	-	-
Deferred	-	3,350	1,153	65,806
Other	-	-	62,092	22,009
	<u>-</u>	<u>-</u>	<u>62,092</u>	<u>22,009</u>
 Total Assets	 <u>\$ 3,718,925</u>	 <u>\$ 1,069,711</u>	 <u>\$ 7,474,998</u>	 <u>\$ 8,371,391</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 568,849	\$ 67,708	\$ 2,412	\$ 103,279
Advances from other funds	-	-	-	-
Contracts payable	-	58,442	-	202,452
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	568,849	126,150	2,412	305,731
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	-	3,705	63,245	87,815
Unavailable revenue - other	-	-	240,470	-
	<u>-</u>	<u>-</u>	<u>240,470</u>	<u>-</u>
Total deferred inflows of resources	-	3,705	303,715	87,815
 <b>FUND BALANCE</b>				
Restricted	3,150,076	-	-	625,785
Committed	-	939,856	7,409,341	7,352,060
Unassigned	-	-	(240,470)	-
	<u>-</u>	<u>-</u>	<u>(240,470)</u>	<u>-</u>
 Total fund balance	 <u>3,150,076</u>	 <u>939,856</u>	 <u>7,168,871</u>	 <u>7,977,845</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 3,718,925</u>	 <u>\$ 1,069,711</u>	 <u>\$ 7,474,998</u>	 <u>\$ 8,371,391</u>

<u>Sanitary Sewer</u>	<u>Park Dedication</u>	<u>Trail Improvement</u>	<u>Park Improvement</u>	<u>Tax Increment</u>	<u>Tax Abatement</u>	<u>Equipment</u>	<u>Totals</u>
\$ 6,977,249	\$ 5,265,023	\$ 346,493	\$ 8,284	\$ 18,817	\$ -	\$ 2,019,729	\$ 34,482,075
29,052	20,676	3,145	628	273	235	12,935	149,521
-	3,000	-	-	-	-	784	554,987
59	-	-	-	-	-	-	59
-	-	-	-	-	-	-	355
50,022	48	-	-	-	-	-	120,379
59,565	-	-	-	-	-	-	143,666
<u>\$ 7,115,947</u>	<u>\$ 5,288,747</u>	<u>\$ 349,638</u>	<u>\$ 8,912</u>	<u>\$ 19,090</u>	<u>\$ 235</u>	<u>\$ 2,033,448</u>	<u>\$ 35,451,042</u>
\$ 23,250	\$ 19,866	\$ -	\$ 70	\$ 196	\$ -	\$ 66,147	\$ 851,777
-	-	-	-	-	402,686	-	402,686
-	-	-	-	-	-	-	260,894
98,190	-	-	-	-	-	-	98,190
-	4,526	-	-	-	-	-	4,526
121,440	24,392	-	70	196	402,686	66,147	1,149,240
109,587	48	-	-	-	-	-	264,400
-	-	-	-	-	-	-	240,470
109,587	48	-	-	-	-	-	504,870
-	5,264,307	-	-	18,894	-	-	9,059,062
6,884,920	-	349,638	8,842	-	-	1,967,301	24,911,958
-	-	-	-	-	(402,451)	-	(642,921)
6,884,920	5,264,307	349,638	8,842	18,894	(402,451)	1,967,301	33,328,099
<u>\$ 7,115,947</u>	<u>\$ 5,288,747</u>	<u>\$ 349,638</u>	<u>\$ 8,912</u>	<u>\$ 19,090</u>	<u>\$ 235</u>	<u>\$ 2,033,448</u>	<u>\$ 35,451,042</u>

**CITY OF LAKEVILLE  
CAPITAL PROJECTS FUNDS (NONMAJOR)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2017**

	<u>Municipal State-aid</u>	<u>Pavement Management</u>	<u>Storm Sewer</u>	<u>Water</u>
<b>REVENUE</b>				
Property taxes				
Current	\$ -	\$ 1,191,550	\$ -	\$ -
Tax increment	-	-	-	-
Intergovernmental				
Municipal state-aid	-	120,000	-	-
County and local grants	919,905	-	4,236	-
Charges for services	262,535	-	1,255,985	3,143,470
Special assessments	-	5,025	217	25,709
Interest income	61,005	16,000	106,044	101,509
Change in fair value of investments	(22,159)	(6,103)	(40,448)	(35,159)
Donations	-	-	-	-
Miscellaneous	-	-	-	358,937
	<u>1,221,286</u>	<u>1,326,472</u>	<u>1,326,034</u>	<u>3,594,466</u>
<b>EXPENDITURES - CAPITAL OUTLAY</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,295,266	1,193,191	356,058	836,001
Parks and recreation	-	-	-	-
	<u>2,295,266</u>	<u>1,193,191</u>	<u>356,058</u>	<u>836,001</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(1,073,980)	133,281	969,976	2,758,465
<b>OTHER FINANCE SOURCES (USES)</b>				
Proceeds from the Sale of Capital Assets	240,635	-	-	-
Transfers from (to):				
General Fund	24,495	-	-	-
Special Revenue - Economic Development Fund	-	-	-	-
Debt Service - State Aid Street Bonds	(420,679)	-	-	-
Debt Service - Water Revenue Bonds	-	-	-	(624,200)
Capital Projects - State Aid Construction	-	-	(336,101)	(83,389)
Capital Projects - Pavement Management Fund	-	-	-	-
Capital Projects - Storm Sewer	336,101	-	-	-
Capital Projects - Water Trunk Fund	83,389	-	-	-
Capital Projects - Improvement Construction	(35,505)	(244,142)	(7,447)	-
Capital Projects - Equipment Fund	-	(100,000)	-	-
Enterprise - Liquor Fund	1,289	-	-	-
Enterprise - Utility Fund	6,446	-	(20,859)	-
	<u>236,171</u>	<u>(344,142)</u>	<u>(364,407)</u>	<u>(707,589)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(837,809)	(210,861)	605,569	2,050,876
<b>FUND BALANCES</b>				
Beginning of Year	<u>3,987,885</u>	<u>1,150,717</u>	<u>6,563,302</u>	<u>5,926,969</u>
End of Year	<u>\$ 3,150,076</u>	<u>\$ 939,856</u>	<u>\$ 7,168,871</u>	<u>\$ 7,977,845</u>

<u>Sanitary Sewer</u>	<u>Park Dedication</u>	<u>Trail Improvement</u>	<u>Park Improvement</u>	<u>Tax Increment</u>	<u>Tax Abatement</u>	<u>Equipment</u>	<u>Totals</u>
\$ -	\$ -	\$ 129,304	\$ 175,000	\$ -	\$ -	\$ 355,563	\$ 1,851,417
-	-	-	-	160,986	-	-	160,986
-	-	-	-	-	-	-	120,000
-	-	-	-	-	-	-	924,141
1,017,356	1,154,433	-	-	4,289	-	-	6,838,068
44,204	55	-	-	-	-	-	75,210
97,020	75,858	7,857	670	591	-	30,368	496,922
(37,006)	(28,934)	(2,997)	(256)	(205)	-	(11,583)	(184,850)
-	87,387	-	-	-	-	3,787	91,174
-	42,743	-	-	-	-	-	401,680
<u>1,121,574</u>	<u>1,331,542</u>	<u>134,164</u>	<u>175,414</u>	<u>165,661</u>	<u>-</u>	<u>378,135</u>	<u>10,774,748</u>
-	-	-	-	167,441	13,124	390,266	570,831
-	-	-	-	-	-	560,148	560,148
36,327	-	-	-	-	-	828,722	5,545,565
-	649,355	330,243	232,817	-	-	242,442	1,454,857
<u>36,327</u>	<u>649,355</u>	<u>330,243</u>	<u>232,817</u>	<u>167,441</u>	<u>13,124</u>	<u>2,021,578</u>	<u>8,131,401</u>
1,085,247	682,187	(196,079)	(57,403)	(1,780)	(13,124)	(1,643,443)	2,643,347
-	-	-	-	-	-	275,745	516,380
-	-	-	-	6,099	-	1,445,000	1,475,594
-	-	-	-	9,784	-	-	9,784
-	-	-	-	-	-	-	(420,679)
-	-	-	-	-	-	-	(624,200)
-	-	-	-	-	-	-	(419,490)
-	-	-	-	-	-	100,000	100,000
-	-	-	-	-	-	-	336,101
-	-	-	-	-	-	-	83,389
-	-	-	-	(158,146)	-	-	(445,240)
-	-	-	-	-	-	-	(100,000)
-	-	-	-	-	-	-	1,289
-	-	-	-	-	-	93,284	78,871
-	-	-	-	(142,263)	-	1,914,029	591,799
1,085,247	682,187	(196,079)	(57,403)	(144,043)	(13,124)	270,586	3,235,146
<u>5,799,673</u>	<u>4,582,120</u>	<u>545,717</u>	<u>66,245</u>	<u>162,937</u>	<u>(389,327)</u>	<u>1,696,715</u>	<u>30,092,953</u>
<u>\$ 6,884,920</u>	<u>\$ 5,264,307</u>	<u>\$ 349,638</u>	<u>\$ 8,842</u>	<u>\$ 18,894</u>	<u>\$ (402,451)</u>	<u>\$ 1,967,301</u>	<u>\$ 33,328,099</u>

**CITY OF LAKEVILLE  
COMMUNICATIONS – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Licenses and permits	\$ 676,131	\$ 676,131	\$ 681,664	\$ 5,533
Intergovernmental				
State-aid PERA	516	516	516	-
Charges for services	61,296	61,296	62,101	805
Interest income	3,497	3,497	4,046	549
Change in fair value of investments	-	-	(1,543)	(1,543)
	<u>741,440</u>	<u>741,440</u>	<u>746,784</u>	<u>5,344</u>
Total revenues				
<b>Expenditures - General Government</b>				
Current:				
Personnel	358,759	358,759	368,636	9,877
Commodities	6,260	6,260	8,749	2,489
Other charges and services	156,544	441,534	135,575	(305,959)
Capital outlay	107,579	107,579	112,828	5,249
	<u>629,142</u>	<u>914,132</u>	<u>625,788</u>	<u>(288,344)</u>
Total expenditures - general government				
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>112,298</u>	<u>(172,692)</u>	<u>120,996</u>	<u>293,688</u>
<b>Other financing sources</b>				
Transfers in from:				
General Fund	-	181,957	181,957	-
Liquor Funds	-	9,163	9,163	-
Utility Funds	-	47,752	47,792	40
Transfers out to:				
General Fund	(75,429)	(75,429)	(75,429)	-
Capital Projects Funds	(40,000)	(40,000)	-	40,000
	<u>(115,429)</u>	<u>123,443</u>	<u>163,483</u>	<u>40,040</u>
Total other finance sources (uses)				
<b>Net change in fund balance</b>	<u>\$ (3,131)</u>	<u>\$ (49,249)</u>	284,479	<u>\$ 333,728</u>
<b>Fund balance</b>				
Beginning of year			<u>318,696</u>	
End of year			<u>\$ 603,175</u>	

**CITY OF LAKEVILLE  
ECONOMIC DEVELOPMENT – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Interest income	205	205	516	311
Change in fair value of investments	-	-	(197)	(197)
	<u>2,705</u>	<u>2,705</u>	<u>2,819</u>	<u>114</u>
<b>Expenditures - General Government</b>				
Current:				
Other charges and services	<u>12,500</u>	<u>12,500</u>	<u>7,766</u>	<u>(4,734)</u>
<b>Other financing uses</b>				
Transfers to:				
Capital Projects - Construction Fund	<u>-</u>	<u>(9,784)</u>	<u>(9,784)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (9,795)</u>	<u>\$ (9,795)</u>	<u>(14,731)</u>	<u>\$ (4,936)</u>
<b>Fund balance</b>				
Beginning of year			<u>46,013</u>	
End of year			<u>\$ 31,282</u>	



**CITY OF LAKEVILLE  
DOWNTOWN SPECIAL SERVICE DISTRICT – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 13,750	\$ 13,750	\$ 27,500	\$ 13,750
<b>Expenditures - General Government</b>				
Current:				
Personnel	-	-	9,697	9,697
Commodities	-	-	42	42
Other charges and services	<u>32,680</u>	<u>32,680</u>	<u>7,775</u>	<u>(24,905)</u>
Total expenditures - general government	<u>32,680</u>	<u>32,680</u>	<u>17,514</u>	<u>(15,166)</u>
Net change in fund balance	<u>\$ (18,930)</u>	<u>\$ (18,930)</u>	9,986	<u>\$ 28,916</u>
<b>Fund balance</b>				
Beginning of year			<u>24,720</u>	
End of year			<u>\$ 34,706</u>	

## **AGENCY FUNDS**

**Agency Fund** – The Agency Fund is used to account for assets held by the City as an agent for other City funds, governments, and individuals.

### **Escrow Fund**

This fund accounts for deposits paid by land developers, builders, and other individuals for future disbursements. The disbursements relating to these events will be made when specific terms and conditions have been satisfied.

**CITY OF LAKEVILLE  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 YEAR ENDED DECEMBER 31, 2017**

	Escrow			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>ASSETS</b>				
Cash and Investments	\$ 8,689,382	\$ 2,902,253	\$ 1,826,933	\$ 9,764,702
<b>LIABILITIES</b>				
Deposits Payable	\$ 8,688,842	\$ 2,902,793	\$ 1,828,895	\$ 9,762,740
Accounts Payable	540	1,962	540	1,962
Total Liabilities	\$ 8,689,382	\$ 2,904,755	\$ 1,829,435	\$ 9,764,702

**SUPPLEMENTARY INFORMATION**

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**CITY OF LAKEVILLE**  
**SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS**  
**YEAR ENDED DECEMBER 31, 2017**

	Outstanding January 1	Issued	Redeemed	Outstanding December 31
<b>Governmental Activities:</b>				
General obligation bonds	\$ 50,705,000	\$ 1,530,000	\$ 13,380,000	\$ 38,855,000
G.O. improvement bonds	47,470,000	7,465,000	2,715,000	52,220,000
Tax increment bonds	1,460,000	-	220,000	1,240,000
State-aid street revenue bonds	7,145,000	-	940,000	6,205,000
G.O. water revenue bonds	8,280,000	-	340,000	7,940,000
Arena revenue bonds	490,000	-	155,000	335,000
HRA lease revenue bonds	7,115,000	-	320,000	6,795,000
Total governmental activity bonds	<u>122,665,000</u>	<u>8,995,000</u>	<u>18,070,000</u>	<u>113,590,000</u>
<b>Business-type Activities:</b>				
Liquor revenue bonds	2,715,000	2,255,000	2,715,000	2,255,000
Water revenue bonds	6,075,000	835,000	-	6,910,000
Sewer revenue bonds	495,000	-	-	495,000
Street light revenue bonds	-	335,000	-	335,000
Total business-type activity bonds	<u>9,285,000</u>	<u>3,425,000</u>	<u>2,715,000</u>	<u>9,995,000</u>
Total bonded indebtedness	<u>\$ 131,950,000</u>	<u>\$ 12,420,000</u>	<u>\$ 20,785,000</u>	<u>\$ 123,585,000</u>

**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>General Obligation Bonds:</b>					
<b>Capital Improvement Refunding Bonds of 2012 B</b>					
(Central Maintenance Facility)	8/15/12				
Principal and interest		4.00	2/1/18	\$ 570,000	\$ 366,750
Principal and interest		4.00	2/1/19	635,000	342,650
Principal and interest		4.00	2/1/20	670,000	316,550
Principal and interest		4.00	2/1/21	750,000	288,150
Principal and interest (call provision date)		3.00	2/1/22	770,000	261,600
Principal and interest		3.00	2/1/23	810,000	237,900
Principal and interest		3.00	2/1/24	865,000	212,775
Principal and interest		3.00	2/1/25	930,000	185,850
Principal and interest		3.00	2/1/26	1,040,000	156,300
Principal and interest		3.00	2/1/27	1,070,000	124,650
Principal and interest		3.00	2/1/28	1,125,000	91,725
Principal and interest		3.00	2/1/29	1,200,000	56,850
Principal and interest		3.00	2/1/30	1,295,000	19,425
Total				<u>11,730,000</u>	<u>2,661,175</u>
<b>Capital Improvement Refunding Bonds of 2014 B</b>					
	8/20/14				
Principal and interest		5.00	2/1/18	555,000	429,988
Principal and interest		5.00	2/1/19	580,000	401,613
Principal and interest		5.00	2/1/20	605,000	371,988
Principal and interest		1.75	2/1/21	635,000	351,306
Principal and interest		5.00	2/1/22	640,000	329,750
Principal and interest		5.00	2/1/23	670,000	297,000
Principal and interest (call provision date)		5.00	2/1/24	700,000	262,750
Principal and interest		4.00	2/1/25	735,000	230,550
Principal and interest		4.00	2/1/26	765,000	200,550
Principal and interest		4.00	2/1/27	790,000	169,450
Principal and interest		4.00	2/1/28	815,000	139,388
Principal and interest		3.50	2/1/29	845,000	110,338
Principal and interest		3.50	2/1/30	875,000	80,238
Principal and interest		3.50	2/1/31	910,000	49,000
Principal and interest		3.50	2/1/32	945,000	16,538
Total				<u>11,065,000</u>	<u>3,440,447</u>
<b>Street Reconstruction Refunding Bonds of 2012 B</b>					
	8/15/12				
Principal and interest		4.00	2/1/18	730,000	245,950
Principal and interest		4.00	2/1/19	765,000	216,050
Principal and interest		4.00	2/1/20	805,000	184,650
Principal and interest		4.00	2/1/21	835,000	151,850
Principal and interest (call provision date)		3.00	2/1/22	850,000	122,400
Principal and interest		3.00	2/1/23	880,000	96,450
Principal and interest		3.00	2/1/24	905,000	69,675
Principal and interest		3.00	2/1/25	935,000	42,075
Principal and interest		3.00	2/1/26	935,000	14,025
Total				<u>7,640,000</u>	<u>1,143,125</u>

(continued)

**CITY OF LAKEVILLE  
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE  
DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>General Obligation Bonds (continued):</b>					
<b>Street Reconstruction Refunding Bonds of 2014 B</b>					
	8/20/14				
Principal and interest		5.00	2/1/18	135,000	60,988
Principal and interest		5.00	2/1/19	140,000	54,113
Principal and interest		5.00	2/1/20	145,000	46,988
Principal and interest		1.75	2/1/21	155,000	42,006
Principal and interest		5.00	2/1/22	160,000	36,650
Principal and interest		5.00	2/1/23	170,000	28,400
Principal and interest (call provision date)		5.00	2/1/24	175,000	19,775
Principal and interest		4.00	2/1/25	190,000	11,600
Principal and interest		4.00	2/1/26	195,000	3,900
Total				<u>1,465,000</u>	<u>304,420</u>
<b>Street Reconstruction Refunding Bonds of 2007 H</b>					
	12/15/07				
Principal and interest (call provision date)		4.00	2/1/18	1,880,000	40,123
Total				<u>1,880,000</u>	<u>40,123</u>
<b>Taxable Street Reconstruction Bonds of 2009 A</b>					
	12/30/09				
(Build America Bonds)					
Principal and interest		4.25	2/1/18	225,000	179,696
Principal and interest		4.50	2/1/19	230,000	169,740
Principal and interest (call provision date)		4.65	2/1/20	235,000	159,101
Principal and interest		4.75	2/1/21	245,000	147,819
Principal and interest		4.90	2/1/22	250,000	135,875
Principal and interest		5.00	2/1/23	260,000	123,250
Principal and interest		5.20	2/1/24	270,000	109,730
Principal and interest		5.30	2/1/25	280,000	95,290
Principal and interest		5.40	2/1/26	290,000	80,040
Principal and interest		5.50	2/1/27	300,000	63,960
Principal and interest		5.65	2/1/28	310,000	46,953
Principal and interest		5.80	2/1/29	320,000	28,915
Principal and interest		5.95	2/1/30	330,000	9,818
Total				<u>3,545,000</u>	<u>1,350,187</u>
<b>Street Reconstruction Bonds of 2017 A</b>					
	9/8/2017				
Principal and interest		5.00	2/1/18	-	62,100
Principal and interest		5.00	2/1/19	100,000	66,500
Principal and interest		5.00	2/1/20	130,000	60,750
Principal and interest		5.00	2/1/21	135,000	54,125
Principal and interest		5.00	2/1/22	140,000	47,250
Principal and interest		5.00	2/1/23	150,000	40,000
Principal and interest		5.00	2/1/24	155,000	32,375
Principal and interest		5.00	2/1/25	170,000	24,250
Principal and interest (call provision date)		5.00	2/1/26	175,000	15,625
Principal and interest		3.00	2/1/27	185,000	8,475
Principal and interest		3.00	2/1/28	190,000	2,850
Total				<u>1,530,000</u>	<u>414,300</u>
<b>Total General Obligation Bonds</b>				<b><u>\$ 38,855,000</u></b>	<b><u>\$ 9,353,777</u></b>

(continued)



**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>G.O. Improvement Bonds:</b>					
<b>Improvement Bonds of 2007 F</b>					
Principal and interest	8/1/07	4.125	2/1/18	\$ 50,000	\$ 1,031
Total				<u>50,000</u>	<u>1,031</u>
<b>Improvement Bonds of 2008 A</b>					
Principal and interest	10/1/08	3.75	2/1/18	30,000	1,688
Principal and interest		3.75	2/1/19	30,000	563
Total				<u>60,000</u>	<u>2,251</u>
<b>Improvement Refunding Bonds of 2009 B</b>					
Principal and interest	12/30/09	3.00	2/1/18	355,000	20,775
Principal and interest		3.00	2/1/19	360,000	10,050
Principal and interest		3.00	2/1/20	155,000	2,325
Total				<u>870,000</u>	<u>33,150</u>
<b>Improvement Bonds of 2011 A</b>					
Principal and interest	12/1/11	1.70	2/1/18	190,000	29,383
Principal and interest		1.90	2/1/19	190,000	25,963
Principal and interest		2.10	2/1/20	190,000	22,163
Principal and interest (call provision date)		2.25	2/1/21	195,000	17,974
Principal and interest		2.60	2/1/22	50,000	15,130
Principal and interest		2.60	2/1/23	50,000	13,830
Principal and interest		3.10	2/1/24	50,000	12,530
Principal and interest		3.10	2/1/25	45,000	11,183
Principal and interest		3.10	2/1/26	45,000	9,788
Principal and interest		3.10	2/1/27	45,000	8,393
Principal and interest		3.50	2/1/28	45,000	6,998
Principal and interest		3.50	2/1/29	45,000	5,513
Principal and interest		3.50	2/1/30	45,000	3,938
Principal and interest		3.50	2/1/31	45,000	2,363
Principal and interest		3.50	2/1/32	45,000	788
Total				<u>1,275,000</u>	<u>185,937</u>
<b>Improvement Bonds of 2012 A</b>					
Principal and interest	8/15/12	2.00	2/1/18	550,000	135,575
Principal and interest		3.00	2/1/19	550,000	121,825
Principal and interest		3.00	2/1/20	555,000	105,250
Principal and interest		3.00	2/1/21	565,000	88,450
Principal and interest (call provision date)		3.00	2/1/22	565,000	71,500
Principal and interest		4.00	2/1/23	575,000	51,525
Principal and interest		4.00	2/1/24	135,000	37,325
Principal and interest		3.00	2/1/25	130,000	32,675
Principal and interest		3.00	2/1/26	130,000	28,775
Principal and interest		3.00	2/1/27	130,000	24,875
Principal and interest		3.00	2/1/28	130,000	20,975
Principal and interest		3.00	2/1/29	130,000	17,075
Principal and interest		3.00	2/1/30	125,000	13,250
Principal and interest		3.00	2/1/31	125,000	9,500
Principal and interest		3.00	2/1/32	125,000	5,750
Principal and interest		3.10	2/1/33	125,000	1,938
Total				<u>4,645,000</u>	<u>766,263</u>

(continued)

**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>G.O. Improvement Bonds (continued):</b>					
<b>Improvement Bonds of 2013 A</b>					
	8/15/13				
Principal and interest		2.00	2/1/18	365,000	96,600
Principal and interest		2.00	2/1/19	370,000	89,250
Principal and interest		2.00	2/1/20	375,000	81,800
Principal and interest		2.25	2/1/21	380,000	73,775
Principal and interest		2.50	2/1/22	380,000	64,750
Principal and interest (call provision date)		2.75	2/1/23	385,000	54,706
Principal and interest		2.75	2/1/24	395,000	43,981
Principal and interest		3.50	2/1/25	100,000	36,800
Principal and interest		3.50	2/1/26	100,000	33,300
Principal and interest		3.50	2/1/27	100,000	29,800
Principal and interest		3.75	2/1/28	100,000	26,175
Principal and interest		3.75	2/1/29	100,000	22,425
Principal and interest		3.75	2/1/30	100,000	18,675
Principal and interest		4.00	2/1/31	105,000	14,700
Principal and interest		4.00	2/1/32	105,000	10,500
Principal and interest		4.00	2/1/33	105,000	6,300
Principal and interest		4.00	2/1/34	105,000	2,100
Total				3,670,000	705,637
<b>Improvement Bonds of 2014 A</b>					
	8/20/14				
Principal and interest		2.00	2/1/18	695,000	229,975
Principal and interest		2.00	2/1/19	705,000	215,975
Principal and interest		3.00	2/1/20	710,000	198,275
Principal and interest		3.00	2/1/21	730,000	176,675
Principal and interest		4.00	2/1/22	745,000	150,825
Principal and interest		4.00	2/1/23	775,000	120,425
Principal and interest (call provision date)		4.00	2/1/24	800,000	88,925
Principal and interest		4.00	2/1/25	825,000	56,425
Principal and interest		3.00	2/1/26	120,000	38,125
Principal and interest		3.00	2/1/27	120,000	34,525
Principal and interest		3.50	2/1/28	120,000	30,625
Principal and interest		3.50	2/1/29	120,000	26,425
Principal and interest		3.50	2/1/30	120,000	22,225
Principal and interest		3.50	2/1/31	115,000	18,113
Principal and interest		3.50	2/1/32	115,000	14,088
Principal and interest		3.50	2/1/33	115,000	10,063
Principal and interest		3.50	2/1/34	115,000	6,038
Principal and interest		3.50	2/1/35	115,000	2,013
Total				7,160,000	1,439,740

(continued)

**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>G.O. Improvement Bonds (continued):</b>					
<b>Improvement Bonds of 2015 A</b>					
	8/20/15				
Principal and interest		5.00	2/1/18	490,000	411,063
Principal and interest		1.75	2/1/19	510,000	394,350
Principal and interest		1.75	2/1/20	505,000	385,469
Principal and interest		5.00	2/1/21	510,000	368,300
Principal and interest		5.00	2/1/22	530,000	342,300
Principal and interest		5.00	2/1/23	545,000	315,425
Principal and interest		2.50	2/1/24	570,000	294,675
Principal and interest (call provision date)		5.00	2/1/25	580,000	273,050
Principal and interest		5.00	2/1/26	605,000	243,425
Principal and interest		4.00	2/1/27	580,000	216,700
Principal and interest		4.00	2/1/28	590,000	193,300
Principal and interest		3.00	2/1/29	610,000	172,350
Principal and interest		3.13	2/1/30	630,000	153,356
Principal and interest		3.25	2/1/31	640,000	133,113
Principal and interest		3.38	2/1/32	655,000	111,659
Principal and interest		3.38	2/1/33	675,000	89,216
Principal and interest		3.50	2/1/34	690,000	65,750
Principal and interest		3.50	2/1/35	705,000	41,338
Principal and interest		4.00	2/1/36	725,000	14,500
Total				<u>11,345,000</u>	<u>4,219,339</u>
<b>Improvement Bonds of 2016 B</b>					
	7/21/16				
Principal and interest		5.00	2/1/18	535,000	511,969
Principal and interest		5.00	2/1/19	640,000	482,594
Principal and interest		5.00	2/1/20	825,000	445,969
Principal and interest		1.50	2/1/21	855,000	418,931
Principal and interest		2.00	2/1/22	855,000	403,969
Principal and interest		5.00	2/1/23	860,000	373,919
Principal and interest		5.00	2/1/24	890,000	330,169
Principal and interest (call provision date)		5.00	2/1/25	920,000	284,919
Principal and interest		3.00	2/1/26	950,000	247,669
Principal and interest		2.00	2/1/27	970,000	223,719
Principal and interest		2.00	2/1/28	970,000	204,319
Principal and interest		3.00	2/1/29	980,000	179,919
Principal and interest		3.00	2/1/30	995,000	150,294
Principal and interest		3.00	2/1/31	1,010,000	120,219
Principal and interest		3.00	2/1/32	1,035,000	89,544
Principal and interest		3.00	2/1/33	1,045,000	58,344
Principal and interest		3.13	2/1/34	570,000	33,762
Principal and interest		3.13	2/1/35	265,000	20,715
Principal and interest		3.25	2/1/36	255,000	12,431
Principal and interest		3.25	2/1/37	255,000	4,144
Total				<u>15,680,000</u>	<u>4,597,518</u>

(continued)

**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>G.O. Improvement Bonds (continued):</b>					
<b>Improvement Bonds of 2017 A</b>					
	9/7/17				
Principal and interest		5.00	2/1/18	-	291,313
Principal and interest		5.00	2/1/19	435,000	312,806
Principal and interest		5.00	2/1/20	580,000	287,431
Principal and interest		5.00	2/1/21	600,000	257,931
Principal and interest		5.00	2/1/22	625,000	227,306
Principal and interest		5.00	2/1/23	645,000	195,556
Principal and interest		5.00	2/1/24	670,000	162,681
Principal and interest		5.00	2/1/25	695,000	128,556
Principal and interest (call provision date)		5.00	2/1/26	720,000	93,181
Principal and interest		3.00	2/1/27	745,000	64,006
Principal and interest		3.00	2/1/28	765,000	41,356
Principal and interest		3.00	2/1/29	110,000	28,231
Principal and interest		3.00	2/1/30	110,000	24,931
Principal and interest		3.00	2/1/31	105,000	21,706
Principal and interest		3.00	2/1/32	105,000	18,556
Principal and interest		3.00	2/1/33	100,000	15,481
Principal and interest		3.00	2/1/34	95,000	12,556
Principal and interest		3.00	2/1/35	95,000	9,706
Principal and interest		3.125	2/1/36	90,000	6,875
Principal and interest		3.125	2/1/37	90,000	4,063
Total		3.125	2/1/38	<u>85,000</u>	<u>1,328</u>
				<u>7,465,000</u>	<u>2,205,556</u>
<b>Total G.O. Improvement Bonds</b>				<b><u>\$ 52,220,000</u></b>	<b><u>\$ 14,156,422</u></b>
<b>State-aid Street Revenue Bonds:</b>					
<b>State-aid Street Bonds of 2007 G</b>					
	12/15/07				
Principal and interest		4.00	4/1/18	<u>\$ 440,000</u>	<u>\$ 8,800</u>
Total				<u>440,000</u>	<u>8,800</u>
<b>State-aid Street Refunding Bonds of 2010 A</b>					
	1/1/10				
Principal and interest		3.00	4/1/18	285,000	26,225
Principal and interest		3.25	4/1/19	300,000	17,075
Principal and interest		4.00	4/1/20	305,000	6,100
Total				<u>890,000</u>	<u>49,400</u>
<b>State-aid Street Refunding Bonds of 2011 B</b>					
	12/1/11				
Principal and interest		1.75	4/1/18	75,000	5,301
Principal and interest		1.75	4/1/19	75,000	3,989
Principal and interest		2.15	4/1/20	75,000	2,526
Principal and interest		2.15	4/1/21	80,000	860
Total				<u>305,000</u>	<u>12,676</u>

(continued)

**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>State-aid Street Revenue Bonds (continued):</b>					
<b>State-aid Street Bonds of 2015 A</b>					
	8/20/15				
Principal and interest		5.00	4/1/18	170,000	165,606
Principal and interest		1.75	4/1/19	175,000	159,825
Principal and interest		1.75	4/1/20	180,000	156,719
Principal and interest		5.00	4/1/21	185,000	150,519
Principal and interest		5.00	4/1/22	190,000	141,144
Principal and interest		5.00	4/1/23	200,000	131,394
Principal and interest		2.50	4/1/24	210,000	123,769
Principal and interest (call provision date)		5.00	4/1/25	215,000	115,769
Principal and interest		5.00	4/1/26	230,000	104,644
Principal and interest		4.00	4/1/27	240,000	94,094
Principal and interest		4.00	4/1/28	250,000	84,294
Principal and interest		3.00	4/1/29	260,000	75,394
Principal and interest		3.13	4/1/30	265,000	67,353
Principal and interest		3.25	4/1/31	275,000	58,744
Principal and interest		3.38	4/1/32	285,000	49,466
Principal and interest		3.38	4/1/33	295,000	39,678
Principal and interest		3.50	4/1/34	305,000	29,363
Principal and interest		3.50	4/1/35	315,000	18,513
Principal and interest		4.00	4/1/36	325,000	6,500
Total				<u>4,570,000</u>	<u>1,772,788</u>
<b>Total State-aid Street Revenue Bonds</b>				<b><u>\$ 6,205,000</u></b>	<b><u>\$ 1,843,664</u></b>
<b>Arena Revenue Bonds:</b>					
<b>Gross Revenue Recreation Facility Bonds of 1999</b>					
(Ames Ice Arena)					
	4/1/99				
Principal and interest		5.40	8/1/18	\$ 165,000	\$ 18,090
Principal and interest		5.40	8/1/19	170,000	9,180
Total				<u>335,000</u>	<u>27,270</u>
<b>Total Arena Revenue Bonds</b>				<b><u>\$ 335,000</u></b>	<b><u>\$ 27,270</u></b>

(continued)

**CITY OF LAKEVILLE**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>HRA Lease Revenue Bonds:</b>					
<b>HRA Ice Arena Lease Revenue Refunding Bonds of 2016</b>					
	9/22/16				
Principal and interest		2.00	2/1/18	\$ 355,000	\$ 228,550
Principal and interest		3.00	2/1/19	360,000	219,600
Principal and interest		3.00	2/1/20	370,000	208,650
Principal and interest		3.00	2/1/21	385,000	197,325
Principal and interest		3.00	2/1/22	405,000	185,475
Principal and interest		3.00	2/1/23	420,000	173,100
Principal and interest		3.00	2/1/24	425,000	160,425
Principal and interest		3.00	2/1/25	440,000	147,450
Principal and interest (call provision date)		3.00	2/1/26	455,000	134,025
Principal and interest		4.00	2/1/27	475,000	117,700
Principal and interest		4.00	2/1/28	490,000	98,400
Principal and interest		4.00	2/1/29	515,000	78,300
Principal and interest		4.00	2/1/30	540,000	57,200
Principal and interest		4.00	2/1/31	565,000	35,100
Principal and interest		4.00	2/1/32	595,000	11,900
Total				<u>6,795,000</u>	<u>2,053,200</u>
<b>Total HRA Lease Revenue Bonds</b>				<b><u>\$ 6,795,000</u></b>	<b><u>\$ 2,053,200</u></b>
<b>G.O. Water Revenue Bonds:</b>					
<b>G.O. Water Revenue Bonds of 2016 A</b>					
	2/25/16				
Principal and interest		5.00	2/1/18	\$ 345,000	\$ 267,075
Principal and interest		5.00	2/1/19	365,000	249,325
Principal and interest		5.00	2/1/20	380,000	230,700
Principal and interest		5.00	2/1/21	400,000	211,200
Principal and interest		5.00	2/1/22	420,000	190,700
Principal and interest		5.00	2/1/23	440,000	169,200
Principal and interest (call provision date)		5.00	2/1/24	465,000	146,575
Principal and interest		5.00	2/1/25	490,000	130,050
Principal and interest		2.00	2/1/26	495,000	120,200
Principal and interest		2.00	2/1/27	475,000	110,500
Principal and interest		2.125	2/1/28	480,000	100,650
Principal and interest		3.00	2/1/29	495,000	88,125
Principal and interest		3.00	2/1/30	505,000	73,125
Principal and interest		3.00	2/1/31	520,000	57,750
Principal and interest		3.00	2/1/32	540,000	41,850
Principal and interest		3.00	2/1/33	555,000	25,425
Principal and interest		3.00	2/1/34	570,000	8,550
Total				<u>7,940,000</u>	<u>2,221,000</u>
<b>Total Water Revenue Bonds</b>				<b><u>\$ 7,940,000</u></b>	<b><u>\$ 2,221,000</u></b>
<b>Tax Increment Refunding Bonds of 2007 A</b>					
Principal and interest		4.00	2/1/18	\$ 230,000	\$ 46,161
Principal and interest		4.00	2/1/19	240,000	36,761
Principal and interest		4.125	2/1/20	245,000	26,908
Principal and interest		4.125	2/1/21	260,000	16,493
Principal and interest		4.20	2/1/22	265,000	5,565
Total Tax Increment Bonds				<u>1,240,000</u>	<u>131,888</u>
<b>Total Governmental Activity Bonds</b>				<b><u>\$ 113,590,000</u></b>	<b><u>\$ 29,787,221</u></b>

(continued)

**CITY OF LAKEVILLE  
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE  
DECEMBER 31, 2017**

	Issue Date	Interest Rate	Principal Maturity		Annual Interest
			Date	Amount	
<b>Business-Type Activity Bonds:</b>					
<b>Water Revenue Bonds of 2016 B</b>					
	7/21/16				
Principal and interest		5.00	2/1/18	\$ 325,000	\$ 203,838
Principal and interest		5.00	2/1/19	340,000	187,213
Principal and interest		5.00	2/1/20	365,000	169,588
Principal and interest		5.00	2/1/21	380,000	157,613
Principal and interest		5.00	2/1/22	385,000	150,913
Principal and interest		5.00	2/1/23	390,000	137,313
Principal and interest		5.00	2/1/24	410,000	117,313
Principal and interest (call provision date)		5.00	2/1/25	430,000	96,313
Principal and interest		5.00	2/1/26	450,000	78,813
Principal and interest		5.00	2/1/27	310,000	68,963
Principal and interest		5.00	2/1/28	315,000	62,713
Principal and interest		5.00	2/1/29	325,000	54,688
Principal and interest		5.00	2/1/30	335,000	44,788
Principal and interest		5.00	2/1/31	345,000	34,588
Principal and interest		5.00	2/1/32	355,000	24,088
Principal and interest		5.00	2/1/33	365,000	13,288
Principal and interest		5.00	2/1/34	250,000	3,906
Total				<u>6,075,000</u>	<u>1,605,939</u>
<b>Sewer Revenue Bonds of 2016 B</b>					
	7/21/16				
Principal and interest		5.00	2/1/18	55,000	19,325
Principal and interest		5.00	2/1/19	55,000	16,575
Principal and interest		5.00	2/1/20	60,000	13,700
Principal and interest		5.00	2/1/21	60,000	11,750
Principal and interest		5.00	2/1/22	65,000	10,650
Principal and interest		5.00	2/1/23	65,000	8,375
Principal and interest		5.00	2/1/24	65,000	5,125
Principal and interest (call provision date)		5.00	2/1/25	70,000	1,750
Total				<u>495,000</u>	<u>87,250</u>

**CITY OF LAKEVILLE  
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE  
DECEMBER 31, 2017**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity</u>		<u>Annual Interest</u>
	<u>Date</u>	<u>Rate</u>	<u>Date</u>	<u>Amount</u>	<u>Interest</u>
<b>Business-Type Activity Bonds (continued):</b>					
<b>Lease Revenue Liquor Enterprise Refunding Bonds of 2017 (Galaxie Store)</b>					
Principal and interest		2.00	2/1/18	-	44,418
Principal and interest		2.00	2/1/19	215,000	58,650
Principal and interest		2.00	2/1/20	230,000	54,200
Principal and interest		2.00	2/1/21	240,000	49,500
Principal and interest		3.00	2/1/22	245,000	43,425
Principal and interest		3.00	2/1/23	250,000	36,000
Principal and interest		3.00	2/1/24	260,000	28,350
Principal and Interest (call provision date)		3.00	2/1/25	265,000	20,475
Principal and interest		3.00	2/1/26	270,000	12,450
Principal and interest		3.00	2/1/27	<u>280,000</u>	<u>4,200</u>
Total				<u>2,255,000</u>	<u>351,668</u>
<b>Water Improvement Bonds of 2017 A</b>					
	9/7/2017				
Principal and interest		5.00	2/1/18	-	33,885
Principal and interest		5.00	2/1/19	55,000	36,275
Principal and interest		5.00	2/1/20	70,000	33,150
Principal and interest		5.00	2/1/21	75,000	29,525
Principal and interest		5.00	2/1/22	80,000	25,650
Principal and interest		5.00	2/1/23	80,000	21,650
Principal and interest		5.00	2/1/24	85,000	17,525
Principal and interest		5.00	2/1/25	90,000	13,150
Principal and interest (call provision date)		5.00	2/1/26	95,000	8,525
Principal and interest		3.00	2/1/27	100,000	4,650
Principal and interest		3.00	2/1/28	<u>105,000</u>	<u>1,575</u>
Total				<u>835,000</u>	<u>225,560</u>
<b>Street Lights Improvement Bonds of 2017 A</b>					
Principal and interest		5.00	2/1/18	-	15,075
Principal and interest		5.00	2/1/19	30,000	16,000
Principal and interest		5.00	2/1/20	35,000	14,375
Principal and interest		5.00	2/1/21	40,000	12,500
Principal and interest		5.00	2/1/22	40,000	10,500
Principal and interest		5.00	2/1/23	45,000	8,375
Principal and interest		5.00	2/1/24	45,000	6,125
Principal and interest		5.00	2/1/25	50,000	3,750
Principal and interest (call provision date)		5.00	2/1/26	<u>50,000</u>	<u>1,250</u>
Total				<u>335,000</u>	<u>87,950</u>
<b>Total Business-Type Bonds</b>				<b><u>\$ 9,995,000</u></b>	<b><u>\$ 2,358,367</u></b>
<b>Total Bonded Indebtedness and Annual Interest Payable</b>				<b><u>\$ 123,585,000</u></b>	<b><u>\$ 32,145,588</u></b>



**CITY OF LAKEVILLE  
COMBINED SCHEDULE OF BONDED INDEBTEDNESS  
DECEMBER 31, 2017**

	<u>Interest Rates %</u>	<u>Issue Date</u>	<u>Call Date</u>	<u>Maturity Date</u>
<b>Governmental Activities:</b>				
General Obligation Bonds:				
Capital Improvement Refunding Bonds of 2012 B	2.00 - 4.00	8/15/12	2/1/22	2/1/30
Capital Improvement Bonds of 2007 D	4.625 - 5.00	8/1/07	2/1/17	2/1/32
Capital Improvement Refunding Bonds of 2014 B	1.75 - 5.00	8/20/14	2/1/24	2/1/32
Street Reconstruction Refunding Bonds of 2012 B	2.00 - 4.00	8/15/12	2/1/22	2/1/26
Street Reconstruction Refunding Bonds of 2014 B	1.75 - 5.00	8/20/14	2/1/24	2/1/26
Street Reconstruction Bonds of 2007 H	3.50 - 4.50	12/15/07	2/1/18	2/1/28
Street Reconstruction Bonds of 2009 A (Taxable)	1.55 - 5.95	12/30/09	2/1/20	2/1/30
Street Reconstruction Refunding Bonds of 2017 A	3.00-5.00	9/7/17	2/1/26	2/1/28
<b>Total General Obligation Bonds</b>				
G.O. Improvement Bonds:				
Improvement Bonds of 2007 F	4.00 - 4.125	8/1/07	2/1/14	2/1/18
Improvement Bonds of 2008 A	2.70 - 3.75	10/1/08	N/A	2/1/19
Improvement Refunding Bonds of 2009 B	2.00 - 3.00	12/30/09	N/A	2/1/20
Improvement Bonds of 2011 A	0.50 - 3.50	12/1/11	2/1/21	2/1/32
Improvement Bonds of 2012 A	2.00 - 4.00	8/15/12	2/1/22	2/1/33
Improvement Bonds of 2013 A	2.00 - 4.00	8/15/13	2/1/23	2/1/34
Improvement Bonds of 2014 A	2.00 - 3.50	8/20/14	2/1/24	2/1/35
Improvement Bonds of 2015 A	1.75 - 5.00	8/20/15	2/1/25	2/1/36
Improvement Bonds of 2016 B	1.50 - 5.00	7/21/16	2/1/25	2/1/37
Improvement Bonds of 2017 A	3.00-5.00	7/17/07	2/1/26	2/1/38
<b>Total G.O. Improvement Bonds</b>				
Tax Increment Bonds:				
Tax-Increment Refunding Bonds of 2007 A	4.00 - 4.20	2/1/07	2/1/16	2/1/22
<b>Total Tax-Increment Bonds</b>				
State-aid Street Revenue Bonds:				
State-aid Street Bonds of 2007 G	4.00	12/15/07	4/1/16	4/1/18
State-aid Street Refunding Bonds of 2010 A	2.00 - 4.00	1/1/10	N/A	4/1/20
State-aid Street Refunding Bonds of 2011 B	0.50 - 2.15	12/1/11	N/A	4/1/21
State-aid Street Bonds of 2015 A	1.75 - 5.00	8/20/15	2/1/25	2/1/36
<b>Total State-aid Street Revenue Bonds</b>				
Water Revenue Bonds:				
G.O. Water Revenue Bonds of 2016 A	2.00 - 5.00	2/25/16	2/1/24	2/1/34
<b>Total Water Revenue Bonds</b>				
Arena Revenue Bonds:				
Gross Revenue Recreation Facility Bonds of 1999	5.30 - 5.40	4/1/99	N/A	8/1/19
<b>Total Arena Revenue Bonds</b>				
HRA Lease Revenue Bonds:				
HRA Ice Arena Lease Revenue Bonds of 2016	2.00 - 4.00	9/22/16	2/1/26	2/1/32
<b>Total HRA Lease Revenue Bonds</b>				
<b>Total Governmental Activity Bonds</b>				
<b>Business-type Activity:</b>				
Liquor Revenue Bonds of 2007	5.00	5/1/07	2/1/17	2/1/27
Lease Revenue Liquor Bonds of 2017	2.00 - 3.00	11/8/17	2/1/25	2/1/27
Water Revenue Bonds of 2016 B	1.50 - 5.00	7/21/16	2/1/25	2/1/34
Sewer Revenue Bonds of 2016 B	1.50 - 5.00	7/21/16	2/1/25	2/1/25
Water Revenue Bonds of 2017 A	3.00-5.00	9/7/17	2/1/26	2/1/28
Street Lights Revenue Bonds of 2017 A	5.00	9/7/17	n/a	2/1/26
<b>Total Business-type Activity Bonds</b>				
<b>Total Bonded Indebtedness</b>				

<b>Bonds</b>				<b>Due in 2018</b>	
<b>Authorized</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding</b>	<b>Principal</b>	<b>Interest</b>
\$ 12,765,000	\$ 12,765,000	\$ 1,035,000	\$ 11,730,000	\$ 570,000	\$ 366,750
15,115,000	15,115,000	15,115,000	-	-	-
11,065,000	11,065,000	-	11,065,000	555,000	429,988
9,685,000	9,685,000	2,045,000	7,640,000	730,000	245,950
1,595,000	1,595,000	130,000	1,465,000	135,000	60,988
2,810,000	2,810,000	930,000	1,880,000	1,880,000	40,123
4,945,000	4,945,000	1,400,000	3,545,000	225,000	179,696
1,530,000	1,530,000	-	1,530,000	-	62,100
<u>59,510,000</u>	<u>59,510,000</u>	<u>20,655,000</u>	<u>38,855,000</u>	<u>4,095,000</u>	<u>1,385,595</u>
1,310,000	1,310,000	1,260,000	50,000	50,000	1,031
620,000	620,000	560,000	60,000	30,000	1,688
4,250,000	4,250,000	3,380,000	870,000	355,000	20,775
2,385,000	2,385,000	1,110,000	1,275,000	190,000	29,383
6,805,000	6,805,000	2,160,000	4,645,000	550,000	135,575
4,685,000	4,685,000	1,015,000	3,670,000	365,000	96,600
8,520,000	8,520,000	1,360,000	7,160,000	695,000	229,978
11,815,000	11,815,000	470,000	11,345,000	490,000	411,063
15,680,000	15,680,000	-	15,680,000	535,000	511,969
7,465,000	7,465,000	-	7,465,000	-	291,313
<u>63,535,000</u>	<u>63,535,000</u>	<u>11,315,000</u>	<u>52,220,000</u>	<u>3,260,000</u>	<u>1,729,375</u>
2,265,000	2,265,000	1,025,000	1,240,000	230,000	46,161
<u>2,265,000</u>	<u>2,265,000</u>	<u>1,025,000</u>	<u>1,240,000</u>	<u>230,000</u>	<u>46,161</u>
3,675,000	3,675,000	3,235,000	440,000	440,000	8,800
2,680,000	2,680,000	1,790,000	890,000	285,000	26,225
665,000	665,000	360,000	305,000	75,000	5,301
4,730,000	4,730,000	160,000	4,570,000	170,000	165,606
<u>11,750,000</u>	<u>11,750,000</u>	<u>5,545,000</u>	<u>6,205,000</u>	<u>970,000</u>	<u>205,932</u>
8,280,000	8,280,000	340,000	7,940,000	345,000	267,075
<u>8,280,000</u>	<u>8,280,000</u>	<u>340,000</u>	<u>7,940,000</u>	<u>345,000</u>	<u>267,075</u>
1,250,000	1,250,000	915,000	335,000	165,000	18,090
<u>1,250,000</u>	<u>1,250,000</u>	<u>915,000</u>	<u>335,000</u>	<u>165,000</u>	<u>18,090</u>
7,115,000	7,115,000	320,000	6,795,000	355,000	228,550
<u>7,115,000</u>	<u>7,115,000</u>	<u>320,000</u>	<u>6,795,000</u>	<u>355,000</u>	<u>228,550</u>
<b><u>153,705,000</u></b>	<b><u>153,705,000</u></b>	<b><u>40,115,000</u></b>	<b><u>113,590,000</u></b>	<b><u>9,420,000</u></b>	<b><u>3,880,778</u></b>
3,955,000	3,955,000	3,955,000	-	-	-
2,255,000	2,255,000	-	2,255,000	-	44,418
6,075,000	6,075,000	-	6,075,000	325,000	203,838
495,000	495,000	-	495,000	55,000	19,325
835,000	835,000	-	835,000	-	33,885
335,000	335,000	-	335,000	-	15,075
<u>13,950,000</u>	<u>13,950,000</u>	<u>3,955,000</u>	<u>9,995,000</u>	<u>380,000</u>	<u>316,541</u>
<b><u>\$ 167,655,000</u></b>	<b><u>\$ 167,655,000</u></b>	<b><u>\$ 44,070,000</u></b>	<b><u>\$ 123,585,000</u></b>	<b><u>\$ 9,800,000</u></b>	<b><u>\$ 4,197,319</u></b>

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## Statistical Section

This part of the City of Lakeville’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Financial Trends	110
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
<i>Net Position by Component – Government-wide</i>	
<i>Changes in Net Position – Governmental Activities</i>	
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<i>Changes in net Position – Total Governmental and Business-type Activities</i>	
<i>Fund Balances – Governmental Funds</i>	
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<i>These schedules contain information to help the reader assess the City’s most significant local revenue sources; electric sales and property taxes.</i>	
<i>Tax Capacity Valuation and Assessor’s Taxable Market Value of Taxable Property</i>	
<i>Property Tax Rates – Direct and Overlapping Governments</i>	
<i>Principal Property Taxpayers</i>	
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<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
<i>Ratio of Outstanding Debt by Type</i>	
<i>Ratio of Net Bonded Debt Outstanding</i>	
<i>Direct and overlapping Governmental Debt</i>	
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Demographic and Economic Information	130
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
<i>Demographic and Economic Statistics</i>	
<i>Principal Employers</i>	
<i>Commercial and Industrial Building Permits Issued</i>	
Operating Information	132
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	
<i>Employees by Function/Program (Full-Time Equivalent)</i>	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF LAKEVILLE  
NET POSITION BY COMPONENT – GOVERNMENT WIDE  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 120,954,521	\$ 119,699,102	\$ 119,249,751	\$ 120,485,858
Restricted	9,037,087	10,542,926	10,027,737	16,474,815
Unrestricted	<u>3,100,244</u>	<u>1,210,922</u>	<u>2,324,315</u>	<u>(5,970,712)</u>
Total Governmental Activities Net Position	<u>\$ 133,091,852</u>	<u>\$ 131,452,950</u>	<u>\$ 131,601,803</u>	<u>\$ 130,989,961</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 104,535,771	\$ 103,150,022	\$ 101,893,442	\$ 100,390,175
Restricted	311,133	295,133	295,133	325,750
Unrestricted	<u>14,107,347</u>	<u>15,828,861</u>	<u>16,363,211</u>	<u>16,666,856</u>
Total Business-Type Activities Net Position	<u>\$ 118,954,251</u>	<u>\$ 119,274,016</u>	<u>\$ 118,551,786</u>	<u>\$ 117,382,781</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 225,490,292	\$ 222,849,124	\$ 221,143,193	\$ 220,876,033
Restricted	9,348,220	10,838,059	10,322,870	16,800,565
Unrestricted	<u>17,207,591</u>	<u>17,039,783</u>	<u>18,687,526</u>	<u>10,696,144</u>
Total Primary Government Net Position	<u>\$ 252,046,103</u>	<u>\$ 250,726,966</u>	<u>\$ 250,153,589</u>	<u>\$ 248,372,742</u>
		(1)		(2)

Notes:

- (1) Includes a restatement of \$186,003 in Business-type activities.
- (2) The City implemented GASB Statement No. 65 in 2012. Net position for 2011 was restated for the effects of implementing this standard. Net position for previous years has not been restated.
- (3) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

2012	2013	2014	2015	2016	2017
\$ 125,051,058	\$ 129,599,494	\$ 135,673,737	\$ 141,868,136	\$ 149,196,480	\$ 144,581,700
17,403,167	17,645,944	19,913,014	33,860,946	35,860,604	46,683,603
(1,923,495)	2,511,935	5,874,237	(4,929,168)	4,277,626	6,036,382
<u>\$ 140,530,730</u>	<u>\$ 149,757,373</u>	<u>\$ 161,460,988</u>	<u>\$ 170,799,914</u>	<u>\$ 189,334,710</u>	<u>\$ 197,301,685</u>
\$ 102,009,893	\$ 105,055,746	\$ 109,535,106	\$ 116,288,771	\$ 129,086,090	\$ 135,324,120
325,750	324,125	324,125	323,875	323,875	323,875
15,658,140	13,704,281	11,318,290	8,420,410	9,757,400	10,791,344
<u>\$ 117,993,783</u>	<u>\$ 119,084,152</u>	<u>\$ 121,177,521</u>	<u>\$ 125,033,056</u>	<u>\$ 139,167,365</u>	<u>\$ 146,439,339</u>
\$ 227,060,951	\$ 234,655,240	\$ 245,208,843	\$ 258,156,907	\$ 278,282,570	\$ 279,905,820
17,728,917	17,970,069	20,237,139	34,184,821	36,184,479	47,007,478
13,734,645	16,216,216	17,192,527	3,491,242	14,035,026	16,827,726
<u>\$ 258,524,513</u>	<u>\$ 268,841,525</u>	<u>\$ 282,638,509</u>	<u>\$ 295,832,970</u>	<u>\$ 328,502,075</u>	<u>\$ 343,741,024</u>

(3)

**CITY OF LAKEVILLE**  
**CHANGES IN NET POSITION BY COMPONENT – GOVERNMENTAL ACTIVITIES**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	2008	2009	2010	2011
<b>Expenses:</b>				
General government	\$ 6,169,957	\$ 5,916,590	\$ 5,248,677	\$ 5,134,169
Public safety	10,019,681	9,726,394	10,858,447	11,068,287
Public works	15,706,515	12,866,216	12,197,868	13,778,800
Parks and recreation	4,900,341	4,774,745	4,775,015	4,796,035
Interest on long-term debt	4,218,695	3,994,790	3,740,076	4,383,684
Total expenses	<u>41,015,189</u>	<u>37,278,735</u>	<u>36,820,083</u>	<u>39,160,975</u>
<b>Program Revenues:</b>				
<b>Charges for Services:</b>				
General government	2,238,739	1,940,423	1,834,856	2,108,396
Public safety	581,930	643,174	654,226	746,207
Public works	4,239,190	2,817,604	1,967,309	2,313,334
Parks and recreation	1,937,523	984,206	1,555,560	1,299,364
<b>Operating Grants and Contributions</b>				
General government	25,083	44,648	42,661	37,970
Public safety	639,173	1,048,160	846,553	649,253
Public works	783,843	1,142,494	1,399,661	1,451,359
Parks and recreation	46,058	20,294	30,144	160,852
<b>Capital Grants and Contributions</b>				
General government	-	-	-	-
Public safety	50,000	-	21,576	26,325
Public works	1,420,813	2,783,528	3,025,905	2,906,106
Parks and recreation	871,266	187,699	267,360	297,245
Total program revenues	<u>12,833,618</u>	<u>11,612,230</u>	<u>11,645,811</u>	<u>11,996,411</u>
<b>Net Revenue (Expense):</b>				
General government	(3,906,135)	(3,931,519)	(3,371,160)	(2,987,803)
Public safety	(8,748,578)	(8,035,060)	(9,336,092)	(9,646,502)
Public works	(9,262,669)	(6,122,590)	(5,804,993)	(7,108,001)
Parks and recreation	(2,045,494)	(3,582,546)	(2,921,951)	(3,038,574)
Interest on long-term debt	(4,218,695)	(3,994,790)	(3,740,076)	(4,383,684)
Total net (expense) revenue	<u>(28,181,571)</u>	<u>(25,666,505)</u>	<u>(25,174,272)</u>	<u>(27,164,564)</u>
<b>General Revenues and Other Changes in Net Position:</b>				
Property taxes	23,391,055	23,912,318	24,369,009	24,207,406
Investment earnings (charges)	1,383,236	463,092	340,336	280,364
Gain on sale of capital assets	-	-	-	-
Transfers in (out)	(2,029,933)	(347,807)	613,780	2,692,671
Total general revenues and other (net)	<u>22,744,358</u>	<u>24,027,603</u>	<u>25,323,125</u>	<u>27,180,441</u>
<b>Change in Net Position:</b>				
Governmental Activities	<u>\$ (5,437,213)</u>	<u>\$ (1,638,902)</u>	<u>\$ 148,853</u>	<u>\$ 15,877</u>

(1)

**Notes:**

(1) The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effect of implementing this standard. Change in net position for previous years has not been restated.

(2) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decrease unrestricted net position. Prior year balances were not restated.

	2012	2013	2014	2015	2016	2017
\$	5,258,319	\$ 5,363,354	\$ 6,051,985	\$ 5,893,261	\$ 8,028,316	\$ 4,579,478
	11,202,018	11,784,109	11,807,183	12,236,411	16,369,670	14,250,572
	10,849,213	11,241,434	14,776,390	15,365,976	17,711,240	18,944,454
	4,780,666	5,154,919	5,202,168	5,762,890	5,626,149	6,645,057
	3,496,878	3,864,333	3,665,421	3,296,665	3,930,168	3,268,426
	<u>35,587,094</u>	<u>37,408,149</u>	<u>41,503,147</u>	<u>42,555,203</u>	<u>51,665,543</u>	<u>47,687,987</u>
	2,736,653	3,061,568	3,219,644	3,730,342	4,094,298	4,348,910
	714,587	686,130	660,910	926,168	954,395	934,444
	3,588,062	4,481,445	5,280,338	8,311,017	8,401,512	7,081,317
	2,087,640	2,231,757	2,808,885	3,699,025	3,685,202	2,369,615
	40,359	60,076	5,399	7,132	772,998	68,095
	698,949	902,783	825,434	980,310	989,342	1,061,252
	1,396,560	1,295,018	3,665,373	4,145,806	4,942,834	1,382,380
	100,315	59,653	66,575	186,118	91,869	55,300
	91,735	195,693	2,762,609	77,006	138,593	62,101
	19,530	-	-	-	8,500	-
	5,569,732	6,350,827	6,892,230	12,702,266	23,604,519	13,018,689
	370,237	1,296,764	436,107	1,004,480	2,932,612	182,387
	<u>17,414,359</u>	<u>20,621,714</u>	<u>26,623,504</u>	<u>35,769,670</u>	<u>50,616,674</u>	<u>30,564,490</u>
	(2,389,572)	(2,046,017)	(64,333)	(2,078,781)	(3,022,427)	(100,372)
	(9,768,952)	(10,195,196)	(10,320,839)	(10,329,933)	(14,417,433)	(12,254,876)
	(294,859)	885,856	1,061,551	9,793,113	19,237,625	2,537,932
	(2,222,474)	(1,566,745)	(1,890,601)	(873,267)	1,083,534	(4,037,755)
	(3,496,878)	(3,864,333)	(3,665,421)	(3,296,665)	(3,930,168)	(3,268,426)
	<u>(18,172,735)</u>	<u>(16,786,435)</u>	<u>(14,879,643)</u>	<u>(6,785,533)</u>	<u>(1,048,869)</u>	<u>(17,123,497)</u>
	24,221,741	23,947,968	24,465,333	25,338,778	26,173,822	27,317,169
	176,409	(28,949)	552,444	368,232	388,672	597,513
	214,004	-	-	-	-	-
	3,101,350	2,094,059	1,565,481	(1,549,881)	(6,978,829)	(2,824,210)
	<u>27,713,504</u>	<u>26,013,078</u>	<u>26,583,258</u>	<u>24,157,129</u>	<u>19,583,665</u>	<u>25,090,472</u>
\$	<u>9,540,769</u>	<u>9,226,643</u>	<u>11,703,615</u>	<u>17,371,596</u>	<u>18,534,796</u>	<u>7,966,975</u>

(2)



**CITY OF LAKEVILLE**  
**CHANGES IN NET POSITION BY COMPONENT – BUSINESS-TYPE ACTIVITIES**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses:				
Liquor	\$ 13,247,829	\$ 13,244,355	\$ 13,575,521	\$ 13,265,645
Utility	8,319,303	9,086,172	9,903,296	10,401,650
Total expenses	<u>21,567,132</u>	<u>22,330,527</u>	<u>23,478,817</u>	<u>23,667,295</u>
Program Revenues:				
Charges for Services:				
Liquor	14,443,355	14,418,478	14,763,552	14,373,261
Utility	7,355,207	7,491,674	7,432,391	8,866,345
Operating Grants and Contributions				
Liquor	3,762	3,762	3,762	3,762
Utility	3,264	3,264	3,264	59,707
Capital Grants and Contributions				
Liquor	-	-	17,050	-
Utility	975,410	158,252	999,716	1,129,764
Total program revenues	<u>22,780,998</u>	<u>22,075,430</u>	<u>23,219,735</u>	<u>24,432,839</u>
Net Revenue (Expense):				
Liquor	1,199,288	1,177,885	1,208,843	1,111,378
Utility	14,578	(1,432,982)	(1,467,925)	(345,834)
Total net (expense) revenue	<u>1,213,866</u>	<u>(255,097)</u>	<u>(259,082)</u>	<u>765,544</u>
General Revenues and Other Changes in Net Position:				
Investment income (charges)	457,466	227,055	150,632	130,403
Disposal of capital assets	-	-	-	-
Transfers in (out)	2,029,933	347,807	(613,780)	(2,692,671)
Total general revenues and other (net)	<u>2,487,399</u>	<u>574,862</u>	<u>(463,148)</u>	<u>(2,562,268)</u>
Change in Net Position:				
Business-type Activities	<u>\$ 3,701,265</u>	<u>\$ 319,765</u>	<u>\$ (722,230)</u>	<u>\$ (1,796,724)</u>
		(1)		(2)

Note: The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effect of implementing this standard. Change in net position for previous years has not been restated.

(1) Includes a restatement of \$186,003.

(2) The City implemented GASB Statement NO. 65 in 2012. Net position for 2011 was restated for the effects of implementing this standard. Net position for previous years has not been restated.

(3) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

	2012	2013	2014	2015	2016	2017
\$	13,773,286	\$ 13,906,263	\$ 13,577,019	\$ 12,852,980	\$ 13,268,419	\$ 13,638,043
	10,365,651	10,863,625	11,462,552	11,946,778	13,558,839	14,138,885
	<u>24,138,937</u>	<u>24,769,888</u>	<u>25,039,571</u>	<u>24,799,758</u>	<u>26,827,258</u>	<u>27,776,928</u>
	15,220,064	15,381,124	14,883,858	13,611,294	14,130,830	14,583,514
	9,542,284	9,126,838	9,296,118	9,216,463	10,692,185	12,585,450
	3,762	3,762	3,762	3,762	3,762	6,716
	103,525	69,968	112,181	85,754	111,572	166,227
	-	-	-	-	-	-
	<u>2,903,043</u>	<u>3,414,738</u>	<u>4,252,192</u>	<u>6,009,075</u>	<u>8,973,280</u>	<u>4,791,313</u>
	<u>27,772,678</u>	<u>27,996,430</u>	<u>28,548,111</u>	<u>28,926,348</u>	<u>33,911,629</u>	<u>32,133,220</u>
	1,450,540	1,478,623	1,310,601	762,076	866,173	952,187
	<u>2,183,201</u>	<u>1,747,919</u>	<u>2,197,939</u>	<u>3,364,514</u>	<u>6,218,198</u>	<u>3,404,105</u>
	<u>3,633,741</u>	<u>3,226,542</u>	<u>3,508,540</u>	<u>4,126,590</u>	<u>7,084,371</u>	<u>4,356,292</u>
	78,611	(42,114)	150,310	52,461	71,109	91,472
	-	-	-	-	-	-
	<u>(3,101,350)</u>	<u>(2,094,059)</u>	<u>(1,565,481)</u>	<u>1,549,881</u>	<u>6,978,829</u>	<u>2,824,210</u>
	<u>(3,022,739)</u>	<u>(2,136,173)</u>	<u>(1,415,171)</u>	<u>1,602,342</u>	<u>7,049,938</u>	<u>2,915,682</u>
\$	<u>611,002</u>	<u>\$ 1,090,369</u>	<u>\$ 2,093,369</u>	<u>\$ 5,728,932</u>	<u>\$ 14,134,309</u>	<u>\$ 7,271,974</u>

(3)

**CITY OF LAKEVILLE  
CHANGES IN NET POSITION BY COMPONENT – TOTAL GOVERNMENTAL  
AND BUSINESS-TYPE ACTIVITIES  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses:				
Governmental activities	\$ 41,015,189	\$ 37,278,735	\$ 36,820,083	\$ 39,160,975
Business-type activities	21,567,132	22,330,527	23,478,817	23,667,295
Total expenses	<u>62,582,321</u>	<u>59,609,262</u>	<u>60,298,900</u>	<u>62,828,270</u>
Program Revenues:				
Governmental activities	12,833,618	11,612,230	11,645,811	11,996,411
Business-type activities	22,780,998	22,075,430	23,219,735	24,432,839
Total program revenues	<u>35,614,616</u>	<u>33,687,660</u>	<u>34,865,546</u>	<u>36,429,250</u>
Net Revenue (Expense):				
Governmental activities	(28,181,571)	(25,666,505)	(25,174,272)	(27,164,564)
Business-type activities	1,213,866	(255,097)	(259,082)	765,544
Total net (expense) revenue	<u>(26,967,705)</u>	<u>(25,921,602)</u>	<u>(25,433,354)</u>	<u>(26,399,020)</u>
General Revenues and Other Changes in Net Position:				
Governmental activities	22,744,358	24,027,603	25,323,125	27,180,441
Business-type activities	2,487,399	574,862	(463,148)	(2,562,268)
Total general revenues and other (net)	<u>25,231,757</u>	<u>24,602,465</u>	<u>24,859,977</u>	<u>24,618,173</u>
Change in Net Position:				
Governmental activities	(5,437,213)	(1,638,902)	148,853	15,877
Business-type activities	3,701,265	319,765	(722,230)	(1,796,724)
Total change in net position	<u>\$ (1,735,948)</u>	<u>\$ (1,319,137)</u>	<u>\$ (573,377)</u>	<u>\$ (1,780,847)</u>
		(1)		(2)

Note:

(1) Includes a restatement of \$186,003.

(2) The City implemented GASB Statement NO. 65 in 2012. Net position for 2011 was restated for the effects of implementing this standard. Net position for previous years has not been restated.

(3) The City implemented GASB Statement No. 68 in 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

	2012	2013	2014	2015	2016	2017
\$	35,587,094	\$ 37,408,149	\$ 41,503,147	\$ 42,555,203	\$ 51,665,543	\$ 47,687,987
	24,138,937	24,769,888	25,039,571	24,799,758	26,827,258	27,776,928
	<u>59,726,031</u>	<u>62,178,037</u>	<u>66,542,718</u>	<u>67,354,961</u>	<u>78,492,801</u>	<u>75,464,915</u>
	17,414,359	20,621,714	26,623,504	35,769,670	50,616,674	30,564,490
	27,772,678	27,996,430	28,548,111	28,926,348	33,911,629	32,133,220
	<u>45,187,037</u>	<u>48,618,144</u>	<u>55,171,615</u>	<u>64,696,018</u>	<u>84,528,303</u>	<u>62,697,710</u>
	(18,172,735)	(16,786,435)	(14,879,643)	(6,785,533)	(1,048,869)	(17,123,497)
	3,633,741	3,226,542	3,508,540	4,126,590	7,084,371	4,356,292
	<u>(14,538,994)</u>	<u>(13,559,893)</u>	<u>(11,371,103)</u>	<u>(2,658,943)</u>	<u>6,035,502</u>	<u>(12,767,205)</u>
	27,713,504	26,013,078	26,583,258	24,157,129	19,583,665	25,090,472
	(3,022,739)	(2,136,173)	(1,415,171)	1,602,342	7,049,938	2,915,682
	<u>24,690,765</u>	<u>23,876,905</u>	<u>25,168,087</u>	<u>25,759,471</u>	<u>26,633,603</u>	<u>28,006,154</u>
	9,540,769	9,226,643	11,703,615	17,371,596	18,534,796	7,966,975
	611,002	1,090,369	2,093,369	5,728,932	14,134,309	7,271,974
\$	<u>10,151,771</u>	<u>\$ 10,317,012</u>	<u>\$ 13,796,984</u>	<u>\$ 23,100,528</u>	<u>\$ 32,669,105</u>	<u>\$ 15,238,949</u>

(3)

**CITY OF LAKEVILLE  
FUND BALANCES – GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Fund:</b>				
Reserved	\$ 7,420	\$ 9,899	\$ 10,726	\$ -
Unreserved	11,238,093	11,196,826	9,385,202	-
Nonspendable	-	-	-	384,329
Committed	-	-	-	-
Assigned	-	-	-	519,146
Unassigned	-	-	-	9,644,863
<b>Total general fund</b>	<u>11,245,513</u>	<u>11,206,725</u>	<u>9,395,928</u>	<u>10,548,338</u>
<b>All Other Governmental Funds:</b>				
Reserved	10,464,632	16,713,410	11,060,144	-
Unreserved, Reported in:				
Special Revenue Funds	1,107,202	1,325,731	1,444,846	-
Capital Project Funds	11,074,322	12,549,905	15,384,343	-
Nonspendable	-	-	-	75
Restricted	-	-	-	14,744,057
Committed	-	-	-	9,989,221
Unassigned	-	-	-	(112,102)
<b>Total all other governmental funds</b>	<u>22,646,156</u>	<u>30,589,046</u>	<u>27,889,333</u>	<u>24,621,251</u>
<b>Total Governmental Funds:</b>				
Reserved	10,472,052	16,723,309	11,070,870	-
Unreserved, Reported in:	23,419,617	25,072,462	26,214,391	-
Nonspendable	-	-	-	384,404
Restricted	-	-	-	14,744,057
Committed	-	-	-	9,989,221
Assigned	-	-	-	519,146
Unassigned	-	-	-	9,532,761
<b>Total governmental funds</b>	<u>\$ 33,891,669</u>	<u>\$ 41,795,771</u>	<u>\$ 37,285,261</u>	<u>\$ 35,169,589</u>
All governmental funds percentage change	-26.5%	23.3%	-10.8%	-5.7%

Note: The implementation of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Type Definitions, in fiscal year 2011, resulted in significant change in the City's fund balance classifications. Information prior to 2011 has not been restated.

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
256,476	126,014	221,704	447,284	695,830	914,375
-	45,000	45,000	45,000	-	-
620,725	-	-	-	1,478,522	741,864
10,614,574	9,495,546	10,805,065	11,882,644	12,902,148	13,613,203
<u>11,491,775</u>	<u>9,666,560</u>	<u>11,071,769</u>	<u>12,374,928</u>	<u>15,076,500</u>	<u>15,269,442</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	169	-	-	-
38,587,037	38,716,666	44,319,872	35,659,756	37,947,697	29,887,820
11,861,800	16,620,820	17,154,096	17,937,431	21,651,118	26,519,559
(233,910)	(221,630)	(632,035)	(3,492,389)	(726,681)	(876,594)
<u>50,214,927</u>	<u>55,115,856</u>	<u>60,842,102</u>	<u>50,104,798</u>	<u>58,872,134</u>	<u>55,530,785</u>
-	-	-	-	-	-
-	-	-	-	-	-
256,476	126,014	221,873	447,284	695,830	914,375
38,587,037	38,716,666	44,319,872	35,659,756	37,947,697	29,887,820
11,861,800	16,665,820	17,199,096	17,982,431	21,651,118	26,519,559
620,725	-	-	-	1,478,522	741,864
10,380,664	9,273,916	10,173,030	8,390,255	12,175,467	12,736,609
<u>\$ 61,706,702</u>	<u>\$ 64,782,416</u>	<u>\$ 71,913,871</u>	<u>\$ 62,479,726</u>	<u>\$ 73,948,634</u>	<u>\$ 70,800,227</u>
75.5%	5.0%	11.0%	-13.1%	18.4%	-4.3%

**CITY OF LAKEVILLE**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2008	2009	2010	2011
<b>Revenues:</b>				
Property taxes and tax increment	\$ 22,901,637	\$ 23,785,468	\$ 24,435,538	\$ 24,057,622
Licenses and permits	1,936,532	1,603,909	1,565,028	1,820,408
Intergovernmental	2,250,332	3,158,128	4,242,195	2,622,487
Charges for services	6,713,370	4,145,717	4,002,246	3,938,204
Special assessments	777,153	769,624	573,301	622,799
Investment income (charges)	1,379,315	459,967	337,788	270,378
Donations	1,008,326	305,146	155,477	269,762
Miscellaneous	366,680	635,781	732,816	731,763
Total Revenues	<u>37,333,345</u>	<u>34,863,740</u>	<u>36,044,389</u>	<u>34,333,423</u>
<b>Expenditures:</b>				
General government	5,172,645	4,850,726	4,687,662	4,493,368
Public safety	8,911,017	8,835,563	9,337,884	9,755,251
Public works	4,535,118	3,906,485	3,593,862	3,019,293
Parks and recreation	3,233,422	2,881,402	3,038,433	3,047,906
Capital outlay	18,133,199	7,140,715	4,611,659	10,345,908
<b>Debt Service:</b>				
Principal retirement	5,301,622	6,436,971	7,337,338	7,689,182
Interest on debt	4,367,257	4,157,176	3,945,265	3,633,285
Fiscal charges	46,136	126,570	61,222	78,143
Total Expenditures	<u>49,700,416</u>	<u>38,335,608</u>	<u>36,613,325</u>	<u>42,062,336</u>
<b>Excess (Deficiency) of Revenues</b>				
Over (Under) Expenditures	<u>(12,367,071)</u>	<u>(3,471,868)</u>	<u>(568,936)</u>	<u>(7,728,913)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	7,688,315	5,156,485	5,740,982	5,324,043
Transfers out	(6,857,231)	(4,386,727)	(5,046,945)	(2,524,276)
Bond, note, loan and lease proceeds	2,280,000	10,125,000	2,680,000	4,265,000
Payment on refunded bonds called	(2,975,000)	-	(7,955,000)	-
Premium on bonds issued	-	116,016	99,322	-
Sale of capital assets	-	365,196	540,067	-
Total Other Financing Sources (Uses)	<u>136,084</u>	<u>11,375,970</u>	<u>(3,941,574)</u>	<u>7,064,767</u>
Net Change in Fund Balances	<u>\$ (12,230,987)</u>	<u>\$ 7,904,102</u>	<u>\$ (4,510,510)</u>	<u>\$ (664,146)</u>
<b>Debt Service as a Percentage of</b>				
Noncapital Expenditures	<u>24.4%</u>	<u>30.7%</u>	<u>32.9%</u>	<u>31.6%</u>

Note: The City has no taxes other than property taxes and tax increment.

	2012	2013	2014	2015	2016	2017
\$	24,453,849	\$ 23,981,375	\$ 24,524,709	\$ 25,215,734	\$ 26,131,569	\$ 27,401,195
	2,429,951	2,727,494	2,836,555	3,325,293	3,706,567	3,988,189
	2,291,376	3,534,512	4,979,156	5,232,193	9,043,356	3,771,886
	5,833,776	6,925,867	8,405,492	12,443,152	13,289,708	10,016,017
	1,132,126	1,143,349	1,636,267	1,736,905	2,308,223	2,812,587
	174,358	(28,008)	548,842	366,555	387,604	597,513
	207,391	265,953	242,627	356,446	550,255	238,383
	871,798	885,323	3,411,579	1,155,073	2,828,177	846,035
	<u>37,394,625</u>	<u>39,435,865</u>	<u>46,585,227</u>	<u>49,831,351</u>	<u>58,245,459</u>	<u>49,671,805</u>
	4,572,777	4,774,775	5,690,230	5,226,864	5,783,013	6,424,260
	9,844,232	10,113,958	10,305,450	10,892,071	11,513,170	12,775,807
	3,245,103	3,766,665	3,805,470	3,856,984	4,245,072	9,786,321
	3,050,782	3,206,004	3,330,488	3,532,376	3,497,041	5,222,503
	12,413,360	12,523,103	21,420,875	31,649,447	37,938,823	11,995,449
	7,642,027	5,825,000	5,995,000	7,385,000	5,935,000	6,885,000
	3,358,324	3,948,740	3,700,590	3,735,120	3,970,010	3,881,179
	173,072	26,351	176,789	33,071	327,052	129,158
	<u>44,299,677</u>	<u>44,184,596</u>	<u>54,424,892</u>	<u>66,310,933</u>	<u>73,209,181</u>	<u>57,099,677</u>
	<u>(6,905,052)</u>	<u>(4,748,731)</u>	<u>(7,839,665)</u>	<u>(16,479,582)</u>	<u>(14,963,722)</u>	<u>(7,427,872)</u>
	6,699,447	7,094,079	3,489,225	6,883,879	5,179,668	8,355,474
	(2,839,332)	(4,857,921)	(1,644,624)	(4,928,951)	(3,222,237)	(6,661,840)
	29,255,000	4,685,000	21,180,000	16,545,000	31,075,000	11,987,171
	(1,830,000)	-	(10,035,000)	(12,460,000)	(9,535,000)	(11,368,146)
	1,957,050	78,287	1,981,519	1,005,509	2,626,731	1,309,907
	200,000	825,000	-	-	-	516,380
	<u>33,442,165</u>	<u>7,824,445</u>	<u>14,971,120</u>	<u>7,045,437</u>	<u>26,124,162</u>	<u>4,138,946</u>
\$	<u>26,537,113</u>	<u>\$ 3,075,714</u>	<u>\$ 7,131,455</u>	<u>\$ (9,434,145)</u>	<u>\$ 11,160,440</u>	<u>\$ (3,288,926)</u>
	<u>32.2%</u>	<u>28.6%</u>	<u>25.3%</u>	<u>25.6%</u>	<u>19.6%</u>	<u>22.6%</u>



**CITY OF LAKEVILLE  
TAX CAPACITY VALUATION AND ASSESSOR'S TAXABLE MARKET VALUE OF TAXABLE  
PROPERTY  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>Taxable Net Tax Capacity Valuation of Taxable Property</u></b>				
Tax capacity value	\$ 66,208,936	\$ 67,887,456	\$ 65,235,789	\$ 61,005,594
Less:				
Captured tax increment tax capacity	(2,173,426)	(2,127,819)	(1,998,923)	(904,389)
Contributions to fiscal disparities pool	(4,416,898)	(4,888,029)	(5,623,626)	(5,845,456)
Plus:				
Distribution from fiscal disparities pool	<u>5,967,401</u>	<u>7,115,384</u>	<u>7,429,875</u>	<u>7,807,412</u>
Total taxable net tax capacity	<u>\$ 65,586,013</u>	<u>\$ 67,986,992</u>	<u>\$ 65,043,115</u>	<u>\$ 62,063,161</u>
<b><u>Taxable Net Tax Capacity Valuation by Class of Property</u></b>				
Homestead residential	\$ 52,038,379	\$ 51,916,328	\$ 48,558,421	\$ 44,951,025
Commercial/industrial, public utility, and personal property	11,801,273	14,325,341	14,626,593	15,226,802
Non-homestead residential/apartments	1,000,649	1,082,546	1,127,962	1,271,776
Agriculture and seasonal/recreational	<u>745,712</u>	<u>662,777</u>	<u>730,139</u>	<u>613,558</u>
Total taxable net tax capacity	<u>\$ 65,586,013</u>	<u>\$ 67,986,992</u>	<u>\$ 65,043,115</u>	<u>\$ 62,063,161</u>
Assessor's taxable market valuation	<u>\$ 5,951,319,600</u>	<u>\$ 6,024,665,500</u>	<u>\$ 5,736,602,200</u>	<u>\$ 5,356,855,900</u>
Taxable net tax capacity as a percentage of assessor's taxable market value	<u>1.102%</u>	<u>1.128%</u>	<u>1.134%</u>	<u>1.159%</u>
Direct tax capacity rate	<u>34.195%</u>	<u>33.973%</u>	<u>36.624%</u>	<u>38.250%</u>

**Notes:**

Taxes are determined by multiplying the taxable net tax capacity by the direct tax capacity rate as expressed as a percentage.

The foregoing direct tax capacity rates do not reflect reductions for state property tax credits.

Source: Dakota County Auditor and Treasurer's Office.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 57,583,990	\$ 54,853,225	\$ 57,174,306	\$ 62,811,855	\$ 65,634,896	\$ 69,887,094
(862,243)	(863,946)	(861,019)	(446,760)	(497,171)	(596,348)
(5,591,597)	(5,494,207)	(5,439,491)	(5,481,001)	(5,411,614)	(5,524,685)
<u>7,194,884</u>	<u>6,825,229</u>	<u>6,316,073</u>	<u>6,323,361</u>	<u>6,635,572</u>	<u>7,139,972</u>
<u>\$ 58,325,034</u>	<u>\$ 55,320,301</u>	<u>\$ 57,189,869</u>	<u>\$ 63,207,455</u>	<u>\$ 66,361,683</u>	<u>\$ 70,906,033</u>
\$ 41,780,807	\$ 38,983,401	\$ 41,029,548	\$ 46,374,248	\$ 49,048,168	\$ 52,427,026
14,711,893	14,351,101	13,833,973	14,223,709	14,754,095	15,842,447
1,265,526	1,311,388	1,468,225	1,629,527	1,656,581	1,736,856
<u>566,808</u>	<u>674,411</u>	<u>858,123</u>	<u>979,971</u>	<u>902,839</u>	<u>899,704</u>
<u>\$ 58,325,034</u>	<u>\$ 55,320,301</u>	<u>\$ 57,189,869</u>	<u>\$ 63,207,455</u>	<u>\$ 66,361,683</u>	<u>\$ 70,906,033</u>
<u>\$ 5,030,003,164</u>	<u>\$ 4,767,475,321</u>	<u>\$ 4,995,818,217</u>	<u>\$ 5,553,395,148</u>	<u>\$ 5,825,279,418</u>	<u>\$ 6,201,221,856</u>
<u>1.160%</u>	<u>1.160%</u>	<u>1.145%</u>	<u>1.138%</u>	<u>1.139%</u>	<u>1.143%</u>
<u>39.051%</u>	<u>41.234%</u>	<u>40.696%</u>	<u>38.948%</u>	<u>38.669%</u>	<u>37.510%</u>

**CITY OF LAKEVILLE  
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City of Lakeville Direct Rates				Overlapping Rates						Total Direct and Overlapping Rates	
	General Levy (Tax Capacity-based)			Referendum Levy (Market Value-based) Debt Service	Dakota County		Ind. School District	School District		Special Districts Levy (Tax Capacity-based)	Tax Capacity - based	Market Value-based
	Operating	Debt Service	Total		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)			
2008	25.616%	8.579%	34.195%	0.00714%	25.184%	0.00471%	192	45.831%	0.13781%	3.749%	108.959%	0.14966%
							194	26.272%	0.17167%		89.400%	0.18352%
							196	21.136%	0.21274%		84.264%	0.22459%
2009	25.450%	8.523%	33.973%	0.00696%	25.821%	0.00471%	192	49.238%	0.13660%	4.301%	113.333%	0.14827%
							194	27.062%	0.17413%		91.157%	0.18580%
							196	21.109%	0.21032%		85.204%	0.22199%
2010	28.066%	8.558%	36.624%	0.00738%	27.269%	0.00501%	192	53.452%	0.14742%	4.987%	122.332%	0.15981%
							194	27.714%	0.18363%		96.594%	0.19602%
							196	25.391%	0.22268%		94.271%	0.23507%
2011	30.904%	7.346%	38.250%	0.00803%	29.149%	0.00537%	192	52.157%	0.14558%	5.199%	124.755%	0.15898%
							194	32.138%	0.19241%		104.736%	0.20581%
							196	26.959%	0.22601%		99.557%	0.23941%
2012	31.122%	7.929%	39.051%	0.00784%	31.426%	0.00551%	192	55.308%	0.14005%	5.562%	131.347%	0.15340%
							194	32.061%	0.18932%		108.100%	0.20267%
							196	28.440%	0.22131%		104.479%	0.23466%
2013	32.206%	9.028%	41.234%	0.00843%	33.421%	-	192	57.226%	0.15065%	5.884%	137.765%	0.15908%
							194	33.535%	0.19955%		114.074%	0.20798%
							196	27.956%	0.23542%		108.495%	0.24385%
2014	32.045%	8.651%	40.696%	0.00678%	31.827%	-	192	56.326%	0.11117%	5.538%	134.387%	0.11795%
							194	33.048%	0.25954%		111.109%	0.26632%
							196	27.606%	0.25809%		105.667%	0.26487%
2015	30.605%	8.343%	38.948%	-	29.633%	-	192	53.474%	0.11550%	5.033%	127.088%	0.11550%
							194	31.459%	0.24871%		105.073%	0.24871%
							196	23.271%	0.25484%		96.885%	0.25484%
2016	30.455%	8.214%	38.669%	-	28.570%	-	192	57.584%	0.19065%	5.063%	129.886%	0.19065%
							194	35.319%	0.27898%		107.621%	0.27898%
							196	24.317%	0.26999%		96.619%	0.26999%
2017	29.342%	8.168%	37.510%	-	28.004%	-	192	54.269%	0.18481%	4.907%	124.690%	0.18481%
							194	32.914%	0.25441%		103.335%	0.25441%
							196	23.336%	0.27380%		93.757%	0.27380%

**Notes:**

Taxes are determined by multiplying the taxable net tax capacity by the tax capacity rate and market valued based rate expressed as a percentage. The foregoing tax capacity rates do not reflect reductions for state property tax credits.

Special Districts include: Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit District, Dakota County Community Development Agency, Light Rail Authority, and Vermillion River Watershed District.

Source: Dakota County Auditor and Treasurer's Office.

Per Dakota County - Final Tax Rates Pay 2017 table

**CITY OF LAKEVILLE  
PRINCIPAL PROPERTY TAXPAYERS  
FISCAL YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2008**

<u>Principal Property Taxpayer</u>	<u>Type of Business</u>	<u>2017</u>			<u>2008</u>		
		<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>	<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>
Dakota Electric Association	Utility	\$ 363,424	1	0.5%	\$ 306,868	3	0.5%
Southfork Apartments LLC	Apartments	357,216	2	0.5%	210,395	6	0.3%
Minnegasco, Inc.	Utility	336,184	3	0.5%			
Lakeville 2004, LLC	Commercial	303,944	4	0.4%	354,010	2	0.5%
Heritage Commons, LLC	Retail	302,182	5	0.4%	182,280	9	0.3%
Fulford Group, LLC	Agriculture	294,966	6	0.4%			
Argonne Investments, LLC	Retail	279,356	7	0.4%	389,099	1	0.6%
Walker Highview Hills, LLC	Apartments	263,577	8	0.4%			
Target Corporation	Retail	255,408	9	0.4%	297,592	4	0.5%
AGNL Exercise LLC	Commercial	240,225	10	0.3%			
CRW Lakeville, LLC	Retail				246,320	5	0.4%
Muller Family Theaters of Lakeville	Commercial				196,328	7	0.3%
Cobblestone Lake LLC	Industrial				186,056	8	0.3%
Mills Property Incorporated	Commercial				179,876	10	0.3%
Total principal taxpayers		2,996,482		4.3%	2,548,824		3.9%
All other taxpayers		66,890,612		95.7%	63,234,850		96.1%
Total City of Lakeville taxpayers		<u>\$ 69,887,094</u>		<u>100.0%</u>	<u>\$ 65,783,674</u>		<u>100.0%</u>

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE  
PROPERTY TAX LEVY AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>		<b>Total Tax Levy for Fiscal Year (2)</b>	<b>Collection of Current Year's Levy</b>		<b>Collection of Prior Year Levy (4)</b>	<b>Prior Yr. Current/ Delinq Adjustments</b>	<b>Total Collections</b>	<b>Percentage of Total Collections To Tax Levy Certified</b>
			<b>Amount (3)</b>	<b>Percent</b>				
2008	(1)	\$ 22,690,614	\$ 22,023,558	97.06%	\$ 408,068	(6,077)	\$ 22,431,626	98.86%
2009	(1)	23,527,163	22,473,650	95.52%	409,738	10,943	22,883,388	97.26%
2010	(1)	24,041,653	22,982,110	95.59%	261,764	21,171	23,243,874	96.68%
2011	(1)	24,036,652	22,837,484	95.01%	346,739	(44,486)	23,184,223	96.45%
2012		23,126,960	23,050,840	99.67%	4,672	134,203	23,055,512	99.69%
2013		23,079,185	22,848,820	99.00%	230,365	(85,236)	23,079,185	100.00%
2014		23,657,996	23,541,510	99.51%	116,486	(77,762)	23,657,996	100.00%
2015		24,728,549	24,568,028	99.35%	160,521	(32,923)	24,728,549	100.00%
2016		25,679,619	25,566,236	99.56%	113,383	(18,634)	25,679,619	100.00%
2017		26,679,614	26,534,636	99.46%	-	(39,235)	26,534,636	99.46%

**Notes** (1) The State of Minnesota unallotted state aid for property tax relief - Market Value Homestead Credit (MVHC) in the fiscal years as follows:

<b>Fiscal Year</b>	<b>As a</b>	
	<b>MVHC Loss Amount</b>	<b>Percentage of Tax Levy Certified</b>
2008	\$ 305,479	1.35%
2009	\$ 630,561	2.62%
2010	\$ 731,494	3.04%
2011	\$ 835,005	3.61%
2012	\$ -	-
2013	\$ -	-
2014	\$ -	-
2015	\$ -	-
2016	\$ -	-
2017	\$ -	-

(2) Total levy is net of current year cancellations and abatements.

(3) Total tax levy and current tax collections include state paid credits.

(4) Includes county adjustments for prior year over collections, cancellations, and abatements.

**CITY OF LAKEVILLE  
RATIO OF NET BONDED DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-type</b>	<b>Total Outstanding Debt</b>	<b>Population (1)</b>	<b>% of Personal Income (2)</b>	<b>Total Outstanding Debt Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Other Bonds</b>	<b>Capital Leases</b>	<b>Metropolitan Council Loan</b>	<b>Revenue Bond</b>				
2008	\$ 87,305,937	\$ 12,144,909	\$ 119,061	\$ 1,466,300	\$ 4,292,727	\$ 105,328,934	54,828	4.1	1,921
2009	91,331,837	11,847,964	112,090	1,466,300	4,011,194	108,769,385	55,772	4.4	1,950
2010	79,746,332	10,821,019	104,752	1,466,300	3,714,661	95,853,064	55,954	3.8	1,713
2011	76,815,712	10,539,074	97,027	1,159,843	3,568,128	92,179,784	56,534	3.5	1,631
2012	100,480,497	8,572,129	-	1,159,843	3,416,595	113,629,064	57,048	4.0	1,992
2013	99,408,395	8,360,184	-	1,159,843	3,255,062	112,183,484	57,789	3.8	1,941
2014	106,516,778	8,133,239	-	1,159,843	3,088,529	118,898,389	59,361	3.8	2,003
2015	104,062,522	7,886,294	-	1,159,843	2,911,996	116,020,655	59,991	3.6	1,934
2016	121,958,354	7,781,645	-	1,159,843	9,952,577	140,852,419	60,965	4.2	2,310
2017	113,666,228	7,417,448	-	1,897,014	10,783,468	133,764,158	61,993	N/A	2,158

**Source:**

(1) Metropolitan Council as of April 1 (except for 2010 Federal Census).

(2) See Demographic and Economic Statistics page.

N/A - Not available.

**CITY OF LAKEVILLE  
RATIO OF NET BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Debt Payable From Other Sources (1)</b>	<b>Debt Service Monies Available (2)</b>	<b>Net Bonded Debt</b>	<b>Taxable Net Tax Capacity</b>	<b>Percentage of Net Bonded Debt to Taxable Net Tax Capacity</b>	<b>(3) Population</b>	<b>Net Bonded Debt Per Capita</b>
2008	\$ 87,305,937	\$ 38,030,000	\$ 5,925,387	\$ 43,350,550	\$ 65,586,013	66.10%	54,828	\$ 791
2009	91,331,837	39,015,000	6,941,902	45,374,935	67,986,667	66.74%	55,772	814
2010	79,746,332	29,460,000	6,527,316	43,759,016	65,043,115	67.28%	55,954	782
2011	76,815,712	28,305,000	5,663,237	42,847,475	62,063,161	69.04%	56,534	758
2012	100,480,497	29,550,000	29,084,558	41,845,939	58,325,034	71.75%	57,048	734
2013	99,408,395	30,710,000	28,416,302	40,282,093	55,320,301	72.82%	57,789	697
2014	106,516,778	35,640,000	31,852,035	39,024,743	57,189,869	68.24%	59,361	657
2015	104,062,522	44,340,000	18,541,682	41,180,840	63,207,455	65.15%	59,991	686
2016	121,958,354	64,845,000	15,928,687	41,184,667	66,361,683	62.06%	60,965	676
2017	121,083,676	67,940,000	6,261,464	46,882,212	70,906,033	66.12%	61,993	756

**Source:**

- (1) G.O. Improvement bonds, tax increment bonds, State-aid street revenue bonds, water connection revenue bonds, and arena revenue bonds.
- (2) Debt service monies available include amounts restricted in the debt service funds repaying the related debt. We believe this is the most accurate and consistent representation of the resources restricted for debt service when crossover refunding bonds are being held in escrow, as those resources are not included in the governmental activities net position restricted for debt service due to conversion for full accrual accounting.
- (3) Metropolitan Council as of April 1, except for 2010 (Federal Census).

**CITY OF LAKEVILLE  
DIRECT AND OVERLAPPING GOVERNMENTAL DEBT  
AS OF DECEMBER 31, 2017**

<u>Governmental Unit</u>	<u>Debt Outstanding</u> (2)	<u>Debt Applicable to Taxable Net Tax Capacity in the City</u>	
		<u>Percentage</u> (2)	<u>Amount</u>
<b>Overlapping Debt (1)</b>			
Independent School District #194	\$ 121,250,000	71.80%	\$ 87,057,500
Independent School District #192	197,225,000	18.20%	35,894,950
Independent School District #196	170,005,000	6.40%	10,880,320
<u>Special District</u>			
Metropolitan Council	192,365,000	2.40%	<u>4,562,210</u>
Total overlapping debt			138,394,980
<b>Direct Debt</b>			
City of Lakeville bonded debt	122,980,690	100.00%	<u>122,980,690</u>
Total direct and overlapping debt			<u>\$ 261,375,670</u>

Source: Debt figures and applicable percentages for other than the City of Lakeville are provided by the City's fiscal consultant Springsted.

**Notes:**

- (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.
- (2) The percentage of overlapping debt applicable is estimated using taxable property market values. Applicable percentages were estimated by determining the portion of the county's taxable market value that is within the City's boundaries and dividing it by the county's total taxable market value.



**CITY OF LAKEVILLE  
LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Assessor's Taxable Market Valuation</u>	<u>Legal Debt Limit</u>	<u>Net Bonded Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Net Bonded Debt Applicable to Debt Limit as a Percentage of Legal Debt Limit</u>
2008	\$ 5,951,319,600	\$ 178,539,588	\$ 58,799,613	\$ 119,739,975	32.93%
2009	6,024,665,500	180,739,965	60,213,098	120,526,867	33.31%
2010	5,736,602,200	172,098,066	57,282,684	114,815,382	33.28%
2011	5,356,855,900	160,705,677	45,546,763	115,158,914	28.34%
2012	5,030,003,164	150,900,095	42,575,442	108,324,653	28.21%
2013	4,767,475,321	143,024,260	40,993,698	102,030,562	28.66%
2014	4,995,818,217	149,874,547	37,837,965	112,036,582	25.25%
2015	5,553,395,148	166,601,854	36,323,318	130,278,536	21.80%
2016	5,825,279,418	174,758,383	34,776,313	139,982,070	19.90%
2017	6,201,221,856	186,036,656	32,593,536	153,443,120	17.52%

**Legal Debt Margin Calculation:**

**Fiscal Year 2017**

Assessor's taxable market valuation		\$ 6,201,221,856
Legal debt limit:		
3% of Assessor's taxable market valuation		\$ 186,036,656
Amount of debt applicable to legal debt limit:		
Gross bonded debt	\$ 123,585,000	
Less debt payable from sources other than taxes:		
G.O. Improvement bonds	\$ 52,220,000	
Tax increment bonds	1,240,000	
State-aid street revenue bonds	6,205,000	
Water connection revenue bonds	7,940,000	
HRA lease revenue	9,050,000	
Arena revenue bonds	335,000	
Water revenue bonds	6,910,000	
Street Light revenue bonds	335,000	
Sewer revenue bonds	495,000	(84,730,000)
Debt payable from taxes		38,855,000
Less debt service monies available to pay principal and interest		(6,261,464)
Net bonded debt applicable to debt limit		32,593,536
Legal debt margin		\$ 153,443,120

**Note:** Minnesota Statutes § 475.53, Subdivision 1, No municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the taxable market value of taxable property in the municipality for years 2007 and prior; three percent for years beginning in 2008.

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE  
 PLEDGED REVENUE COVERAGE  
 LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Gross (1) Revenues</b>	<b>Operating Expenses</b>	<b>Net Revenue Available For Debt Service</b>	<b>Requirements (2)</b>		<b>Total</b>	<b>Times Coverage</b>
				<b>Principal</b>	<b>Interest</b>		
2008	\$ 9,615,243	\$ 4,094,080	\$ 5,521,163	\$ 1,400,000	\$ 1,161,886	\$ 2,561,886	2.16
2009	8,507,945	4,485,946	4,021,999	1,575,000	1,066,238	2,641,238	1.52
2010	7,380,163	4,749,304	2,630,859	1,685,000	998,751	2,683,751	0.98
2011	8,146,497	4,307,467	3,839,030	1,635,000	937,952	2,572,952	1.49
2012	9,608,620	4,296,022	5,312,598	3,115,000	832,499	3,947,499	1.35
2013	9,425,862	4,549,736	4,876,126	1,395,000	731,755	2,126,755	2.29
2014	9,181,527	4,942,276	4,239,251	1,415,000	674,644	2,089,644	2.03
2015	9,283,053	4,948,633	4,334,420	2,670,000	594,489	3,264,489	1.33
2016	10,530,436	5,389,869	5,140,567	595,000	652,577	1,247,577	4.12
2017	12,238,291	5,390,818	6,847,473	1,005,000	690,010	1,695,010	4.04

**Notes:**

- (1) The primary revenue source for debt service includes water system connection charges, water system user fees, ice arena net operating revenue and contributions from one organization conducting lawful gambling at approved locations, and liquor fund gross profits.
- (2) Revenue bonds include water connection revenue, arena revenue, and liquor revenue.

**CITY OF LAKEVILLE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Year	(1) Population	Percentage Increase from Previous Year	Personal Income (2) (in thousands)	Per Capita Personal Income	Building Permits Issued			Housing units Valuation
					Family Dwellings (3)			
					Single	Multiple	Total	
2008	54,828	1.86%	\$ 2,541,333	\$ 46,351	137	279	416	71,062,000
2009	55,772	1.72%	2,474,827	44,374	127	54	181	41,010,000
2010	55,954	0.33%	2,519,161	45,022	138	2	140	38,718,000
2011	56,534	1.04%	2,617,468	46,299	122	2	124	37,621,000
2012	57,048	0.91%	2,843,672	49,847	280	2	282	84,444,000
2013	57,789	1.30%	2,929,151	50,687	374	-	374	120,393,000
2014	59,361	2.72%	3,097,279	52,177	319	-	319	108,181,000
2015	59,991	1.06%	3,222,117	53,710	366	-	366	114,765,000
2016	60,965	1.62%	3,351,551	54,975	403	62	465	139,008,000
2017	61,993	1.69%	N/A	N/A	487	44	531	160,520,000

Annual percentage  
increase average last  
ten fiscal years

1.42%

**Labor Force and Unemployment Rate (seasonally adjusted) (2)**

Year	City of Lakeville		Dakota County		Rates	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	State of Minnesota	United States
2007	30,492	4.3%	232,670	4.6%	4.7%	5.1%
2008	30,471	5.6%	229,716	6.1%	6.8%	7.1%
2009	30,727	6.4%	231,391	6.9%	7.4%	10.0%
2010	30,782	6.0%	230,247	6.6%	6.9%	9.4%
2011	31,237	4.8%	232,257	5.2%	5.7%	8.5%
*2012	31,221	4.5%	231,902	4.9%	5.4%	7.6%
*2013	32,879	3.6%	230,160	4.0%	4.6%	6.5%
*2014	33,493	2.9%	231,538	3.2%	3.6%	5.4%
*2015	33,876	2.7%	234,299	3.1%	3.7%	4.8%
*2016	33,793	3.0%	232,091	3.4%	4.1%	4.5%
*2017	34,911	2.5%	239,356	2.7%	3.3%	4.1%

**Source:**

(1) Metropolitan Council as of April 1 (except for 2010 Federal Census and 2016 estimate based on prior year ).

(2) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2017.

\* Not seasonally adjusted, information is not available.

(3) City of Lakeville Inspections Department.

N/A - Not available.

**CITY OF LAKEVILLE  
PRINCIPAL EMPLOYERS  
FISCAL YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2008**

<u>Principal Employer</u> (1)	<u>Product/Service</u>	<u>2017</u>			<u>2008</u>		
		<u>Employees</u>	<u>Rank</u>	<u>%</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Independent School District #194	Elementary & secondary schools	1,370	1	3.9%	1,400	1	4.6%
Hearthside Food Solutions	Food service contractors	630	2	1.8%	600	2	2.0%
Treehouse Brands	Breakfast cereal products	515	3	1.5%	500	3	1.6%
Imperial Plastics, Inc	Plastics material & resin mfg.	450	4	1.3%	200	6	0.7%
Post Holdings	Cereal production	327	5	0.9%			
Menasha Corporation	Corrugated & solid fiber box mfg.	237	6	0.7%	185	8	0.6%
Despatch Industries, Inc.	Industrial furnace & oven mfg.	230	7	0.7%	250	4	0.8%
City of Lakeville (2)	City government	227	8	0.7%	214	5	0.7%
BTD Manufacturing	Metal manufacturing	210	9	0.6%			
Jeff Belzer's Chevy-Dodge-KIA	New & used auto dealership	200	10	0.6%	150	10	0.5%
Hearth & Home Technologies, Inc.	Fireplaces/metal work				192	7	0.6%
Carquest Distribution Center	General warehousing & storage				162	9	0.5%
Total principal employers		4,396		12.6%	3,853		12.6%
All other employers		30,392		87.4%	26,618		87.4%
Total City of Lakeville civilian labor force (3)		34,788		100.0%	30,471		100.0%

**Source:**

- (1) Telephone survey of individual employers, 2017
- (2) As of December 31, 2017 (full-time equivalent).
- (3) MN Department of Employment and Economic Development (DEED) as of December 31, 2017.

**CITY OF LAKEVILLE  
COMMERCIAL AND INDUSTRIAL BUILDING PERMITS ISSUED  
YEARS 2017 AND 2016**

**NEW BUILDING PERMITS 2017 AND 2016** (in excess of \$250,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Launch Park I	Industrial business park	\$ 9,650,000
Schneiderman's Furniture	Retail furniture store	9,130,000
Interstate Companies	Truck service and maintenance	8,200,000
Globus Transport	Trucking company	3,036,000
Lakeville Memory Care Livewell	Memory care facility	3,000,000
Agape Mechanical	HVAC, plumbing and electrical contractor	2,400,000
PetSmart	Retail pet store	2,300,000
Rivers Edge Dental	Dental	2,100,000
Dunn Brothers Coffee	Restaurant	1,750,000
Rainbow Childcare	Preschool/daycare	1,400,000
Dakota Truck	Trucking facility	1,275,000
McDonald Eye Care	Eye care	1,242,000
Caribou Coffee/Einstein Bagels	Restaurant	884,000
Freddy's Frozen Custard	Restaurant	857,000
Avonlea Development	Development clubhouse	850,000
Taco Bell	Restaurant	845,000
Christian Brothers Automotive	Automotive	600,000
SBF Development	Development clubhouse	503,000
Target	Retail	500,000

**EXPANSION OR REMODEL BUILDING PERMITS 2017 AND 2016** (in excess of \$250,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Simply Self Storage	Self storage facility	3,500,000
DaVita Dialysis Clinic	Medical	900,000
Children's Dental	Medical	822,000
Safety Signs	Sign manufacturer	800,000
Emagine Lakeville Theater	Theater	750,000
Dakota Curling Club	Curling facility	700,000
Treehouse Brands	Store brand/private label food products	645,000
Designed Cabinets	Custom cabinets	615,000
Harry's Café	Restaurant	550,000
Bass Flexible Packaging	Packaging product supplier	490,000
Edina Realty Home Services	Real estate office	432,000
Total Hockey	Hockey training facility	400,000
Med Express/Walgreens	Retail/Medical	400,000
Consulting Engineers Group	Engineering services	390,000
Lakeview Bank	Financial services	389,000
Hearthside Foods	Food contract manufacturer	350,000
Plaza Dental	Medical	324,000
Pizza Hut	Pizza restaurant	300,000
Lakeville Advanced Dental Care	Dental	275,000
Exit Realty	Real estate office	265,000

**Notes:**

(1) Valuation excludes land and personal property.

Source: City of Lakeville Inspections Department.

**CITY OF LAKEVILLE  
EMPLOYES BY FUNCTION/PROGRAM (FULL-TIME EQUIVALENT)  
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General government</b>										
City administration	3.0	2.8	2.5	2.5	2.5	2.4	2.8	3.0	3.0	3.0
Communications	4.1	3.9	4.0	4.0	4.0	4.0	4.0	4.0	3.9	4.5
City clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	6.6	6.5	6.4	6.0	7.0	7.0	7.0	6.6	6.7	7.0
Information systems	4.0	3.3	3.0	3.0	3.0	2.9	3.0	3.0	3.1	3.8
Human resources	3.0	2.8	2.8	2.8	2.8	2.8	2.8	3.2	4.0	4.0
Planning	4.5	3.8	3.0	3.0	3.0	2.8	3.5	3.5	3.5	4.2
Community and economic development	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.5	2.5	2.4
Protective inspection	12.4	8.7	8.0	8.0	7.0	7.0	7.0	7.6	8.0	8.4
General government buildings	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.6	5.5
Total general government	<u>44.2</u>	<u>38.3</u>	<u>36.2</u>	<u>35.8</u>	<u>35.8</u>	<u>35.4</u>	<u>36.5</u>	<u>37.4</u>	<u>40.2</u>	<u>43.8</u>
<b>Public safety</b>										
Police officers (sworn)	52.8	51.0	51.5	51.9	53.0	50.2	54.0	52.8	54.7	54.6
Police administration	12.4	11.1	10.8	11.3	12.2	11.5	11.8	12.5	13.4	14.8
Fire (excluding volunteer firefighters)	4.6	4.6	4.6	4.6	4.6	4.6	4.6	5.3	5.5	5.4
Total public safety	<u>69.8</u>	<u>66.7</u>	<u>66.9</u>	<u>67.8</u>	<u>69.8</u>	<u>66.3</u>	<u>70.4</u>	<u>70.6</u>	<u>73.6</u>	<u>74.8</u>
<b>Public works</b>										
Engineering	12.3	9.3	9.0	6.8	7.0	6.0	6.0	6.4	6.6	7.6
Construction Services	-	-	-	-	-	-	2.0	3.9	3.7	3.3
Street maintenance	20.0	19.4	19.0	19.0	19.3	19.3	21.0	20.4	21.6	21.7
Total public works	<u>32.3</u>	<u>28.7</u>	<u>28.0</u>	<u>25.8</u>	<u>26.3</u>	<u>25.3</u>	<u>29.0</u>	<u>30.7</u>	<u>31.9</u>	<u>32.6</u>
<b>Parks and recreation</b>										
Park maintenance	15.0	14.5	15.0	15.0	15.0	15.0	15.0	14.8	14.0	15.1
Recreation	5.3	4.9	4.7	4.7	4.7	5.6	5.6	5.5	5.8	6.5
Arts center	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	4.6
Total parks and recreation	<u>23.9</u>	<u>23.1</u>	<u>23.4</u>	<u>23.4</u>	<u>23.4</u>	<u>24.3</u>	<u>24.3</u>	<u>24.0</u>	<u>23.5</u>	<u>26.2</u>
Total governmental activities	<u>170.2</u>	<u>156.8</u>	<u>154.5</u>	<u>152.8</u>	<u>155.3</u>	<u>151.3</u>	<u>160.2</u>	<u>162.7</u>	<u>169.2</u>	<u>177.4</u>
Liquor	25.9	25.7	25.7	25.8	25.7	24.9	26.3	24.4	25.3	26.1
Utility	18.0	18.0	18.0	20.0	20.0	20.0	21.0	21.6	21.3	23.1
Total business-type activities	<u>43.9</u>	<u>43.7</u>	<u>43.7</u>	<u>45.8</u>	<u>45.7</u>	<u>44.9</u>	<u>47.3</u>	<u>46.0</u>	<u>46.6</u>	<u>49.2</u>
Total employees	<u>214.1</u>	<u>200.5</u>	<u>198.2</u>	<u>198.6</u>	<u>201.0</u>	<u>196.2</u>	<u>207.5</u>	<u>208.7</u>	<u>215.8</u>	<u>226.6</u>
	(1.3)	(13.6)	(2.3)	0.4	2.4	(4.8)	11.3	1.2	7.1	10.9

Source: City of Lakeville Human Resources Department.

**CITY OF LAKEVILLE  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>General government</b>										
Number of registered voters	31,024	N/A	32,617	N/A	32,200	N/A	36,571	N/A	41,124	N/A
Number of final plats approved	10	8	10	12	14	15	16	23	19	20
Number of building permits issued	1,878	1,428	1,421	1,467	2,349	1,647	3,852	2,030	1,889	1,829
Valuation of building permits issued (in millions)	\$ 111	\$ 62	\$ 49	\$ 77	\$ 119	\$ 142	\$ 139	\$ 183	\$ 218	\$ 248
<b>Public safety</b>										
Total calls for service	42,515	40,972	38,723	33,883	38,895	33,328	35,980	47,072	47,724	38,036
Traffic stops	12,424	13,370	12,310	9,210	11,426	8,251	10,531	17,681	18,239	15,680
Non-traffic related calls	30,091	27,602	26,413	24,673	27,469	25,077	25,449	29,391	29,485	22,356
Number of volunteer firefighters	90	78	74	83	77	79	80	83	85	86
Number of annual fire calls	1,230	1,343	1,189	1,262	1,208	1,062	1,103	1,192	1,347	1,477
<b>Public works</b>										
City street miles added	1.0	0.4	1.0	1.4	2.6	2.8	4.5	4.5	17.0	3.1
<b>Parks and recreation</b>										
Park acres mowed	427	427	427	429	429	430	430	430	430	430
Park facility reservations taken	479	559	661	655	717	888	958	1,024	742	551
Program activity registrations taken	7,994	8,201	8,369	9,051	9,850	9,310	9,627	9,231	8,141	6,294
<b>Liquor</b>										
Annual sales (in millions)	\$ 14.4	\$ 14.6	\$ 14.7	\$ 14.4	\$ 15.2	\$ 15.4	\$ 14.9	\$ 13.6	\$ 14.1	\$ 14.6
<b>Utility (in millions of gallons)</b>										
Water (average daily consumption)	6.3	6.1	4.8	5.7	6.7	5.9	5.5	5.2	5.5	5.8
Sanitary sewer (1) (average daily treatment)	4.0	3.3	3.3	3.3	3.4	3.4	3.4	3.2	3.4	3.4

**Notes:**

(1) Sewage is treated by the Metropolitan Council Environmental Services.

N/A Indicates information is not available for this period at the printing of this report.

Source: Various City of Lakeville Departments.

**CITY OF LAKEVILLE  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function (1)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Public safety</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
<b>Public works</b>										
City streets (miles)	257.6	258.6	259.0	260.0	261.4	264.0	266.8	271.3	288.3	291.4
<b>Parks and recreation</b>										
Acres of parks, conservation areas, and greenways	1,569	1,579	1,579	1,586	1,590	1,590	1,590	1,590	1,600	1,600
Parks	57	58	58	59	59	59	59	59	60	60
Conservation areas	18	18	18	18	20	20	20	20	20	20
Trails and sidewalks - paved (miles)	95	96	97	98	99	103	107	109	110	111
Ice rinks - outdoor (fully boarded)	11	11	11	11	11	11	11	11	11	11
Ice rinks - indoor	3	3	3	3	3	3	3	3	3	3
Fields (softball, soccer, baseball, football, Lacrosse)	93	93	96	97	97	97	97	96	96	96
Courts (basketball, volleyball, tennis, pickleball)	39	39	39	38	38	38	38	38	38	43
Playgrounds	40	40	41	42	42	42	43	43	44	44
Swimming beaches	3	3	3	3	3	3	3	3	3	3
<b>Liquor</b>										
Number of on-sale stores owned	2	2	2	2	2	2	2	2	2	2
Number of on-sale stores leased	1	1	1	1	1	1	1	1	1	1
<b>Utility</b>										
Water										
Water mains (miles)	310	311	311	313	313	321	321	321	321	346
Fire hydrants	3,374	3,386	3,386	3,434	3,434	3,572	3,572	3,572	3,572	3,818
Wells	16	17	17	17	17	17	17	17	18	18
Water Towers	5	5	5	5	5	5	5	5	5	6
Sanitary sewer										
Sanitary sewer mains (miles)	255	256	259	261	261	261	261	261	261	261
Sanitary sewer lift stations	20	20	19	19	19	20	20	20	20	20

**Notes:**

(1) Indicators for general government functions are not available.

Source: Various City of Lakeville Departments.



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