



## STAFF REPORT

DATE: August 8, 2018

**REGULAR** #13

**TO:** City Council  
**FROM:** Sue Iverson – Finance Director  
**AGENDA ITEM:** Presentation & Acceptance of the 2017 Comprehensive Annual Financial Report (CAFR)  
**REVIEWED BY:** Kristina Handt, City Administrator

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### **BACKGROUND:**

Annually, the City engages the services of an independent outside audit firm to audit and assist with the preparation of the financial statements. The auditors are asked to assure that the financial statements are free from material misstatement in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The firm also performs testing and makes inquiries to help ensure that proper internal controls are in place. This is the fifth year that the City of Lake Elmo has presented the report in the Comprehensive Annual Financial Report (CAFR) layout.

As such, the City has retained the services of Smith Schafer & Associates, Ltd., to perform the City of Lake Elmo's audit for 2017. The 2017 Comprehensive Annual Financial Report and Management Report will be presented to the City Council by Mr. Jason Miller – Principal, from Smith Schafer and Associates, Ltd. with the opportunity to ask questions of both Mr. Miller and City Staff.

An overview summary of the 2017 CAFR and results were presented to the Finance Committee on July 17, 2017. Copies of the report were provided to the Finance Committee and it was unanimously agreed to recommend that the report be presented to the City Council.

### **ISSUE BEFORE THE CITY COUNCIL:**

- 1) Does the City Council have any questions regarding the 2017 CAFR?

### **DISCUSSION:**

Mr. Jason Miller – Principal, from Smith Schafer and Associates, Ltd., will present information regarding the 2017 Audit, answer any questions the City Council may have, with staff also present to answer any questions pertaining to the 2017 Audit and the 2017 CAFR.

The City received an Unmodified audit opinion, meaning the Financial Statements are fairly stated in all material respects. No exceptions were noted during the audit for Minnesota Legal Compliance. The City's Net Position increased by \$4,347,094 during 2017, this includes assets and infrastructure less outstanding debt obligations. The governmental funds reported a combined ending fund balances of \$8,259,817 which is an increase of \$36,063 from 2016. The unassigned general fund balance of \$3,499,133 is 81% of 2017 expenditures.

### **FISCAL IMPACT:**

Overall sound policies, fiscal management, effective operational, capital, and long range planning are all integral parts of City business leading up to the audit and completion of the CAFR. As such, continued investment in the aforementioned items will help position the City to continue to provide quality, efficient, timely and cost effective services to the constituents of the community.

**RECOMMENDATION:**

- 1) No formal recommendation is required, but the City Council at its discretion may accept the results of the 2017 Audit and 2017 CAFR.

**ATTACHMENTS:**

- 1) 2017 Comprehensive Annual Financial Report

Honorable Mayor and Members  
of the City Council  
**City of Lake Elmo, Minnesota**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Lake Elmo, Minnesota's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City's internal control to be a significant deficiency:

### **Accounting and Financial Reporting**

A city of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for the City to devote the resources required to overcome this limitation. Management should attempt to segregate duties, however, that are incompatible from an internal control standpoint (e.g. cash receipts, preparation of deposits, depositing cash to bank, receiving bank statements, reconciling bank accounts, reviewing reconciliations, disbursing cash, etc.) whenever possible. This will prevent any single individual access to control the entire cash process and help reduce the risk of fraud or embezzlement.

Honorable Mayor and Members of the City Council  
**City of Lake Elmo, Minnesota**  
Page 2

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

*Smith, Schafn and Associates, Ltd.*

Minneapolis, Minnesota  
June 29, 2018

June 29, 2018

Honorable Mayor and City Council  
**City of Lake Elmo, Minnesota**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo for the year ended December 31, 2017, and have issued our report thereon dated June 29, 2018. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 15, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lake Elmo are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017.. We noted no transactions entered into by the City during the year for which there is a lack of authoritative accounting guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

#### *Depreciation of Capital Assets*

Management's estimate of the useful life of purchased, constructed or contributed capital assets is based on the estimated productive life of these assets. We evaluated the estimated useful lives assigned to capital assets and determined that these lives were reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatement. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We requested certain representations from management that are included in the management representation letter dated June 29, 2018.

*Management Consultation with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedules of city contributions to the General Employees Retirement Plan and the Public Employees Police and Fire Plan, the schedules of proportionate share of net pension liability for the General Employees Retirement Plan and the Public Employees Police and Fire Plan, the schedule of funding progress for the Lake Elmo Fire Relief Association, the schedule of employer contributions for the Lake Elmo Fire Relief Association, and the schedule of funding progress – other post employment benefits, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (continued)

We were engaged to report on combining and individual nonmajor fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the city council of the City of Lake Elmo, Minnesota and the City's management and is not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Smith, Schaffn and Associates, Ltd.*

**CITY OF LAKE ELMO, MINNESOTA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2017**

**PREPARED BY:  
FINANCE DEPARTMENT  
CITY OF LAKE ELMO, MINNESOTA**





**CITY OF LAKE ELMO, MINNESOTA  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2017**

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**CITY OF LAKE ELMO, MINNESOTA**  
**FINANCIAL STATEMENTS**  
For the Fiscal Year Ended December 31, 2017

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**CITY OF LAKE ELMO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2017**

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THE CITY OF  
**LAKE ELMO**

**3800 Laverne Avenue North  
Lake Elmo, MN 55042  
651-747-3900 [www.lakeelmo.org](http://www.lakeelmo.org)**

June 29, 2018

**To the Honorable Mayor, Members of the City Council, and Citizens of the  
City of Lake Elmo:**

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Government Accounting Standard Board (GASB), and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2017.

This report consists of management's representation concerning the finances of the City of Lake Elmo. Consequently, management assumes full responsibility for the completeness, accuracy and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the City of Lake Elmo has established a thorough internal control system designed to both protect the City's assets from loss, theft and misuse and to compile all necessary information for the preparation of the City of Lake Elmo's financial statements in conformity with GAAP and GASB. As a management team, we assert that the financial statements will be free from material misstatement and that the financial report is reliable in all material respects.

The City of Lake Elmo's financial statements have been audited by Smith, Schafer and Associates, Ltd, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2017 are free from material misstatement. The independent audit involved examining, on an approved test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the City of Lake Elmo's financial statements for fiscal year ended December 31, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

A "Single Audit" designed to meet the special needs of a federal grantor agency was not performed for the year ended December 31, 2017 as the City did not participate in any programs that required this additional independent audit.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is included to complement the MD&A and should be read in conjunction with it. The City of Lake Elmo's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota six miles east of St. Paul Minnesota. Located in Washington County, it covers 25 square miles and has an estimated population of 9,625 which represents 3,350 households.

Policy-making and legislative authority are vested in a governing council consisting of an elected Mayor and four council members. Per Minnesota State Statute, the governing council is responsible for passing ordinances, adopting an annual budget, appointing committees and hiring both the city's administrator and attorney. The City Administrator is responsible for carrying out the policies and ordinances of the governing council and overseeing the day-to-day operations of the city. The Council is elected on a non-partisan basis. The Mayor serves a four-year term and council members serve a four-year staggered term, with two of these positions elected every two years. The Mayor and the Council are elected at-large.

The City of Lake Elmo provides a full range of Services including fire protection services, construction and maintenance of streets and infrastructure; recreational facilities; and water, sanitary sewer and storm water utility services. The City contracts with the Washington County Sheriff's Department for police services.

The annual budget serves as the foundation for the City of Lake Elmo's financial management and fiscal stewardship. City departments and agencies of the City submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary budget for submission to the Finance Committee for their consideration. The Finance Committee then meets with the Department Heads to better understand their proposed budgets to later submit a budget to the City Council. The preliminary balanced budget is presented to the City Council in September each year so that the preliminary property tax levy can be submitted to Washington County by the annual due date. The preliminary property tax levy may be decreased but not increased. The 2017 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 28, 2016. Included in the City annual budget process is the compilation of a Capital Improvement Plan which allows for strategic planning of City infrastructure and equipment needs while maintaining a reasonable level of debt and a strong unassigned fund balance. Monthly budget to actual comparison reports are provided to the Finance Committee and the City Council to keep them apprised of the financial performance of the City.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lake Elmo operates.

### **LOCAL ECONOMY**

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New residential developments platted since 2014 number approximately 2,200 have been approved. The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2017 population estimates of 9,625 or an increase of 18% since the 2010 census.

New housing starts in 2017 numbered 299 with a total value of \$129,119,697 and an average value of \$431,838. Commercial new construction numbered 3 with a total value of \$5,370,557 and an average value of \$1,790,186. All these new starts have been built in 2017 or will be finished in 2018, which will greatly strengthen the existing tax base of the City.

### **LONG TERM FINANCIAL PLANNING**

Total unassigned General Fund balance as of December 31, 2017 was 81% of the total 2017 General Fund expenditures. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

The City's 5-year Capital Improvement Plan serves as the foundation for long-term financial planning. Funding needs for capital replacements are reflected in tax levies for the street renewal and general fund asset replacements. Funding needs for capital infrastructure in the enterprise funds are funded through user fees in those funds.

During 2017, Moody's Investors Service increased the City's long term debt rating to AA+. In their assessment of the City, Moody's noted the following:

- Strong financial operations supported by healthy reserves and liquidity
- Healthy unassigned fund balance
- Affluent tax base favorably located in Twin Cities metropolitan area

Projections for the next 5 years indicate that property tax contributions, user fees and investment income will continue to grow based on planned development and expansion within the City.

### **RELEVANT FINANCIAL POLICIES**

During 2015, the Metropolitan Council issued the 2015 System Statement for the City of Lake Elmo which outlines the updated forecasts for the City as a result of the termination in 2014 of the Memorandum of Understanding (MOU). The previous forecasted population number for 2040 was reduced from 20,500 to 18,200. Receipt of the system statement plans triggers a community obligation to review and amend its comprehensive plan as necessary, which began late in 2016 and will continue into 2018.



## MAJOR INITIATIVES

2017 was again an extremely robust year for the City due to continuation of ongoing infrastructure upgrades and projects, as well as oversight of the ongoing residential and commercial development activity.

Some of the 2017 infrastructure projects included the following:

- The Lake Elmo Avenue Downtown project is well underway and Phase III was substantially completed in 2017. Phase IV of the project will be completed in 2018. The projects cover full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
- The 2018 Street Reconstruction program will also be a significant project during 2018 continuing the City's investment in capital expenditures and upkeep of its street infrastructure.
- Phase II – Ideal Avenue included construction of streets and sewer infrastructure.
- Completion of a lift station, pump house, well and water tower
- 2017 seal coating and crack filling project
- Use of Parkland dedication fees to continue to make improvements to existing parks and providing oversight to the new City parks being constructed by developers.

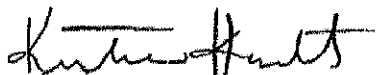
## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to the City again for the fiscal year ending December 31, 2016. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation for state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A certificate is valid for one year only.

The City of Lake Elmo is pleased to present its Comprehensive Annual Financial Report, which will be submitted to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting for its financial reports for the fiscal year ended December 31, 2017. The preparation of this report would not have been possible without the efficient and dedicated services of the personnel of the City of Lake Elmo. Further, we would like to express our appreciation to all members of the organization who assisted in contributing to the preparation of the report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of management of the City of Lake Elmo's finances.

Respectfully submitted,



Kristina Handt  
City Administrator



Brian A. Swanson  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lake Elmo  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2017**

POSITION	NAME	TERM EXPIRES
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**ELECTED OFFICIALS**

City Council:

Mayor	Mike Pearson	December 31, 2020
Council Member	Justin Bloyer	December 31, 2020
Council Member	Julie Fliflet	December 31, 2018
Council Member	Jill Lundgren	December 31, 2018
Council Member	Christine Nelson	December 31, 2020

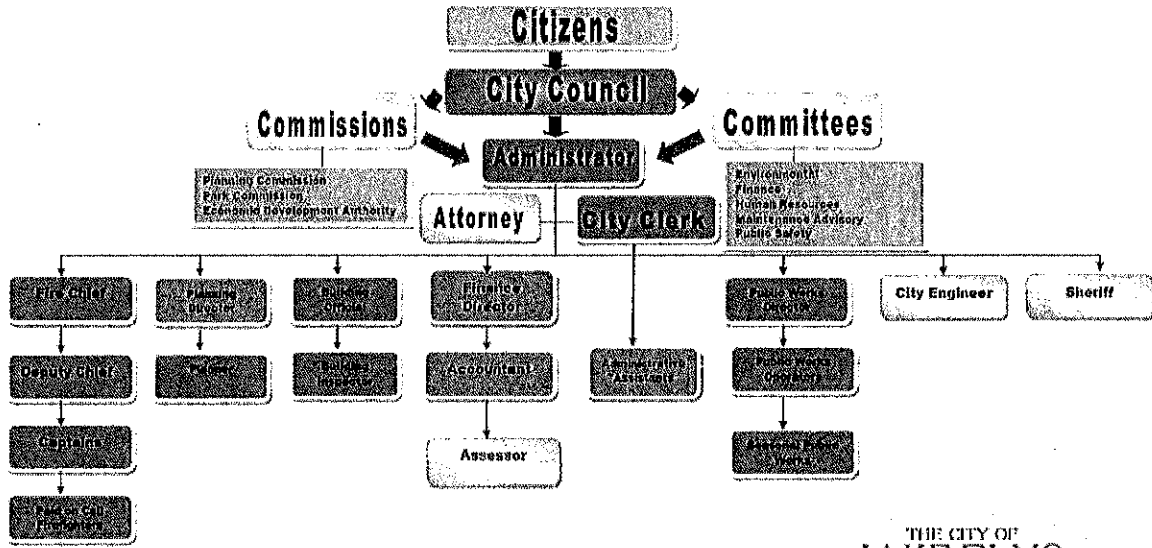
**APPOINTED OFFICIALS**

City Administrator	Kristina Handt	Continuous
Finance Director	Brian Swanson	Continuous
City Clerk	Julie Johnson	Continuous

**FINANCE COMMITTEE**

Wally Nelson, Chairperson  
Anne Cohen, Vice Chairperson  
Terry Forrest, Member

## CITY OF LAKE ELMO ORGANIZATIONAL CHART 2017



= Citizen Appointees  
 = Contractor Relationship



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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Lake Elmo, 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 Lake Elmo, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 and the required supplemental information 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 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 Lake Elmo, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is 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.

*Smith, Schaffner and Associates, Ltd.*

Minneapolis, Minnesota  
June 29, 2018

## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake Elmo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lake Elmo, Minnesota for the fiscal year ended December 31, 2017.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Lake Elmo, Minnesota exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$42,600,067 (*net position*). Of this amount, \$13,783,466 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$4,347,094 during 2017.
- As of the close of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$8,259,817, an increase of \$36,063 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,499,133, or 81% of total general fund expenditures. The nonspendable portion of the general fund balance as of December 31, 2017 (\$410,193) related to the interfund loan to the Village Project fund and prepaid items. The committed portion of the general fund balance as of December 31, 2017 (\$200,000) was a reserve for future insurance and legal fees.
- The City's total noncurrent liabilities increased by \$7,342,158 or 22% during the current fiscal year due to the issuance of the 2017A General Obligation bonds.
- The City was recognized by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting for the City's 2016 Comprehensive Annual Financial Report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Lake Elmo, Minnesota's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government-wide financial statements, providing information for the City as a whole, 2) fund financial statements, providing detailed information for the City's significant funds, and 3) notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lake Elmo, Minnesota's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Lake Elmo, Minnesota's assets and liabilities, with the difference between the two 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 of Lake Elmo, Minnesota is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 of Lake Elmo, Minnesota 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 of Lake Elmo, Minnesota include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Lake Elmo, Minnesota include the water, sewer and storm sewer funds.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lake Elmo, Minnesota, 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 of Lake Elmo, Minnesota 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 financial 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*.

## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lake Elmo, Minnesota maintains twenty-four individual governmental funds, thirteen of which are debt service 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, the debt service fund, the infrastructure reserve fund and the vehicle acquisition fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City of Lake Elmo, Minnesota adopts an annual budget for its general fund. Budgetary comparison statements have been provided for this fund (pages 23 to 26) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

**Proprietary funds.** There are two different types of proprietary funds - enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lake Elmo, Minnesota uses three enterprise funds to account for its water, sewer and storm sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Lake Elmo, Minnesota's various functions. The City of Lake Elmo, Minnesota uses three internal service funds to account for certain capital acquisition activities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental 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 the water, sewer and storm sewer funds, all of which are considered to be major funds of the City of Lake Elmo, Minnesota.

The proprietary fund financial statements can be found on pages 27-34 of this report.

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

The basic fiduciary fund financial statement can be found on page 35 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-83 of this report.

**Other Information.** The combining schedules referred to earlier in connection with non-major governmental funds, debt service funds, internal service funds and the fiduciary fund can be found on pages 88-105 of this report.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake Elmo, Minnesota, assets exceeded liabilities by \$42,600,067 at the close of the most recent fiscal year.

The largest portion of the City of Lake Elmo, Minnesota's net position, \$21,063,698 (49%) reflects its investment in capital assets (e.g. land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lake Elmo, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lake Elmo, Minnesota's 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.

**City of Lake Elmo, Minnesota's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 12,381,583	\$ 10,893,806	\$ 14,443,394	\$ 10,098,093	\$ 26,824,977	\$ 20,991,899
Capital assets	24,394,812	20,755,034	33,741,028	30,240,029	58,135,840	50,995,063
Total assets	<u>36,776,395</u>	<u>31,648,840</u>	<u>48,184,422</u>	<u>40,338,122</u>	<u>84,960,817</u>	<u>71,986,962</u>
Deferred outflows of resources	330,948	856,676	88,562	128,684	419,510	985,360
Long-term liabilities outstanding	16,954,320	13,471,388	23,103,352	19,244,126	40,057,672	32,715,514
Other liabilities	1,418,646	955,137	1,152,033	812,316	2,570,679	1,767,453
Total liabilities	<u>18,372,966</u>	<u>14,426,525</u>	<u>24,255,385</u>	<u>20,056,442</u>	<u>42,628,351</u>	<u>34,482,967</u>
Deferred inflows of resources	138,956	206,031	12,953	30,351	151,909	236,382
Net position:						
Net investment in capital assets	8,883,320	9,032,535	12,180,378	12,506,474	21,063,698	21,539,009
Restricted	5,057,169	4,704,133	2,695,734	1,473,164	7,752,903	6,177,297
Unrestricted	4,654,932	4,136,292	9,128,534	6,400,375	13,783,466	10,536,667
Total net position	<u>\$ 18,595,421</u>	<u>\$ 17,872,960</u>	<u>\$ 24,004,646</u>	<u>\$ 20,380,013</u>	<u>\$ 42,600,067</u>	<u>\$ 38,252,973</u>

An additional portion of the City of Lake Elmo, Minnesota's net position (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$13,783,466) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake Elmo, Minnesota is able to report positive balances in all categories of net position for the City as a whole.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental activities.** Governmental activities increased the City of Lake Elmo, Minnesota's net position by \$722,461 during 2017. Key elements of this increase include:

- Charges for services increased by \$505,215 from the prior year due primarily to an increase in the amount of building permits issued by the City.
- Capital grants and contributions increased by \$837,796 from the prior year due primarily to state construction aid received from the State of Minnesota.

**Business-type activities.** Business-type activities increased the City of Lake Elmo, Minnesota's net position by \$3,624,633. This increase is due primarily to the requirement that developers pay the water and sewer access fees at the time they submit their final plat to the City.

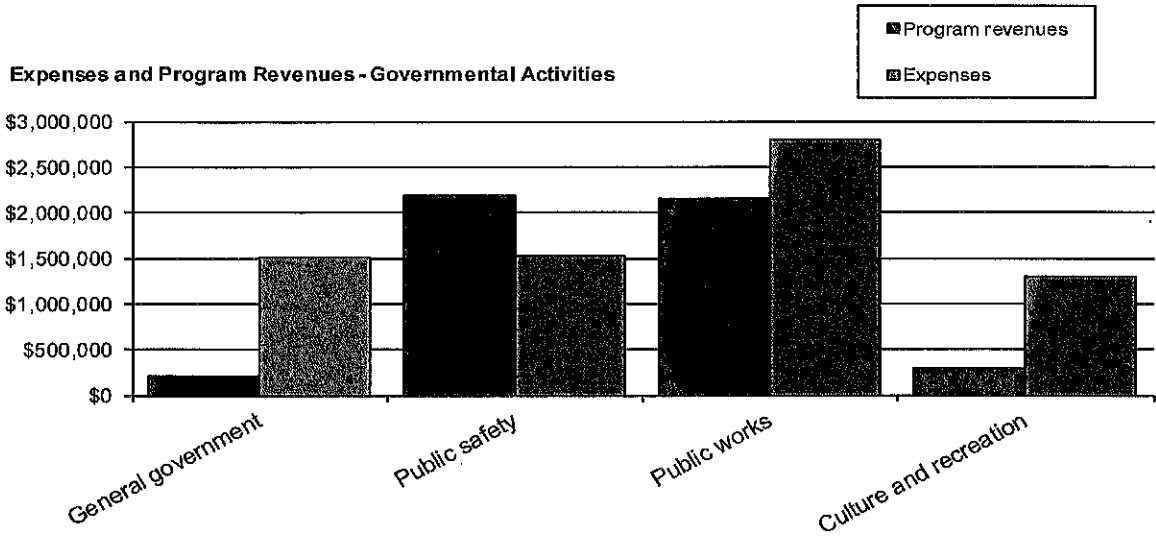
A condensed version of the Statement of Activities follows:

**City of Lake Elmo, Minnesota's Change in Net Position**

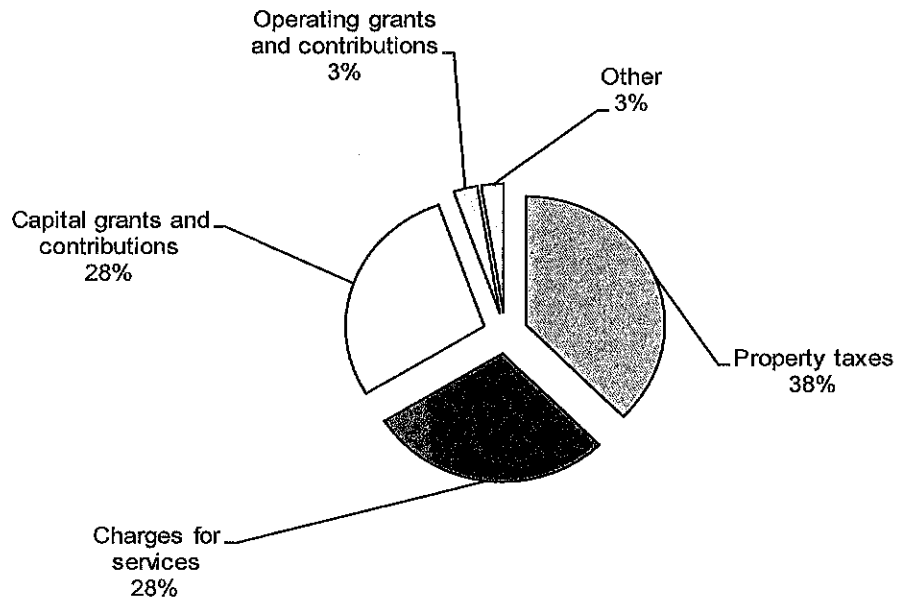
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,308,746	\$ 1,803,531	\$ 5,353,972	\$ 3,330,409	\$ 7,662,718	\$ 5,133,940
Operating grants and contributions	229,960	235,214			229,960	235,214
Capital grants and contributions	2,290,265	1,452,469	1,489,922	3,464,567	3,780,187	4,917,036
<b>General revenues:</b>						
Property taxes	3,040,413	3,226,739			3,040,413	3,226,739
Other	210,086	104,291	46,757	45,171	256,843	149,462
<b>Total revenues</b>	<b>8,079,470</b>	<b>6,822,244</b>	<b>6,890,651</b>	<b>6,840,147</b>	<b>14,970,121</b>	<b>13,662,391</b>
<b>Expenses:</b>						
General government	1,503,251	1,358,370			1,503,251	1,358,370
Public safety	1,528,253	1,308,360			1,528,253	1,308,360
Public works	2,800,044	1,698,566			2,800,044	1,698,566
Culture and recreation	1,299,551	660,947			1,299,551	660,947
Interest on long-term debt	225,910	178,266			225,910	178,266
Water			2,022,446	1,409,832	2,022,446	1,409,832
Sewer			1,030,058	380,650	1,030,058	380,650
Storm sewer			213,514	150,302	213,514	150,302
<b>Total expenses</b>	<b>7,357,009</b>	<b>5,204,509</b>	<b>3,266,018</b>	<b>1,940,784</b>	<b>10,623,027</b>	<b>7,145,293</b>
Increase in net position before transfers	722,461	1,617,735	3,624,633	4,899,363	4,347,094	6,517,098
Transfers		143,105		(143,105)		
<b>Change in net position</b>	<b>722,461</b>	<b>1,760,840</b>	<b>3,624,633</b>	<b>4,756,258</b>	<b>4,347,094</b>	<b>6,517,098</b>
Net position - beginning of year	17,872,960	16,112,120	20,380,013	15,623,755	38,252,973	31,735,875
<b>Net position - end of year</b>	<b>\$ 18,595,421</b>	<b>\$ 17,872,960</b>	<b>\$ 24,004,646</b>	<b>\$ 20,380,013</b>	<b>\$ 42,600,067</b>	<b>\$ 38,252,973</b>

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

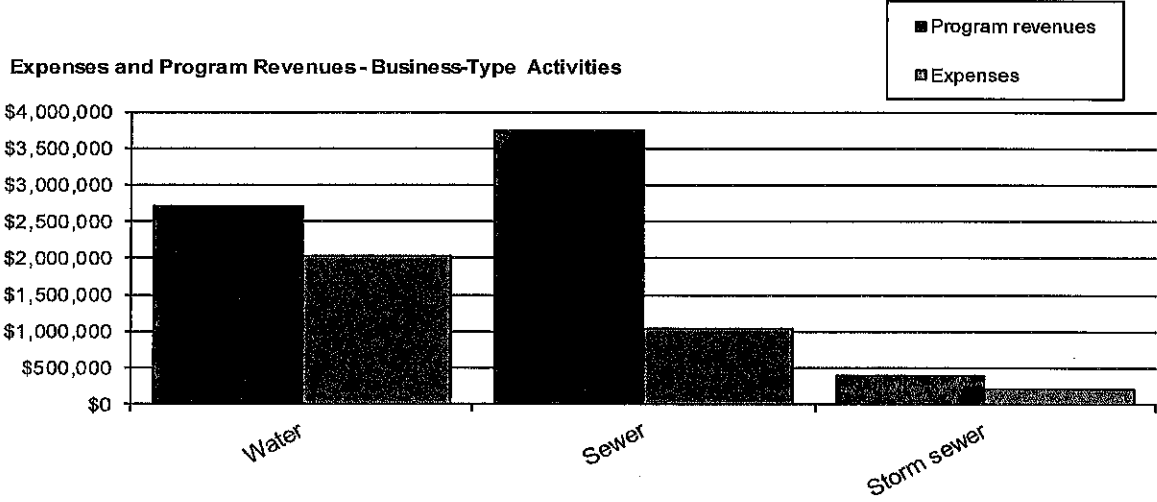


**Revenues by Source - Governmental Activities**

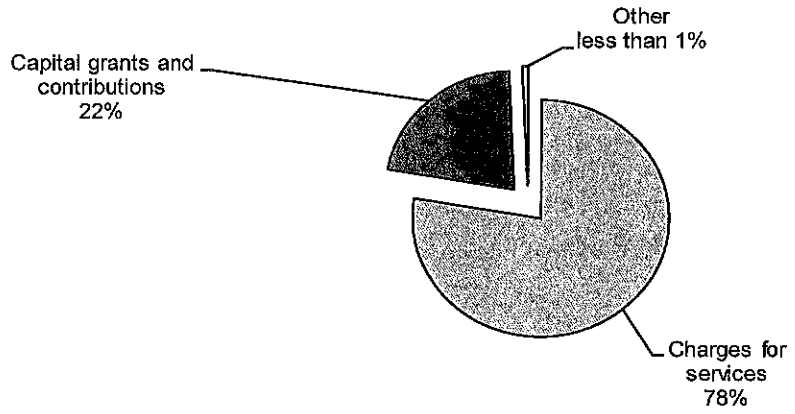


**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs related the business-type activity's program revenues with its expenditures. Since this activity requires significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.



**Revenues by Source - Governmental Activities**





**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

As noted earlier, the City of Lake Elmo, Minnesota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Lake Elmo, Minnesota'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 of Lake Elmo, Minnesota's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$8,259,817, an increase of \$36,063 in comparison with the prior year. Approximately \$4,124,668 of this total fund balance, or 50%, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$4,135,149) is *restricted, committed and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments, has been committed to a specific purpose by the City Council, has been expensed for prepaid items, or is unavailable because the funds have been loaned to another fund.

The general fund is the chief operating fund of City of Lake Elmo, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,499,133. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represented 81% of total 2017 general fund expenditures. The general fund's total fund balance increased by \$220,289 during the current fiscal year due primarily to an increase in building permits and related revenue during the year.

The debt service fund decreased its fund balance by \$11,126 due to debt service expenditures in excess of property taxes, special assessments and intergovernmental revenues allocated to this fund.

The infrastructure reserve fund increased its fund balance by \$308,364 due primarily to intergovernmental revenue and bond proceeds allocated to this fund in excess of capital outlay expenditures.

The vehicle acquisition fund decreased its fund balance by \$7,351 due primarily to capital outlay expenditures in excess of revenue and bond proceeds allocated to this fund. This fund will no longer be used in 2018 and will therefore be closed.

The special revenue funds decreased their overall fund balances by \$166,537 due primarily to current expenditures for culture and recreation in excess of property taxes allocated to those funds.

The capital projects funds, other than the infrastructure reserve fund and vehicle acquisition fund described previously, decreased their collective fund balance by \$307,576 due primarily to capital outlay expenditures in excess of park dedication fees in those funds.

**Proprietary funds.** The City of Lake Elmo, Minnesota's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Unrestricted net position for water operations, sewer operations and storm sewer operations at the end of the year amounted to \$3,521,522, \$4,485,443 and \$1,121,569, respectively. The water fund, sewer fund and storm sewer fund increased their net position by \$713,508, \$2,727,030 and \$184,095, respectively, for the year ended December 31, 2017. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Lake Elmo, Minnesota's business-type activities.

**General Fund Budgetary Highlights**

The City's General Fund budget was not amended during the year. The budget called for no change in the General Fund balance. The actual net change to the General Fund balance was an increase of \$220,289. Revenues were more than budget by \$601,872 for the year ended December 31, 2017 due primarily to licenses and permits in excess of budget as result of increased building within the City.

Total expenditures were more than budget by \$381,583 for the year. Three departments had expenditures in excess of budget: general government expenditures exceeded budget by \$274,158, public safety expenditures exceeded budget by \$49,243 and public works expenditures exceeded budget by \$129,907. The over expenditures in the general government department were primarily related to professional services that were required for longer than anticipated. The over expenditures in the public safety department were primarily related to an increase in the number of fire protection staff during the year. The over expenditures in the public works department were primarily related to a reallocation of wages between departments during the year.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lake Elmo, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$58,135,840 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Total capital assets increased by \$7,140,777, or 14%, for the year ended December 31, 2017, due primarily to completed construction projects and additional construction in progress on various capital projects within the City.

**City of Lake Elmo, Minnesota's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,453,979	\$ 3,453,979	\$ 248,869	\$ 248,869	\$ 3,702,848	\$ 3,702,848
Construction in progress	4,218,535	4,418,552	2,933,887	7,025,526	7,152,422	11,444,078
Buildings	2,504,533	2,576,941			2,504,533	2,576,941
Improvements other than buildings	378,336	438,996			378,336	438,996
Machinery and equipment	1,689,088	1,556,172	68,409	84,461	1,757,497	1,640,633
Infrastructure	12,150,341	8,310,394	30,489,863	22,881,173	42,640,204	31,191,567
Total	\$ 24,394,812	\$ 20,755,034	\$ 33,741,028	\$ 30,240,029	\$ 58,135,840	\$ 50,995,063

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional information on the City of Lake Elmo, Minnesota's capital assets can be found in Note 3D beginning on page 55 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Lake Elmo, Minnesota had \$37,830,000 in bonds outstanding. The entire \$37,830,000 outstanding comprises debt backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 15,280,000	\$ 11,625,000	\$ 22,550,000	\$ 18,775,000	\$ 37,830,000	\$ 30,400,000
Total	\$ 15,280,000	\$ 11,625,000	\$ 22,550,000	\$ 18,775,000	\$ 37,830,000	\$ 30,400,000

The City of Lake Elmo, Minnesota's total bonds payable increased by \$7,430,000 during the current fiscal year. The increase was due to the issuance of the 2017A General Obligation bonds. A more detailed breakdown of these obligations can be found in Note 3E beginning on page 57 of this report.

The City of Lake Elmo, Minnesota maintains an AA+ bond rating from Moody's Investor Service for general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota City may issue to 3% of its market value of taxable property. Net debt is payable solely from ad valorem taxes. The City is currently well within this limit.

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

- Plans continue with subsequent phases of the multi-phased developments which were approved by the City.
- The Cities taxable market value increased 3.4% from 2015 to 2016 and 7.5% from 2016 to 2017.
- There was an increase in the amount of total property taxes levied in 2018. This is related to increased debt service for the 2017A bonds, changes in personnel related structure, both for compensation model and staffing model.
- Development continues to be strong in the new development areas. The 2018 budget anticipates the building of another 250 new homes and the continuation of commercial expansion.
- The Lake Elmo Avenue Downtown project is well underway and Phase III was substantially completed in 2017. Phase IV of the project will be completed in 2018. The projects cover full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
- The 2018 Street Reconstruction program will also be a significant project during 2018 continuing the City's investment in capital expenditures and upkeep of its street infrastructure.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lake Elmo, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Lake Elmo, Minnesota, 3800 Laverne Avenue North, Lake Elmo, Minnesota, 55042.

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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,820,331	\$ 10,265,669	\$ 19,086,000
Receivables, net of allowance	2,281,638	3,420,636	5,702,274
Due from other governmental units	53,600	1,986	55,586
Internal balances	(77,425)	77,425	
Prepaid expenses	705,862	677,678	1,383,540
Net pension asset	597,577		597,577
Capital assets:			
Nondepreciable	7,672,514	3,182,756	10,855,270
Depreciable, net	16,722,298	30,558,272	47,280,570
<b>Total Assets</b>	<b>36,776,395</b>	<b>48,184,422</b>	<b>84,960,817</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized deferred amount on refunding	22,427	43,988	66,415
Deferred outflows from pension activity	308,521	44,574	353,095
<b>Total Deferred Outflows of Resources</b>	<b>330,948</b>	<b>88,562</b>	<b>419,510</b>
<b>LIABILITIES</b>			
Accounts payable	761,874	404,996	1,166,870
Accrued expenses	74,015	4,391	78,406
Accrued interest	26,276	7,123	33,399
Escrow deposits	75,000		75,000
Due to other governmental units	473,181	206,523	679,704
Unearned revenue	8,300	529,000	537,300
Noncurrent liabilities:			
Due within one year	1,221,378	1,157,235	2,378,613
Due in more than one year	14,580,797	21,756,684	36,337,481
Net pension liability	1,152,145	189,433	1,341,578
<b>Total Liabilities</b>	<b>18,372,966</b>	<b>24,255,385</b>	<b>42,628,351</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	138,956	12,953	151,909
<b>NET POSITION</b>			
Net investment in capital assets	8,883,320	12,180,378	21,063,698
Restricted			
Debt service	5,057,169	2,695,734	7,752,903
Unrestricted	4,654,932	9,128,534	13,783,466
<b>Total Net Position</b>	<b>\$ 18,595,421</b>	<b>\$ 24,004,646</b>	<b>\$ 42,600,067</b>

**See Notes to Financial Statements**



**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 1,503,251	\$ 206,856	\$	\$
Public safety	1,528,253	2,101,890	81,840	
Public works	2,800,044		122,883	2,024,482
Culture and recreation	1,299,551		25,237	265,783
Interest on long-term debt	225,910			
<b>Total governmental activities</b>	<u>7,357,009</u>	<u>2,308,746</u>	<u>229,960</u>	<u>2,290,265</u>
<b>Business-Type activities:</b>				
Water	2,022,446	2,628,848		88,972
Sewer	1,030,058	2,435,749		1,300,968
Storm sewer	213,514	289,375		99,982
<b>Total business-type activities</b>	<u>3,266,018</u>	<u>5,353,972</u>		<u>1,489,922</u>
<b>Total</b>	<u>\$ 10,623,027</u>	<u>\$ 7,662,718</u>	<u>\$ 229,960</u>	<u>\$ 3,780,187</u>

General revenues:

General property taxes

Grants and contributions not restricted to specific programs

Interest earnings

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,296,395)		\$ (1,296,395)
655,477		655,477
(652,679)		(652,679)
(1,008,531)		(1,008,531)
(225,910)		(225,910)
<u>(2,528,038)</u>		<u>(2,528,038)</u>
	\$ 695,374	695,374
	2,706,659	2,706,659
	175,843	175,843
	<u>3,577,876</u>	<u>3,577,876</u>
<u>(2,528,038)</u>	<u>3,577,876</u>	<u>1,049,838</u>
3,040,413		3,040,413
2,749		2,749
48,987	46,705	95,692
158,350	52	158,402
<u>3,250,499</u>	<u>46,757</u>	<u>3,297,256</u>
722,461	3,624,633	4,347,094
17,872,960	20,380,013	38,252,973
<u>\$ 18,595,421</u>	<u>\$ 24,004,646</u>	<u>\$ 42,600,067</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**CITY OF LAKE ELMO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2017

	General Fund (101)	Debt Service (300s)	Infrastructure Reserve (409)
<b>ASSETS</b>			
Cash and investments	\$ 3,712,848	\$ 2,931,225	\$ 893,935
Receivables (Net of allowance for uncollectibles)			
Delinquent taxes	42,427		
Special assessments	21,411	1,947,515	238,287
Accrued interest	18,801		
Loans	13,197		
Due from other funds	486,803		
Advances to other funds	381,708		
Due from other governmental units	35,688	233	17,679
Prepaid items	28,485	675,000	
<b>TOTAL ASSETS</b>	<b>\$ 4,741,368</b>	<b>\$ 5,553,973</b>	<b>\$ 1,149,901</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 435,838	\$	\$ 171,347
Escrow deposits payable			
Accrued liabilities	62,919		
Due to other funds		381,471	7,032
Due to other governments	61,147		395,000
Unearned revenue	8,300		
Advances from other funds			
Total liabilities	<u>568,204</u>	<u>381,471</u>	<u>573,379</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Property taxes	42,427		
Special assessments	21,411	1,947,515	238,287
Total deferred inflows of resources	<u>63,838</u>	<u>1,947,515</u>	<u>238,287</u>
<b>FUND BALANCE</b>			
Nonspendable	410,193	675,000	
Restricted		2,849,956	
Committed	200,000		
Assigned			338,235
Unassigned	3,499,133	(299,969)	
Total Fund Balance	<u>4,109,326</u>	<u>3,224,987</u>	<u>338,235</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 4,741,368</b>	<b>\$ 5,553,973</b>	<b>\$ 1,149,901</b>

**See Notes to Financial Statements**

Vehicle Acquisition (410)	Other Governmental Funds	Total
\$ 31,840	\$ 1,250,483	\$ 8,820,331
		42,427
		2,207,213
		18,801
		13,197
		486,803
		381,708
		53,600
		703,485
<u>\$ 31,840</u>	<u>\$ 1,250,483</u>	<u>\$ 12,727,565</u>
\$	\$ 172,396	\$ 779,581
	75,000	75,000
	8,046	70,965
	57,904	446,407
		456,147
		8,300
	381,708	381,708
	<u>695,054</u>	<u>2,218,108</u>
		42,427
		2,207,213
		<u>2,249,640</u>
		1,085,193
		2,849,956
		200,000
31,840	937,141	1,307,216
	(381,712)	2,817,452
<u>31,840</u>	<u>555,429</u>	<u>8,259,817</u>
<u>\$ 31,840</u>	<u>\$ 1,250,483</u>	<u>\$ 12,727,565</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**RECONCILIATION OF NET POSITION IN THE**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES**  
**IN THE FUND BASIS FINANCIAL STATEMENTS**  
December 31, 2017

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

Total governmental fund balances (pages 17-18)	\$ 8,259,817
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental funds - capital assets	\$ 32,328,936
Accumulated depreciation	<u>(8,078,706)</u>
	24,250,230
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:	
Delinquent property taxes	\$ 42,427
Special assessments	<u>2,207,213</u>
	2,249,640
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	\$ (15,280,000)
Net pension liability (asset), deferred outflows and inflows from pension activity	(385,003)
Compensated absences	(61,837)
Post employment benefit obligation	(206,419)
Accrued interest	(26,276)
Unamortized deferred amount on refunding	22,427
Unamortized bond premiums	(332,817)
Unamortized bond discounts	<u>78,898</u>
	(16,191,027)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position.	<u>26,761</u>
Net position of governmental activities (page 14)	<u>\$ 18,595,421</u>



**CITY OF LAKE ELMO, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2017

	General Fund (101)	Debt Service (300s)	Infrastructure Reserve (409)
<b>REVENUES</b>			
Taxes	\$ 1,910,494	\$ 874,623	\$
Licenses and permits	2,046,462		
Intergovernmental	206,185		817,679
Charges for services	137,920		
Fines and forfeitures	41,418		
Special assessments		444,293	
Dedication fees			
Refunds and reimbursements			
Investment earnings	27,665	12,181	3,715
Miscellaneous revenue	183,114		24,899
<b>TOTAL REVENUES</b>	<u>4,553,258</u>	<u>1,331,097</u>	<u>846,293</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,411,995		
Public safety	1,470,726		
Public works	1,185,828		
Culture and recreation	173,511		
Unallocated	90,909		
<b>Capital Outlay</b>			
Public safety			
Public works			4,934,431
Culture and recreation			
<b>Debt Service</b>			
Principal		910,000	
Interest and other charges		432,223	
Bond issuance costs			29,493
<b>TOTAL EXPENDITURES</b>	<u>4,332,969</u>	<u>1,342,223</u>	<u>4,963,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>220,289</u>	<u>(11,126)</u>	<u>(4,117,631)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt			4,295,000
Premium on issuance of debt			155,741
(Discount) on issuance of debt			(24,746)
Sale of capital assets			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>4,425,995</u>
Net change in fund balances	220,289	(11,126)	308,364
<b>FUND BALANCES, Beginning</b>	<u>3,889,037</u>	<u>3,236,113</u>	<u>29,871</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 4,109,326</u>	<u>\$ 3,224,987</u>	<u>\$ 338,235</u>

**See Notes to Financial Statements**

Vehicle Acquisition (410)	Other Governmental Funds	Total
\$	\$ 256,957	\$ 3,042,074
		2,046,462
		1,023,864
		137,920
		41,418
11,200		455,493
	265,783	265,783
132	5,294	48,987
22,410	34,710	265,133
<u>33,742</u>	<u>562,744</u>	<u>7,327,134</u>
		1,411,995
		1,470,726
		1,185,828
	429,781	603,292
		90,909
319,410		319,410
		4,934,431
	607,076	607,076
		910,000
		432,223
1,854		31,347
<u>321,264</u>	<u>1,036,857</u>	<u>11,997,237</u>
<u>(287,522)</u>	<u>(474,113)</u>	<u>(4,670,103)</u>
270,000		4,565,000
10,327		166,068
(1,556)		(26,302)
1,400		1,400
<u>280,171</u>		<u>4,706,166</u>
(7,351)	(474,113)	36,063
39,191	1,029,542	8,223,754
<u>\$ 31,840</u>	<u>\$ 555,429</u>	<u>\$ 8,259,817</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	36,063
Governmental funds report capital outlay as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay capitalized	\$ 4,709,797	
Depreciation expense	<u>(1,042,230)</u>	3,667,567
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Special assessments	\$ 751,310	
Property taxes	<u>(1,661)</u>	749,649
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences, end of year	\$ (61,837)	
Compensated absences, beginning of year	64,623	
Post employment benefit obligation, end of year	(206,419)	
Post employment benefit obligation, beginning of year	<u>206,419</u>	2,786
Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Principal retirement on long-term debt	\$ 910,000	
Issuance of long-term debt	(4,565,000)	
Change in net pension liability (asset)	(14,715)	
Change in deferred amount on refunding	(2,643)	
Change in accrued interest, bond premiums and bond discounts	<u>(33,457)</u>	(3,705,815)
Internal service funds are used by management to charge the costs of capital equipment replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements		
		<u>(27,789)</u>
Change in net position of governmental activities (page 16)	\$	<u><u>722,461</u></u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2017

	Budgeted Amounts		2017	Variance with
	Original	Final	Actual	Final Budget- Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$ 1,818,847	\$ 1,818,847	\$ 1,841,212	\$ 22,365
Franchise	76,000	76,000	69,282	(6,718)
Total Taxes	1,894,847	1,894,847	1,910,494	15,647
Licenses and Permits				
Business	13,000	13,000	9,200	(3,800)
Nonbusiness	1,449,369	1,449,369	2,037,262	587,893
Total Licenses and Permits	1,462,369	1,462,369	2,046,462	584,093
Intergovernmental				
MSA - maintenance	130,838	130,838	122,883	(7,955)
Fire state aid	47,000	47,000	61,147	14,147
Other	7,569	7,569	22,155	14,586
County and local	15,688	15,688		(15,688)
Total Intergovernmental	201,095	201,095	206,185	5,090
Charges for Services	39,675	39,675	137,920	98,245
Fines and Forfeits	46,500	46,500	41,418	(5,082)
Investment Earnings	40,000	40,000	27,665	(12,335)
Miscellaneous Revenue	266,900	266,900	183,114	(83,786)
<b>TOTAL REVENUES</b>	<b>\$ 3,951,386</b>	<b>\$ 3,951,386</b>	<b>\$ 4,553,258</b>	<b>\$ 601,872</b>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2017

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	\$ 27,956	\$ 27,956	\$ 27,723	\$ 233
Other services and charges	18,938	18,938	24,811	(5,873)
Total Mayor and Council	46,894	46,894	52,534	(5,640)
Election				
Other services and charges	1,200	1,200	1,660	(460)
Finance and Administration				
Personnel services	301,284	301,284	428,599	(127,315)
Supplies	7,175	7,175	5,388	1,787
Other services and charges	119,546	119,546	109,169	10,377
Total Finance and Administration	428,005	428,005	543,156	(115,151)
Communications				
Personnel services			9,863	(9,863)
Other services and charges			7,349	(7,349)
Total Communications			17,212	(17,212)
City Facilities				
Supplies	350	350	550	(200)
Other services and charges	63,303	63,303	60,918	2,385
Total City Facilities	63,653	63,653	61,468	2,185
Professional Services				
Assessor	38,000	38,000	51,646	(13,646)
Accounting and auditing	29,601	29,601	214,028	(184,427)
Legal	170,000	170,000	140,883	29,117
Engineering	36,000	36,000	44,510	(8,510)
Total Professional Services	273,601	273,601	451,067	(177,466)

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2017

	Budgeted Amounts		2017	Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
<b>EXPENDITURES</b>				
<b>General Government</b>				
Planning and Zoning				
Personnel services	\$ 193,959	\$ 193,959	\$ 225,136	\$ (31,177)
Supplies	2,300	2,300	336	1,964
Other services and charges	128,225	128,225	59,426	68,799
Total Planning and Zoning	<u>324,484</u>	<u>324,484</u>	<u>284,898</u>	<u>39,586</u>
Total General Government	<u>1,137,837</u>	<u>1,137,837</u>	<u>1,411,995</u>	<u>(274,158)</u>
<b>Public Safety</b>				
Police				
Contracted services	618,357	618,357	615,054	3,303
Other services and charges	1,000	1,000	1,800	(800)
Total Public Safety	<u>619,357</u>	<u>619,357</u>	<u>616,854</u>	<u>2,503</u>
Fire Protection				
Personnel services	221,042	221,042	272,201	(51,159)
2% fire aid	47,000	47,000	61,147	(14,147)
Supplies	33,350	33,350	22,393	10,957
Other services and charges	110,229	110,229	131,398	(21,169)
Total Fire Protection	<u>411,621</u>	<u>411,621</u>	<u>487,139</u>	<u>(75,518)</u>
Building Inspector				
Personnel services	312,975	312,975	299,862	13,113
Supplies	5,700	5,700	1,920	3,780
Other services and charges	15,510	15,510	7,900	7,610
Total Building Inspector	<u>334,185</u>	<u>334,185</u>	<u>309,682</u>	<u>24,503</u>
Animal Control				
Other services and charges	<u>7,725</u>	<u>7,725</u>	<u>11,448</u>	<u>(3,723)</u>
Criminal Legal	<u>43,200</u>	<u>43,200</u>	<u>42,874</u>	<u>326</u>
Emergency Communications	<u>5,395</u>	<u>5,395</u>	<u>2,729</u>	<u>2,666</u>
Total Public Safety	<u>\$ 1,421,483</u>	<u>\$ 1,421,483</u>	<u>\$ 1,470,726</u>	<u>\$ (49,243)</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2017

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Works</b>				
General				
Personnel services	\$ 340,234	\$ 340,234	\$ 434,130	\$ (93,896)
Supplies	561,350	561,350	559,219	2,131
Other services and charges	154,337	154,337	160,802	(6,465)
Total General	1,055,921	1,055,921	1,154,151	(98,230)
Street Lighting			31,677	(31,677)
Total Public Works	1,055,921	1,055,921	1,185,828	(129,907)
<b>Culture and Recreation</b>				
Parks				
Personnel services	166,079	166,079	116,736	49,343
Supplies	10,150	10,150	7,153	2,997
Other services and charges	74,100	74,100	49,622	24,478
Total Culture and Recreation	250,329	250,329	173,511	76,818
<b>Other Unallocated</b>				
IT and telephone expense	85,816	85,816	90,909	(5,093)
Total Other Unallocated	85,816	85,816	90,909	(5,093)
Total Expenditures	3,951,386	3,951,386	4,332,969	(381,583)
NET CHANGE IN FUND BALANCE			220,289	220,289
FUND BALANCE, January 1	3,889,037	3,889,037	3,889,037	
FUND BALANCE, December 31	\$ 3,889,037	\$ 3,889,037	\$ 4,109,326	\$ 220,289

**See Notes to Financial Statements**



**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position**  
December 31, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Storm Sewer (603)</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 3,453,036	\$ 4,848,717	\$ 1,963,916
Receivables			
Accounts	404,629	39,096	242,042
Special assessments	314,073	2,382,251	38,545
Due from other governments	950		1,036
Due from other funds		54,305	23,915
Prepaid expenses	395,000	122,678	160,000
	<u>4,567,688</u>	<u>7,447,047</u>	<u>2,429,454</u>
<b>Total Current Assets</b>			
<b>Noncurrent Assets</b>			
Property and Equipment			
Land	248,869		
Machinery and equipment	300,587		
Infrastructure	26,252,872	7,883,389	2,224,765
Construction in progress	1,437,949	1,351,465	144,473
Total Property and Equipment	<u>28,240,277</u>	<u>9,234,854</u>	<u>2,369,238</u>
Less: Accumulated depreciation	<u>5,196,014</u>	<u>732,616</u>	<u>174,711</u>
Net Property and Equipment	<u>23,044,263</u>	<u>8,502,238</u>	<u>2,194,527</u>
	<u>27,611,951</u>	<u>15,949,285</u>	<u>4,623,981</u>
<b>Total Assets</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	43,988		
Deferred outflows from pension activity	<u>28,236</u>	<u>9,959</u>	<u>6,379</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 72,224</u>	<u>\$ 9,959</u>	<u>\$ 6,379</u>

See Notes to Financial Statements

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 10,265,669	\$
685,767	
2,734,869	
1,986	
78,220	
677,678	
<u>14,444,189</u>	
248,869	
300,587	654,692
36,361,026	
2,933,887	
<u>39,844,369</u>	<u>654,692</u>
<u>6,103,341</u>	<u>510,110</u>
<u>33,741,028</u>	<u>144,582</u>
<u>48,185,217</u>	<u>144,582</u>
43,988	
44,574	
<u>\$ 88,562</u>	<u>\$</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position (Continued)**  
December 31, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Storm Sewer (603)</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 98,896	\$ 302,880	\$ 3,220
Accrued salaries payable	3,182	710	499
Accrued interest payable	7,123		
Due to other funds	795		
Due to other governments	19,627	178,320	8,576
Unearned revenue	479,000	50,000	
Current portion of compensated absences	6,694	3,701	1,840
Current portion of bonds payable	710,000	275,000	160,000
	<u>1,325,317</u>	<u>810,611</u>	<u>174,135</u>
<b>Long-term Liabilities</b>			
Other postemployment benefits payable	17,499	5,405	7,918
Compensated absences payable	2,231	1,234	613
Net pension liability	119,232	43,353	26,848
Bonds payable and unamortized premium on bonds, net of unamortized discount on bonds	12,105,099	6,796,974	2,819,711
	<u>12,244,061</u>	<u>6,846,966</u>	<u>2,855,090</u>
	<u>13,569,378</u>	<u>7,657,577</u>	<u>3,029,225</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	6,640	3,709	2,604
<b>NET POSITION</b>			
Net investment in capital assets	10,273,152	1,430,264	476,962
Restricted			
Debt service	313,483	2,382,251	
Unrestricted	3,521,522	4,485,443	1,121,569
	<u>\$ 14,108,157</u>	<u>\$ 8,297,958</u>	<u>\$ 1,598,531</u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 404,996	\$
4,391	
7,123	
795	117,821
206,523	
529,000	
12,235	
<u>1,145,000</u>	
<u>2,310,063</u>	<u>117,821</u>
30,822	
4,078	
189,433	
<u>21,721,784</u>	
<u>21,946,117</u>	
<u>24,256,180</u>	<u>117,821</u>
<u>12,953</u>	
12,180,378	144,582
2,695,734	
<u>9,128,534</u>	<u>(117,821)</u>
<u>\$24,004,646</u>	<u>\$ 26,761</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
For the Year Ended December 31, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Storm Sewer (603)</u>
<b>Operating Revenues</b>	<u>\$ 2,456,848</u>	<u>\$ 1,757,769</u>	<u>\$ 289,375</u>
<b>Operating Expenses</b>			
Personnel services	159,177	39,299	22,273
Supplies	139,349	6,761	2,053
Professional services	250,040	306,905	50,818
Repairs and maintenance	56,517	52,283	21,419
Insurance	9,322		
Utilities	298,510	90,694	
Depreciation	808,865	350,903	56,299
Total Operating Expenses	<u>1,721,780</u>	<u>846,845</u>	<u>152,862</u>
<b>Operating Income (Loss)</b>	<u>735,068</u>	<u>910,924</u>	<u>136,513</u>
<b>Other Revenue (Expense)</b>			
Investment earnings	18,096	20,362	8,247
Future infrastructure charges	172,000	677,980	
Bond issuance costs	(11,262)	(18,437)	(1,064)
Intergovernmental revenue	67,736	9	5
Interest and fiscal expense	(289,404)	(164,776)	(59,588)
Total Other Revenue (Expense)	<u>(42,834)</u>	<u>515,138</u>	<u>(52,400)</u>
Income (Loss) Before Transfers and Contributions	692,234	1,426,062	84,113
Capital contributions - special assessments	21,137	1,229,699	
Noncash capital contributions	137	71,269	99,982
Change in net position	713,508	2,727,030	184,095
<b>Net Position, Beginning</b>	<u>13,394,649</u>	<u>5,570,928</u>	<u>1,414,436</u>
<b>Net Position, End of Year</b>	<u>\$ 14,108,157</u>	<u>\$ 8,297,958</u>	<u>\$ 1,598,531</u>

See Notes to Financial Statements

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,503,992	\$
220,749	
148,163	
607,763	
130,219	
9,322	
389,204	
<u>1,216,067</u>	<u>27,789</u>
<u>2,721,487</u>	<u>27,789</u>
<u>1,782,505</u>	<u>(27,789)</u>
46,705	
849,980	
(30,763)	
67,750	
<u>(513,768)</u>	
<u>419,904</u>	
2,202,409	(27,789)
1,250,836	
171,388	
<u>3,624,633</u>	<u>(27,789)</u>
<u>20,380,013</u>	<u>54,550</u>
<u>\$ 24,004,646</u>	<u>\$ 26,761</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows**  
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Sewer (603)		
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 5,953,933	\$ 2,488,893	\$ 268,241	\$ 8,711,067	\$
Cash payments to suppliers	(678,366)	(170,278)	(72,876)	(921,520)	
Cash payments to employees	(157,090)	(42,478)	(22,175)	(221,743)	
<b>Net Cash Provided By Operating Activities</b>	<u>5,118,477</u>	<u>2,276,137</u>	<u>173,190</u>	<u>7,567,804</u>	
<b>Cash Flows From Investing Activities</b>					
Interest earnings received	18,096	20,362	8,247	46,705	
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(2,292,406)	(2,280,210)	(144,450)	(4,717,066)	
Special assessments received (assessed), net	67,891	50,185	(24,114)	93,962	
Outside capital contributions			99,982	99,982	
Proceeds from issuance of long-term debt	1,640,000	2,685,000	155,000	4,480,000	
Bond issuance costs	(11,262)	(18,437)	(1,064)	(30,763)	
Increase in net unamortized bond premiums	33,950	66,545	894	101,389	
Principal paid on long-term debt	(485,000)	(220,000)		(705,000)	
Principal prepaid on long-term debt	(395,000)	(115,000)	(160,000)	(670,000)	
Interest paid on long-term debt	(376,758)	(222,380)	(89,135)	(688,273)	
<b>Net Cash (Used In) Capital and Related Financing Activities</b>	<u>(1,818,585)</u>	<u>(54,297)</u>	<u>(162,887)</u>	<u>(2,035,769)</u>	
<b>Net Increase In Cash and Cash Equivalents</b>	3,317,988	2,242,202	18,550	5,578,740	
<b>Cash and Cash Equivalents, January 1</b>	135,048	2,606,515	1,945,366	4,686,929	
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 3,453,036</u>	<u>\$ 4,848,717</u>	<u>\$ 1,963,916</u>	<u>\$ 10,265,669</u>	<u>\$</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows (Continued)**  
For the Year Ended December 31, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Sewer (603)	Total	
Operating income (loss)	\$ 735,068	\$ 910,924	\$ 136,513	\$ 1,782,505	\$ (27,789)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	808,865	350,903	56,299	1,216,067	27,789
Principal prepaid on long-term debt	395,000	115,000	160,000	670,000	
Change in net pension liability	7,588	1,815	911	10,314	
Future infrastructure charges, included in nonoperating revenue	172,000	677,980		849,980	
Other income	67,698			67,698	
(Increase) decrease in:					
Accounts receivable	(274,148)	1,678	(20,349)	(292,819)	
Due from other governments	3,431,535	1,466	(785)	3,432,216	
Prepaid expenses	(395,000)	(122,678)	(160,000)	(677,678)	
Increase (decrease) in:					
Accounts payable	63,256	261,216	1,414	325,886	
Accrued salaries payable	(2,634)	(1,124)	(363)	(4,121)	
Due to other governments	12,116	32,827		44,943	
Unearned revenue	100,000	50,000		150,000	
Compensated absences payable	(2,867)	(3,870)	(450)	(7,187)	
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 5,118,477</b>	<b>\$ 2,276,137</b>	<b>\$ 173,190</b>	<b>\$ 7,567,804</b>	<b>\$</b>
<b>Noncash Capital and Related Financing Activities</b>					
Amortization of deferred charges	\$ 6,236	\$ 1,088	\$ 850	\$ 8,174	\$
Amortization of bond premiums	12,835	4,899	4,043	21,777	
Receipt of contributed capital	137	71,269	99,982	171,388	



**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
December 31, 2017

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,712,949
Accounts receivable	<u>128</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,713,077</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 38,858
Deposits payable	<u>2,674,219</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,713,077</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

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**1. Summary of Significant Accounting Policies**

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The financial statements of the City of Lake Elmo, Minnesota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting principles are described below.

**A. Reporting Entity**

The City operates under Optional Plan A as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential component 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. GASB has set forth criteria to be considered in determining financial accountability for a component unit. These criteria include appointing a voting majority of the component unit's governing body, and 1) the ability of the primary government to impose its will on that component unit, or 2) the potential for the component unit to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units.

*Related Organizations*

The Lake Elmo Firemen's Relief Association (Association) is organized as a legally separate entity from the City by its members to provide pension and other benefits to its members in accordance with Minnesota statutes. The membership appoints the board of the Association and separate financial statements are issued by the Association. All funding is conducted in accordance with Minnesota statutes. Although the City levies property taxes for the Association, the Association is fiscally independent to determine and levy taxes. The City's portion of the pension benefit costs related to the Association is included in the general fund. The Association does not have any significant operational or financial relationship with the City.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

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

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

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

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

The City reports the following major governmental funds:

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

---

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

The *debt service fund* is an accumulation of resources (primarily special assessments and property tax revenues) for the payments of principal and interest on long-term general obligation debt of governmental funds.

The *infrastructure reserve fund* accounts for the accumulation of funds for the current and future road and street infrastructure projects.

The *vehicle acquisition fund* accounts for the accumulation of funds for the purchase of vehicles to be used by various City departments. Although this fund did not meet the requirements to be considered a major fund, management has elected to include this fund as a major fund as of and for the year ended December 31, 2017. This fund will be closed during 2018.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water distribution operations.

The *sewer fund* accounts for revenues and costs associated with the City's sewer system.

The *storm sewer fund* accounts for costs associated with the City's storm sewer system. These costs are financed by the storm sewer surcharge.

Additionally, the City reports the following fund types:

*Internal service funds* are used to account for the replacement of radios, information technology and furniture, fixtures and equipment expenses of the governmental activities. Internal service funds operate in a manner similar to enterprise funds; however, they accumulate funding primarily from other departments within the City on a cost reimbursement basis.

*Agency funds* are fiduciary funds that are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The City's agency funds are 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.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. **Summary of Significant Accounting Policies (Continued)**

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and investments (including cash equivalents)

Cash balances from all funds (including cash equivalents) are pooled and invested to the extent available in various securities as authorized by Minnesota statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance (or due from other funds balance) participation by each fund.

Investments are stated at fair value, based upon quoted market prices at the reporting date. Cash and cash equivalents for purposes of the basic financial statements includes amounts in demand deposits as well as all investments held by the City.



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. **Summary of Significant Accounting Policies (Continued)**

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D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Advances between funds, if any, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property tax levies are set by the City Council in December of each year and are certified to Washington County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, July and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The net amount of delinquent taxes receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. **Summary of Significant Accounting Policies (Continued)**

---

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

2. Receivables and payables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from ten to twenty years with interest charged at 1% over the City's borrowing rate. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

---

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

3. Capital assets (continued)

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life <u>in Years</u>
Buildings and Improvements	10 - 50
Infrastructure	20 - 40
Other Improvements	10 - 25
Machinery and Equipment	5 - 20

4. Postemployment benefits other than pensions

Under Minnesota Statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The postemployment benefit obligation liability was determined using the alternative measurement method, in accordance with GASB Statement No. 45.

5. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net position.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

5. Long-term obligations (continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

6. Pensions

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

7. Net Position and Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. **Summary of Significant Accounting Policies (Continued)**

---

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

7. Net Position and Fund Balance (continued)

The City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Council rescinds or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The Council has delegated the power to assign fund balances to the City's finance committee. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

---

**1. Summary of Significant Accounting Policies (Continued)**

---

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)**

**7. Net Position and Fund Balance (continued)**

The City considers restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts when expenditures are made. The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance in the General Fund equal to 50 percent of budgeted expenditures to ensure funds are available at all times to meet cash flow needs and accommodate emergency contingency concerns.

**8. Interfund transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, are reported as transfers.

**E. Concentration of Credit Risk**

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. Credit risk related to cash and investments is discussed in Note 3A. The City's accounts and loans receivable are concentrated geographically, and for the most part, amounts are due from individuals residing in and businesses located in the City of Lake Elmo, Minnesota.

**F. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Stewardship, Compliance and Accountability**

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**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund and the special revenue funds. Formal budgetary integration is employed as a management control device during the year for these funds.

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements.

1. Budget requests are submitted by all department heads to the City Administrator and Finance Director in August of each year. The Administrator's office compiles the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.
2. The preliminary budget is submitted to the City Council in September for its review and/or modification.
3. City administration presents the proposed budget to the City Council which in turn, when required, holds a truth-in-taxation public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the department level for the General Fund and the special revenue funds.
4. All budgeted appropriations lapse at the end of the fiscal year. The legal level of control (the level on which expenditures may not legally exceed appropriations) for each budget is at the department level. Administration cannot legally amend or transfer appropriations between departments without the approval of the City Council once the budget has been approved. Any over expenditures of appropriations or transfers of appropriated amounts must be approved by the City Council.
5. Budgeted amounts are as originally adopted, or as amended by the City Council. The budget cannot be amended without approval by the City Council.

All budget amounts presented as a basic financial statement or in the accompanying supplementary information reflect the original budget and the final budget (which were the same for the year ended December 31, 2017).

The City does not use encumbrance accounting.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Stewardship, Compliance, and Accountability**

**B. Expenditures Exceeding Appropriations**

For the year ended December 31, 2017, the General Fund total expenditures were \$381,583 more than budget. The following funds and General Fund departments had expenditures exceeding the latest amended budget:

	<u>2017 Budgeted Expenditures</u>	<u>2017 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General Fund:			
General government	\$ 1,137,837	\$ 1,411,995	\$ 274,158
Public safety	1,421,483	1,470,726	49,243
Public works	1,055,921	1,185,828	129,907
Other unallocated	85,816	90,909	5,093
Library Fund	260,957	429,781	168,824

The above listed over expenditures in the general government department were due primarily to legal expenses incurred over the amounts budgeted. The expenditures in excess of budget for the Library fund were related to repairs to the library building during the year.

All overexpenditures were approved by the City Council.

**C. Fund Balance Deficits**

As of December 31, 2017, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
City Events Special Revenue	\$ 607
Village Project Capital Project	376,500
Manning Avenue/Highway 36 Capital Project	4,605

The fund balance deficits will be eliminated by future revenue and financing sources.



**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Detailed Notes on All Funds**

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**A. Deposits and Investments**

In accordance with applicable Minnesota statutes, the City maintains deposits at depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota statutes require that all deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes certain state or local government obligations and legal investments described in the investment policy section. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than the institution furnishing the collateral.

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2017.

Investment Policy

The City does not maintain a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or that would limit its investment choices as a means of managing its exposure to credit risk.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- (h) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies and with a credit quality in one of the top two highest categories.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal policy related to interest rate risk for its investments, but one of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation. The following is a summary of the City of Lake Elmo, Minnesota's cash and investment portfolio including the range of maturities and investment ratings by type of investment:

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$16,861,314
Certificates of Deposit	10/22	N/A	3,205,227
Municipal Bonds	12/18	A	180,076
U.S. Government Agencies	10/23	AA+	1,552,332
			<u>\$21,798,949</u>
Total cash and investments			<u>\$21,798,949</u>

N/A Not applicable or not available

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

Carrying amount of deposits	\$ 16,861,314
Investments	<u>4,937,635</u>
Total	<u>\$ 21,798,949</u>
Government-wide	
Cash and investments	\$ 19,086,000
Fiduciary	
Cash and investments	<u>2,712,949</u>
Total	<u>\$ 21,798,949</u>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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A. Deposits and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investments are rated by various credit rating agencies, where applicable, to indicate the associated credit risk. Investment ratings by investment type (as applicable) are included in the preceding summary of investments.

Concentration of Credit Risk

Investments in any one issuer that represented 5% or more of total investments as of December 31, 2017 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
Lake Elmo Bank	Money Market Savings	\$ 7,520,026
Lake Elmo Bank	Checking Account	9,096,365

The City routinely reviews its deposits to determine that pledged securities are adequate to cover any uninsured deposits.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2017, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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A. Deposits and Investments (Continued)

Fair Value Measurements (continued)

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Fair Value Measurements (continued)

The City's investments within the fair value hierarchy at December 31, 2017 and 2016 were as follows:

	As of December 31, 2017			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Government Securities	\$ 1,552,332	\$	\$ 1,552,332	\$
Certificates of Deposit	3,205,227	3,205,227		
Municipal Bonds	180,076		180,076	
<b>Total</b>	<b>\$ 4,937,635</b>	<b>\$ 3,205,227</b>	<b>\$ 1,732,408</b>	<b>\$</b>
	As of December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Government Securities	\$ 1,536,750	\$	\$ 1,536,750	\$
Certificates of Deposit	2,933,500	2,933,500		
Municipal Bonds	363,667		363,667	
<b>Total</b>	<b>\$ 4,833,917</b>	<b>\$ 2,933,500</b>	<b>\$ 1,900,417</b>	<b>\$</b>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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B. Due from Other Governmental Units

Amounts due from other governmental units as of December 31, 2017 were as follows:

<u>Fund Type</u>	<u>State of Minnesota</u>	<u>Washington County</u>	<u>Total</u>
General Fund	\$ 1,654	\$ 34,034	\$ 35,688
Debt Service Fund		233	233
Infrastructure Reserve Fund	17,679		17,679
Water Fund		950	950
Storm Sewer Fund		1,036	1,036
Total	<u>\$ 19,333</u>	<u>\$ 36,253</u>	<u>\$ 55,586</u>

C. Accounts and Loans Receivable

Accounts and loans receivable as of December 31, 2017 are expected to be collected in full. Based upon management's assessment of the creditworthiness of the customers comprising the receivable balance, no allowance for uncollectible accounts is necessary.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity for the City for the year ended December 31, 2017 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,453,979	\$	\$	\$ 3,453,979
Construction in progress	4,418,552	4,436,376	4,636,393	4,218,535
Total capital assets, not being depreciated	<u>7,872,531</u>	<u>4,436,376</u>	<u>4,636,393</u>	<u>7,672,514</u>
Capital assets, being depreciated:				
Buildings	3,533,542			3,533,542
Improvements other than buildings	1,415,397			1,415,397
Machinery and equipment	3,867,345	351,903		4,219,248
Infrastructure	11,585,016	4,557,911		16,142,927
Total capital assets, being depreciated	<u>20,401,300</u>	<u>4,909,814</u>		<u>25,311,114</u>
Less accumulated depreciation for:				
Building	956,601	72,408		1,029,009
Improvements other than buildings	976,401	60,660		1,037,061
Machinery and equipment	2,311,173	218,987		2,530,160
Infrastructure	3,274,622	717,964		3,992,586
Total accumulated depreciation	<u>7,518,797</u>	<u>1,070,019</u>		<u>8,588,816</u>
Total capital assets, being depreciated, net	<u>12,882,503</u>	<u>3,839,795</u>		<u>16,722,298</u>
Governmental activities capital assets, net	<u>\$ 20,755,034</u>	<u>\$ 8,276,171</u>	<u>\$ 4,636,393</u>	<u>\$ 24,394,812</u>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 248,869	\$	\$	\$ 248,869
Construction in progress	7,025,526	4,717,066	8,808,705	2,933,887
Total capital assets, not being depreciated	7,274,395	4,717,066	8,808,705	3,182,756
Capital assets, being depreciated:				
Machinery and equipment	300,587			300,587
Infrastructure	27,552,321	8,808,705		36,361,026
Total capital assets, being depreciated	27,852,908	8,808,705		36,661,613
Less accumulated depreciation for:				
Machinery and equipment	216,126	16,052		232,178
Infrastructure	4,671,148	1,200,015		5,871,163
Total accumulated depreciation	4,887,274	1,216,067		6,103,341
Total capital assets, being depreciated, net	22,965,634	7,592,638		30,558,272
Business-type activities capital assets, net	\$ 30,240,029	\$ 12,309,704	\$ 8,808,705	\$ 33,741,028

Certain assets in the City's business-type activities have been partially funded by grants from the State of Minnesota and therefore are considered jointly owned property. In the unlikely event the City would sell these assets, the City would be required to reimburse the State up to the full amount of the grants.

Depreciation expense for the year ended December 31, 2017 was charged to functions/programs as follows:

**Governmental Activities**

General government	\$ 17,777
Public safety	123,280
Public works	849,478
Culture and recreation	79,484
Total	\$ 1,070,019

**Business-Type Activities**

Water	\$ 808,865
Sewer	350,903
Storm sewer	56,299
Total	\$ 1,216,067



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Long-Term Debt

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital assets including infrastructure. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued to provide funds for business-type activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation improvement bonds are expected to be repaid, in part, from assessments to the benefited properties. A summary of long-term debt outstanding at December 31, 2017 is as follows:

	Issue Date	Range of Interest Rates	Final Maturity	Balance 12/31/17
General obligation bonds:				
2009B Improvement Bonds	10/1/2009	3.00% - 3.05%	2020	\$ 190,000
2010A Improvement Bonds	11/15/2010	2.35% - 2.80%	2021	295,000
2010B CIP Crossover Refunding Bonds	11/15/2010	2.05% - 3.20%	2025	1,380,000
2011A Improvement Bonds	10/1/2011	1.25% - 2.30%	2022	440,000
2012B Improvement Bonds	8/16/2012	1.25% - 1.90%	2023	540,000
2013A Improvement Bonds	10/1/2013	2.00% - 3.75%	2028	1,240,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	2,460,000
2015A Improvement Bonds	8/13/2015	2.00% - 3.00%	2031	1,480,000
2016A Improvement Bonds	6/1/2016	2.00%	2027	2,690,000
2017A Improvement Bonds	6/8/2017	2.50% - 3.00%	2033	4,565,000
General obligation revenue bonds:				
2009A Refunding Bonds	5/1/2009	3.45% - 3.85%	2021	195,000
2012A Refunding Bonds	8/13/2012	2.00% - 2.50%	2030	3,650,000
2013A Improvement Bonds	10/1/2013	2.00% - 4.00%	2033	3,230,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	3,005,000
2015A Improvement Bonds	8/13/2015	2.00% - 3.00%	2031	1,135,000
2016A Improvement Bonds	6/1/2016	2.00%	2032	6,855,000
2017A Improvement Bonds	6/1/2016	2.50% - 3.00%	2033	4,480,000
Other Liabilities:				
Compensated Absences				78,150
Post Employment Benefit Obligation				237,241
Unamortized premium				753,023
Less: Unamortized discount				(182,320)
Total Long-Term Debt				<u>\$ 38,716,094</u>

Liquidation of the compensated absences liability and the post employment obligation liability occurs within the department and fund (typically the General Fund for the governmental fund liability) for which the corresponding employees are assigned. The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2017, the City had not utilized approximately \$36,710,000 of its net legal debt margin.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2009B Improvement Bonds	\$ 250,000	\$	\$ 60,000	\$ 190,000	\$ 65,000
2010A Improvement Bonds	365,000		70,000	295,000	70,000
2010B CIP Crossover Refunding Bonds	1,535,000		155,000	1,380,000	155,000
2011A Improvement Bonds	525,000		85,000	440,000	85,000
2012B improvement Bonds	625,000		85,000	540,000	85,000
2013A Improvement Bonds	1,345,000		105,000	1,240,000	105,000
2014A Improvement Bonds	2,670,000		210,000	2,460,000	210,000
2015A Improvement Bonds	1,620,000		140,000	1,480,000	155,000
2016A Improvement Bonds	2,690,000			2,690,000	245,000
2017A Improvement Bonds		4,565,000		4,565,000	
Other Liabilities:					
Compensated Absences	64,623	94,226	97,012	61,837	46,378
Post Employment Benefit Obligation	206,419			206,419	
Unamortized premium	181,792	166,069	15,044	332,817	
Less: Unamortized (discount)	(59,224)	(26,301)	(6,627)	(78,898)	
Governmental Activities					
Long-Term Liabilities	<u>12,018,610</u>	<u>4,798,994</u>	<u>1,015,429</u>	<u>15,802,175</u>	<u>1,221,378</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation revenue bonds:					
2009A Refunding Bonds	240,000		45,000	195,000	45,000
2012A Refunding Bonds	3,840,000		190,000	3,650,000	215,000
2013A Improvement Bonds	3,435,000		205,000	3,230,000	215,000
2014A Improvement Bonds	3,210,000		205,000	3,005,000	205,000
2015A Improvement Bonds	1,195,000		60,000	1,135,000	70,000
2016A Improvement Bonds	6,855,000			6,855,000	395,000
2017A Improvement Bonds		4,480,000		4,480,000	
Other Liabilities:					
Compensated Absences	23,500	23,704	30,891	16,313	12,235
Post Employment Benefit Obligation	30,822			30,822	
Unamortized premium	298,693	143,291	21,778	420,206	
Less: Unamortized (discount)	(83,298)	(25,811)	(5,687)	(103,422)	
Business-Type Activities					
Long-Term Liabilities	<u>19,044,717</u>	<u>4,621,184</u>	<u>751,982</u>	<u>22,913,919</u>	<u>1,157,235</u>
Total	<u>\$ 31,063,327</u>	<u>\$ 9,420,178</u>	<u>\$ 1,767,411</u>	<u>\$ 38,716,094</u>	<u>\$ 2,378,613</u>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Debt service requirements to maturity for long-term debt, excluding compensated absences and post employment benefit obligation, as of December 31, 2017 were as follows:

Year	General Obligation Improvement Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,175,000	\$ 366,709	\$ 1,145,000	\$ 552,647
2019	1,615,000	325,852	1,415,000	514,144
2020	1,655,000	289,871	1,435,000	484,038
2021	1,615,000	253,245	1,445,000	453,224
2022	1,570,000	217,082	1,490,000	421,467
2023-2027	6,570,000	347,274	7,770,000	1,582,573
2028-2032	1,080,000	34,763	7,275,000	576,028
2033			575,000	14,000
Totals	\$ 15,280,000	\$ 1,834,793	\$ 22,550,000	\$ 4,598,120

F. Tax Abatement Agreements

The City enters into property tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1974 through a tax increment financing program. Any parcel of property in the City could qualify for tax abatement under this program. The City negotiates tax increment financing agreements on an individual basis generally with the purpose of promoting economic development within the City.

During the year ended December 31, 2017, the City had one agreement established under Minnesota Statute 469.001 to 469.047 which resulted in property taxes totaling \$8,795 being abated.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2017:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 486,803	\$
Debt Service		381,471
Infrastructure Reserve		7,032
Subtotal	<u>486,803</u>	<u>388,503</u>
Nonmajor Governmental Funds:		
City Events		1,144
Village Project		56,760
Subtotal		<u>57,904</u>
Proprietary Funds:		
Water		795
Sewer	54,305	
Storm Sewer	23,915	
Subtotal	<u>78,220</u>	<u>795</u>
Internal Service Funds:		
Radio Replacement		41,740
FFE Replacement		76,081
Subtotal		<u>117,821</u>
Total All Funds	<u>\$ 565,023</u>	<u>\$ 565,023</u>

Interfund receivables and payables are the result of expenditures of funds prior to the collection of special assessments, property taxes and other revenues. All interfund balances will be repaid as the revenues are collected by the individual funds.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Receivables and Payables (continued)

The City established an interfund loan from the General Fund to the Village Project fund. At December 31, 2017, the outstanding balance was \$381,708. The loan carries an interest rate of 4 percent.

G. Interfund Transfers

Transfers are used to move unassigned revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. There were no interfund transfers during the year ended December 31, 2017.

H. Fund Equity

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2017:

	<u>General</u>	<u>Debt Service</u>	<u>Infrastructure Reserve</u>	<u>Vehicle Acquisition</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable						
Prepaid items	\$ 28,485	\$ 675,000	\$	\$		\$ 703,485
Advance to other funds	381,708					381,708
Total Nonspendable	<u>410,193</u>	<u>675,000</u>				<u>1,085,193</u>
Restricted						
Debt service		2,849,956				2,849,956
Committed						
Legal reserve	200,000					200,000
Assigned						
Library					4,486	4,486
City facilities					274,063	274,063
Infrastructure improvements			338,235		8,122	346,357
Park improvements					650,470	650,470
Vehicle acquisition				31,840		31,840
Total Assigned			<u>338,235</u>	<u>31,840</u>	<u>937,141</u>	<u>1,307,216</u>
Unassigned	3,499,133	(299,969)			(381,712)	2,817,452
Total Fund Balance	<u>\$ 4,109,326</u>	<u>\$ 3,224,967</u>	<u>\$ 338,235</u>	<u>\$ 31,840</u>	<u>\$ 555,429</u>	<u>\$ 8,259,817</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information**

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**A. Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota Cities. All Cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchases commercial insurance for property values in excess of the LMCIT policy limits and all other risks of loss. Settled claims have not exceeded the LMCIT or commercial coverage in any of the past three fiscal years.

Worker's compensation insurance is also purchased through the LMCIT. The worker compensation program is a retrospectively rated contract with premiums or required contributions based primarily on the experience rates of the participating cities. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**B. Commitments and Contingencies**

**General Litigation:**

Although the City is occasionally involved in litigation, management was unaware of any pending lawsuits in which the City was involved as of December 31, 2017. It is the opinion of management that any potential claim regarding any lawsuits against the City would be covered by the liability insurance of the City and that any potential claim against the City would not affect the financial statements.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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B. Commitments and Contingencies (Continued)

Operating Lease:

The City is obligated under a lease agreement for office space accounted for as an operating lease. As discussed further in Footnote 5, this lease became a capital lease during 2018. Expenditures under this operating lease for the year ended December 31, 2017 totaled \$31,992. The following is a schedule by year of future minimum rental payments required under the lease as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 10,664
2019	43,968
2020	85,972
2021	85,903
2022	85,742
Thereafter	<u>1,024,740</u>
Total	<u>\$ 1,336,989</u>

C. Other Post Employment Benefits

Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. During 2017, there were 21 active participants and one retiree participant. Benefit provisions are established by the Council. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. Plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Other Post Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligations

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty 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 changes in the City's net OPEB obligation (i.e. no change in the OPEB liability for the year ended December 31, 2017):

Annual required contribution	\$
Interest on net OPEB obligations	
Adjustment to ARC	_____
Annual OPEB cost	
Contributions during the year	_____
Increase in net OPEB obligation	
Net OPEB, beginning of year	<u>237,241</u>
Net OPEB, ending of year	<u>\$ 237,241</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended December 31, 2017, 2016 and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2015	\$ 38,791	0%	\$ 198,978
12/31/2016	38,263	0%	237,241
12/31/2017		0%	237,241



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Funded Status and Funding Progress

As of January 1, 2017, the actuarial accrued liability for benefits was \$188,502, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of 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 the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to 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.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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. The projected unit credit cost method was used.

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63, or at the first subsequent year in which the member would qualify for benefits. In addition, spouses of retired employees were assumed to continue on the plan for the lesser of eighteen months after the retired employee reaches Medicare age or until the spouse reaches Medicare age.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Methods and Assumptions (Continued)

*Mortality* - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2004 United States Life Tables for Males and Females was used.

*Turnover* - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing expected future working lifetime assumptions for purposes of allocation to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 2.0 percent initially, rising to an ultimate rate of 6.0 percent after six years, was used.

*Health insurance premiums* - 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 4.00 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected return of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was thirty years.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans

1. Public Employees Retirement Association (PERA) - Defined Benefit

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)) – All full-time and certain part-time employees of the City of Lake Elmo are covered by the General Employees Retirement Plan. General Employees Plan 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 Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)) – The Police and Fire Plan, 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 Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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 percent 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 paragraph 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 LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

A. Plan Description (continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 ten 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 ten 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.

2. PEPFF Benefits

Benefits for Police and Fire Plan 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 ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

B. Contributions

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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**D. Pension Plans (Continued)**

**1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)**

**B. Contributions (continued)**

**1. General Employees Fund Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.10% 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's contributions to the General Employees Fund for the year ended December 31, 2017 were \$95,794. The City's contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Fund Contributions**

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$20,327. The City's contributions were equal to the required contributions as set by state statute.

**C. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2017, the City reported a liability of \$1,206,564 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$15,173. 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 proportionate share was .0189% which was an increase of .003% from its proportion measured as of June 30, 2016.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2017, the City recognized pension expense of \$86,835 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$438 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 47,562	\$ 26,406
Changes in actuarial assumptions	130,940	
Difference between projected and actual investment earnings		23,509
Changes in proportion	49,197	
Contributions paid to PERA subsequent to the measurement date	<u>49,197</u>	
Total	<u>\$ 227,699</u>	<u>\$ 49,915</u>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

\$49,197 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>
2018	\$ 54,999
2019	95,555
2020	29,249
2021	(51,216)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$135,012 for its proportionate share of the Police and Fire Fund'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 .010%, which was an increase of .001% from its proportion measured as of June 30, 2016. The City also recognized \$900 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$11,805 for its proportionate share of the Police and Fire Plan's pension expense.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 24,954
Changes in actuarial assumptions		32,663
Difference between projected and actual investment earnings		2,615
Changes in proportion	33,443	
Contributions paid to PERA subsequent to the measurement date	<u>11,943</u>	
Total	<u>\$ 45,386</u>	<u>\$ 60,232</u>

\$11,943 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.



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Pensions Costs (continued)

1. Police and Fire Fund Pension Costs (continued)

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>
2018	\$ 1,750
2019	7,278
2020	2,824
2021	(7,615)
2022	(31,026)

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actual 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 all plans 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 the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the result 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 Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested 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 non-vested 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 LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Actuarial Assumptions (continued)

Police and Fire Fund

- 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 non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested 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 basis 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.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Actuarial Assumptions (continued)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	<hr/> 100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

F. 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:

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 1,871,470	6.50%	\$ 254,267
Current Discount Rate	7.50%	1,206,564	7.50%	135,012
1% Higher	8.50%	662,217	8.50%	36,560

G. Pension Plan Fiduciary Net Position

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association

A. Plan Description

The Lake Elmo Firefighter's Relief Association administers a single-employer defined benefit pension plan (FRA plan) available to volunteer firefighters. As of December 31, 2017, the plan covered 18 active firefighters and 6 vested terminated firefighters whose pension benefits are deferred. The plan was established and is administered in accordance with Minnesota Statutes, Chapters 69 and 424A.

B. Benefits Provided

Volunteer firefighters for the City are members of the Lake Elmo Firefighter's Relief Association. Association members are eligible to receive a lump sum benefit after 20 years of service with a minimum retirement age of 50. Currently retirees receive a benefit of \$3,400 for every year of service. These benefit provisions and all other requirements are consistent with State statutes. Volunteers of the fire department are not required to contribute to the relief association. Members with 10 years of service receive partial vesting at 60% of the 20-year rate and 4% added for every one year of service beyond ten years up to 20 years.

C. Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes, and voluntary City contributions. The State of Minnesota contributed \$61,147 in state aid to the plan on behalf of the Association for the year ended December 31, 2017. This contribution was recorded as a revenue and an expenditure in the City's general fund. The City levies property taxes for the benefit of the Association and passes through state aids allocated to the plan, all in accordance with State statutes. During 2017, at the Association's direction, the City did not levy any property taxes to be paid to the Association.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

D. Pension Costs

At December 31, 2017, the City reported a net pension asset of \$597,577 for the plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2017. The following table presents the changes in net pension asset during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/16	\$ 618,531	\$ 1,075,446	\$ (456,915)
Changes for the Year			
Service cost	27,727		27,727
Interest on pension liability	35,544		35,544
Assumption changes			
Net investment income		156,879	(156,879)
Contributions (employer)			
Contributions (state)		61,147	(61,147)
Benefit payouts			
Administrative expenses		(14,093)	14,093
Net Changes	63,271	203,933	(140,662)
Balance End of Year 12/31/17	\$ 681,802	\$ 1,279,379	\$ (597,577)

For the year ended December 31, 2017, the City recognized pension expense of \$(72,765) related to the FRA plan.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

D. Pension Costs (continued)

At December 31, 2017, the Association reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 41,762
Changes in actuarial assumptions	10,521	
Difference between projected and actual investment earnings	<u>69,489</u>	
Total	<u>\$ 80,010</u>	<u>\$ 41,762</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 22,152
2019	22,151
2020	16,974
2021	(5,676)
2022	(3,472)
Thereafter	(13,881)

The total pension expense for all plans (including the General Employees Fund, the Police and Fire Fund, and the Lake Elmo Firefighter's Relief Association) recognized by the City for the year ended December 31, 2017 was \$25,875.



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

E. Actuarial Assumptions

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 the later of age 50 or 20 years of service
- Investment rate of return of 5.50%
- Inflation rate 4.0%

There were no changes to plan provisions, assumptions or methods during 2017.

F. Discount Rate

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions to the FRA 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (4.50%)	Discount Rate (5.50%)	1% Increase in Discount Rate (6.50%)
Net pension liability (asset)	\$ (575,042)	\$ (597,577)	\$ (618,882)

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

H. Plan Investments

1. Investment Policy

All investments undertaken by the plan are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A. Within the requirements defined by state law, the Plan establishes investment policy for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the ongoing management of the funds and are updated periodically.

2. Asset Allocation

The long-term target asset allocation and long-term expected real rate of return of the Plan's assets as of December 31, 2017 was as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	17.00%	2.25%
Fixed income	28.00%	3.30%
Equities	54.00%	7.50%
Other	1.00%	6.00%
Total	100%	5.50%

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

3. Description of significant investment policy changes during the year

The Plan made no significant changes to their investment policy during the year.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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**D. Pension Plans (Continued)**

**2. Lake Elmo Firefighter's Relief Association (Continued)**

**I. Pension Plan Fiduciary Net Position**

Detailed information about the Lake Elmo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2017 is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the Finance Director for the City of Lake Elmo.

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**5. Subsequent Event**

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In April 2018, the City purchased the building where City offices are currently located for a price of \$875,000. In June 2018, the City's Economic Development Authority (EDA) issued taxable public project lease revenue and limited tax bonds in the amount of \$933,000 to purchase the building from the City and pay related costs associated with the issuance of the bonds. At that time, the City and the EDA entered into a lease-purchase agreement for the property. The City is required to make semiannual payments to the EDA through 2034.

**CITY OF LAKE ELMO, MINNESOTA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**December 31, 2017**

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**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of City Contributions**  
**PERA General Employees Retirement Plan**  
**December 31, 2017**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 73,182	\$ 73,182	\$	\$ 1,009,407	7.2%
2015	70,582	70,582		941,092	7.5%
2016	85,649	85,649		1,141,987	7.5%
2017	95,794	95,794		1,276,944	7.5%
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of City Contributions**  
**PERA Public Employees Police and Fire Plan**  
**December 31, 2017**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 13,035	\$ 13,035	\$	\$ 85,195	15.3%
2015	14,257	14,257		88,005	16.2%
2016	13,967	13,967		86,216	16.2%
2017	20,327	20,327		125,475	16.2%
2018					
2019					
2020					
2021					
2022					
2023					

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Plan**  
**December 31, 2017**

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0191%	\$ 897,222	\$	\$ 897,222	\$1,009,407	88.9%	78.7%
2015	0.0169%	875,846		875,846	941,092	93.1%	78.2%
2016	0.0159%	1,291,001	16,853	1,307,854	1,141,987	114.5%	68.9%
2017	0.0189%	1,206,564	15,173	1,221,737	1,276,944	95.7%	75.9%
2018							
2019							
2020							
2021							
2022							
2023							

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Plan**  
**December 31, 2017**

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0090%	\$ 97,204	\$ 85,195	114.1%	87.1%
2015	0.0090%	102,261	88,005	116.2%	86.6%
2016	0.0090%	361,186	86,216	418.9%	63.9%
2017	0.0100%	135,012	125,475	107.6%	85.4%
2018					
2019					
2020					
2021					
2022					
2023					

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Funding Progress for the Fire Relief Association**  
**December 31, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Valuation of Plan Assets (a)</u>	<u>Actuarial Valuation of Plan Assets (b)</u>	<u>Net Pension Liability (Asset) (a-b)</u>
12/31/15	\$ 588,689	\$ 963,628	\$ (374,939)
12/31/16	618,531	1,075,446	(456,915)
12/31/17	681,802	1,279,379	(597,577)
12/31/18			
12/31/19			
12/31/20			
12/31/21			
12/31/22			
12/31/23			
12/31/24			

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Employer Contributions for the Fire Relief Association**  
**December 31, 2017**

<u>Year Ended December 31</u>	<u>Actuarially determined contributions (a)</u>	<u>Actual contributions paid (b)</u>	<u>Contributions deficiency (excess) (a-b)</u>
2015	\$	\$	\$
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.



**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**For the Year Ended December 31, 2017**

Actuarial valuations are provided every one to three years unless events occur (e.g. plan changes, layoffs, etc.) that would materially impact results. See Note 4C in the Notes to Financial Statements for more details on this schedule.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	\$	\$ 112,761	\$ 112,761	0%	\$ 892,528	12.63%
1/1/2012		101,981	101,981	0%	932,540	10.94%
1/1/2013		293,220	293,220	0%	913,884	32.09%
1/1/2014		204,437	204,437	0%	1,022,592	19.99%
1/1/2015		186,284	186,284	0%	1,041,665	17.88%
1/1/2016		188,502	188,502	0%	1,417,483	13.30%

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING AND INDIVIDUAL**  
**FUND STATEMENTS AND SCHEDULES**

**December 31, 2017**

**CITY OF LAKE ELMO, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2017**

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and investments	\$ 160,450	\$ 1,090,033	\$ 1,250,483
<b>TOTAL ASSETS</b>	<b>\$ 160,450</b>	<b>\$ 1,090,033</b>	<b>\$ 1,250,483</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 143,866	\$ 28,530	\$ 172,396
Accrued liabilities	8,046		8,046
Due to other funds	1,144	56,760	57,904
Advances from other funds		381,708	381,708
Escrow deposits payable		75,000	75,000
Total liabilities	153,056	541,998	695,054
 <b>FUND BALANCE (DEFICIT)</b>			
Assigned	8,001	929,140	937,141
Unassigned	(607)	(381,105)	(381,712)
Total Fund Balance (Deficit)	7,394	548,035	555,429
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 160,450</b>	<b>\$ 1,090,033</b>	<b>\$ 1,250,483</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2017

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 256,957	\$	\$ 256,957
Dedication fees		265,783	265,783
Investment earnings	667	4,627	5,294
Miscellaneous revenue	5,620	29,090	34,710
<b>TOTAL REVENUES</b>	<u>263,244</u>	<u>299,500</u>	<u>562,744</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	429,781		429,781
<b>Capital Outlay</b>			
Culture and recreation		607,076	607,076
<b>TOTAL EXPENDITURES</b>	<u>429,781</u>	<u>607,076</u>	<u>1,036,857</u>
Net change in fund balances	(166,537)	(307,576)	(474,113)
<b>FUND BALANCES, Beginning</b>	<u>173,931</u>	<u>855,611</u>	<u>1,029,542</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 7,394</u>	<u>\$ 548,035</u>	<u>\$ 555,429</u>

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
December 31, 2017**

	City Events (204)	Library (206)	Lions Park Sign Program (207)	Total
<b>ASSETS</b>				
Cash and investments	\$ 537	\$ 156,398	\$ 3,515	\$ 160,450
<b>TOTAL ASSETS</b>	<b>\$ 537</b>	<b>\$ 156,398</b>	<b>\$ 3,515</b>	<b>\$ 160,450</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$	\$ 143,866	\$	\$ 143,866
Due to other funds	1,144			1,144
Accrued liabilities		8,046		8,046
Total liabilities	<u>1,144</u>	<u>151,912</u>		<u>153,056</u>
<b>FUND BALANCE (DEFICIT)</b>				
Assigned		4,486	3,515	8,001
Unassigned	(607)			(607)
Total fund balance (deficit)	<u>(607)</u>	<u>4,486</u>	<u>3,515</u>	<u>7,394</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 537</b>	<b>\$ 156,398</b>	<b>\$ 3,515</b>	<b>\$ 160,450</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended December 31, 2017

	City Events (204)	Library (206)	Lions Park Sign Program (207)	Total
<b>REVENUES</b>				
Taxes	\$	\$ 256,957	\$	\$ 256,957
Investment earnings	2	650	15	667
Miscellaneous revenue		2,120	3,500	5,620
<b>TOTAL REVENUES</b>	<b>2</b>	<b>259,727</b>	<b>3,515</b>	<b>263,244</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation		429,781		429,781
Net change in fund balances	2	(170,054)	3,515	(166,537)
<b>FUND BALANCES, Beginning</b>	<b>(609)</b>	<b>174,540</b>		<b>173,931</b>
<b>FUND BALANCES (DEFICIT), Ending</b>	<b>\$ (607)</b>	<b>\$ 4,486</b>	<b>\$ 3,515</b>	<b>\$ 7,394</b>

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
December 31, 2017**

	Park Dedication (404)	City Facilities (411)	Village Project (413)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments	\$ 675,485	\$ 274,063	\$ 61,968
<b>TOTAL ASSETS</b>	<u>\$ 675,485</u>	<u>\$ 274,063</u>	<u>\$ 61,968</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 28,530	\$	\$
Due to other funds			56,760
Advances from other funds			381,708
Escrow deposits payable			
Total liabilities	<u>28,530</u>	<u>                    </u>	<u>438,468</u>
<b>FUND BALANCE (DEFICIT)</b>			
Assigned	646,955	274,063	
Unassigned			(376,500)
Total fund balance (deficit)	<u>646,955</u>	<u>274,063</u>	<u>(376,500)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 675,485</u>	<u>\$ 274,063</u>	<u>\$ 61,968</u>

<u>Manning Avenue/Hwy 36 (414)</u>	<u>Washington County Downtown Project (422)</u>	<u>Total</u>
<u>\$ 70,395</u>	<u>\$ 8,122</u>	<u>\$ 1,090,033</u>
<u>\$ 70,395</u>	<u>\$ 8,122</u>	<u>\$ 1,090,033</u>
\$	\$	\$ 28,530
		56,760
		381,708
<u>75,000</u>		<u>75,000</u>
<u>75,000</u>		<u>541,998</u>
	8,122	929,140
<u>(4,605)</u>		<u>(381,105)</u>
<u>(4,605)</u>	<u>8,122</u>	<u>548,035</u>
<u>\$ 70,395</u>	<u>\$ 8,122</u>	<u>\$ 1,090,033</u>



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
For the Year Ended December 31, 2017

	Park Dedication (404)	City Facilities (411)	Village Project (413)
<b>REVENUES</b>			
Dedication fees	\$ 265,783	\$	\$
Investment earnings (loss)	2,807	1,139	356
Miscellaneous revenue	5,400		23,690
<b>TOTAL REVENUES</b>	273,990	1,139	24,046
<b>EXPENDITURES</b>			
<b>Capital Outlay</b>			
Culture and recreation	607,076		
Net change in fund balances	(333,086)	1,139	24,046
<b>FUND BALANCES (DEFICIT), Beginning</b>	980,041	272,924	(400,546)
<b>FUND BALANCES (DEFICIT), Ending</b>	\$ 646,955	\$ 274,063	\$ (376,500)

<u>Manning Avenue/Hwy 36 (414)</u>	<u>Washington County Downtown Project (422)</u>	<u>Total</u>
\$ 292	\$ 33	\$ 265,783
		4,627
		<u>29,090</u>
292	33	299,500
		<u>607,076</u>
292	33	(307,576)
<u>(4,897)</u>	<u>8,089</u>	<u>855,611</u>
<u>\$ (4,605)</u>	<u>\$ 8,122</u>	<u>\$ 548,035</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
December 31, 2017

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
<b>ASSETS</b>				
<b>Noncurrent Assets</b>				
Property and Equipment				
Machinery and equipment	\$ 168,854	\$ 95,355	\$ 390,483	\$ 654,692
Less: Accumulated depreciation	<u>94,727</u>	<u>81,749</u>	<u>333,634</u>	<u>510,110</u>
Net Property and Equipment	<u>74,127</u>	<u>13,606</u>	<u>56,849</u>	<u>144,582</u>
<b>TOTAL ASSETS</b>	<u>\$ 74,127</u>	<u>\$ 13,606</u>	<u>\$ 56,849</u>	<u>\$ 144,582</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Due to other funds	<u>\$ 41,740</u>	<u>\$</u>	<u>\$ 76,081</u>	<u>\$ 117,821</u>
<b>Net Position</b>				
Net investment in capital assets	74,127	13,606	56,849	144,582
Unrestricted	<u>(41,740)</u>	<u></u>	<u>(76,081)</u>	<u>(117,821)</u>
Total Net Position	<u>32,387</u>	<u>13,606</u>	<u>(19,232)</u>	<u>26,761</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 74,127</u>	<u>\$ 13,606</u>	<u>\$ 56,849</u>	<u>\$ 144,582</u>

**CITY OF LAKE ELMO, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS**

For the Year Ended December 31, 2017

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
<b>Operating Expenses</b>				
Depreciation	\$ 15,221	\$ 4,654	\$ 7,914	\$ 27,789
Net (Loss)	(15,221)	(4,654)	(7,914)	(27,789)
<b>Net Position, Beginning of Year</b>	47,608	18,260	(11,318)	54,550
<b>Net Position, End of Year</b>	<u>\$ 32,387</u>	<u>\$ 13,606</u>	<u>\$ (19,232)</u>	<u>\$ 26,761</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2017

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ _____	\$ _____	\$ _____	\$ _____
<b>Net Increase in Cash and Cash Equivalents</b>				
<b>Cash and Cash Equivalents, Beginning of Year</b>	_____	_____	_____	_____
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (15,221)	\$ (4,654)	\$ (7,914)	\$ (27,789)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	<u>15,221</u>	<u>4,654</u>	<u>7,914</u>	<u>27,789</u>
Net Cash Provided By Operating Activities	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
December 31, 2017

	2002 GO Improvement Bonds (312)	2006A GO Equipment Certificates (314)	2009A GO Refunding Bonds (315)	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)	2010B GO CIP Bonds (318)
<b>ASSETS</b>						
Cash and investments	\$ 477	\$ 29,667	\$	\$ 31,290	\$ 104,222	\$ 134,713
Receivables (Net of allowance for uncollectibles)						
Special assessments				17,968	32,320	
Due from other governmental units					22	
Prepaid items				65,000		
<b>TOTAL ASSETS</b>	<b>\$ 477</b>	<b>\$ 29,667</b>	<b>\$</b>	<b>\$ 114,258</b>	<b>\$ 136,564</b>	<b>\$ 134,713</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable	\$	\$	\$	\$	\$	\$
Due to other funds			1,317			
Total liabilities			1,317			
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue:						
Special assessments				17,968	32,320	
Total deferred inflows of resources				17,968	32,320	
<b>FUND BALANCE (DEFICIT)</b>						
Nonspendable				65,000		
Restricted	477	29,667		31,290	104,244	134,713
Unassigned			(1,317)			
Total fund balance (deficit)	477	29,667	(1,317)	96,290	104,244	134,713
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 477</b>	<b>\$ 29,667</b>	<b>\$</b>	<b>\$ 114,258</b>	<b>\$ 136,564</b>	<b>\$ 134,713</b>

2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	Total
\$ 290,017	\$ 3,864	\$ 1,451,172	\$ 552,222	\$	\$ 321,222	\$ 12,359	\$ 2,931,225
34,166	95,400 211	24,480	503,206		808,175	431,800	1,947,515 233
			210,000	155,000	245,000		675,000
<u>\$ 324,183</u>	<u>\$ 99,475</u>	<u>\$ 1,475,652</u>	<u>\$ 1,265,428</u>	<u>\$ 155,000</u>	<u>\$ 1,374,397</u>	<u>\$ 444,159</u>	<u>\$ 5,553,973</u>
\$	\$	\$	\$	\$	\$	\$	\$
	17,176	77,427		285,551			381,471
	<u>17,176</u>	<u>77,427</u>		<u>285,551</u>			<u>381,471</u>
34,166	95,400	24,480	503,206		808,175	431,800	1,947,515
<u>34,166</u>	<u>95,400</u>	<u>24,480</u>	<u>503,206</u>		<u>808,175</u>	<u>431,800</u>	<u>1,947,515</u>
290,017		1,373,745	210,000 552,222	155,000	245,000 321,222	12,359	675,000 2,849,956
	(13,101)			(285,551)			(299,969)
<u>290,017</u>	<u>(13,101)</u>	<u>1,373,745</u>	<u>762,222</u>	<u>(130,551)</u>	<u>566,222</u>	<u>12,359</u>	<u>3,224,987</u>
<u>\$ 324,183</u>	<u>\$ 99,475</u>	<u>\$ 1,475,652</u>	<u>\$ 1,265,428</u>	<u>\$ 155,000</u>	<u>\$ 1,374,397</u>	<u>\$ 444,159</u>	<u>\$ 5,553,973</u>



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended December 31, 2017

	2002 GO Improvement Bonds (312)	2006A GO Equipment Certificates (314)	2009A GO Refunding Bonds (315)	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)	2010B GO CIP Bonds (318)
<b>REVENUES</b>						
Taxes	\$	\$	\$	\$ 52,959	\$ 57,683	\$ 202,606
Special assessments				7,117	10,158	
Investment earnings	2	123		130	433	559
<b>TOTAL REVENUES</b>	<u>2</u>	<u>123</u>		<u>60,206</u>	<u>68,274</u>	<u>203,165</u>
<b>EXPENDITURES</b>						
<b>Debt Service</b>						
Principal				60,000	70,000	155,000
Interest and other charges			315	10,039	8,680	40,003
<b>TOTAL EXPENDITURES</b>			<u>315</u>	<u>70,039</u>	<u>78,680</u>	<u>195,003</u>
Excess (deficiency) of revenues over (under) expenditures	2	123	(315)	(9,833)	(10,406)	8,162
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>475</u>	<u>29,544</u>	<u>(1,002)</u>	<u>106,123</u>	<u>114,650</u>	<u>126,551</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 477</u>	<u>\$ 29,667</u>	<u>\$ (1,317)</u>	<u>\$ 96,290</u>	<u>\$ 104,244</u>	<u>\$ 134,713</u>

2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	Total
\$ 74,367	\$ 62,656	\$	\$ 207,218	\$ 17,756	\$ 199,378	\$	\$ 874,623
7,328	29,456	5,366	91,895		211,873	81,100	444,293
1,206	16	6,031	2,295		1,335	51	12,181
<u>82,901</u>	<u>92,128</u>	<u>11,397</u>	<u>301,408</u>	<u>17,756</u>	<u>412,586</u>	<u>81,151</u>	<u>1,331,097</u>
85,000	85,000	105,000	210,000	140,000			910,000
9,234	9,114	52,958	96,356	49,456	87,276	68,792	432,223
<u>94,234</u>	<u>94,114</u>	<u>157,958</u>	<u>306,356</u>	<u>189,456</u>	<u>87,276</u>	<u>68,792</u>	<u>1,342,223</u>
(11,333)	(1,986)	(146,561)	(4,948)	(171,700)	325,310	12,359	(11,126)
<u>301,350</u>	<u>(11,115)</u>	<u>1,520,306</u>	<u>767,170</u>	<u>41,149</u>	<u>240,912</u>		<u>3,236,113</u>
\$ 290,017	\$ (13,101)	\$ 1,373,745	\$ 762,222	\$ (130,551)	\$ 566,222	\$ 12,359	\$ 3,224,987

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**CITY EVENTS SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$	\$	\$ 2	\$ 2
<b>TOTAL REVENUES</b>			2	2
Net change in fund balances			2	2
<b>FUND BALANCES, Beginning</b>	(609)	(609)	(609)	
<b>FUND BALANCES, Ending</b>	\$ (609)	\$ (609)	\$ (607)	\$ 2

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2017.

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**LIBRARY SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 256,957	\$ 256,957	\$ 256,957	\$
Investment earnings			650	650
Miscellaneous revenue	4,000	4,000	2,120	(1,880)
<b>TOTAL REVENUES</b>	260,957	260,957	259,727	(1,230)
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation	260,957	260,957	429,781	(168,824)
Net change in fund balances			(170,054)	(170,054)
<b>FUND BALANCES, Beginning</b>	174,540	174,540	174,540	
<b>FUND BALANCES, Ending</b>	\$ 174,540	\$ 174,540	\$ 4,486	\$ (170,054)

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Year Ended December 31, 2017

	Balance January 1	Additions	Deletions	Balance December 31
<b>ESCROW</b>				
ASSETS				
Cash and investments	\$ 2,394,654	\$ 2,094,429	\$ 1,776,006	\$ 2,713,077
LIABILITIES				
Accounts payable	\$ 64,812	\$ 1,491,532	\$ 1,517,486	\$ 38,858
Deposits payable	2,329,842	2,147,429	1,803,052	2,674,219
TOTAL LIABILITIES	\$ 2,394,654	\$ 3,638,961	\$ 3,320,538	\$ 2,713,077
<b>YELLOW RIBBON</b>				
ASSETS				
Cash and investments	\$ (128)	\$	\$	\$ (128)
Accounts receivable	128			128
TOTAL ASSETS	\$	\$	\$	\$
<b>TOTAL AGENCY FUNDS</b>				
ASSETS				
Cash and investments	\$ 2,394,526	\$ 2,094,429	\$ 1,776,006	\$ 2,712,949
Accounts receivable	128			128
TOTAL ASSETS	\$ 2,394,654	\$ 2,094,429	\$ 1,776,006	\$ 2,713,077
LIABILITIES				
Accounts payable	\$ 64,812	\$ 1,491,532	\$ 1,517,486	\$ 38,858
Deposits payable	2,329,842	2,147,429	1,803,052	2,674,219
TOTAL LIABILITIES	\$ 2,394,654	\$ 3,638,961	\$ 3,320,538	\$ 2,713,077

**CITY OF LAKE ELMO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**December 31, 2017**

This part of the City'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 City's overall financial health.

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	107
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	117
<b>Debt Capacity</b> 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.	124
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	132
<b>Operating Information</b> 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.	134

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF LAKE ELMO, MINNESOTA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year			
	2017	2016	2015	2014
<b>Governmental activities</b>				
Net investment in capital assets	\$ 8,883,320	\$ 9,032,535	\$ 8,723,329	\$ 7,957,840
Restricted	5,057,169	4,704,133	3,446,142	1,106,200
Unrestricted	4,654,932	4,136,292	3,942,646	5,405,920
<b>Total governmental activities net position</b>	<b>\$ 18,595,421</b>	<b>\$ 17,872,960</b>	<b>\$ 16,112,117</b>	<b>\$ 14,469,960</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 12,180,378	\$ 12,506,474	\$ 10,170,351	\$ 10,567,418
Restricted	2,696,734	1,473,164	1,876,119	2,387,312
Unrestricted	9,128,534	6,400,375	3,577,285	1,100,422
<b>Total business-type activities net position</b>	<b>\$ 24,004,646</b>	<b>\$ 20,380,013</b>	<b>\$ 15,623,755</b>	<b>\$ 14,055,152</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 21,063,698	\$ 21,539,009	\$ 18,893,680	\$ 18,525,258
Restricted	7,752,903	6,177,297	5,322,261	3,493,512
Unrestricted	13,783,468	10,536,667	7,519,931	6,506,342
<b>Total primary government net position</b>	<b>\$ 42,600,067</b>	<b>\$ 38,252,973</b>	<b>\$ 31,735,872</b>	<b>\$ 28,525,112</b>

NOTE: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2012 have not been restated for GASB Statement No. 65.

The City adopted GASB Statements No. 68 and 71 in 2015. Amounts in this schedule prior to 2015 have not been restated for GASB Statements No. 68 and 71.

Schedule 1

2013	2012	2011	2010	2009	2008
\$ 9,056,353	\$ 8,782,840	\$ 8,553,984	\$ 8,368,479	\$ 7,983,822	\$ 7,151,543
1,225,849	4,205,247	2,684,689	2,057,467	1,399,968	718,617
4,593,463	918,996	2,555,596	3,439,106	3,824,156	4,698,858
<u>\$ 14,875,665</u>	<u>\$ 13,907,083</u>	<u>\$ 13,774,269</u>	<u>\$ 13,865,052</u>	<u>\$ 13,207,946</u>	<u>\$ 12,569,018</u>
\$ 6,855,807	\$ 6,788,377	\$ 6,422,782	\$ 6,713,292	\$ 6,644,334	\$ 6,181,055
2,612,569	39,153				
1,846,681	1,105,847	1,449,340	1,193,509	1,056,968	951,793
<u>\$ 11,315,057</u>	<u>\$ 7,933,377</u>	<u>\$ 7,872,122</u>	<u>\$ 7,906,801</u>	<u>\$ 7,701,302</u>	<u>\$ 7,132,848</u>
\$ 15,912,160	\$ 15,571,217	\$ 14,976,766	\$ 15,081,771	\$ 14,628,156	\$ 13,332,598
3,838,418	4,244,400	2,664,689	2,057,467	1,399,968	718,617
6,440,144	2,024,843	4,004,936	4,632,815	4,881,124	5,650,651
<u>\$ 26,190,722</u>	<u>\$ 21,840,460</u>	<u>\$ 21,646,391</u>	<u>\$ 21,771,853</u>	<u>\$ 20,909,248</u>	<u>\$ 19,701,866</u>



**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year			
	2017	2016	2015	2014
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 1,503,251	\$ 1,358,370	\$ 1,134,132	\$ 1,072,888
Public safety	1,528,253	1,308,360	1,344,282	1,530,609
Public works	2,800,044	1,698,566	1,377,969	1,032,426
Culture and recreation	1,299,551	660,947	639,006	448,361
Interest on long-term debt	225,910	178,266	215,611	165,028
<b>Total governmental activities expenses</b>	<b>7,357,009</b>	<b>5,204,509</b>	<b>4,711,000</b>	<b>4,249,312</b>
<b>Business-Type activities:</b>				
Water	2,022,446	1,409,832	1,363,043	1,069,511
Sewer	1,030,058	380,650	250,866	353,438
Storm sewer	213,514	150,302	103,536	149,887
<b>Total business-type activities expenses</b>	<b>3,266,018</b>	<b>1,940,784</b>	<b>1,717,445</b>	<b>1,572,836</b>
<b>Total primary government expenses</b>	<b>\$ 10,623,027</b>	<b>\$ 7,145,293</b>	<b>\$ 6,428,445</b>	<b>\$ 5,822,148</b>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 206,856	\$ 51,009	\$ 42,706	\$ 45,161
Public safety	2,101,890	1,752,522	866,708	496,916
Public works			3,615	
Culture and recreation			26,214	10,753
Operating grants and contributions	229,960	235,214	249,094	204,462
Capital grants and contributions	2,290,265	1,452,469	2,038,940	557,601
<b>Total governmental activities program revenues</b>	<b>4,828,971</b>	<b>3,491,214</b>	<b>3,227,277</b>	<b>1,314,893</b>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Water	2,628,848	1,801,228	1,850,240	1,291,091
Sewer	2,435,749	1,315,948	1,523,067	741,054
Storm sewer	289,375	213,233	229,252	214,915
Operating grants and contributions				
Capital grants and contributions	1,489,922	3,464,567		1,159,222
<b>Total business-type activities program revenues</b>	<b>6,843,894</b>	<b>6,794,976</b>	<b>3,602,559</b>	<b>3,406,282</b>
<b>Total primary government program revenues</b>	<b>\$ 11,672,865</b>	<b>\$ 10,286,190</b>	<b>\$ 6,829,836</b>	<b>\$ 4,721,175</b>

Schedule 2

	2013	2012	2011	2010	2009	2008
\$	1,103,337	\$ 1,093,204	\$ 1,036,038	\$ 980,456	\$ 971,677	\$ 1,168,625
	1,277,798	1,302,857	1,107,050	1,171,156	1,125,464	1,002,408
	1,273,977	891,169	1,008,686	1,135,351	872,045	868,804
	424,687	362,432	247,845	239,389	248,856	228,393
	133,694	316,039	266,730	222,404	218,319	237,753
	<u>4,213,493</u>	<u>3,965,701</u>	<u>3,666,349</u>	<u>3,748,758</u>	<u>3,436,361</u>	<u>3,505,983</u>
	958,870	872,786	845,474	898,319	857,014	849,018
	119,370	53,903	73,797	61,513	59,243	63,400
	86,989	73,590	142,517	151,384	140,365	123,902
	<u>1,165,229</u>	<u>1,000,279</u>	<u>1,061,788</u>	<u>1,111,216</u>	<u>1,056,622</u>	<u>1,036,320</u>
\$	<u>\$ 5,378,722</u>	<u>\$ 4,965,980</u>	<u>\$ 4,728,137</u>	<u>\$ 4,859,974</u>	<u>\$ 4,492,983</u>	<u>\$ 4,542,303</u>
\$	32,778	\$ 48,476	\$ 22,058	\$ 18,206	\$ 15,631	\$ 19,430
	414,472	379,557	283,813	320,242	270,653	295,353
	2,647	3,256	3,058	3,425	6,584	3,833
	17,000	9,341		10,800		
	208,276	160,060	184,476	168,491	174,433	140,176
	<u>1,364,622</u>	<u>160,444</u>	<u>222,488</u>	<u>1,090,419</u>	<u>798,687</u>	<u>1,345,803</u>
	<u>2,039,795</u>	<u>761,134</u>	<u>715,893</u>	<u>1,611,673</u>	<u>1,265,988</u>	<u>1,804,595</u>
	596,421	699,159	575,534	562,585	479,430	467,336
	53,142	65,737	53,012	48,508	45,146	44,568
	191,087	171,229	235,252	185,425	149,407	134,674
			17,000	32,721	30,100	
	<u>3,781,528</u>	<u>115,127</u>	<u>75,885</u>	<u>418,400</u>	<u>776,473</u>	<u>684,400</u>
	<u>4,622,178</u>	<u>1,051,252</u>	<u>956,683</u>	<u>1,247,639</u>	<u>1,480,556</u>	<u>1,330,978</u>
\$	<u>\$ 6,661,973</u>	<u>\$ 1,812,386</u>	<u>\$ 1,672,576</u>	<u>\$ 2,859,312</u>	<u>\$ 2,746,544</u>	<u>\$ 3,135,573</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year			
	2017	2016	2015	2014
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (2,528,038)	\$ (1,713,295)	\$ (1,483,723)	\$ (2,934,419)
Business-type activities	3,577,876	4,854,192	1,885,114	1,833,446
<b>Total primary government net revenue</b>	<u>\$ 1,049,838</u>	<u>\$ 3,140,897</u>	<u>\$ 401,391</u>	<u>\$ (1,100,973)</u>
<b>General Revenues and Other Changes In Net Position</b>				
Governmental activities:				
General property taxes	\$ 3,040,413	\$ 3,226,739	\$ 3,204,119	\$ 3,200,291
Grants and contributions not restricted to specific programs	2,749	8,584	2,749	2,749
Interest income	48,987	43,228	46,589	87,586
Miscellaneous	158,350	52,479	73,738	125,400
Gain on sale of capital assets				
Transfers		143,105	220,842	(887,312)
<b>Total governmental activities</b>	<u>3,250,499</u>	<u>3,474,135</u>	<u>3,548,037</u>	<u>2,528,714</u>
Business-type activities:				
Grants and contributions not restricted to specific programs		748		
Interest income	46,705	44,423	39,757	19,337
Miscellaneous	52			
Transfers		(143,105)	(220,842)	887,312
<b>Total business-type activities</b>	<u>46,757</u>	<u>(97,934)</u>	<u>(181,085)</u>	<u>906,649</u>
<b>Total primary government</b>	<u>\$ 3,297,256</u>	<u>\$ 3,376,201</u>	<u>\$ 3,366,952</u>	<u>\$ 3,435,363</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 722,461	\$ 1,760,840	\$ 2,064,314	\$ (405,705)
Business-type activities	3,624,833	4,756,258	1,704,029	2,740,095
<b>Total primary government</b>	<u>\$ 4,347,094</u>	<u>\$ 6,517,098</u>	<u>\$ 3,768,343</u>	<u>\$ 2,334,390</u>

Schedule 2  
(continued)

2013	2012	2011	2010	2009	2008
\$ (2,173,698)	\$ (3,204,567)	\$ (2,950,456)	\$ (2,137,085)	\$ (2,170,373)	\$ (1,701,388)
3,456,949	50,973	(105,105)	136,423	423,934	294,658
<u>\$ 1,283,251</u>	<u>\$ (3,153,594)</u>	<u>\$ (3,055,561)</u>	<u>\$ (2,000,662)</u>	<u>\$ (1,746,439)</u>	<u>\$ (1,406,730)</u>
\$ 3,231,609	\$ 3,183,078	\$ 2,793,776	\$ 2,711,067	\$ 2,718,691	\$ 2,568,705
2,749		10,628	9,771	8,764	57,390
35,259	111,705	94,501	113,989	180,679	209,539
1,833	42,599	20,405	17,311	41,827	50,865
8,979				8,517	
		(59,637)	(57,947)	(129,177)	(116,031)
<u>3,280,429</u>	<u>3,337,382</u>	<u>2,859,673</u>	<u>2,794,191</u>	<u>2,809,301</u>	<u>2,770,468</u>
30,346	10,282	10,789	11,129	15,343	23,533
		59,637	57,947	129,177	116,031
<u>30,346</u>	<u>10,282</u>	<u>70,426</u>	<u>69,076</u>	<u>144,520</u>	<u>139,564</u>
<u>\$ 3,310,775</u>	<u>\$ 3,347,664</u>	<u>\$ 2,930,099</u>	<u>\$ 2,863,267</u>	<u>\$ 2,953,821</u>	<u>\$ 2,910,032</u>
\$ 1,106,731	\$ 132,815	\$ (90,783)	\$ 657,106	\$ 638,928	\$ 1,089,080
3,487,295	61,255	(34,679)	205,499	568,454	434,222
<u>\$ 4,594,026</u>	<u>\$ 194,070</u>	<u>\$ (125,462)</u>	<u>\$ 862,605</u>	<u>\$ 1,207,382</u>	<u>\$ 1,503,302</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Modified Accrual Basis of Accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General fund					
Reserved	\$	\$	\$	\$	\$
Unreserved					
Nondisposable	410,193	409,222	432,306	638,963	859,072
Committed	200,000	200,000			
Unassigned	<u>3,499,133</u>	<u>3,279,815</u>	<u>2,754,976</u>	<u>2,542,038</u>	<u>2,318,310</u>
Total general fund	<u>4,109,326</u>	<u>3,889,037</u>	<u>3,187,282</u>	<u>3,181,001</u>	<u>3,177,382</u>
All other governmental funds					
Reserved					
Unreserved					
Nondisposable	675,000		3,908		
Restricted	2,849,956	3,248,230	2,477,730	717,781	743,976
Committed					
Assigned	1,307,216	1,504,656	1,768,742	2,943,525	2,252,931
Unassigned	<u>(681,681)</u>	<u>(418,169)</u>	<u>(431,755)</u>	<u>(693,904)</u>	<u>(885,360)</u>
Total all other governmental funds	<u>4,150,491</u>	<u>4,334,717</u>	<u>3,818,625</u>	<u>2,967,402</u>	<u>2,111,547</u>
Total governmental funds	<u>\$ 8,259,817</u>	<u>\$ 8,223,754</u>	<u>\$ 7,005,907</u>	<u>\$ 6,148,403</u>	<u>\$ 5,288,929</u>

Note: The City implemented GASB Statement No. 54 in 2011, therefore, classifications of fund balance have changed.

Schedule 3

2012	2011	2010	2009	2008
\$	\$	\$ 1,068,950	\$ 1,032,570	\$ 1,015,753
1,024,433	1,206,209	1,617,211	1,403,240	1,395,088
2,414,692	1,707,711			
<u>3,439,125</u>	<u>2,913,920</u>	<u>2,686,161</u>	<u>2,435,810</u>	<u>2,410,841</u>
		3,605,250	1,422,049	727,673
		504,106	1,077,659	1,976,379
3,959,111	4,691,748			
	7,114			
1,244,900	654,358			
<u>(1,670,915)</u>	<u>(1,353,754)</u>			
3,533,096	3,999,466	4,109,356	2,499,708	2,704,052
<u>\$ 6,972,221</u>	<u>\$ 6,913,386</u>	<u>\$ 6,795,517</u>	<u>\$ 4,935,518</u>	<u>\$ 5,114,893</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST FISCAL TEN YEARS**  
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 3,042,074	\$ 3,231,674	\$ 3,222,216	\$ 3,203,111	\$ 3,231,609
Licenses and permits	2,046,462	1,713,918	828,494	451,953	374,974
Intergovernmental	1,023,864	282,874	296,902	413,968	1,704,178
Charges for services	137,920	38,608	35,796	30,192	6,113
Fines and forfeitures	41,418	49,505	48,739	48,647	52,110
Special assessments	455,493	897,323	1,316,239	115,424	180,023
Dedication fees	265,783	171,708	138,158	274,257	
Refunds and reimbursements		21,390			
Investment earnings	48,967	43,228	46,415	87,467	35,127
Miscellaneous revenue	265,133	56,101	99,055	165,319	57,260
<b>Total Revenues</b>	<b>7,327,134</b>	<b>6,506,329</b>	<b>6,032,014</b>	<b>4,790,338</b>	<b>5,641,394</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,411,995	1,280,259	1,025,320	1,046,906	1,527,732
Public safety	1,470,726	1,262,040	1,203,765	1,198,546	1,174,145
Public works	1,185,828	893,644	686,401	585,071	614,270
Culture and recreation	603,292	500,689	457,749	368,276	301,404
Unallocated	90,909	78,047	69,403		
<b>Debt service</b>					
Principal	910,000	826,219	667,342	585,000	3,348,000
Interest and other charges	432,223	226,159	203,738	135,382	171,148
Bond issuance costs	31,347	16,233	22,873	22,267	7,870
<b>Capital outlay</b>	<b>5,860,917</b>	<b>3,126,782</b>	<b>2,729,512</b>	<b>2,881,437</b>	<b>1,784,914</b>
<b>Total Expenditures</b>	<b>11,997,237</b>	<b>8,210,072</b>	<b>7,066,103</b>	<b>6,822,885</b>	<b>8,929,483</b>
Excess (deficiency) of revenues over (under) expenditures	(4,670,103)	(1,703,743)	(1,034,089)	(2,032,547)	(3,288,089)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	4,565,000	2,690,000	1,620,000	2,850,000	1,604,797
Premium on issuance of debt	166,068	102,877	32,137	31,520	
(Discount) on issuance of debt	(26,302)	(14,392)	(11,386)		
Payment to bond escrow agent					
Sale of property	1,400		30,000		
Transfers in		143,105	220,842	10,501	
Transfers out					
<b>Total other financing sources (uses)</b>	<b>4,706,166</b>	<b>2,921,590</b>	<b>1,891,593</b>	<b>2,892,021</b>	<b>1,604,797</b>
<b>Net change in fund balances</b>	<b>\$ 36,063</b>	<b>\$ 1,217,847</b>	<b>\$ 857,504</b>	<b>\$ 859,474</b>	<b>\$ (1,683,292)</b>
Debt service as a percentage of noncapital expenditures	18.42%	20.60%	19.48%	17.67%	47.79%

Schedule 4

	2012	2011	2010	2009	2008
\$	3,221,733	\$ 2,790,773	\$ 2,737,225	\$ 2,685,894	\$ 2,523,332
	330,819	230,419	261,450	225,166	242,074
	237,254	276,638	239,244	288,881	261,743
	5,726	14,691	22,416	11,433	15,623
	58,385	63,819	68,897	54,052	60,919
	136,150	153,536	134,257	73,013	102,929
	111,737	94,066	113,033	160,679	209,539
	87,562	48,217	84,860	61,533	177,599
	4,189,366	3,672,159	3,661,382	3,560,651	3,593,758
	1,034,712	1,016,898	921,590	929,960	1,108,737
	1,109,937	996,733	1,064,176	988,082	882,135
	446,541	447,629	473,293	459,703	438,591
	280,404	168,747	168,971	180,965	154,011
	406,000	344,000	313,000	361,000	280,000
	267,253	251,385	216,820	229,175	235,450
	41,828	34,327	74,580	45,056	
	1,428,866	1,029,183	1,203,309	998,031	888,382
	4,995,531	4,288,902	4,435,739	4,191,972	3,987,306
	(806,165)	(616,743)	(774,357)	(631,321)	(393,548)
	865,000	845,000	2,680,000	1,110,000	
			4,356	17,756	
				(525,000)	
				9,190	
		204,972	314,698	1,466,041	8,500
		(315,360)	(364,698)	(1,626,041)	(8,500)
	865,000	734,612	2,634,356	451,946	
\$	58,835	\$ 117,869	\$ 1,859,999	\$ (179,375)	\$ (393,548)
	18.66%	17.43%	15.11%	17.81%	15.42%



SCHEDULE 5

CITY OF LAKE ELMO, MINNESOTA  
 TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Payable Year	Taxable Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2008	\$ 1,146,659,500	\$ 12,750,173	\$ 203,610	\$ 12,953,783	\$ 12,953,783	20.553	% 0.01
2009	1,208,072,300	13,490,182	201,896	13,692,078	13,692,078	19.810	0.01
2010	1,201,213,400	13,394,423	202,299	13,596,722	13,596,722	20.479	0.01
2011	1,142,936,500	12,678,177	221,613	12,899,790	12,899,790	21.832	0.01
2012	1,037,557,100	11,525,623	229,157	11,754,780	11,754,780	27.271	0.01
2013	1,028,011,400	11,392,876	237,584	11,630,460	11,630,460	29.259	0.01
2014	1,046,031,000	11,504,611	238,764	11,743,375	11,743,375	27.761	0.01
2015	1,184,578,800	12,938,515	243,104	13,181,619	13,181,619	23.798	0.01
2016	1,267,841,100	13,386,725	266,218	13,652,943	13,652,943	23.121	0.01
2017	1,265,225,800	14,520,320	292,938	14,813,258	14,631,062	20.017	0.01

(1) Tax Capacity adjusted for captured tax increment, fiscal disparities, and transmission lines.

NOTE - Valuations are determined as of January 1 of year preceding tax collection year. The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use. The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

**CITY OF LAKE ELMO, MINNESOTA  
PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(Percent of Tax Capacity)**

Fiscal Year	City of Lake Elmo			Range of Tax Rates			Overlapping Rates		
	Operating Tax Rate Urban	Debt Service Tax Rate Urban	Total City Tax Rate Urban	for Independent School Districts 622, 832 and 834	Washington County	for Watershed Districts	Special Taxing Districts	Range of Total Direct and Overlapping Tax Rates	
2008	20.553 %	5.704 %	26.257 %	17.404 - 22.691 %	25.936 %	1.608 - 4.532 %	2.367 %	67.868 - 76.079 %	
2009	17.059	2.751	19.810	17.714 - 24.480	26.371	1.545 - 4.002	2.351	67.791 - 77.014	
2010	18.033	2.446	20.479	19.734 - 26.389	27.775	1.511 - 4.153	2.558	72.057 - 81.354	
2011	19.448	2.384	21.832	20.300 - 34.330	29.772	1.725 - 4.275	2.664	76.293 - 92.873	
2012	23.679 (1)	3.592	27.271	22.333 - 38.360	31.939	2.340 - 4.906	2.909	86.792 - 105.385	
2013	23.555	5.704	29.259	22.017 - 37.104	31.548	0.779 - 5.306	4.857	88.460 - 108.074	
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556 - 107.481	
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484 - 96.301	
2016	18.184	4.937	23.121	19.849 - 35.569	27.860	0.075 - 5.111	4.568	75.473 - 96.229	
2017	14.083	5.934	20.017	20.390 - 34.093	27.852	0.839 - 5.275	4.345	73.443 - 91.582	

Source: Washington County Taxation Division

**Note:** The City's direct property tax rate is determined by dividing the amount of tax levied by the City Council by the City's total tax capacity.

\*Overlapping rates are those of local and county governments that apply to property owners within the City of Lake Elmo. Not all overlapping rates apply to all City of Lake Elmo property owners. Although the property tax rates apply to all city property owners, some city properties lie within the geographical boundaries of different school and watershed districts.

(1) Beginning in 2012, operating tax rate urban includes library levy component

SCHEDULE 7

CITY OF LAKE ELMO, MINNESOTA  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO

Taxpayers (1)	2017			2008		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Xcel Energy	\$ 235,058	1	1.59 %	\$ 171,806	3	1.27 %
IRET Properties	229,588	2	1.55	239,610	1	1.78
Dakota Upreit LP	217,448	3	1.47			
Bremer Financial Services Inc	212,330	4	1.43	195,538	2	1.45
MHC Cimarron LLC	139,714	5	0.94			
HOA Hotels LLC	137,850	6	0.93			
HC Golf Course Development LLC	101,536	7	0.69			
Eagle Point Medical Building LLC	92,788	8	0.63			
Danate Proper Inv I LLC	74,250	9	0.50			
Norman James LLC	68,628	10	0.46			
Davis Estates LTD				81,328	9	0.60
Moline Plow				139,208	4	1.03
United Land LLC				119,478	7	0.89
Lake Elmo Foundation				138,922	5	1.03
United Properties Inv, LLC				109,468	8	0.81
Bri-mar Co In. Etal.				63,518	10	0.47
Lakeland Harbor SPE LLC				134,090	6	0.99
<b>TOTAL</b>	<b>\$ 1,509,190</b>		<b>10.19 %</b>	<b>\$ 1,392,966</b>		<b>10.32 %</b>

(1) Source: Washington County Taxation Division

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**CITY OF LAKE ELMO, MINNESOTA  
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2008	\$ 2,597,983	\$ 2,559,227	\$ 2,485,397	97.12	\$ 73,830
2009	2,708,155	2,672,623	2,624,026	98.18	48,597
2010	2,743,346	2,705,782	2,645,536	97.77	60,246
2011	2,789,559	2,745,785	2,692,423	98.06	52,741
2012	3,113,017	3,110,478	3,071,202	98.74	36,796
2013	3,163,359	3,160,524	3,133,764	99.15	23,969
2014	3,163,359	3,160,285	3,128,695	99.00	17,405
2015	3,113,017	3,133,137	3,112,989	99.36	16,155
2016	3,112,204	3,112,204	3,068,116	98.58	11,491
2017	2,950,426	2,950,426	2,935,173	99.48	

(1) Tax Levy adjusted for powerlines, market value credits and AG program credits prior to 2016

**Schedule 8**

<u>Total Collections to Date</u>		<u>Percentage of Net Levy</u>	<u>Total Delinquent Taxes</u>	<u>Delinquent Taxes As A % Of Total Net Tax Levy</u>
<u>Amount</u>				
\$ 2,559,227	100.00		\$ 0.00	
2,672,623	100.00		0.00	
2,705,782	100.00		0.00	
2,745,164	99.98	621	0.02	
3,107,998	99.92	2,480	0.08	
3,157,733	99.91	2,791	0.09	
3,146,100	99.55	14,185	0.45	
3,129,144	99.87	3,993	0.13	
3,079,607	98.95	32,597	1.05	
2,935,173	99.48	15,253	0.52	

**CITY OF LAKE ELMO, MINNESOTA  
WATER AND SANITARY SEWER CHARGES BY CUSTOMER  
LAST TEN FISCAL YEARS**

**Water (in millions of gallons)**

<u>Type of Customer</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential	93.513	98.044	84.007	98.573	120.676
Commercial Service	16.603	29.379	21.653	12.156	8.253
Total gallons	110.116	127.423	105.660	110.729	128.929

Total direct rate per 1,000 gallons - residential	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14
Total direct rate per 1,000 gallons - commercial	\$ 3.20	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.11

**Sanitary Sewer (in millions of gallons)**

<u>Type of Customer</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential (1)	38.340	6.812	3.794	0.000	0.000
Commercial Service	6.807	9.125	8.179	6.532	6.149
Total gallons	45.147	15.937	11.973	6.532	6.149

Total direct rate per 1,000 gallons	\$ 4.55	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
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(1) City did not have any residential sanitary sewer customers in 2014 and prior

\* City converted to a tiered rate structure effective January 1, 2010; lowest tier rate listed for 2010-2015

**Schedule 9**

<u>2012</u>	<u>2011</u>	<u>2010*</u>	<u>2009</u>	<u>2008</u>
154.747	105.290	95.704	122.461	120.986
10.405	6.872	7.261	7.989	7.851
<u>165.152</u>	<u>112.162</u>	<u>102.965</u>	<u>130.450</u>	<u>128.837</u>
\$ 2.14	\$ 2.14	\$ 2.10	\$ 2.15	\$ 2.05
\$ 3.11	\$ 3.11	\$ 3.05	\$ 3.10	\$ 3.00

<u>2012</u>	<u>2011</u>	<u>2010*</u>	<u>2009</u>	<u>2008</u>
0.000	0.000	0.000	0.000	0.000
6.172	6.961	7.086	5.381	5.130
<u>6.172</u>	<u>6.961</u>	<u>7.086</u>	<u>5.381</u>	<u>5.130</u>
\$ 4.50	\$ 4.50	\$ 4.35	\$ 4.08	\$ 3.71



**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

**Other Governmental Activities Debt**

Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Note Payable	Total Governmental Activities Debt
2008	\$ 695,000	\$ 324,000	\$ 3,700,000		\$ 4,719,000
2009	1,120,000	283,000	3,540,000		4,943,000
2010	1,725,000	240,000	5,345,000		7,310,000
2011	2,440,000	196,000	5,175,000		7,811,000
2012	3,100,092	150,000	4,969,153		8,219,245
2013	4,436,967	102,000	1,941,135		6,480,102
2014	6,919,568	52,000	1,808,024		8,779,592
2015	8,095,288		1,687,803	21,219	9,804,310
2016	10,210,038		1,537,530		11,747,568
2017	14,151,671		1,382,249		15,533,920

**Note:** Details of the city's outstanding debt can be found in the notes to the financial statements.

**Schedule 10**

**Business-Type Activities**

Utility Revenue Bonds	Total Business Activities Debt	Total Primary Government Debt	Percentage of Personal Income	Per Capita
\$ 4,730,000	\$ 4,730,000	\$ 9,449,000	0.03	\$ 1,377
4,715,000	4,715,000	9,658,000	0.03	1,407
4,680,000	4,680,000	11,990,000	0.03	1,486
4,640,000	4,640,000	12,451,000	0.03	1,543
8,314,837	8,314,837	16,534,082	0.04	2,049
12,476,920	12,476,920	18,957,022	0.05	2,349
15,530,642	15,530,642	24,310,234	0.07	3,013
12,622,484	12,622,484	22,426,794	0.06	2,779
18,990,395	18,990,395	30,737,963	0.08	3,809
22,866,787	22,866,787	38,400,707	N/A	3,990

**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

**General Bonded Debt Outstanding**

Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Utility Revenue Bonds (1)	Total
2008	\$ 695,000	\$ 324,000	\$ 3,700,000	\$ 4,730,000	\$ 9,449,000
2009	1,120,000	283,000	3,540,000	4,715,000	9,658,000
2010	1,725,000	240,000	5,345,000	4,680,000	11,990,000
2011	2,440,000	196,000	5,175,000	4,640,000	12,451,000
2012	3,100,092	150,000	4,969,153	8,314,837	16,534,082
2013	4,436,967	102,000	1,941,135	12,476,920	18,957,022
2014	6,919,568	52,000	1,808,024	15,530,642	24,310,234
2015	8,095,288		1,687,803	12,622,484	22,405,575
2016	10,210,038		1,537,530	18,990,395	30,737,963
2017	14,151,671		1,382,249	22,866,787	38,400,707

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) All revenue bonds currently outstanding are general obligation bonds of the City and therefore have recourse to the general resources of the City.

See Schedule 15 for population data

See Schedule 5 for estimated market value information

Source: City of Lake Elmo Finance Department

**Schedule 11**

Less: Available in Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
\$ 727,673	\$ 8,721,327	0.76	\$ 1,271
1,422,049	8,235,951	0.68	1,200
3,605,250	8,384,750	0.70	1,039
3,534,742	8,916,258	0.78	1,105
3,500,799	13,033,283	1.26	1,615
726,753	18,230,269	1.77	2,259
691,700	23,618,534	2.26	2,927
2,477,730	19,927,845	1.68	2,470
3,215,590	27,522,373	2.17	3,411
3,524,956	34,875,751	2.71	3,623

**CITY OF LAKE ELMO, MINNESOTA**  
**COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT**  
**AND LEGAL DEBT MARGIN**  
December 31, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(a)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Independent School District #622	\$ 97,480,000	3.10%	\$ 3,021,880
Independent School District #832	51,850,000	4.70%	2,436,950
Independent School District #834	108,130,000	14.10%	15,246,330
<b>Other debt</b>			
Washington County	126,060,000	4.80%	6,050,880
Metropolitan Council	1,484,038,432	1.10%	<u>16,324,423</u>
Subtotal, overlapping debt			43,080,463
<b>City direct debt</b>	15,533,920	100.00%	<u>15,533,920</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 58,614,383</u></u>

**Sources:** Tax capacity data to estimate applicable percentages provided by Washington County.  
Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic 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 of Lake Elmo. This process recognizes that, when considering the city'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.

<sup>(a)</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of another governmental unit's tax capacity value that is within the city's boundaries and dividing it by each unit's total tax capacity value.

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**CITY OF LAKE ELMO, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<b>Fiscal Year</b>				
	2017	2016	2015	2014	2013
Debt limit	\$38,556,774	\$38,035,233	\$36,733,899	\$35,537,364	\$32,470,203
Total net debt applicable to limit	<u>1,846,657</u>	<u>2,102,343</u>	<u>1,572,289</u>	<u>1,757,421</u>	<u>1,894,510</u>
Legal debt margin	\$36,710,117	\$35,932,890	\$35,161,610	\$33,779,943	\$30,575,693
Total net debt applicable to the limit as a percentage of debt limit	4.79%	5.53%	4.28%	4.95%	5.83%

The legal debt limit for municipalities in Minnesota was increased in 2008 from 2% to 3% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes special assessment, tax increment and tax abatement bonds.

**Schedule 13**

**Legal Debt Margin Calculation for the Fiscal Year 2017**

Taxable Market Value	\$ 1,285,225,800
Debt Limit (3% of market value)	38,556,774
Debt applicable to limit:	
General obligation bonds	2,070,000
Less: Amount set aside for repayment of general obligation debt	223,343
Total net debt applicable to limit	1,846,657
Legal debt margin	\$ 36,710,117

2012	2011	2010	2009	2008
\$ 32,054,064	\$ 31,126,713	\$ 34,288,095	\$ 36,036,402	\$ 36,242,169
2,099,369	2,148,203	2,195,153	271,142	315,169
\$ 29,954,695	\$ 28,978,510	\$ 32,092,942	\$ 35,765,260	\$ 35,927,000
6.55%	6.90%	6.40%	0.75%	0.87%



Schedule 14

CITY OF LAKE ELMO, MINNESOTA  
 PLEDGED REVENUE COVERAGE  
 LAST TEN FISCAL YEARS

Utility Revenue Bonds

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage
				Principal	Interest	
2008	\$ 715,611	\$ 536,475	\$ 179,136	\$ 80,000	\$ 202,224	0.63
2009	776,899	513,226	263,673	530,000	208,803	0.36
2010	920,768	563,896	356,872	35,000	191,156	1.58
2011	891,587	516,157	375,430	40,000	190,094	1.63
2012	946,407	426,118	520,289	40,000	221,129	1.99
2013	3,501,321	504,648	2,996,673	165,000	300,789	6.43
2014	2,266,397	678,394	1,588,003	365,000	424,080	2.01
2015	3,642,316	627,977	3,014,339	4,165,000	456,782	0.65
2016	3,407,097	757,862	2,649,235	615,000	380,969	2.66
2017	6,651,513	1,505,420	5,146,093	705,000	513,768	4.22

- Notes:** (1) Gross revenue includes investment earnings, hook-up charges and special assessments.  
 (2) Operating expenses do not include interest, depreciation, or amortization expense.  
 (3) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF LAKE ELMO, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>YEAR</b>	<b>POPULATION (1)</b>	<b>PERSONAL INCOME (thousands of dollars)</b>	<b>PER CAPITA PERSONAL INCOME (2)</b>	<b>STATE UNEMPLOYMENT RATE (3)</b>	<b>CITY UNEMPLOYMENT RATE (3)</b>
2008	6,863	\$ 329,774	\$ 48,051	6.3	5.8
2009	6,863	317,997	46,335	7.6	7.1
2010	8,069	383,834	47,569	7.0	6.4
2011	8,069	409,203	50,713	5.8	5.2
2012	8,069	420,242	52,081	5.4	4.9
2013	8,069	420,879	52,160	4.6	4.0
2014	8,069	357,723	44,333	3.8	3.7
2015	8,069	371,602	46,053	3.2	2.9
2016	8,069	374,345	46,393	3.8	3.3
2017	9,625	438,563	45,565	3.3	3.3

Sources: (1) Metropolitan Council 2000/2010-Census Bureau; updated for staff estimate starting in 2017  
 (2) Bureau of Economic Analysis - Washington County, Minnesota  
 (3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development

SCHEDULE 16

CITY OF LAKE ELMO, MINNESOTA  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

Employer	2017			2008		
	Employees (1)	Rank	Percentage of Total City Employment (1)	Employees (1)	Rank	Percentage of Total City Employment (1)
3M Company (Maplewood)	9,100	1	41.4%	10,100	1	56.4%
Andersen Corp (Bayport)	2,622	2	11.9%			
Healtheast Care/St. Johns Hospital (Maplewood)	1,200	3	5.5%			
Washington County (Stillwater)	1,188	4	5.4%			
Woodwinds Health (Woodbury)	1,100	5	5.0%	485	5	2.7%
ISD 834 (Stillwater)	1,049	6	4.8%	1,000	3	5.6%
Bremer Bank Operations Ctr (Lake Elmo)	425	7	1.9%	400	6	2.2%
MN Correctional Facility (Oak Park Hts)	355	8	1.6%			
SunAmerica Financial Group (Woodbury)	310	9	1.4%			
Minnco Industries (Bayport)	250	10	1.1%			
The Hartford (Woodbury)				1,021	2	5.7%
Imation (Oakdale)				500	4	2.8%
Ecowater Systems, Inc. (Woodbury)				400	7	2.2%
High Pointe Health Campus (Lake Elmo)				180	8	1.0%
Lake Elmo Inn Inc.				125	9	0.7%
Machine Shed/Wildwood Inn (Lake Elmo)				110	10	0.6%

(1) City staff estimate

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**CITY OF LAKE ELMO, MINNESOTA  
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Administration	2.45	2.45	3.20	3.55	3.55
Finance	1.20	1.20	0.80	1.25	1.25
Planning and Zoning	2.21	2.21	2.75	2.70	2.95
<b>General Government</b>	<b>5.86</b>	<b>5.86</b>	<b>6.75</b>	<b>7.50</b>	<b>7.75</b>
Fire	3.80	3.80	1.50	1.55	2.05
Building Inspections	4.21	4.21	3.15	1.55	1.30
<b>Public Safety</b>	<b>8.01</b>	<b>8.01</b>	<b>4.65</b>	<b>3.10</b>	<b>3.35</b>
Streets and Roadways	4.55	4.55	3.90	3.20	3.21
<b>Public Works</b>	<b>4.55</b>	<b>4.55</b>	<b>3.90</b>	<b>3.20</b>	<b>3.21</b>
Parks	3.00	3.00	1.85	3.30	2.74
<b>Parks and Recreation</b>	<b>3.00</b>	<b>3.00</b>	<b>1.85</b>	<b>3.30</b>	<b>2.74</b>
Communications	0.00	0.00	0.70	0.35	0.40
	0.00	0.00	0.70	0.35	0.40
<b>Total Governmental Activities</b>	<b>21.42</b>	<b>21.42</b>	<b>17.85</b>	<b>17.45</b>	<b>17.45</b>
Water Utility	2.00	2.00	2.45	2.60	2.10
Sewer Utility	1.66	1.66	1.30	0.70	0.70
<b>Total Business Activities</b>	<b>3.66</b>	<b>3.66</b>	<b>3.75</b>	<b>3.30</b>	<b>2.80</b>
<b>Totals for Organization</b>	<b>25.08</b>	<b>25.08</b>	<b>21.60</b>	<b>20.75</b>	<b>20.25</b>

Source: City's Adopted Budgets

**Schedule 17**

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
3.15	3.15	3.15	3.18	3.75
0.50	0.50	0.50	0.50	1.00
1.55	1.55	1.55	1.75	1.75
<u>5.20</u>	<u>5.20</u>	<u>5.20</u>	<u>5.43</u>	<u>6.50</u>
1.60	1.10	1.10	1.10	1.10
0.95	0.95	0.95	1.95	1.20
<u>2.55</u>	<u>2.05</u>	<u>2.05</u>	<u>3.05</u>	<u>2.30</u>
3.05	3.05	3.05	3.05	3.05
<u>3.05</u>	<u>3.05</u>	<u>3.05</u>	<u>3.05</u>	<u>3.05</u>
2.52	2.52	2.52	3.10	2.72
<u>2.52</u>	<u>2.52</u>	<u>2.52</u>	<u>3.10</u>	<u>2.72</u>
0.15	0.15	0.15	0.19	0.00
<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.19</u>	<u>0.00</u>
<u>13.47</u>	<u>12.97</u>	<u>12.97</u>	<u>14.82</u>	<u>14.57</u>
1.85	1.85	1.85	1.85	2.30
0.30	0.30	0.30	0.30	0.35
<u>2.15</u>	<u>2.15</u>	<u>2.15</u>	<u>2.15</u>	<u>2.65</u>
<u><u>15.62</u></u>	<u><u>15.12</u></u>	<u><u>15.12</u></u>	<u><u>16.97</u></u>	<u><u>17.22</u></u>

**CITY OF LAKE ELMO, MINNESOTA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Planning and Zoning</b>					
Conditional use permits	5	3	2	4	2
Interim use permits	2	2	1	1	1
Minor subdivisions	1	2	2	0	2
Plats/Planned unit developments	10	11	9	17	1
Rezoning	5	3	2	11	2
Site plans	1	1	0	0	2
Variances	6	4	2	2	5
<b>Fire</b>					
Total emergency responses	456	430	429	358	448
EMS responses	313	268	274	237	280
Fire responses	143	162	32	21	28
<b>Building Inspections</b>					
Residential permit valuations (thousands of dollars)	86,710	119,301	50,401	23,032	19,979
Commercial permit valuations (thousands of dollars)	1,185	2,003	1,952	7,309	966
New residential units (1)	299	240	140	41	32
New commercial units	1	1	1	3	0
<b>Water Utility</b>					
Number of customers	1,727	1,538	1,234	1,073	1,051
Average daily consumption (2) (thousands of gallons)	28	18	18	19	21
<b>Sanitary Sewer Utility</b>					
Number of customers	712	321	82	45	29
Average daily flow (3) (thousands of gallons)	14	14	74	77	77

Sources: Various City Department's annual budget workload measurements

(1) Excludes fire/demolition rebuilds

(2) Residential and Commercial; rate increase effective 1/1/2010 to encourage conservation

(3) Billed and measured based on water usage

**Schedule 18**

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
3	0	0	2	1
0	3	1	0	1
1	0	0	2	1
0	0	0	0	0
7	0	0	1	1
1	0	1	1	0
4	6	2	5	6
399	315	361	319	294
262	195	211	205	204
28	24	14	24	20
20,320	16,133	15,889	12,903	16,525
2,351	2,590	2,013	1,617	1,370
31	24	26	29	23
0	0	1	1	0
1,016	998	967	941	935
15	14	18	24	28
29	29	29	28	28
75	71	72	68	73



**CITY OF LAKE ELMO, MINNESOTA**  
**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Fire</b>										
Stations	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
Bituminous streets (miles)	103	103	65	65	63	63	63	62	62	62
Gravel streets (miles)	2	2	2	2	2	2	2	2	3	3
Street lights	150	150	144	144	142	137	137	137	137	137
Storm sewer (miles)	30	30	25	25	25	25	25	25	25	23
<b>Park &amp; Recreation</b>										
Acres of parkland	451	451	451	451	451	451	451	451	451	451
Number of parks	17	17	17	17	17	17	17	17	17	17
<b>Water Utility</b>										
Water towers	3	3	3	3	2	2	2	2	2	2
Miles of watermain	50	50	43	40	39	37	37	37	37	34
Number of fire hydrants	415	415	378	351	293	280	280	280	280	280
<b>Sanitary Sewer Utility</b>										
Miles of sanitary sewer	8	8	4	3	3	3	3	3	3	3
Lift stations	4	4	4	4	3	3	3	3	3	3

Sources: Various City Department's annual financial report statistics

**CITY OF LAKE ELMO, MINNESOTA**

**OTHER REPORT SECTION**

**December 31, 2017**

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Lake Elmo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota State Statutes Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City has not established a tax increment financing district.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake Elmo, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Lake Elmo, Minnesota's noncompliance with the above referenced provisions.

As of December 31, 2017, the City's records showed uncashed checks held for more than three years. These checks were not reported and paid to the State Commission of Commerce pursuant to Minn. Stat. Sections 345.41 and 345.43.

This report is intended solely for the information and use of those charged with governance and management of the City of Lake Elmo, Minnesota and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Smith, Schafner and Associates, Ltd.*

Minneapolis, Minnesota  
June 29, 2018

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