



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

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.

City of Lake Elmo, Minnesota

Page Two

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

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
Elected and Appointed Officials	vi
Organizational Chart	vii
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Combining Statement of Net Position - Proprietary Funds	27
Combining Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	31
Combining Statement of Cash Flows - Proprietary Funds	33
Statement of Fiduciary Net Position - Fiduciary Funds	35
Notes to Financial Statements	36
Required Supplemental Information	
Schedule of City Contributions	
General Employees Retirement Plan	84
Public Employees Police and Fire Plan	84
Schedule of Proportionate Share of Net Pension Liability	
General Employees Retirement Plan	85
Public Employees Police and Fire Plan	85
City of Lake Elmo Fire Relief Association	
Schedule of Funding Progress for the Fire Relief Association	86
Schedule of Employer Contributions for the Fire Relief Association	86
Schedule of Funding Progress - Other Post Employment Benefits	87
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	89
Combining Balance Sheet - Nonmajor Special Revenue Funds	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	91

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

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>	
FINANCIAL SECTION (CONTINUED)		
Combining Balance Sheet - Nonmajor Capital Projects Funds	92	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	94	
Combining Statement of Net Position - Internal Service Funds	96	
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	97	
Combining Statement of Cash Flows - Internal Service Funds	98	
Combining Balance Sheet - Debt Service Funds	99	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	101	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - City Events Special Revenue Fund	103	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Library Special Revenue Fund	104	
Combining Schedule of Changes in Assets and Liabilities - Agency Funds	105	
 STATISTICAL SECTION (UNAUDITED)		
	<u>REFERENCE</u>	
Net Position by Component	Schedule 1	107
Changes in Net Position	Schedule 2	109
Fund Balances, Governmental Funds	Schedule 3	113
Changes in Fund Balances, Governmental Funds	Schedule 4	115
Tax Capacity and Estimated Actual Value of Taxable Property	Schedule 5	117
Property Tax Rates and Tax Levies - Direct and Overlapping Property Tax Rates	Schedule 6	118
Principal Property Taxpayers	Schedule 7	119
Schedule of Property Tax Levies and Collections	Schedule 8	120
Water and Sanitary Sewer Charges by Customer	Schedule 9	122
Ratios of Outstanding Debt by Type	Schedule 10	124
Ratios of General Bonded Debt Outstanding	Schedule 11	126
Computation of Direct and Indirect General Obligation Bonded Debt and Legal Debt Margin	Schedule 12	128
Legal Debt Margin Information	Schedule 13	129
Pledged Revenue Coverage	Schedule 14	131
Demographic and Economic Statistics	Schedule 15	132
Principal Employers	Schedule 16	133
Full-Time Equivalent Employees by Function	Schedule 17	134
Operating Indicators by Function/Program	Schedule 18	136
Capital Assets Statistics by Function/Program	Schedule 19	138
 OTHER REPORT SECTION		
Independent Auditor's Report on Minnesota Legal Compliance		139

CITY OF LAKE ELMO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2017

This Page Left Blank Intentionally

THE CITY OF
LAKE ELMO

**3800 Laverne Avenue North
Lake Elmo, MN 55042
651-747-3900 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.

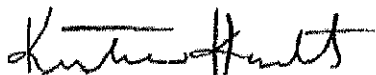
AWARDS AND ACKNOWLEDGEMENTS

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
----------	------	--------------

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

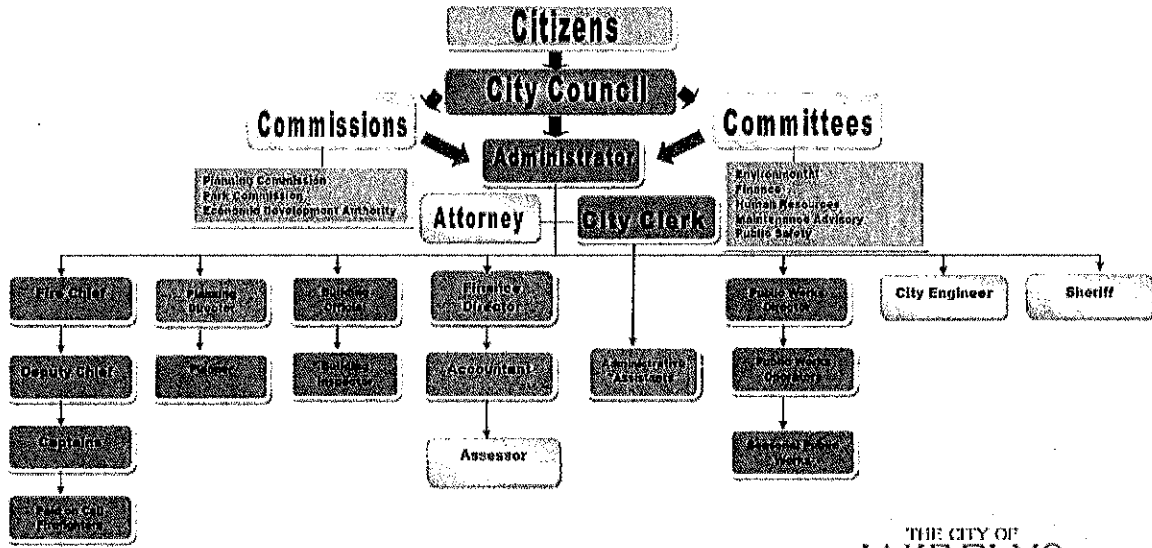
APPOINTED OFFICIALS

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

THE CITY OF
LAKE ELMO

This Page Left Blank Intentionally

CITY OF LAKE ELMO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2017

This Page Left Blank Intentional

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	<u>4,654,932</u>	<u>4,136,292</u>	<u>9,128,534</u>	<u>6,400,375</u>	<u>13,783,466</u>	<u>10,536,667</u>
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.

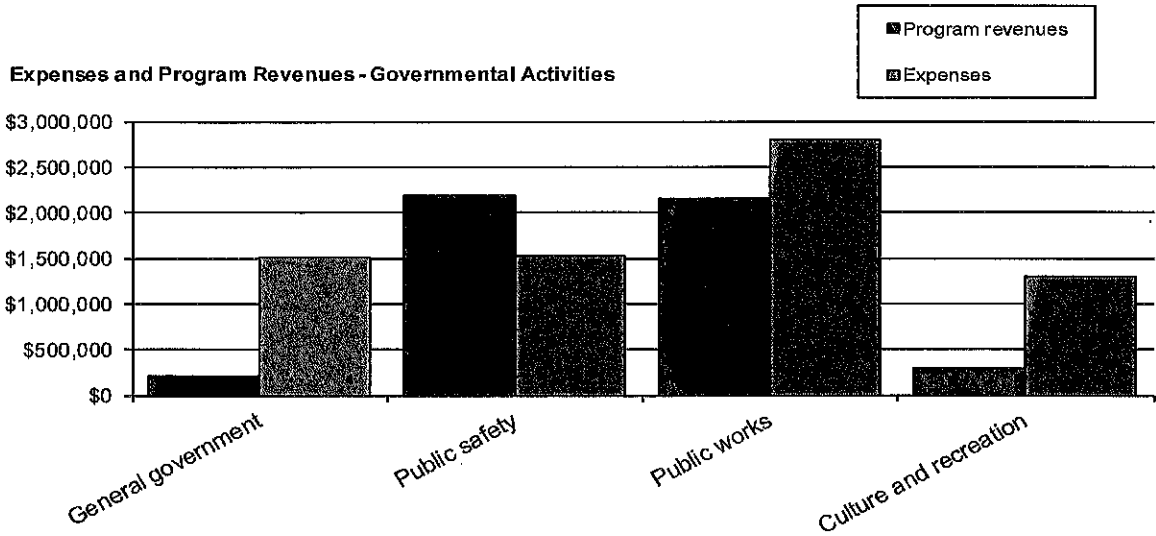
A condensed version of the Statement of Activities follows:

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

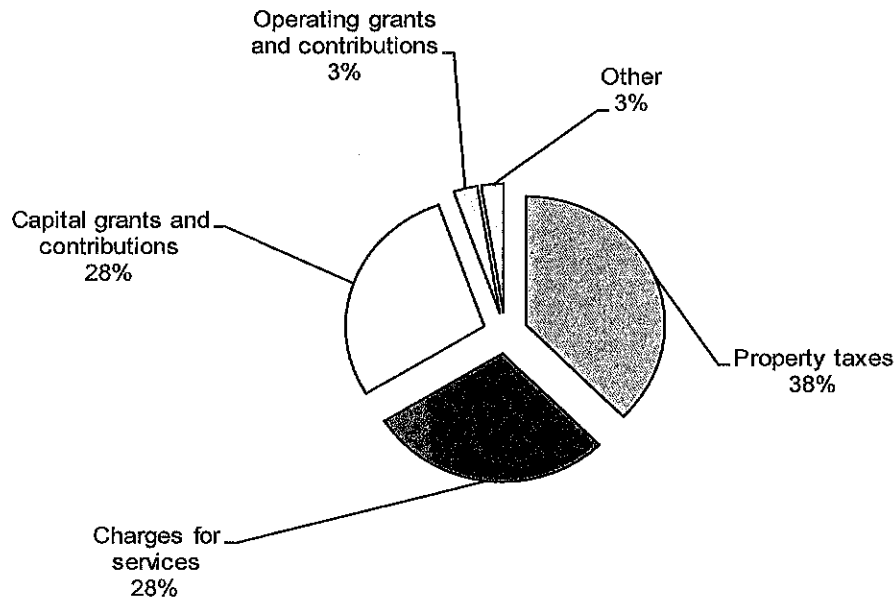
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,308,746	\$ 1,803,531	\$ 5,353,972	\$ 3,330,409	\$ 7,662,718	\$ 5,133,940
Operating grants and contributions	229,960	235,214			229,960	235,214
Capital grants and contributions	2,290,265	1,452,469	1,489,922	3,464,567	3,780,187	4,917,036
General revenues:						
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
Total revenues	8,079,470	6,822,244	6,890,651	6,840,147	14,970,121	13,662,391
Expenses:						
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
Total expenses	7,357,009	5,204,509	3,266,018	1,940,784	10,623,027	7,145,293
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)		
Change in net position	722,461	1,760,840	3,624,633	4,756,258	4,347,094	6,517,098
Net position - beginning of year	17,872,960	16,112,120	20,380,013	15,623,755	38,252,973	31,735,875
Net position - end of year	\$ 18,595,421	\$ 17,872,960	\$ 24,004,646	\$ 20,380,013	\$ 42,600,067	\$ 38,252,973

**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.

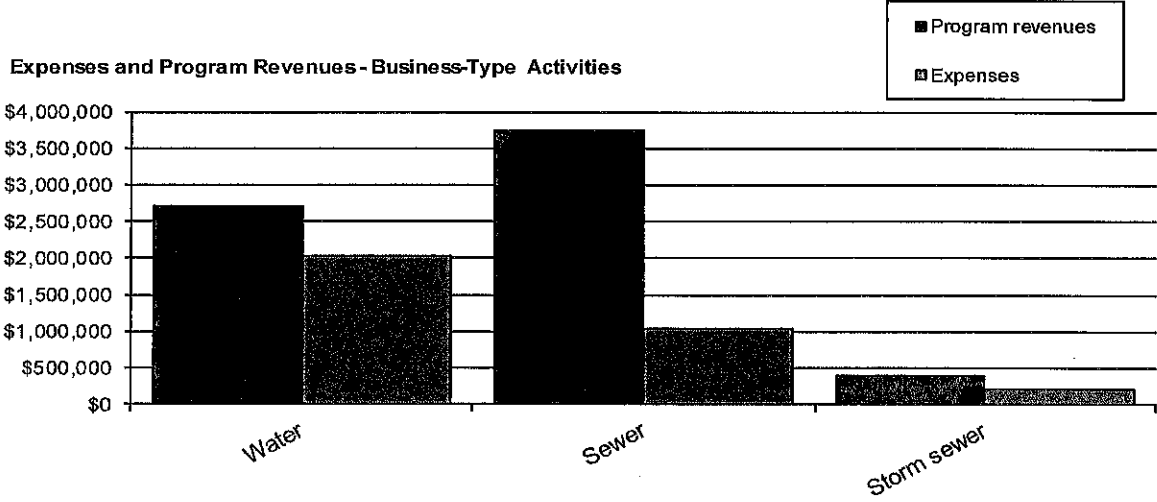


Revenues by Source - Governmental Activities

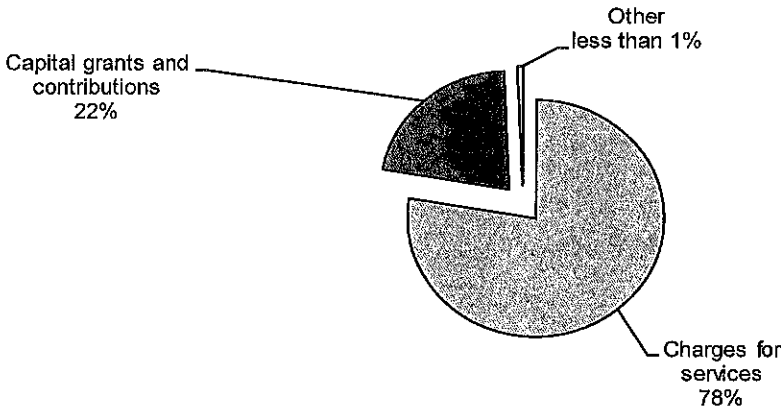


**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

This Page Left Blank Intentionally

CITY OF LAKE ELMO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

This Page Left Blank Intentionally

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
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
Total Assets	36,776,395	48,184,422	84,960,817
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized deferred amount on refunding	22,427	43,988	66,415
Deferred outflows from pension activity	308,521	44,574	353,095
Total Deferred Outflows of Resources	330,948	88,562	419,510
LIABILITIES			
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
Total Liabilities	18,372,966	24,255,385	42,628,351
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	138,956	12,953	151,909
NET POSITION			
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
Total Net Position	\$ 18,595,421	\$ 24,004,646	\$ 42,600,067

See Notes to Financial Statements

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
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			
Total governmental activities	<u>7,357,009</u>	<u>2,308,746</u>	<u>229,960</u>	<u>2,290,265</u>
Business-Type activities:				
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
Total business-type activities	<u>3,266,018</u>	<u>5,353,972</u>		<u>1,489,922</u>
Total	<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>

This Page Left Blank Intentionally

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)
ASSETS			
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	
TOTAL ASSETS	\$ 4,741,368	\$ 5,553,973	\$ 1,149,901
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
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>
DEFERRED INFLOWS OF RESOURCES			
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>
FUND BALANCE			
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>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,741,368	\$ 5,553,973	\$ 1,149,901

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>

This Page Left Blank Intentionally

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

	<u>General Fund (101)</u>	<u>Debt Service (300s)</u>	<u>Infrastructure Reserve (409)</u>
REVENUES			
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
TOTAL REVENUES	<u>4,553,258</u>	<u>1,331,097</u>	<u>846,293</u>
EXPENDITURES			
Current			
General government	1,411,995		
Public safety	1,470,726		
Public works	1,185,828		
Culture and recreation	173,511		
Unallocated	90,909		
Capital Outlay			
Public safety			
Public works			4,934,431
Culture and recreation			
Debt Service			
Principal		910,000	
Interest and other charges		432,223	
Bond issuance costs			29,493
TOTAL EXPENDITURES	<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>
OTHER FINANCING SOURCES (USES)			
Issuance of debt			4,295,000
Premium on issuance of debt			155,741
(Discount) on issuance of debt			(24,746)
Sale of capital assets			
TOTAL OTHER FINANCING SOURCES (USES)			<u>4,425,995</u>
Net change in fund balances	220,289	(11,126)	308,364
FUND BALANCES, Beginning	<u>3,889,037</u>	<u>3,236,113</u>	<u>29,871</u>
FUND BALANCES, Ending	<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>

This Page Left Blank Intentionally

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)
REVENUES				
Taxes				
Property	\$ 1,818,847	\$ 1,818,847	\$ 1,841,212	\$ 22,365
Franchise	76,000	76,000	69,282	(6,718)
Total Taxes	<u>1,894,847</u>	<u>1,894,847</u>	<u>1,910,494</u>	<u>15,647</u>
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	<u>1,462,369</u>	<u>1,462,369</u>	<u>2,046,462</u>	<u>584,093</u>
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	<u>201,095</u>	<u>201,095</u>	<u>206,185</u>	<u>5,090</u>
Charges for Services	<u>39,675</u>	<u>39,675</u>	<u>137,920</u>	<u>98,245</u>
Fines and Forfeits	<u>46,500</u>	<u>46,500</u>	<u>41,418</u>	<u>(5,082)</u>
Investment Earnings	<u>40,000</u>	<u>40,000</u>	<u>27,665</u>	<u>(12,335)</u>
Miscellaneous Revenue	<u>266,900</u>	<u>266,900</u>	<u>183,114</u>	<u>(83,786)</u>
TOTAL REVENUES	<u>\$ 3,951,386</u>	<u>\$ 3,951,386</u>	<u>\$ 4,553,258</u>	<u>\$ 601,872</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	Variance with
	Original	Final	Actual	Final Budget- Positive (Negative)
EXPENDITURES				
General Government				
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	<u>46,894</u>	<u>46,894</u>	<u>52,534</u>	<u>(5,640)</u>
Election				
Other services and charges	<u>1,200</u>	<u>1,200</u>	<u>1,660</u>	<u>(460)</u>
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	<u>428,005</u>	<u>428,005</u>	<u>543,156</u>	<u>(115,151)</u>
Communications				
Personnel services			9,863	(9,863)
Other services and charges			7,349	(7,349)
Total Communications			<u>17,212</u>	<u>(17,212)</u>
City Facilities				
Supplies	350	350	550	(200)
Other services and charges	63,303	63,303	60,918	2,385
Total City Facilities	<u>63,653</u>	<u>63,653</u>	<u>61,468</u>	<u>2,185</u>
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	<u>273,601</u>	<u>273,601</u>	<u>451,067</u>	<u>(177,466)</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		
EXPENDITURES				
General Government				
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	324,484	324,484	284,898	39,586
Total General Government	1,137,837	1,137,837	1,411,995	(274,158)
Public Safety				
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	619,357	619,357	616,854	2,503
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	411,621	411,621	487,139	(75,518)
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	334,185	334,185	309,682	24,503
Animal Control				
Other services and charges	7,725	7,725	11,448	(3,723)
Criminal Legal	43,200	43,200	42,874	326
Emergency Communications	5,395	5,395	2,729	2,666
Total Public Safety	\$ 1,421,483	\$ 1,421,483	\$ 1,470,726	\$ (49,243)

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		
EXPENDITURES				
Public Works				
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)
Culture and Recreation				
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
Other Unallocated				
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>
ASSETS			
Current Assets			
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>
Total Current Assets			
Noncurrent Assets			
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>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	43,988		
Deferred outflows from pension activity	<u>28,236</u>	<u>9,959</u>	<u>6,379</u>
Total Deferred Outflows of Resources	<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>
LIABILITIES			
Current Liabilities			
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>
Long-term Liabilities			
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>
Total Liabilities	<u>13,569,378</u>	<u>7,657,577</u>	<u>3,029,225</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	6,640	3,709	2,604
NET POSITION			
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>
Operating Revenues	<u>\$ 2,456,848</u>	<u>\$ 1,757,769</u>	<u>\$ 289,375</u>
Operating Expenses			
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>
Operating Income (Loss)	<u>735,068</u>	<u>910,924</u>	<u>136,513</u>
Other Revenue (Expense)			
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
Net Position, Beginning	<u>13,394,649</u>	<u>5,570,928</u>	<u>1,414,436</u>
Net Position, End of Year	<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

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Storm Sewer (603)</u>		
Cash Flows from Operating Activities					
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)	
Net Cash Provided By Operating Activities	<u>5,118,477</u>	<u>2,276,137</u>	<u>173,190</u>	<u>7,567,804</u>	
Cash Flows From Investing Activities					
Interest earnings received	18,096	20,362	8,247	46,705	
Cash Flows from Capital and Related Financing Activities					
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)	
Net Cash (Used In) Capital and Related Financing Activities	<u>(1,818,585)</u>	<u>(54,297)</u>	<u>(162,887)</u>	<u>(2,035,769)</u>	
Net Increase In Cash and Cash Equivalents	3,317,988	2,242,202	18,550	5,578,740	
Cash and Cash Equivalents, January 1	135,048	2,606,515	1,945,366	4,686,929	
Cash and Cash Equivalents, December 31	<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)	
Net Cash Provided By Operating Activities	\$ 5,118,477	\$ 2,276,137	\$ 173,190	\$ 7,567,804	\$
Noncash Capital and Related Financing Activities					
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>
ASSETS	
Cash and investments	\$ 2,712,949
Accounts receivable	<u>128</u>
TOTAL ASSETS	<u>\$ 2,713,077</u>
LIABILITIES	
Accounts payable	\$ 38,858
Deposits payable	<u>2,674,219</u>
TOTAL LIABILITIES	<u>\$ 2,713,077</u>

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

This Page Left Blank Intentionally

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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)

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)

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

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)

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

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)

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)

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)

1. Summary of Significant Accounting Policies (Continued)

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)

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)

2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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)

3. Detailed Notes on All Funds

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:

Investment	Range of Maturities	Rating	Value
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
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)

3. Detailed Notes on All Funds (Continued)

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)

3. Detailed Notes on All Funds (Continued)

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	
Total	\$4,937,635	\$3,205,227	\$1,732,408	\$
	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	
Total	\$4,833,917	\$2,933,500	\$1,900,417	\$

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

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:

Governmental Activities	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	7,872,531	4,436,376	4,636,393	7,672,514
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	20,401,300	4,909,814		25,311,114
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	7,518,797	1,070,019		8,588,816
Total capital assets, being depreciated, net	12,882,503	3,839,795		16,722,298
Governmental activities capital assets, net	\$ 20,755,034	\$ 8,276,171	\$ 4,636,393	\$ 24,394,812

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Business-Type Activities	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
GOVERNMENTAL ACTIVITIES					
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>
BUSINESS-TYPE ACTIVITIES					
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)

4. Other Information

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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	47,562	
Difference between projected and actual investment earnings		23,509
Changes in proportion	130,940	
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)

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)

\$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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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)

4. Other Information (Continued)

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.

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

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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)

4. Other Information (Continued)

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.

5. Subsequent Event

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

This Page Left Blank Intentionally

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
ASSETS			
Cash and investments	\$ 160,450	\$ 1,090,033	\$ 1,250,483
TOTAL ASSETS	\$ 160,450	\$ 1,090,033	\$ 1,250,483
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
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
 FUND BALANCE (DEFICIT)			
Assigned	8,001	929,140	937,141
Unassigned	(607)	(381,105)	(381,712)
Total Fund Balance (Deficit)	7,394	548,035	555,429
TOTAL LIABILITIES AND FUND BALANCE	\$ 160,450	\$ 1,090,033	\$ 1,250,483

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
REVENUES			
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
TOTAL REVENUES	<u>263,244</u>	<u>299,500</u>	<u>562,744</u>
EXPENDITURES			
Current			
Culture and recreation	429,781		429,781
Capital Outlay			
Culture and recreation		607,076	607,076
TOTAL EXPENDITURES	<u>429,781</u>	<u>607,076</u>	<u>1,036,857</u>
Net change in fund balances	(166,537)	(307,576)	(474,113)
FUND BALANCES, Beginning	<u>173,931</u>	<u>855,611</u>	<u>1,029,542</u>
FUND BALANCES, Ending	<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
ASSETS				
Cash and investments	\$ 537	\$ 156,398	\$ 3,515	\$ 160,450
TOTAL ASSETS	\$ 537	\$ 156,398	\$ 3,515	\$ 160,450
LIABILITIES AND FUND BALANCE				
LIABILITIES				
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>
FUND BALANCE (DEFICIT)				
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>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 537	\$ 156,398	\$ 3,515	\$ 160,450

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
REVENUES				
Taxes	\$	\$ 256,957	\$	\$ 256,957
Investment earnings	2	650	15	667
Miscellaneous revenue		2,120	3,500	5,620
TOTAL REVENUES	2	259,727	3,515	263,244
EXPENDITURES				
Current				
Culture and recreation		429,781		429,781
Net change in fund balances	2	(170,054)	3,515	(166,537)
FUND BALANCES, Beginning	(609)	174,540		173,931
FUND BALANCES (DEFICIT), Ending	\$ (607)	\$ 4,486	\$ 3,515	\$ 7,394

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

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

<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)
REVENUES			
Dedication fees	\$ 265,783	\$	\$
Investment earnings (loss)	2,807	1,139	356
Miscellaneous revenue	5,400		23,690
TOTAL REVENUES	273,990	1,139	24,046
EXPENDITURES			
Capital Outlay			
Culture and recreation	607,076		
Net change in fund balances	(333,086)	1,139	24,046
FUND BALANCES (DEFICIT), Beginning	980,041	272,924	(400,546)
FUND BALANCES (DEFICIT), Ending	\$ 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
ASSETS				
Noncurrent Assets				
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>
TOTAL ASSETS	<u>\$ 74,127</u>	<u>\$ 13,606</u>	<u>\$ 56,849</u>	<u>\$ 144,582</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Due to other funds	<u>\$ 41,740</u>	<u>\$</u>	<u>\$ 76,081</u>	<u>\$ 117,821</u>
Net Position				
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>
TOTAL LIABILITIES AND NET POSITION	<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
Operating Expenses				
Depreciation	\$ 15,221	\$ 4,654	\$ 7,914	\$ 27,789
Net (Loss)	(15,221)	(4,654)	(7,914)	(27,789)
Net Position, Beginning of Year	47,608	18,260	(11,318)	54,550
Net Position, End of Year	<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
Cash Flows From Operating Activities				
Cash received from customers	\$ _____	\$ _____	\$ _____	\$ _____
Net Increase in Cash and Cash Equivalents				
Cash and Cash Equivalents, Beginning of Year				
	_____	_____	_____	_____
Cash and Cash Equivalents, End of Year	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating (loss)	\$ (15,221)	\$ (4,654)	\$ (7,914)	\$ (27,789)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	15,221	4,654	7,914	27,789
Net Cash Provided By Operating Activities	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

This Page Left Blank Intentionally

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)
ASSETS						
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		
TOTAL ASSETS	\$ 477	\$ 29,667	\$	\$ 114,258	\$ 136,564	\$ 134,713
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$	\$	\$	\$	\$	\$
Due to other funds			1,317			
Total liabilities			1,317			
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue:						
Special assessments				17,968	32,320	
Total deferred inflows of resources				17,968	32,320	
FUND BALANCE (DEFICIT)						
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
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 477	\$ 29,667	\$	\$ 114,258	\$ 136,564	\$ 134,713

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)
REVENUES						
Taxes	\$	\$	\$	\$ 52,959	\$ 57,683	\$ 202,606
Special assessments				7,117	10,158	
Investment earnings	2	123		130	433	559
TOTAL REVENUES	<u>2</u>	<u>123</u>		<u>60,206</u>	<u>68,274</u>	<u>203,165</u>
EXPENDITURES						
Debt Service						
Principal				60,000	70,000	155,000
Interest and other charges			315	10,039	8,680	40,003
TOTAL EXPENDITURES			<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
FUND BALANCES (DEFICIT), Beginning	<u>475</u>	<u>29,544</u>	<u>(1,002)</u>	<u>106,123</u>	<u>114,650</u>	<u>126,551</u>
FUND BALANCES (DEFICIT), Ending	<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>
\$ <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>

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		
REVENUES				
Investment earnings	\$	\$	\$ 2	\$ 2
TOTAL REVENUES			2	2
Net change in fund balances			2	2
FUND BALANCES, Beginning	(609)	(609)	(609)	
FUND BALANCES, Ending	\$ (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		
REVENUES				
Taxes	\$ 256,957	\$ 256,957	\$ 256,957	\$
Investment earnings			650	650
Miscellaneous revenue	4,000	4,000	2,120	(1,880)
TOTAL REVENUES	260,957	260,957	259,727	(1,230)
EXPENDITURES				
Current				
Culture and recreation	260,957	260,957	429,781	(168,824)
Net change in fund balances			(170,054)	(170,054)
FUND BALANCES, Beginning	174,540	174,540	174,540	
FUND BALANCES, Ending	\$ 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
ESCROW				
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	<u>\$ 2,394,654</u>	<u>\$ 3,638,961</u>	<u>\$ 3,320,538</u>	<u>\$ 2,713,077</u>
YELLOW RIBBON				
ASSETS				
Cash and investments	\$ (128)	\$	\$	\$ (128)
Accounts receivable	128			128
TOTAL ASSETS	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 2,394,526	\$ 2,094,429	\$ 1,776,006	\$ 2,712,949
Accounts receivable	128			128
TOTAL ASSETS	<u>\$ 2,394,654</u>	<u>\$ 2,094,429</u>	<u>\$ 1,776,006</u>	<u>\$ 2,713,077</u>
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	<u>\$ 2,394,654</u>	<u>\$ 3,638,961</u>	<u>\$ 3,320,538</u>	<u>\$ 2,713,077</u>

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.

<u>Content</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	107
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	117
Debt Capacity 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
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	132
Operating Information 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
Governmental activities				
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
Total governmental activities net position	\$ 18,595,421	\$ 17,872,960	\$ 16,112,117	\$ 14,469,960
Business-type activities				
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
Total business-type activities net position	\$ 24,004,646	\$ 20,380,013	\$ 15,623,755	\$ 14,055,152
Primary government				
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
Total primary government net position	\$ 42,600,067	\$ 38,252,973	\$ 31,735,872	\$ 28,525,112

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
Expenses				
Governmental activities:				
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
Total governmental activities expenses	<u>7,357,009</u>	<u>5,204,509</u>	<u>4,711,000</u>	<u>4,249,312</u>
Business-Type activities:				
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
Total business-type activities expenses	<u>3,266,018</u>	<u>1,940,784</u>	<u>1,717,445</u>	<u>1,572,836</u>
Total primary government expenses	<u>\$ 10,623,027</u>	<u>\$ 7,145,293</u>	<u>\$ 6,428,445</u>	<u>\$ 5,822,148</u>
Program Revenues				
Governmental activities:				
Charges for services:				
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
Total governmental activities program revenues	<u>4,828,971</u>	<u>3,491,214</u>	<u>3,227,277</u>	<u>1,314,893</u>
Business-type activities:				
Charges for services:				
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
Total business-type activities program revenues	<u>6,843,894</u>	<u>6,794,976</u>	<u>3,602,559</u>	<u>3,406,282</u>
Total primary government program revenues	<u>\$ 11,672,865</u>	<u>\$ 10,286,190</u>	<u>\$ 6,829,836</u>	<u>\$ 4,721,175</u>

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
Net (Expense) Revenue				
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
Total primary government net revenue	<u>\$ 1,049,838</u>	<u>\$ 3,140,897</u>	<u>\$ 401,391</u>	<u>\$ (1,100,973)</u>
General Revenues and Other Changes In Net Position				
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)
Total governmental activities	<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
Total business-type activities	<u>46,757</u>	<u>(97,934)</u>	<u>(181,085)</u>	<u>906,649</u>
Total primary government	<u>\$ 3,297,256</u>	<u>\$ 3,376,201</u>	<u>\$ 3,366,952</u>	<u>\$ 3,435,363</u>
Change in Net Position				
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
Total primary government	<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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	\$	\$ 1,068,950	\$ 1,032,570	\$ 1,015,753
1,024,433	1,206,209	1,617,211	1,403,240	1,395,088
<u>2,414,692</u>	<u>1,707,711</u>			
<u>3,439,126</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>			
<u>3,533,096</u>	<u>3,999,466</u>	<u>4,109,356</u>	<u>2,499,708</u>	<u>2,704,052</u>
<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
Revenues					
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
Total Revenues	7,327,134	6,506,329	6,032,014	4,790,338	5,641,394
EXPENDITURES					
Current					
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		
Debt service					
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
Capital outlay	5,860,917	3,126,782	2,729,512	2,881,437	1,784,914
Total Expenditures	11,997,237	8,210,072	7,066,103	6,822,885	8,929,483
Excess (deficiency) of revenues over (under) expenditures	(4,670,103)	(1,703,743)	(1,034,089)	(2,032,547)	(3,288,089)
OTHER FINANCING SOURCES (USES)					
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					
Total other financing sources (uses)	4,706,166	2,921,590	1,891,593	2,892,021	1,604,797
Net change in fund balances	\$ 36,063	\$ 1,217,847	\$ 857,504	\$ 859,474	\$ (1,683,292)
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
TOTAL	\$ 1,509,190		10.19 %	\$ 1,392,966		10.32 %

(1) Source: Washington County Taxation Division

This Page Left Blank Intentionally

**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
-------------------------------------	---------	---------	---------	---------	---------

(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
165.152	112.162	102.965	130.450	128.837
\$ 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
6.172	6.961	7.086	5.381	5.130
\$ 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 ^(a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
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
Other debt			
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
City direct debt	15,533,920	100.00%	<u>15,533,920</u>
Total direct and overlapping debt			<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.

^(a) 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.

This Page Left Blank Intentionally

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

	Fiscal Year				
	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**

YEAR	POPULATION (1)	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME (2)	STATE UNEMPLOYMENT RATE (3)	CITY UNEMPLOYMENT RATE (3)
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

This Page Left Blank Intentionally

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

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

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>15.62</u>	<u>15.12</u>	<u>15.12</u>	<u>16.97</u>	<u>17.22</u>

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

Function/Program	2017	2016	2015	2014	2013
Planning and Zoning					
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
Fire					
Total emergency responses	456	430	429	358	448
EMS responses	313	268	274	237	280
Fire responses	143	162	32	21	28
Building Inspections					
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
Water Utility					
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
Sanitary Sewer Utility					
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**

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
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
Park & Recreation										
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
Water Utility										
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
Sanitary Sewer Utility										
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

This Page Left Blank Intentionally

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

This Page Left Blank Intentionally



STAFF REPORT

DATE: 8/8/2018

REGULAR

ITEM #: 14

MOTION

TO: City Council

FROM: Rob Weldon, Public Works Director

AGENDA ITEM: Well #2 Generator Purchase and Hydrant and Valve Installation at Tower #1

REVIEWED BY: Kristina Handt, City Administrator

BACKGROUND: Due to the presence of PFC's in Lake Elmo Municipal Well #1 in exceedance of the Department of Health's minimum acceptable level it was decided to discontinue use of Well #1 to protect the health of Lake Elmo water consumers. In doing so, the city is now relying on two municipal wells to supply water to its current and growing number of users. With only two wells in operation it is crucial that reliable emergency power is available and onsite at both well locations to provide power in the event of a service outage. Well #4 located near the intersection of Lake Elmo Ave and 50th St N has a permanent emergency generator onsite powered by natural gas to operate the well during a power outage. Well #2 located south of Hwy 36 and Manning Ave N does not have a permeant source of emergency power and relies on a portable diesel powered generator that also serves to provide emergency power to sewer lift stations during power outages.

Along with the shutdown of Well #1 came the discontinued use of Water Tower #1 do to inadequate and old valve configuration of the existing water main system. In order to bring Tower #1 back on-line and increase system storage capacity installation of a fire hydrant and gate valves need to be completed to further isolate Well #1 and keep the tower in service.

ISSUE BEFORE COUNCIL: Does the City Council approve the purchase of a permanent emergency generator for Well #2 and the installation of a hydrant and gate valves at Water Tower #1?

PROPOSAL DETAILS/ANALYSIS: With the addition of a permeant natural gas powered generator at Well #2 water production and delivery will not be effected during times of power outages. Delivery of water from the remaining two municipal wells is crucial with the discontinued use of Well #1 due to elevated PFC levels. The current portable generator used at Well #2 is also used to provide back-up power at sewage lift stations and does not comply with Department of Health and wellhead protection standards due the diesel powered engine in such close proximity to the wellhead. The new proposed Well #2 generator will be equipped with an automatic transfer switch that recognizes a power outage and immediately calls for the generator to run. With the current portable generator being used at Well #2 Public Works staff needs to respond and physically hook-up and start the generator in order to provide power for the well to operate.

In addition to adding generator at Well #2, it has been found that without Well #1 in operation Water Tower #1 cannot be used due to existing water main valve configuration of the Old Village water system. By adding two gate valves and a hydrant in the area of Tower #1 flexibility will be gained to completely isolate Well #1 from the water distribution system while allowing Tower #1 to again be used for water storage in the Old Village area of the city.

The topics described above have been discussed at length by city staff and representatives of Minnesota Department of Natural Resources, Minnesota Pollution Control Agency and Minnesota Department of Health. Through these meetings staff has discussed the urgency of these needed additions in order to offer an uninterrupted water supply to consumers. Support has been gained from each of these agencies to move forward with these additions and reimbursement of associated costs.

FISCAL IMPACT: Initial cost for both projects will be the responsibility of the city with reimbursement coming from the Minnesota Pollution Control Agency upon project completion. Initial cost will be covered by the Water Fund with the financial impact as follows:

- Generator \$41,259
- Valves and Hydrant \$24,950

OPTIONS:

- Approve purchase of generator and installation of valves and hydrant
- Deny purchase of generator and installation of valves and hydrant
- Amend and approve purchase generator and installation of valves and hydrant

RECOMMENDATION:

“Motion to approve the purchase of generator through Midwest Electric and Generator and installation of hydrant and gate valves by Capra’s Utilities for an amount not to exceed \$68,000 with full reimbursement provided by Minnesota Pollution Control Agency.”

ATTACHMENTS:

- Generator quotes
- Hydrant and Valve Installation quotes



ESTIMATE	#188692
SCHEDULED DATE	Thu May 3, 2018 10:00am
TOTAL	

Midwest Electric and Generator, Inc

City Of Lake Elmo
3445 Ideal Ave N
Lake Elmo, MN 55042

☎ (651) 747-3941
✉ rweldon@lakeelmo.org

CONTACT US

P.O. Box 293
Rogers, MN 55374

☎ (612) 284-1550
✉ john@midwestgenerators.com

ESTIMATE

Generac Industrial Generator System

Services	amount
Midwest Generator Sales - Midwest Generator Sales Generator Installation Project	\$41,259.00
1-80kW Generac Industrial Power Systems Generator 277/480V - 3 Phase 8.0L Natural Gas 1800 RPM 1-200A SER automatic transfer switch, with installation 2 year warranty Installation of generator system: Generator to be installed within 15' of existing electrical meter socket location at well house Install NG system for generator system, including gas meter upgrade 1-Crane work for setting of generator 1-Install concrete pad for generator system 1-Set generator pad on site 1-Provide generator battery 1-Provide cold weather kit, coolant circulator, battery heater, and thermostat 1-Electrical permit 1-Electrical review 1-Mechanical review 1-Complete electrical work, branch circuits and generator feeders	

- 1-Re-configure of electrical work for emergency generator source
- 1-Install new piping from NG meter to generator location, including upgraded regulators
- 1-Factory required testing, generator registration, dealer check out, and customer training

Total **\$41,259.00**

Kohler Industrial Generator System

Services	amount
----------	--------

Midwest Generator Sales - Midwest Generator Sales	\$44,680.00
---	-------------

Generator Installation Project

- 1-80kW Kohler Power Systems Generator
- 277/480V - 3 Phase
- 8.0L Natural Gas
- 1800 RPM
- 1-200A SER automatic transfer switch, with installation
- 2 year warranty

Installation of generator system:

Generator to be installed within 15' of existing electrical meter socket location at well house

Install NG system for generator system, including gas meter upgrade

- 1-Crane work for setting of generator
- 1-Install concrete pad for generator system
- 1-Set generator pad on site
- 1-Provide generator battery
- 1-Provide cold weather kit, coolant circulator, battery heater, and thermostat
- 1-Electrical permit
- 1-Electrical review
- 1-Mechanical review
- 1-Complete electrical work, branch circuits and generator feeders
- 1-Re-configure of electrical work for emergency generator source

- 1-Install new piping from NG meter to generator location, including upgraded regulators
- 1-Factory required testing, generator registration, dealer check out, and customer training

Notes:

- Offloading and rigging by Midwest
- Installation Included
- Start-up and Testing Service is included
- Load Bank testing is not included
- Permits are included

Midwest does not provide structural engineering, roof consulting, or architectural services, and this proposal and Contract shall not be construed as contracting to provide any such professional services. Contractor assumes no responsibility for design, structural adequacy, or compliance of the structure with building codes. If design services are required, Midwest shall not be responsible for the results of such services, whether or not such services are provided in relation to this. If structural engineering is required, fees to be paid by others, and are additional to this proposal

PAYMENT :

\$28,000.00 DUE AT ORDERING
REMAINDER DUE BEFORE START UP OF GENERATOR

- : No retainage without written pre-accepted agreement
- : Startup will not be completed without 100% payment
- : A 3% surcharge will be added to all credit card payments

PRICES : Valid for 30 days from date of this proposal

TAXES : Sales Taxes are NOT included, and will be billed without a tax-exempt certificate

F.O.B.Shipping : Ownership of goods passes to buyer at the time the goods cross the shipping point. Pre-paid freight to jobsite is included.

CANCELLATION : Shall be subject to applicable fees but not less than 50% of the purchase price.

DELIVERY : Expected to be 4-8 Weeks after receipt of order and approved submittals. Factory will confirm delivery at the time of order. Storage fees of 4% per month will be assessed to the buyer starting 10 days after the scheduled ship date.

INDEMNIFICATION : Signee is obligated for any and all costs of collection, and associated fees

PROPRIETARY : This Quote/Bill of Material is proprietary to Midwest Electric and Generator
Reproduction or sharing of this Quote/Bill of Material is strictly prohibited.

Total **\$44,680.00**

Thank you again for the opportunity to provide you with a proposal for your project. Please do not hesitate to reach out to us with questions or to book services.

We work hard to offer you Best-In-Class for your project, and can also offer some attractive financing options, such as 6 month to 36 month interest free terms depending on your project. Our technicians are competent, licensed, and highly skilled in their profession, and will leave you confident in your decision.

Midwest Electric and Generator is the only Power Pro Premier dealer in the 5 state area, a designation meaning we meet the most stringent set of requirements ensuring customers receive an outstanding sales and service experience when purchasing. We employ expert staff, including electricians, plumbers, mechanics, and project managers, consistently receiving high reviews from our customer base.

Thank you again for the opportunity to earn your business.



PIONEER
CRITICAL POWER



PIONEER
CRITICAL POWER

May 11, 2018

Quote Number: 31288

TO:

Rob Weldon

Lake Elmo

3445 Ideal Ave. N

Lake Elmo, MN 55042

Phone: 651-747-3941

Fax:

Email: rweldon@lakeelmo.org

✈ GENERATOR PROPOSAL (Project: Lake Elmo Well)

I appreciate the opportunity to provide the following quotation for your consideration.

Equipment

➔ **TAYLOR Model TG150:** Engine Driven Generator Set

Rated: 150 Kw on Natural Gas, EPA Stationary Standby, 277/480 Volt, 3 Phase, 60 Hz

Unit Features:

▶ **PSI Engine**

- Model - 8.8L TCAC NG or LP
- Heavy Duty Air Cleaner w/Service Indicator
- 50 C Ambient Radiator
- Electronic Isochronous Governor with 0.5% Frequency Regulation

▶ **Stamford Alternator**

- Model - UCI274G311
- Brushless Rotating Field Generator with Class H Insulation
- 1.0% AVR, PMG
- Tropical Coating

▶ **Circuit Breaker**

- 225 Amp, T3 Frame, 100% Rated, Thermal Magnetic Trip, Main Line Circuit Breaker

▶ **TAYLOR DGC2020 Control Panel**

Taylor Power Systems DGC-2020 digital genset controller provides integrated engine-genset control, protection, and metering in a single package. Microprocessor based technology allows for exact measurement, setpoint adjustment, and timing functions. Front panel controls and indicators enable quick and simple DGC-2020 operation. A wide temperature-range liquid crystal display (LCD) with backlighting can be viewed under a wide range of ambient light and temperature conditions. Taylor Power Systems also supplies a manual key override by-pass switch that allows you to start the generator manually in the event of control systems failure.

- ▶ **Heavy Duty Integral Vibration Isolators between Engine/Alternator and Base**
- ▶ **1 1/4" NPT Inlet Connection**
- ▶ **Oil Drain Kit (Oil Drain Piped to Edge of Skid w/Valve)**
- ▶ **Coolant Drain Kit**
- ▶ **Lube Oil & Antifreeze (Initial Fill)**
- ▶ **Battery Rack & Cables**
- ▶ **Wide Skid Base**
- ▶ **Flex Exhaust**
- ▶ **120V, 1500W Block Heater**
- ▶ **Battery Charger: Marinco (6Amp/12Volt)**
- ▶ **12V Lead Acid Battery, 950CCA**
- ▶ **Sound Attenuated Weather Galvanneal Enclosure w/Internal Critical Silencer. 1" UL-94 Sound Attenuating Foam**
 - Heavy Duty 14 Ga. Galvanneal Steel
 - Peaked Roof
 - Bolted Construction
 - Lockable Doors
 - Stainless Steel Hardware
 - Powder Coat Finish

Misc:

- ▶ **One Hour Factory Load Bank Test**
- ▶ **Standard 2 Year Standby Limited Warranty**
- ▶ **(1) Electronic O&M Manual**
- ▶ **Certified to UL2200**
- ▶ **Freight**
- ▶ **Start Up**
- ▶ **Regulator, Gas**

ASCO Series 300 Automatic Transfer Switch(es):

- ▶ **Service Entrance Rated Open Transition, 225 Amp, 4 Pole, Solid Neutral, NEMA 1, with Programmable Exerciser**



Installation:

Scope of Work:

Install a 150kw Taylor generator set provided by others

- a. provide and install a 10" thick reinforced concrete pad
- b. receive generator at riggers yard and have unit delivered to site and set
- c. Install natural gas line to unit and connect. Regulator (fbo)
- d. remove existing manual transfer switch and install new 225 amp automatic transfer switch (fbo)
- e. Install engine block heater circuit and circuit for enclosure light and gfci receptacle
- f. Install a 225 amp feeder from generator to auto transfer switch
- g. reconnect to existing motor control center
- h. startup assistance

Exclusions and Assumptions:

- 1. All work to be accomplished at regular working hours.
- 2. We would expect an 8 hour outage to install the auto transfer switch and reconnect power to the well.
- 3. We have not included any landscape restoration at this time, grade will be brought back for top soil and seed or sod.

Net Unit Price.....\$ 6,1760.00

ADDER

Alternate Add Price \$7,284.00

Install new manual transfer switch (fbo) for connection to existing roll up generator.

+\$895.00 Upgrade to 5 year warranty

+\$1,829.00 for Generator monitoring installation and 12 month monitoring.

Note

Old Transfer switch cannot be used for new application due to design of MTS. A Separate Transfer switch will be required for this An ASCO 3 NTS would be used.

Terms & Conditions

PRICES	Quoted prices valid for 30 days.
DELIVERY	Lead time for equipment made to specification varies and will be Confirmed when buyer's order is placed with the manufacturer.
INCLUSIONS	Start-up and Testing is included unless otherwise indicated. (To be completed in single trip unless previously stated)
EXCLUSIONS	Sales Tax – Applicable sales taxes are NOT included in our quotation and will be billed without a valid tax exempt certificate on file on the invoice date. Offloading & Rigging is NOT included in our quotation. Installation is NOT included in our quotation. Permits are NOT included in our quotation. Fuel Fill is NOT included in our quotation. Load Bank Testing is NOT included in our quotation unless specifically indicated. Freight – quoted prices exclude freight jobsite unless noted.
CANCELLATION	Orders for equipment made to specifications are NOT alterable or cancelable once placed with the manufacturer. Stocked goods accepted for return will be subject to a 20% restocking fee.
PROPRIETY	Seller's quotation is proprietary in its entirety and may not be shared with anyone outside of the firm to whom it is provided without Pioneer Critical Power's express permission.
BILLING	Fulfillment Billing – Title for equipment made to specifications passes to buyer when shipped from the manufacturer at which point buyer will be billed for 90% if start-up is included in the purchase contract, or 100% if start-up is to be provided by others. Start-up will not be scheduled before receipt of payment in full of the Fulfillment Billing. Final Billing – If start-up is included in the purchase contract, any remainder will be billed once start-up has been successfully completed. Change Orders – Any changes or additions to the purchase contract must be agreed to in writing by buyer and seller and will be billed as products are provided or services rendered.
PAYMENT	Upon approved credit, Invoices are due the earlier of Net 30 Days from invoice date or when scheduling of start-up is requested. Please remit payment to Titan Energy Systems Inc. dba Pioneer Critical Power, P.O. Box 71490, Chicago, IL 60694-1490. Major credit cards accepted with a 3% service charge.
COLLECTION	Buyer agrees to indemnify seller against any and all costs of collection, including reasonable attorney's fees.



Sincerely,

Eddie Zachary
Pioneer Critical Power

Acceptance of Quote

Prior to ordering equipment or services, please sign and return as a confirmation of the above terms and conditions.

Proposal accepted by: _____ Date: _____

Company Name: _____

Purchase Order # _____

Release Equipment for Production: Yes or No, Hold for Approval

Engineering Submittal's: PDF or Hard Copies _____

Date equipment is needed onsite: _____

Is ATS wanted early: Yes or No

Quote Number: 31288

TG150

With Installation

Capra's Utilities Inc.
 2340 Leibel Street
 White Bear Lake, MN 55110
 (651)762-2500
 mike@capras.com
 www.capras.com



PROPOSAL

ADDRESS

Lake Elmo
 3803 Laverne Ave
 Lake Elmo, MN 55042

PROPOSAL # 5474

DATE 04/25/2018

EXPIRATION DATE 10/15/2018

DESCRIPTION	AMOUNT
<p>Services</p> <p>We will provide and install 2 new 8" gate valves on the main line that exits the tower at 3303 Langley Ct.</p> <p>We will provide and install a 8x8x6 tee for a new fire hydrant.</p> <p>We will provide and install a new hydrant and gate valve for the hydrant. The hydrant will be located on the opposite side of the road from the water tower.</p> <p>We will cut and patch the road as needed.</p> <p>We will back fill and level our excavation upon completion.</p> <p>We will provide and install pulverized black dirt, seed and straw upon completion.</p>	<p>24,950.00</p>
<p>1 1/2% per month charge on accounts over 30 days. All agreements contingent upon strike, accident or delays beyond our control. Any frost, ground water or rock excavation will be an extra charge. All private underground utilities are the responsibility of the Owner.</p> <p>Per Minnesota Statute 514.011: A lien will be filed if contract amount is not paid in full within 60 days of Invoice date.</p>	<p>TOTAL</p> <p>\$24,950.00</p>

Accepted By

Accepted Date



PRICING PROPOSAL

June 1, 2018

PROJECT: Water Valves & Hydrnt @ "Old Water Tower" – Lk Elmo, MN

QUOTE: Total Bid Total = \$ 26,124.00

INCLUDES:

- 2 each 8" valves and 1 hydrant
 - See attached list of materials included
- Removal of Bituminous – 85 sy
- Patching of Bituminous – 85 sy (3" bit & 8" CI V)
- Restoration of Turf w/ Lawn seed mix and erosion blanket

EXCLUDES:

Asbestos & Hazardous Material Removal, Rock Entrances, Bedding material for utilities, Electrical/ Gas/CCTV/Fiber Services or Rerouting, SAC & WAC Charges, Soil Correction, Shoring, Private Utilities Locates, Relocation/Removal/Replacement of Existing Public Utilities, Concrete, Landscaping, Plantings, Landscaping Relocations, Import or Export of Soils, Contaminated Soils, Surveying/Staking, Inspections, Insulation, Traffic Control, Buried Debris & Rock Removal or Disposal, Dewatering, Fencing/Temporary Fence, Hauling during road restrictions, Permits (City, State, NPDES, Etc.), Soil Testing, Bond (Add 1% for Bond), and Winter Conditions

Thank you for the opportunity to submit a proposal on this project. This proposal is based on an assumed payment term of net 30 days and no retainage. This proposal is good for 10 days after its date. Please feel free to call with any questions.

Respectfully,

Brent M. Johnson

Sr. Project Manager / Estimator – **Dahn Construction**

Cell 651-302-4256

email: brent@dahnconstruction.com

13135 Doyle Path East
Rosemount, MN 55068
Phone: 651-480-1911 Fax: 651-480-1971



FERGUSON WATERWORKS #2518
 1694 91ST AVE NE
 BLAINE, MN 55449-4311

Phone: 763-560-5200
 Fax: 763-560-1799

Deliver To: From: Gary Danielson Comments:
--

14:27:22 MAY 31 2018

FERGUSON WATERWORKS #2516
 Price Quotation
 Phone: 763-560-5200
 Fax: 763-560-1799

Bid No: B104199
Bid Date: 05/31/18
Quoted By: GMD

Cust Phone: 763-560-5200
Terms: NET 10TH PROX

Customer: BLAINE FORMAL QUOTE
 1694 91ST AVE NE
 BLAINE, MN 55449-4311

Ship To: BLAINE FORMAL QUOTE
 1694 91ST AVE NE
 BLAINE, MN 55449-4311

Cust PO#: LAKE ELMO, MN.

Job Name: WATER TOWER

Item	Description	Quantity	Net Price	UM	Total
	LAKE ELMO, MINNESOTA WATER TOWER =====				
	WATERMAIN =====				
MJELTLAXU	8X6 MJ C153 EPOX TEE	1		EA	
SSLDEX8	8 DIP WDG REST GLND *ONELOK E-COAT	20		EA	
MJGAX	8 MJ GSKT	2		EA	
SSLDEX6	6 DIP WDG REST GLND *ONELOK E-COAT	1		EA	
MJGAU	6 MJ GSKT	1		EA	
CBTBNFN	3/4X3-1/2 CORE BLUE MJ T-BLT & NUT	18		EA	
DI52SJPX	8 CL52 DI SJ PIPE	40		FT	
NPWLL20BSL	20X440 8 MIL PERF BLAC POLYWRAP	40		FT	
PSPWT210	2X100 10 MIL PIPE WRAP TAPE	1		EA	
AFC2508MMLAOL	8 DI MJ RW OL GATE VLV L/A	2		EA	
A20059	8 VLV BX ADPT #6 WATEROUS	2		EA	
SVBGHD	3 PC STAR VLV BOX W/ BSE & LID	2		EA	
SSLDEX8	8 DIP WDG REST GLND *ONELOK E-COAT	4		EA	
MJGAX	8 MJ GSKT	4		EA	
CBTBNFN	3/4X3-1/2 CORE BLUE MJ T-BLT & NUT	24		EA	
DI52SJPU	6 CL52 DI SJ PIPE	40		FT	
NPWLL20BSL	20X440 8 MIL PERF BLAC POLYWRAP	40		FT	
	SUBTOTAL				
W7286A2ZS	WB67 HYD 7532/4STRZ 8'6 OL 16 RED.	1		EA	
F804R	48 HYD MRKR RED.	1		EA	
SSLDEX6	6 DIP WDG REST GLND *ONELOK E-COAT	1		EA	
MJGAU	6 MJ GSKT	1		EA	
CBTBNFN	3/4X3-1/2 CORE BLUE MJ T-BLT & NUT	6		EA	
CT2RFLPKG58	COBRA T2 TEST STN FLPKG 5/8 RED. *X	1		EA	
CANO12	10 MAG DRV IN ANO ROD 12 GA *X	1		EA	

Fax: 763-560-1799

14:27:22 MAY 31 2018

Reference No: B104199

Item	Description	Quantity	Net Price	UM	Total
SUBTOTAL					
	.				
AFC2506MMLAOL	6 DI MJ RW OL GATE VLV L/A	1	EA		
A20086	6 VLV BX ADPT #6 WATEROUS/MUELLER	1	EA		
SVBGHD	3 PC STAR VLV BOX W/ BSE & LID	1	EA		
SSLDEX6	6 DIP WDG REST GLND *ONELOK E-COAT	2	EA		
MJGAU	6 MJ GSKT	2	EA		
CBTBNFN	3/4X3-1/2 CORE BLUE MJ T-BLT & NUT	12	EA		
	.				
	.				
	.				

Quoted prices are based upon receipt of th total quantity for immediate shipment (48 hours). SHIPMENTS BEYOND 48 HOURS SHALL BE AT THE PRICE IN EFFECT AT TIME OF SHIPMENT UNLESS NOTED OTHERWISE. QUOTES FOR PRODUCTS SHIPPED FOR RESALE ARE NOT FIRM UNLESS NOTED OTHERWISE.

CONTACT YOUR SALES REPRESENTATIVE IMMEDIATELY FOR ASSISTANCE WITH DBE/MBE/WBE/SMALL BUSINESS REQUIREMENTS.

Seller not responsible for delays, lack of product or increase of pricing due to causes beyond our control, and/or based upon Local, State and Federal laws governing type of products that can be sold or put into commerce. This Quote is offered contingent upon the Buyer's acceptance of Seller's terms and conditions, which are incorporated by reference and found either following this document, or on the web at http://wolseley.com/terms_conditionsSale.html.
Govt Buyers: All items are open market unless noted otherwise.

LEAD LAW WARNING: It is illegal to install products that are not "lead free" in accordance with US Federal or other applicable law in potable water systems anticipated for human consumption. Products with *NP in the description are NOT lead free and can only be installed in non-potable applications. Buyer is solely responsible for product selection.



STAFF REPORT

DATE: 8/8/2018

REGULAR

ITEM #: 15

MOTION

TO: City Council
FROM: Rob Weldon, Public Works Director
AGENDA ITEM: Baseball Field Improvements – Demontreville Park
REVIEWED BY: Ben Prchal, City Planner Director
Kristina Handt, City Administrator

BACKGROUND:

As part of the May 1, 2018 City Council meeting, Council authorized staff to solicit quotes for baseball field improvements at Demontreville Park. The 2018 – 2022 Capital Improvement Plan for Demontreville Park states that \$75,000 is reserved to add a new field and to regrading/update the current baseball field while also adding fencing/tipped backstop. Being that the Mahtomedi Baseball Association is the most frequent user of the park staff had reached out to them for recommendations on dimensions for the new field. After a few conversations they indicated that the park size is too restrictive to effectively put two fields in the park. They further elaborated that if two fields were to be used for games or practice the parking lot would quickly fill up.

ISSUE BEFORE THE COUNCIL:

Does City Council wish to except the lowest responsible quote and approve Demontreville Park Baseball Field Improvements?

PROPOSAL:

If approved the following baseball field improvements will take place:

- 90' sport lime field
- Base anchors at 60', 65', and 75'
- Backstop 20' high w/6' overhang
- 8' infield fence extending 100' from home plate

FISCAL IMPACT: In an effort to decrease the financial impact of this project staff and council have contacted local organizations and field users to seek possible contributions. Also, staff reached out to the Minnesota Twins Foundation to explore the possibility of a partnership and funding to carry out the construction. To date, no additional sources for funding have materialized.

Funding for the above listed ball filed improvements will not exceed \$70,000 and shall be paid by Park Dedication Funds.

OPTIONS:

- 1) Approve and award field improvement quotes
- 2) Deny approval and awarding of field improvement quotes
- 3) Table approval and awarding of field improvement quotes

RECOMMENDATION:

“Motion to approve and award quote for Demontreville Park Baseball Field Improvements to Pember Companies for an amount not to exceed \$70,000”

ATTACHMENTS:

- Pember Companies Quote
- Rachel Contracting Quote

**QUOTE PROPOSAL FOR
DEMONTREVILLE PARK BASEBALL FIELD CONSTRUCTION**

CITY OF LAKE ELMO, MINNESOTA

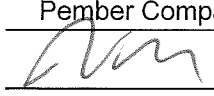
ITEM NO.	ITEM	UNIT	QUANTITY	UNIT PRICE	TOTAL AMOUNT
1	MOBILIZATION	LS	1	8,775.00	8,775.00
2	SPORT FIELD LIME	TON	640	56.00	35,840.00
3	TOPSOIL FOR GRADE CORRECTIONS	SF	2000	1.50	3,000.00
4	HYDROSEEDING OF DISTURBED AREASS	SF	2000	.55	1,100.00
5	20' CHAIN LINK BACKSTOP W/OVERHANG	LF	90	155.00	13,950.00
6	8' CHAIN LINK	LF	200	35.00	7,000.00
TOTAL PROJECT COST				\$	69,465.00

The quantities herein are approximate only. Payment will be made for the actual quantities of work ordered and installed. We have examined the site of the work and are acquainted with all conditions affecting the construction of the work.

We understand and agree that the City may chose to award the project to the lowest responsible quote or in the best interest of the City. The City reserves the right to reject any or all quotes, to waive any informalities in any Quote, and to omit any part of the above work.

We agree that if this Proposal is accepted, we will execute a Contract in the form attached to this bid package. If we are awarded the Contract, we will complete the work by **September 30, 2018**.

Respectfully submitted,

Firm Name Pember Companies Inc
 Signature 
 Signed by Brent Pember
 Title President
 Contact Phone Number 715-235-0316
 Address N4449 469th St, Menomomie WI 54751

BID PRICING

June 22, 2018

Rob Weldon
City of Lake Elmo
3800 Laverne Ave N
Lake Elmo, MN, 55042
651-747-3941
rweldon@lakeelmo.com

PROJECT: Demontreville Park Field – Lake Elmo, MN**BID:** Total **\$ 88,508.00****INCLUDES:** Earthwork:

- Erosion control (600LF silt fence)
- Topsoil stripping & salvage for reuse
- Cut/Fill to balance site
- Import & place 5" aglime at field (400 TON Total)
- Respread topsoil
- Seed disturbed areas (5,600SY)
- 90lf backstop 20' high with overhang
- 8' infield fence extending 100' from home plate each direction
- Finish grade site to within .10'

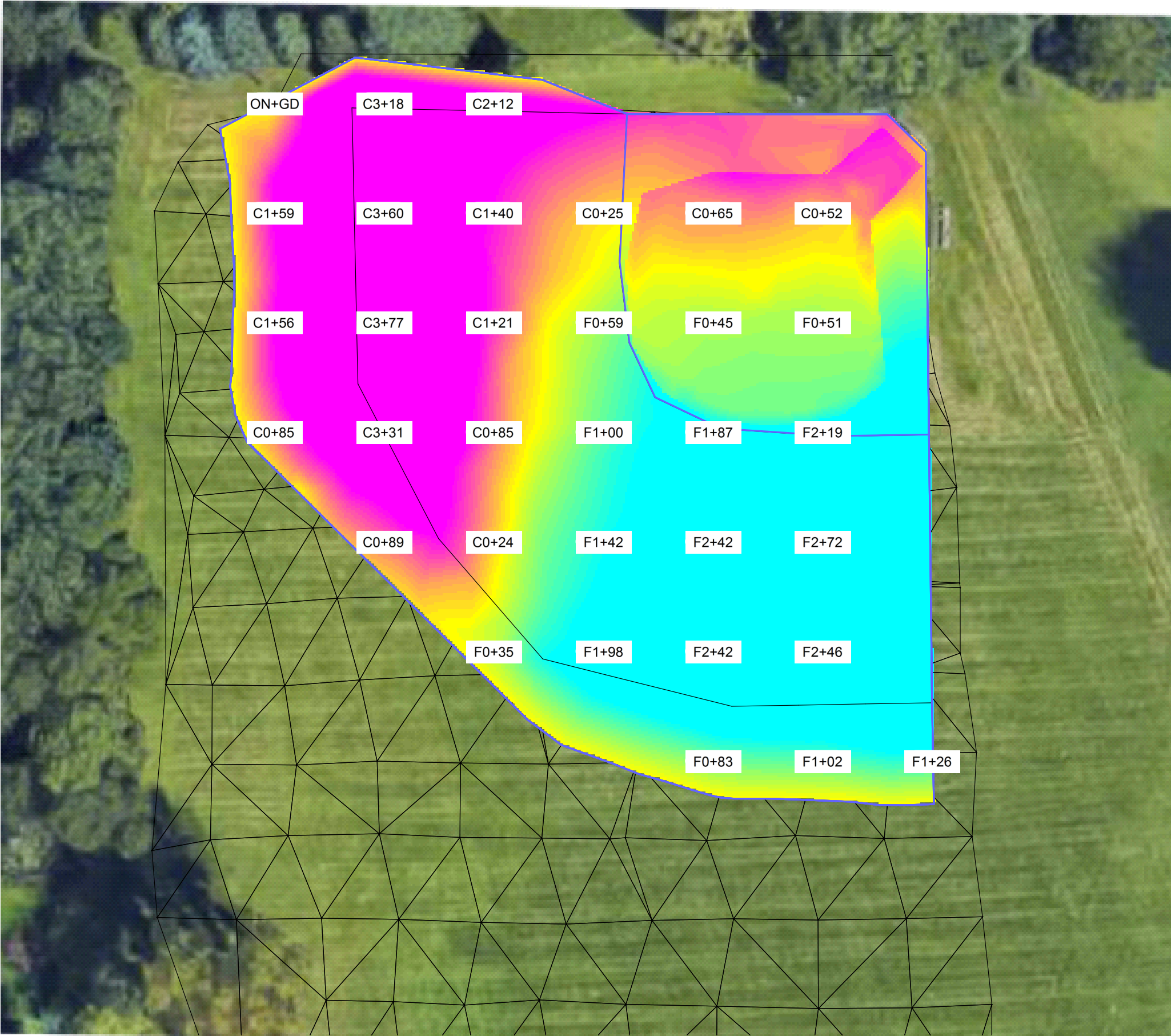
EXCLUDES: *Tree Trimming/Removal, Concrete Maintenance Strip, Base/Base Anchors, Street/Sidewalk Removal or Restoration other than Noted Above, Soil Corrections, Dewatering, Private Locates, Removal/Relocation or Temp Hanging of Existing Public or Private Utilities, SWPPP or Monitoring, Seeding/Temp Seeding, Erosion Control Blanketing, Import of Rock for Laydown or Access, Temporary Fence, Hauling Premium Costs during Road Restrictions, Surveying & Layout, Testing, Inspections, Permits, Licenses or Fees other than Noted Above, Traffic Control, Temporary Facilities, Bond (Add 1%) & Winter Conditions*

Thank you for the opportunity to submit a proposal on this project. This quote is valid for 30 days after its submission, based upon the date provided above with assumed payment terms of net 30 days. Please feel free to call with any questions.



Nate Fischbach
Estimator/Project Manager
(763) 274-8866
nfischbach@rachelcontracting.com

Demontrevile Park





STAFF REPORT

DATE: August 8, 2018

REGULAR

ITEM #: 18

MOTION

TO: City Council
FROM: Ben Prchal, City Planner
AGENDA ITEM: Home Occupation Ordinance
REVIEWED BY: Emily Becker, Planning Director

BACKGROUND:

A home occupation ordinance was placed on the Planning Commission's Work Plan for 2018. Standards for a home occupation are only provided through the definition of "Home Occupation," and the Planning Commission had expressed there should be actual standards provided in the zoning code. Below is Lake Elmo's Definition for a Home Occupation, as well as the language for home occupations signage which is also relevant.

HOME OCCUPATION. Any gainful occupation or profession engaged in by the occupant, only, of a dwelling when carried on within a dwelling unit or in an accessory building, provided that no signs other than those normally utilized in a residential district are present, that no stock in trade over 1,000 cubic feet is stored on the premises, that no over-the-counter retail sales are involved unless ancillary to the permitted business, and that entrance to the home occupation is or can be gained from within the structure. Uses include professional office, hair salons serving no more than 2 customers at a time, or teaching limited to no more than 3 students at any time, and other uses which do not create a nuisance as outlined in [Chapter 96](#) of this Code. A ***HOME OCCUPATION*** shall not be interpreted to include tourist homes, restaurants, disorderly house as defined by M.S. § 609.33, Subd. 1, as it may be amended from time to time, or similar uses. No ***HOME OCCUPATION*** shall be permitted that creates the need for more than 3 parking spaces at any given time in addition to the parking spaces required by the occupants. ***HOME OCCUPATIONS*** shall not be carried on except between the hours of 7:00 a.m. and 10:00 p.m.

Home Occupation Signs. Signs identifying only the name and occupation of the resident. Home occupation signs shall be non-illuminated, flush-mounted to a wall of the residence, and shall not exceed two (2) square feet in area.

ISSUE BEFORE COUNCIL:

Should Council adopt an ordinance adding standards for a home occupation ordinance?

PROPOSAL DETAILS/ANALYSIS:

The following explains important sections of the proposed ordinance:

Exterior Storage - It was common between communities not to allow outside storage associated with the home occupation. *The drafted language does not allow for exterior storage.*

Little Canada - There shall be no external storage of equipment

Stillwater - No outside storage or display of products, equipment or merchandise is permitted

St. Paul - There shall be no exterior storage of equipment, supplies or commercial vehicles associated with the home occupation, nor parking of more than one (1) business car, pickup truck or small van, nor any additional vehicles except those for permitted employees identified under paragraph (d).

Mounds View – Does not allow exterior storage

Internal Space/Storage Requirements – Many communities attempt to limit the amount of space which a home business may occupy. Currently Lake Elmo limits stock in trade to 1,000 cu.ft. This helps to ensure that the principal residential use is maintained. *Drafted language does not allow for stock in trade storage over 1,000 cubic feet (this was part of the existing home occupation definition) or interior alterations which would eliminate all the sleeping areas, bathrooms, or the kitchen(s).*

Ham Lake - All activates must be contained indoors and cannot occupy a significant portion of the dwelling. It must be incidental to the premises.

Stillwater - Not more than 20 percent of the total gross floor area of the dwelling unit may be used for the home occupation or 400 square feet, whichever is less;

Traffic and Nuisance – The traffic amount would be limited not to exceed three parked cars in association with the business. All parking for the business must be off-street. Standards also state that the use may not create a nuisance as defined by the nuisance chapter. *No more than three parking spaces shall be allowed for the business. There shall be no demand for on-street parking.*

Ham Lake - No on-street parking shall be generated and traffic cannot exceed what is normally generated

Stillwater - Off-street parking must be provided for any customers

Location of Home Business – Some communities limit the operation to just the principal structure. Staff does not see an immediate issue with allowing business to be conducted out of a garage or accessory building.

Employees – It was common to see a limit on the number of employees who were not permanent occupants of the residence affiliated with the home occupation. Staff has included this into Lake Elmo’s code. *No more than one non-resident shall be allowed as an employee.*

Ham Lake - No more than one employee who does not live on the premises can be employed

Orono – Only one employee or associate is allowed and cannot be there for more than 40 hours a week.

Signage – The City sign code allows for a two square foot wall sign for the business. There are some communities that limit the size of the sign, typically from one square foot to two square feet. There are others that do not allow signs associated with the business at all, such as Little Canada, Stillwater (depending on district). There is no proposed change from the current code for signage. *Section 154.212 (G)(1) and K (10)*.

St. Paul - A home occupation may have an identification sign no larger than two (2) square feet in area, which shall not be located in a required yard.

Stillwater - No signs are permitted depending on district and 2 sqft. where allowed.

Hours of Operation – Many of the communities had set times in which the operator could perform activities associated with the home occupation. The Lake Elmo definition had set the time from 7:00 Am – 10:00 Pm. Staff is not suggesting a change to this section, as it is comparable to other communities.

Little Canada – no work from 10pm to 7 am - 15 hours

Stillwater - limits time from 7am to 8pm – 13 hours

St. Paul – There was no limit found

Orono - ... accessible to the public shall be limited to the hours between 8:00 a.m. and 7:00 p.m.- 11 hours

FISCAL IMPACT:

Staff does not foresee a fiscal impact.

COMMENTS AND RECOMMENDATION

Staff Comments: Staff feels that the proposed language helps establish clarity for residents as to what is expected for individuals who wish to establish a home based business. The ordinance is an improvement and staff is recommending approval of the provided language.

Planning Commission: The planning commission recommended approval with amendments. Outlined below is the language that has been removed:

Certificate of Zoning Compliance – The commission did not feel this was necessary for residents to obtain. Many communities do require some sort of permitting scheme. However, staff does not necessarily feel the certificate provides much value for regulation. The code should be able to stand on its own and instead if there is an issue the nuisance section of the code will be applied. This is supported by staff.

Home occupations shall not be... – Medical or dental clinics, contracting, and excavating, welding or machine shops, and tow truck services were all removed. It was brought to light in the meeting that there is a population of residents who have home businesses that could easily fall into either of these categories. It was stated that the language was too general (contracting) or too specific (machine shops, which isn't much different from a woodworker). Staff is in support of the changes, so long as the businesses do not cause a nuisance as defined by the code there does not seem to be a reason to specifically prohibit them.

Exterior storage – The code read “...or display of products, equipment or merchandise is permitted.” The commission decided to remove equipment from this section.

“Motion to adopt Ordinance 08-219 which establishes regulatory language for Home Occupations.”
And
“Motion to adopt Resolution 2018-091 authorizing summary publication of Ordinance 08-219.”

ATTACHMENTS

- Ord. 08-219 Home Occupation Ordinance.
- Resolution 2018-091 summary publication of Ord. 08-

CITY OF LAKE ELMO
COUNTY OF WASHINGTON
STATE OF MINNESOTA

ORDINANCE NO. 08-219

AN ORDINANCE AMENDING THE LAKE ELMO CITY ZONING CODE OF
ORDINANCES BY ADDING ADDITIONAL STANDARDS AND LANGUAGE FOR
HOME OCCUPATIONS.

SECTION 1. The City Council of the City of Lake Elmo hereby amends Title I: General Provisions; Chapter 11: Definitions 11.01 by amending the definition of Home Occupation:

~~HOME OCCUPATION. Any gainful occupation or profession engaged in by the occupant(s); only, and up to one non-occupant employee of a dwelling when carried on within a dwelling unit or in an accessory building, provided that no signs other than those normally utilized in a residential district allowed by the City's sign regulations regarding home occupations are present., that no stock in trade over 1,000 cubic feet is stored on the premises, that no over-the-counter retail sales are involved unless ancillary to the permitted business, and that entrance to the home occupation is or can be gained from within the structure. Uses include professional office, hair salons serving no more than 2 customers at a time, or teaching limited to no more than 3 students at any time, and other uses which do not create a nuisance as outlined in Chapter 96 of this Code. A HOME OCCUPATION shall not be interpreted to include tourist homes, restaurants, disorderly house as defined by M.S. § 609.33, Subd. 1, as it may be amended from time to time, or similar uses. No HOME OCCUPATION shall be permitted that creates the need for more than 3 parking spaces at any given time in addition to the parking spaces required by the occupants. HOME OCCUPATIONS shall not be carried on except between the hours of 7:00 a.m. and 10:00 p.m.~~

SECTION 2. The City Council of the City of Lake Elmo hereby amends Title XV: Land Usage; Chapter 154: Zoning Code; Article II; Section 154.012; Subd. (B) (13) Home Occupations by amending the language as follows:

~~Home Occupations. Any gainful occupation or profession engaged in by the occupant(s); only, and up to one non-occupant employee of a dwelling when carried on within a dwelling unit or in an accessory building, provided that no signs other than those normally utilized in a residential district are allowed by the City's sign regulations regarding home occupations are present., that no stock in trade over 1000 cubic feet is stored on the premises, that no over-the-counter retail sales are involved unless ancillary to the permitted business, and that entrance to the home occupation is or can be gained from within the structure. Uses include professional office, hair salons serving no more than 2 customers at a time, or teaching limited to no more than 3 students at any time, and other uses which do not create a nuisance as outlined in Chapter 96 of this code. A home occupation shall not be interpreted to include tourist homes, restaurants, disorderly house as defined by M.S. §609.33, Subd. 1, as it may be amended from time to time, or similar uses. No home occupation shall be permitted that creates the need for more than 3 parking spaces at any given time in addition to the parking spaces at any given time in addition to the parking spaces required by the occupants. Home occupations shall not be carried on except between the hours of 7:00 a.m. and 10:00 p.m.~~

SECTION 3. The City Council of the City of Lake Elmo hereby amends Title XV: Land Usage; Chapter 154: Zoning Code; Article VII; to amend Section 154.310 Standards for Accessory Uses by adding the following:

E. Home Occupations shall be considered a permitted accessory use. The purpose of home occupation standards are to ensure that the activities are clearly secondary to the intended use of the dwelling and to ensure that the business is compatatble with surrounding residential uses. All home occupations must comply with the criteria set forth below.

1. Home Occupations.

a. A home occupation may include but is not limited to

- 1. Home office.*
- 2. Hair salons not serving more than two customers at a time.*
- 3. Teaching, though limited to no more than three students at any time*
- 4. Uses which do not alter the character of the locality, do not create a nuisance as outlined in Chapter 96 of the City Code, and are legally allowed by local, state, and federal law.*

b. Home occupations shall not be interpreted to include

- 1. Tourist homes.*
- 2. Restaurants.*
- 3. Disorderly house as defined by M.S. 609.33, subd. 1, as it may be amended from time to time, or similar uses.*
- 4. Sale or use of hazardous materials.*
- 5. Adult establishments as defined in Chapter 113.*
- 6. Any overnight activities shall not be permitted.*

2. Operation Requirements

- a. The home occupation shall be clearly incidental and subordinate to the residential use of the premises, and shall result in no incompatibility or disturbance to the surrounding area.*
- b. Activities associated with the permitted home occupation may only be conducted between the hours of 7:00 a.m. and 10:00 p.m..*
- c. No over the counter retail sales may be made unless ancillary to the permitted business*
- d. There shall not be more than one employee who does not customarily reside on the property affiliated with the Home Occupation.*
- e. The use shall not create a nuisance as defined by chapter 96.*

3. *Site Requirements*

- a. Exterior alterations or modifications that change the residential character or appearance of the dwelling unit or accessory structure to that of a commercial nature shall be prohibited.
- b. Interior alterations or modifications shall not eliminate all of the bathrooms, sleeping areas, or kitchen(s).
- c. Signage. Home Occupations are allowed signage in accordance with Sections §154.212 (G) (1) (a) and (K) (10).
- d. The operation shall not create a demand for more than 3 parking spaces at any given time, and no parking for the business shall be on-street. Off-street parking shall be on a durable parking surface such as asphalt, concrete, etc. The off-street parking area required for the principal residential use shall be retained exclusively for the principal use.
- e. Exterior Storage. No outside storage or display of products or merchandise is permitted.
- f. No stock in trade over 1,000 cubic feet shall be stored on the premises.

SECTION 4. The City Council of the City of Lake Elmo hereby amends Title XV: Land Usage; Chapter 154: Zoning Code; Article V; to amend Section 154.103 Permits; Certificates and Licenses; B. Certificate of Zoning Compliance by amending the following:

1. *When Required.* A certificate of zoning compliance is required for the following activities:
 - a. A new use classification within an existing building or structure;
 - b. A change of use classification within an existing building or structure;
 - c. Addition, removal or change in parking or other on-site improvements;
 - d. Small accessory structures that do not require a building permit;
 - ~~e.~~ Home occupations;
 - ~~f.~~ Swimming Pools;
 - ~~g.~~ Antennas, including amateur radio antennas and wireless communications facilities that meet the criteria for administrative review in §150.111(C);
 - ~~h.~~ Fences six feet and less in height;
 - ~~i.~~ Driveways that are not authorized as part of an approved building permit;
 - ~~j.~~ Storm water management activities and structures not otherwise permitted as part of a development application;
 - ~~k.~~ Other situations requiring additional review or interpretation, as specified elsewhere in this ordinance.

SECTION 5. Effective Date. This ordinance shall become effective immediately upon adoption and publication in the official newspaper of the City of Lake Elmo.

SECTION 6. Adoption Date. This Ordinance 08-219 was adopted on this _____ day of _____ 2018, by a vote of ____ Ayes and ____ Nays.

LAKE ELMO CITY COUNCIL

Mike Pearson, Mayor

ATTEST:

Julie Johnson, City Clerk

This Ordinance 08-219 was published on the _____ day of _____, 2018.

**CITY OF LAKE ELMO
COUNTY OF WASHINGTON
STATE OF MINNESOTA**

RESOLUTION NO. 2018-091

RESOLUTION AUTHORIZING PUBLICATION OF ORDINANCE 08-219

WHEREAS, the City Council of the City of Lake Elmo has adopted Ordinance No. 08-219, an ordinance amending the City's Zoning Use Types and Classification as it specifically relates to Accessory Uses;

WHEREAS, the ordinance is lengthy; and

WHEREAS, Minnesota Statutes, section 412.191, subd. 4, allows publication by title and summary in the case of lengthy ordinances or those containing charts or maps; and

WHEREAS, the City Council believes that the following summary would clearly inform the public of the intent and effect of the ordinance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lake Elmo, that the City Clerk shall cause the following summary of Ordinance No. 08-219 to be published in the official newspaper in lieu of the entire ordinance:

Public Notice

The City Council of the City of Lake Elmo has adopted Ordinance No. 08-219, which adds language within the City's Accessory Use section of Zoning use types and classifications as it relates to Home Occupations. The amended language was intended to clarify the expectations of home occupations. The following is a summary of the adopted language.

- A certificate of zoning compliance is no longer needed for home businesses/occupation.
- The code provides examples of what is acceptable as a home occupation, such as a home office. As well as other examples that would not be considered as acceptable as a home occupation, such as a restaurant or tourist home.
- The City has also established operation requirements which lists out what is acceptable for hours of operation, number of employees allowed, and states that the operation shall not conflict with the nuisance section (Ch. 96) of the City code.
- Site requirements are also listed, which prohibits property owners from making modifications to the home which would no longer make the dwelling usable as a residence or give off the appearance of a commercial use.

The full text of Ordinance No. 08-219 is available for inspection at Lake Elmo city hall during regular business hours.

BE IT FURTHER RESOLVED by the City Council of the City of Lake Elmo that the City Administrator keep a copy of the ordinance at City Hall for public inspection and that a full copy of the ordinance be placed in a public location within the City.

Dated: August 8, 2018

Mayor Mike Pearson

ATTEST:

Julie Johnson, City Clerk

(SEAL)

The motion for the adoption of the foregoing resolution was duly seconded by member

_____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against same:

Whereupon said resolution was declared duly passed and adopted.



STAFF REPORT

DATE: August 8, 2018

REGULAR

ITEM #: 17

MOTION

TO: City Council
FROM: Ben Prchal, City Planner
AGENDA ITEM: Environmental Performance Standards – Ordinance Amendment
REVIEWED BY: Emily Becker, Planning Director

BACKGROUND:

Chapter 154.250 addresses the City's expectations for environmental performance. This chapter essentially has two sections which lays out standards for tree preservation/replacement and landscaping requirements. The tree preservation plan applies to developments within any zoning district except single family residential lots or clearing or cutting of trees for purposes of forestry operations. It also applies to any grading or excavation projects resulting in the movement of greater than 400 cubic yards of material per acre. Planning staff has been applying these standards to new growth and development throughout the City. After working through some of the newer developments and gaining feedback from the City's new landscape architect, staff has noticed portions of the code should be updated for clarification. Therefore, Staff is proposing some amendments to tree preservation/replacement requirements and landscaping requirements. Additionally, it was communicated by Council that the City's parking lot screening requirements were over burdensome and should be reanalyzed.

ISSUE BEFORE COUNCIL:

Should Council adopt an ordinance amending tree preservation, landscaping standards and screening as it relates to parking lots?

PROPOSAL DETAILS/ANALYSIS:

Tree Preservation

- Language has been added to the definition of significant trees and specimen trees.
- Mitigation plan: trees must be planted in appropriate areas within the development
- Tree Replacement Calculation: the section was summarized to improve clarification within subsection b.
- Exceptions: exceptions may be requested through the variance process. Subsection 2 gives council the guidelines for acceptable types of mitigation. Payment, woodland management practice, or planting trees on City property.
- Penalty: When significant trees are removed from a site that was not noted on the plans it will result in a one-to-one replacement penalty regardless if it is over the 30% allowance.

Comparison to Other Cities. The following outlines "tree preservation" practices of other cities.

Forest Lake – Different zoning districts have different allowable percentages of removal. They also offer a type of replacement similar to our proposal but smaller in size.

<i>Size of Tree Damaged or Destroyed</i>	<i>Number of Replacement Trees</i>		
	<i>Category A</i>	<i>Category B</i>	<i>Category C</i>
Coniferous, 12 to 24 feet high	1	2	4
Coniferous, 24 feet or higher	2	4	8
Hardwood deciduous, 6 to 20 inches diameter	1	2	4
Softwood deciduous, 20 to 30 inches diameter	1	2	4
Softwood deciduous, greater than 30 inches diameter	2	4	8

The applicant shall be responsible for furnishing and installing 1 Category A tree, 2 Category B replacement trees, or 4 Category C replacement trees for every 125 square feet of significant woodland damaged or destroyed, or any increment thereof. (Their categories are further defined in the code). They may also pay a fee in lieu of physical replacement. Their percentage of allowed removal is determined by the district. For example rural residential is 30% but “urban” districts are 50%.

Mahtomedi - In heavily wooded areas, tree replacement shall be at a rate of one tree replaced for each 3 significant trees lost. In areas which are not heavily wooded a replacement rate of one-to-one shall be used. Significant trees are defined as coniferous trees six feet or more in height, and deciduous trees are defined as trees eight inches or more in diameter.

Stillwater - For private lot development, there is a one-to-one replacement standard for all significant trees removed over 35%. They also allow a fee to be paid when tree replacement is not feasible. Trees removed for utilities and easements are replaced on a standard of 10 per acre. Significant tree means a tree measuring at least six inches in diameter at 54 inches above the base.

Woodbury – Woodbury allows for three options for tree replacement. There are multiple factors that require tree replacement, but diameter inches over 30% must be replaced. The applicant may replace the trees within the development per the replacement schedule, plant replacement trees on City property (under direction of parks director), or pay the City a fee based on diameter inches required for replacement.

Common Trees are replaced at a rate of 1/8th diameter inches removed.

Coniferous/Evergreen are replaced at a rate of 1/4th diameter inches removed.

Hardwood Trees are replaced at a rate of 1/2 the diameter inches removed.

Significant trees are defined by the same standard as Lake Elmo. Essentially Lake Elmo’s code is almost the same as Woodbury’s with a few exceptions.

Landscaping around parking lots

After reviewing a proposed parking lots within the City, concern has been raised relating to the screening requirements of parking lots. The main point of concern was that the screening would inhibit pedestrian and vehicle views, potentially raising safety issues. Similar language relating to screening requirements is also found in the Lake Elmo Design Guidelines and Standards Manual.

It is important to keep in mind that the removal of this language would apply to any area within the City. Varying screening requirements are commonly seen in other City ordinances.

Forest Lake: For parking lots adjacent the public realm, one shade tree planted evenly at 15 to 20 feet, screening consisting of or combination of decorative fence/wall or landscape berm. For non-public realm, a high quality privacy fencing with landscaped screening shall be installed between parking lots and residential uses.

Mahtomedi: Requires plantings, berms, or fencing no less than 3 feet in height. Parking lots may be screened with a fence or wall between four to six feet in height.

Stillwater: Landscaping shall be provided in new parking lot construction and reconstruction when abutting property located in residential districts shall be separated from such property by a wall, planter or a view-obscuring fence; or a raised landscaped mound of earth, sand stones or the like; or by a permanently maintained compact evergreen hedge; or a combination of any of the preceding treatments.

Mounds View: All open, nonresidential, off-street parking areas of five (5) or more spaces shall be screened and landscaped from abutting or surrounding residential districts in compliance with subdivision 1103.08(6) of this Title. (1988 Code §40.07).

Chaska: Off-street open parking areas containing six (6) or more spaces, and all loading facilities shall be screened from public streets which ... Height of screening shall be at least four (4) feet but no more than six (6) feet above level of parking lot, and shall be ten (10) feet above the loading facility. Minimum opacity shall be 75 percent year round.

Lake Elmo Zoning Code

A. *Perimeter Parking Lot Landscaping.* Parking areas shall be screened from public streets and sidewalks, public open space, and adjacent residential properties. The perimeter of parking areas shall be screened as follows:

1. A landscaped frontage strip at least five (5) feet wide shall be provided between parking areas and public streets, sidewalks, or paths. If a parking area contains over one hundred (100) spaces, the frontage strip shall be increased to eight (8) feet in width.
 - a. ~~Within the frontage strip, screening shall consist of either a masonry wall, fence, berm, or hedge or combination that forms a screen a minimum of three and one-half (3.5) and a maximum of four (4) feet in height, and not less than fifty percent (50%) opaque on a year round basis.~~
 - b. Trees shall be planted at a minimum of one deciduous tree per fifty (50) linear feet within the frontage strip.

Design Standards Manual

If the City opts to remove the above language, the following language should also be removed from Lake Elmo Design Guidelines and Standards Manual.

Commercial/Business Park

- f. Parking areas should be screened from view of public streets by means of grading and/or landscaping.
- g. Parking areas should be screened from adjacent structures with landscaping strips not exceeding 4 feet in height in order to ensure pedestrian safety.

Village Mixed Use

- f. Surface parking areas should be screened from view of public streets by means of grading and/or landscaping.

FISCAL IMPACT:

The City is not expected to be impacted financially.

STAFF RECOMMENDATIONS:

Tree Preservation:

Staff as well as the planning commission are recommending approval of the amendments to the environmental performance section of City code.

There were amendments to the ordinance presented to the commission. However, staff does not feel they were impactful enough to specifically point out.

Perimeter Parking lot screening:

Staff as well as the planning commission does not recommend complete removal of screening requirements for the front strip of parking lots. However, if Council feels they are still burdensome staff would support relaxing the requirements.

“Move to adopt ordinance 08-220 amending landscaping, tree preservation and replacement standards”

And

”Motion to adopt Resolution 2018-092 authorizing summary publication of Ordinance 08-220”

ATTACHMENTS:

Ordinance 08-220

Resolution 2018-092

**CITY OF LAKE ELMO
COUNTY OF WASHINGTON
STATE OF MINNESOTA**

RESOLUTION NO. 2018-092

RESOLUTION AUTHORIZING PUBLICATION OF ORDINANCE 08-220

WHEREAS, the City Council of the City of Lake Elmo has adopted Ordinance No. 08-210, an ordinance amending the City's Environmental Performance chapter; and

WHEREAS, the ordinance is lengthy; and

WHEREAS, Minnesota Statutes, section 412.191, subd. 4, allows publication by title and summary in the case of lengthy ordinances or those containing charts or maps; and

WHEREAS, the City Council believes that the following summary would clearly inform the public of the intent and effect of the ordinance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lake Elmo, that the City Clerk shall cause the following summary of Ordinance No. 08-220 to be published in the official newspaper in lieu of the entire ordinance:

Public Notice

The City Council of the City of Lake Elmo has adopted Ordinance No. 08-220, which amends language within the City's Environmental Performance chapter as it relates to tree preservation and landscape requirements. The amended language was intended to clarify the expectations of the code. The following is a summary of the amendments.

- Box elder and Cottonwood trees will no longer be considered as a common tree.
- The definition for Nuisance Trees now included noxious/invasive trees such as Buck Thorn, Box elder and Cottonwood trees.
- Planting of replacement trees will only be allowed on the parcel associated with the development, unless an exception was determined through variance approval.
- A penalty has been established when a significant tree is removed which was not noted on the landscape plan. The penalty shall be a direct one to one replacement.
- If plantings cannot be met on site, the variance process may allow payment of park dedication funds, plantings on City property, or woodland management practices.
- A definition for ornamental trees has been added and may now count towards planting calculations.

The full text of Ordinance No. 08-220 is available for inspection at Lake Elmo city hall during regular business hours.

BE IT FURTHER RESOLVED by the City Council of the City of Lake Elmo that the City Administrator keep a copy of the ordinance at City Hall for public inspection and that a full copy of the ordinance be placed in a public location within the City.

Dated: August 8, 2018

Mayor Mike Pearson

ATTEST:

Julie Johnson, City Clerk

(SEAL)

The motion for the adoption of the foregoing resolution was duly seconded by member

_____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against same:

Whereupon said resolution was declared duly passed and adopted.

**CITY OF LAKE ELMO
COUNTY OF WASHINGTON
STATE OF MINNESOTA**

ORDINANCE NO. 08-__

**AN ORDINANCE AMENDING THE LAKE ELMO CITY CODE OF ORDINANCES BY
ADDING ADDITIONAL STANDARDS FOR LANDSCAPING STANDARDS**

SECTION 1. The City Council of the City of Lake Elmo hereby amends Title XV: Land Usage; Chapter 154: Zoning Code; Article VIII Environmental Performance; Section 154.257 by amending the following:

§ 154.257 TREE PRESERVATION.

A. Purpose. Within the City of Lake Elmo, trees and woodlands are considered a valuable asset to the community. The City places a priority on protecting this asset and finds that it is in the best interest to regulate the development and alteration of wooded areas within the community. All builders, developers and subdividers shall comply with all the provisions in the Zoning Code which address the preservation of existing significant trees. All builders, developers and subdividers are encouraged to preserve all healthy trees of significant value even if the trees do not meet the size requirements to be considered significant trees.

B. Definitions. The following words, terms and phrases, when used in this section, shall have the meanings ascribed to them in this subsection, except where the context clearly indicates a different meaning:

Common Tree. Includes Ash, Aspen, Basswood, ~~Box Elder~~, Catalpa, ~~Cottonwood~~, Elm, Hackberry, Locust, Poplar, Silver Maple, Willow and any other tree not defined as a hardwood deciduous tree or a coniferous/evergreen tree.

Coniferous/Evergreen Tree. A wood plant, which, at maturity, ~~is at least twelve (12) feet or more in height~~, having foliage on the outermost portion of the branches year-round. Tamaracks are included as a coniferous tree species.

Critical Root Zone (CRZ). An imaginary circle surrounding the tree trunk with a radius distance of one (1) foot per one (1) inch of tree diameter. E.g. a twenty-inch diameter has a critical root zone with a radius of twenty (20) feet.

Deciduous Hardwood Tree. Includes Birch, Cherry, Hickory, Ironwood, Hard Maples, Oak and Walnut.

Diameter Breast Height (DBH). The diameter of trees at breast height, measured 4 ½ feet (54 inches) above the ground.

Drip Line. The farthest distance away from the trunk of a tree that rain or dew will fall directly to the ground from the leaves or the branches of the tree.

Nuisance Tree. (1) Any living or standing tree or part thereof infected to any degree with a shade tree disease (See Shade Tree Disease Below) or shade tree pest; (2) Any logs, stumps, branches, firewood or other part of dead or dying tree(s) infected with a shade tree disease or shade tree pest unless properly treated; and (3) Any standing dead trees or limbs which may threaten human health or property. Also included, are noxious or invasive trees such as buckthorn, boxelder, and cottonwood.

Ornamental Tree. A small tree, usually less than thirty (30) feet at maturity, often planted for ornamental characteristics such as flowers or attractive bark.

Shade Tree Disease. Dutch elm disease (*Ophiostoma ulmi* or *Ophiostoma novo-ulmi*), oak wilt (*Ceratocystis fagacearum*) or any other tree disease of epidemic nature.

Significant Tree. A healthy tree measuring a minimum of six (6) inches in diameter for hardwood deciduous trees, 19 ft. in height or eight (8) inches in diameter for coniferous/evergreen trees, or twelve (12) inches in diameter for common trees, as defined herein.

Specimen Tree. A healthy, deciduous hardwood tree measuring equal to or greater than thirty (30) inches in diameter breast height or a healthy coniferous/evergreen tree measuring equal to or greater than twenty-five (25) feet in height.

Tree Preservation Plan. A plan prepared by a certified landscape architect or forester indicating all of the significant trees in the proposed development or parcel. The Tree Preservation Plan includes a tree inventory which includes the size, species, and location of all significant trees proposed to be saved and removed on the area of development, and the measures proposed to protect the significant trees to be saved.

Woodland Evaluation Report. A report prepared by a certified landscape architect, forester, or land surveyor indicating the general location, condition, and species of significant trees on a parcel planned for future development or grading activity. The report must demonstrate that there will be no impact to existing significant trees as part of the development or grading activity. Finally, the report must include the measures proposed to protect significant trees on the site.

C. Tree Preservation Standards for Developing Properties

1. Applicability.

- a. A Tree Preservation Plan, or suitable alternatives as determined by the City, shall be submitted and approved for the following activities:
 - i. New Development in Any Zoning District. A Tree Preservation Plan shall be required as part of any development or subdivision application.
 - ii. Any grading or excavation project that result in the movement of greater than 400 cubic yards of material per acre of site per §151.017.
 - iii. If the applicant is able to demonstrate that the proposed development or major grading activity includes no impact to the significant trees on the site, then the applicant may be exempt from the requirement to submit a Tree Preservation Plan. It is the responsibility of the applicant

to demonstrate that there are no impacts to significant trees through a Woodland Evaluation Report or some other form of tree survey or study.

- b. A Tree Preservation Plan is not required for the following activities:
 - i. This section does not apply to the issuance of a development approval for a single-family residence on an existing platted lot of record.
 - ii. This section does not apply to the harvesting of trees. For purposes of this section, “harvesting” means cutting or clearing trees for purposes relating to forestry operations, as defined in §154.012. “Harvesting” does not include the clearing of land for purposes of development, even where the trees are sold for purposes of creating lumber for related purposes.
- 2. Tree Preservation Plan. All applicants shall submit a tree preservation plan prepared by a certified forester or landscape architect in accordance with the provisions of this section. During the review of an application for a building permit, grading permit or Preliminary Plat, the tree preservation plan will be reviewed according to the best layout to preserve significant trees and the efforts of the subdivider to mitigate damage to significant trees.
- 3. Tree Preservation Plan Requirements. The Tree Preservation Plan shall be a separate plan sheet(s) that includes the following information:
 - a. The name(s), certification(s), telephone number(s) and address(es) of the person(s) responsible for tree preservation during the course of the development project.
 - b. Tree Inventory. The Tree Preservation Plan must include a Tree Inventory through one of the following methods:
 - i. Tree Inventory Individual. An individual inventory including an identification system linked to metal field tags located four and one-half (4.5) feet from grade on all significant trees must be identified on a plan sheet in both graphic and tabular form.
 - ii. Tree Inventory Sampling. In cases of sites with large tracts of significant trees, the City may approve the use of a sampling inventory for all or portions of a site as an alternative to an individual inventory. The sampling inventory must include the methodology for sampling, identification ribbon around the perimeter of the sampling areas, and metal field tags located four and one-half (4.5) feet from grade on all significant trees in the sampling area. Within the sampling area, the quantity, size, species, health and location of all significant trees must be identified on a plan sheet in both graphic and tabular form. Based on sampling, total estimates and locations of healthy significant trees shall be provided.
 - iii. Tree Inventory Combination. With the approval of the City, sites that include both large tracts of significant trees and areas of individual

significant trees may utilize a combination of the individual and sampling inventory methods.

- c. Trees that were planted as part of a commercial business such as a tree farm or nursery do not need to be inventoried on an individual tree basis. A general description of the trees and an outer boundary of the planted area must be provided. The burden of proof shall be on the applicant to provide evidence to support the finding that the trees were planted as part of a commercial business.
 - d. A listing of healthy significant trees inventoried in subsection (b) above. Dead, diseased or dying trees do not need to be included in the totals.
 - e. A listing of the healthy significant trees removed, identified by the metal field tag or some other form of identification used in the tree inventory in subsection (b) above.
 - f. A listing of the healthy significant trees to remain, identified by the metal field tag or some other form of identification used in the tree inventory in subsection (b) above.
 - g. Outer boundary of all contiguous wooded areas, with a general description of trees not meeting the significant tree size threshold.
 - h. Locations of the proposed buildings, structures, or impervious surfaces.
 - i. Delineation of all areas to be graded and limits of land disturbance.
 - j. Identification of all significant trees proposed to be removed within the construction area. These significant trees should be identified in both graphic and tabular form.
 - k. Measures to protect significant trees: ~~and City standard tree protection detail.~~
 - l. Size, species, number and location of all replacement trees proposed to be planted on the property in accordance with the Mitigation Plan, if necessary.
 - m. Signature of the person(s) preparing the plan.
4. Implementation. All sites shall be staked, as depicted in the approved Tree Preservation Plan, and the required tree protection fencing shall be installed around the critical root zone before land disturbance is to commence. ~~The City shall inspect the construction site prior to the beginning of the land disturbance to ensure that protective fencing and other protective measures are in place.~~ The City has the right to inspect the site at any time for compliance with the plan. No encroachment, land disturbance, trenching, filling, compaction, or change in soil chemistry shall occur within the fenced areas protecting the critical root zone of the trees to be saved.
 5. Allowable Tree Removal. Up to thirty (30) percent of the diameter inches of significant trees on any parcel of land being developed may be removed without replacement requirements. Replacement according to the Tree Replacement Schedule is required when removal exceeds more than thirty (30) percent of the

total significant tree diameter inches. The following types of trees do not need to be included as part of the tally of tree removals:

- a. Dead, diseased, or dying trees;
 - b. Trees that are transplanted from the site to another appropriate area within the city;
 - c. Trees that were planted as part of a commercial business, such as a tree farm or nursery; or
 - d. Trees that were planted by the current property owner. In making such a determination, the City shall consider consistency of the age of the trees, any patterns in the location of trees, historical aerial photography and evidence of intentional planting such as invoices, formal planting plans or cost sharing agreements.
6. Mitigation Plan.
- a. In any development or grading project where the allowable tree removal is exceeded, the applicant shall mitigate the tree loss ~~by either:~~ by planting replacement trees in appropriate areas within the development in accordance with the Tree Replacement Schedule.
 - ~~i.—Planting replacement trees in appropriate areas within the development in accordance with the Tree Replacement Schedule;~~
 - ~~ii.—Planting replacement trees on City property under the direction of the Public Works Superintendent; or~~
 - ~~iii.—Some combination of above subsections (i) and (ii) to total the equivalent number of replacement trees to meet the Mitigation Plan.~~
 - b. The form of mitigation to be provided by the applicant shall be determined by the City.
 - c. The planting of trees for mitigation on residential projects shall be in addition to any other landscape requirements of the City.
 - d. All trees, with the exception of ornamental trees, planted as landscaping on commercial or mixed-use projects may be counted towards tree replacement requirements.
7. Tree Replacement Calculations. Thirty (30) percent of the total diameter inches of significant trees on the site may be removed without replacement. Any percentage over 30 shall be replaced. ~~The allowable thirty (30) percent removal is first credited to the common trees removed, then the conifers, and lastly the hardwood species.~~ The following calculation procedure must be used to determine tree replacement requirements:
- a. Tally the total number of diameter inches of all significant trees on the site.
 - b. ~~Calculate thirty (30) percent of the total diameter inches of significant trees on the site. This is the allowable tree removal limit, or the number of inches that can be removed without replacement.~~ A calculation must be provided which

breaks out the number of inches removed for hardwood, evergreen/deciduous, and common trees. The 30% removal figure applies to each category individually and trees are replaced according to the Tree Replacement Schedule in subsection 8.

- ~~e. Tally the total diameter inches of common trees that will be removed and subtract this number from the allowable tree removal limit.~~
 - ~~d. If there are any allowable inches left, tally the total diameter inches of conifer/evergreen tree species that will be removed and subtract this number from the remaining allowable inches.~~
 - ~~e. If there are any allowable inches left, tally the total diameter inches of hardwood deciduous tree species that will be removed and subtract this number from the remaining allowable inches.~~
 - ~~f. If at any point in the above calculation procedure (a-e) the number of inches to be removed exceeds the thirty (30) percent allowable removal limit, the remaining inches of removal above the allowable limit must be replaced according to the Tree Replacement Schedule in subsection 8.~~
8. Tree Replacement Schedule. Tree removals over the allowable tree removal limit on the parcel shall be replaced according to the following schedule:
- a. Common tree species shall be replaced with new trees at a rate of one-fourth (1/4) the diameter inches removed.
 - b. Coniferous/evergreen tree species shall be replaced with new coniferous or evergreen trees at a rate of one-half (1/2) the diameter inches removed. Since coniferous species are often sold by height rather than diameter inch, the following conversion formula can be used:
 - i. $\text{Height of Replacement Coniferous Tree} / 2 = \text{Diameter Inches of Credit}$
 - c. Hardwood deciduous tree species shall be replaced with new hardwood deciduous trees at a rate of (1/2) the diameter inches removed.
 - ~~d. Replacement Tree Size. Replacement trees must be a minimum of one (1) inch in diameter.~~
9. Species Requirement. The City must approve all species used for tree replacement. Ornamental trees are not acceptable for use as replacement trees. Where ten or more replacement trees are required, not more than thirty (30) percent of the replacement trees shall be of the same species of tree. Native species are encouraged, and hardiness and salt tolerance should be considered where applicable.
10. Warranty Requirement. Any replacement tree which is not alive or healthy, as determined by the City, or which subsequently dies due to construction activity within two (2) years after the date of project closure shall be removed by the applicant and replaced with a new healthy tree meeting the same minimum size requirement within eight (8) months of removal.

11. Protective Measures. The Tree Preservation Plan shall identify and require the following measures to be utilized to protect significant trees planned for preservation:

- a. Installation of snow fencing or polyethylene laminate safety netting placed at the drip line or at the perimeter of the critical root zone, whichever is greater, of significant trees, specimen trees and significant woodlands to be preserved. No grade change, construction activity, or storage of materials shall occur within this fenced in area.
- b. Identification of any oak trees requiring pruning between April 15 and July 1. Any oak trees so pruned shall be required to have any cut areas sealed with an appropriate nontoxic tree wound sealant.
- c. Prevention of change in soil chemistry due to concrete washout and leakage or spillage of toxic materials, such as fuels or paints.
- d. Removal of any nuisance trees located in areas to be preserved.

12. Compliance with the Tree Preservation Plan. The applicant shall implement the Tree Preservation Plan prior to and during any construction. The tree protection measures shall remain in place until all land disturbance and construction activity is terminated or until a request to remove the tree protection measures is made to, and approved by, the City.

- a. No significant trees shall be removed until a tree preservation plan is approved and except in accordance with the approved Tree Preservation Plan.
- b. The City shall have the right to inspect the development and/or building site in order to determine compliance with the approved Tree Preservation Plan. The City shall determine whether the Tree Preservation Plan has been met.
- c. Irreparable Damage. Where the City determines that irreparable damage has occurred to a healthy significant tree that is designated to be preserved as part of the Tree Preservation Plan, the tree shall be removed and replaced, and protective fencing shall be provided.

e.d. Instances where (a) significant tree(s) is (are) removed due to development or disturbed, which was not noted on the landscaping or tree removal plan will result in a one to one replacement penalty regardless if it is over the 30% allowance.

~~D. Specimen Trees. The removal of any specimen trees on a property located in any of the urban zoning districts shall require a special permit and be subject to the Tree Replacement Schedule for the purpose of mitigating great tree loss.~~

E.D. Financial Security. In cases where mitigation or tree replacement is required, the City may require that a financial security, in a form acceptable to the City, be provided as part of a development agreement or applicable permit to ensure compliance and performance of the Mitigation Plan. The financial security will be released to the applicant upon verification by the City that the Mitigation Plan was followed, and that all replacement trees are planted and in a reasonable state of health. The financial security

may be used to replace any replacement trees that have become damaged or diseased after planting.

F.E. Exceptions

1. *Exception Standards.* Notwithstanding the City's desire to accomplish tree preservation and protection goals, there may be instances where these goals are in conflict with other City objectives. These conflicts will most likely occur on small, heavily-wooded parcels. ~~At the discretion of the City Council Developers may ask for exceptions through the variance process as indicated in 154.109.~~ Exceptions may be granted if all of the following conditions exist:
 - a. It is not feasible to combine the subject parcel with adjacent parcels that could use the parcel as required green space;
 - b. The subject parcel is five (5) acres in size or less;
 - c. Strict adherence to the Tree Preservation Ordinance would prevent reasonable development that is consistent with the Comprehensive Plan and desirable to the City on the parcel; and
 - d. The exception requested is the minimum needed to accomplish the desired development.
2. *Reduced Mitigation for Exceptions.* If an exception is granted, relief from the requirements of the ordinance may take the form of reduced mitigation requirements, greater allowable tree removal, higher thresholds for determining significant trees, or any combination of the above. The City Council will determine which form of relief best balances the objectives of the City and tree preservation. The Council may require payment of park dedication fees; woodland management practices; or planting of replacement trees on City property under direction of the Public Works Director as a condition of variance approval.

(Ord. 08-077, passed 5-07-2013)

SECTION 2. The City Council of the City of Lake Elmo hereby amends Title XV: Land Usage; Chapter 154: Zoning Code; Article VIII; Environmental Performance Standards; Section 154.258 Landscape Requirements by amending the following:

§ 154.258 LANDSCAPE REQUIREMENTS.

All development sites shall be landscaped as provided in this section in order to control erosion and runoff, moderate extremes of temperature and provide shade, aid in energy conservation, preserve habitat, provide visual softening of, especially, urban development, and generally enhance the quality of the physical environment within the city.

- A. *Landscape Plan Required.* A landscaping plan is required for all new commercial, industrial, institutional, and multi-family development, all planned unit developments,

and all subdivisions, with the exception of minor subdivisions, as defined in Chapter 154. The landscape plan shall be prepared by a certified landscape architect and include the following:

1. The location, size, quantity, and species of all existing and proposed plant materials.
2. Methods for protecting existing trees and other landscape material, consistent with §154.257.
3. Structural and ground cover materials.
4. Provisions for irrigation and other water supplies.
5. Details and cross sections of all required screening.
6. Special planting instructions.
7. City standard plan notes and drawings.
- 6.8. Utilities and driveways shall also be clearly shown on the plans.

B. *Design Considerations.* The following design concepts and requirements shall be considered when developing a landscape plan.

1. To the maximum extent possible, the landscape plan shall incorporate existing trees and other vegetation on the site.
2. Landscaped areas should be of adequate size to allow proper plant growth, protect plantings from vehicular and pedestrian traffic, and provide adequate areas for plant maintenance.
3. A variety of trees and shrubs should be used to provide visual interest year round. No more than fifty percent (50%) of the required number of trees and shrubs may consist of any one species. A minimum of twenty-five percent (25%) of the required number of trees shall be deciduous shade trees, and a minimum of twenty-five percent (25%) shall be coniferous trees. Ornamental trees may be used when applied towards landscaping requirements. However, the number of trees shall not exceed 15% of the required amount.
4. Final slopes greater than 3:1 will not be permitted without special treatment such as terracing, retaining walls, or special ground covers.
5. All plant materials, except trees planted per the Tree Replacement Schedule, shall meet the following minimum size standards in Table 6-1. Trees planted per the Tree Replacement Schedule shall meet the minimum requirements outlined in Section 154.257 (C) (8) (d.).

Table 6-1. Minimum Size Standards for Landscape Materials

Plant Type	Minimum size at planting
Trees:	
Evergreen	6 feet in height
Deciduous – shade	2.5 inches caliper, measured 6 inches from base
Deciduous - ornamental	2 inches caliper, measured 6 inches from base
Shrubs:	
Evergreen	# 5 container*
Deciduous	# 5 container*
Shrubs used for screening (evergreen or deciduous)	# 5 container*

* Approximately 5 gallons. See American Standards for Nursery Stock, ANSI 260.1-2004 for exact specifications.

* This table and its requirements do not apply to the tree replacement schedule

6. As an alternative to the minimum standards for landscape materials, a landscape plan prepared by a qualified professional certifying that said plan will meet the intent of this Section may be submitted.

6.7. As a general rule, -trees should be planted ten feet away from all utilities including water and sewer stubs, unless approved by the City’s Landscape Architect.

C. *Landscaping of Setback Areas.* All required setbacks not occupied by buildings, parking, paths or plazas shall be landscaped with turf grass, native grass, trees, shrubs, vines, perennial flowering plants, and surrounding pervious ground cover.

1. A minimum of one (1) tree shall be planted for every fifty (50) feet of street frontage, lake shore or stream frontage, or fraction thereof.
 - a. Trees adjacent to streets shall be planted within the front yard and may be arranged in a cluster or placed at regular intervals to best complement existing landscape design patterns in the area.
 - b. Salt tolerance and root structure should be considered when selecting tree species adjacent to streets, sidewalks and parking areas.
 - c. Where property abuts a lake or stream, trees shall be planted at intervals of no more than fifty (50) feet along the shoreline, except where natural vegetation is sufficient to meet this requirement.
2. In addition to the requirements of C.1 above, a minimum of five (5) trees shall be planted for every one (1) acre of land that is ~~developed or~~ disturbed by development activity. Such trees may be used for parking lot landscaping or screening as specified in subsections D and E below.

D. *Interior Parking Lot Landscaping.* The purpose of interior parking lot landscaping is to minimize the expansive appearance of parking lots and provide shaded parking areas. Landscaping shall consist of planting islands, medians and borders, comprising the required planting area specified under item (1) below.

1. At least five (5) percent of the interior area of parking lots with more than thirty (30) spaces shall be devoted to landscape planting areas. Areas may consist of islands or corner planting beds.
2. Shade trees shall be provided within the interior of parking lots (in islands or corner planting beds) in accordance with the following table:

Table 6-2. Minimum Required Tree Planting for Parking Lots

Number of Parking Spaces	Minimum Required Tree Planting
0 – 30	None required
31 - 100	1 tree per 10 spaces or fraction thereof
101+	1 tree per 15 spaces or fraction thereof

E. *Perimeter Parking Lot Landscaping.* Parking areas shall be screened from public streets and sidewalks, public open space, and adjacent residential properties. The perimeter of parking areas shall be screened as follows:

1. A landscaped frontage strip at least five (5) feet wide shall be provided between parking areas and public streets, sidewalks, or paths. If a parking area contains over one hundred (100) spaces, the frontage strip shall be increased to eight (8) feet in width.
 - a. Within the frontage strip, screening shall consist of either a masonry wall, fence, berm, or hedge or combination that forms a screen a minimum of three and one-half (3.5) and a maximum of four (4) feet in height, and not less than fifty percent (50%) opaque on a year-round basis.
 - b. Trees shall be planted at a minimum of one deciduous tree per fifty (50) linear feet within the frontage strip.
2. Alongside and rear property lines abutting residential properties or districts, screening shall be provided, consisting of either a masonry wall, fence or berm in combination with landscape material that forms a screen a minimum of four (4) feet in height, a maximum of six (6) feet in height, and not less than ninety percent (90%) opaque on a year-round basis. Landscape material shall include trees, planted at a minimum of one deciduous or coniferous tree per forty (40) linear feet along the property line.

F. *Screening.* Screening shall be used to provide visual and noise separation of intensive uses from less intensive uses. Where screening is required in the City Code between uses or districts, it shall consist of either a masonry wall or fence in combination with landscape material that forms a screen at least six (6) feet in height, and not less than ninety percent (90%) opaque on a year-round basis. Landscape material shall include trees, planted at a minimum of one deciduous or coniferous tree per forty (40) linear feet

along the property line. Additional landscape material such as shade trees or trellises may be required to partially screen views from above.

G. *Maintenance and Installation of Materials.* Installation and maintenance of all landscape materials shall comply with the following standards:

1. All landscape materials shall be installed to current industry standards.
2. Irrigation or other water supply adequate to support the specified plant materials shall be provided.
3. All required landscaping and screening features shall be kept free of refuse and debris.
4. All landscape materials shall be guaranteed for two (2) years. Any landscape material that dies or becomes diseased before the end of the second (2nd) year after installation shall be replaced by the developer.
5. Continuing maintenance and replacement of landscape materials shall be the responsibility of the property owner beyond two years of initial installation.

H. *Financial Security.* The City will require that a financial security, in a form acceptable to the City, be provided as part of a development agreement or applicable permit to ensure compliance and performance of the Landscape Plan. The financial security will be released to the applicant upon verification by the City that the Landscape Plan was followed, and that all landscape materials are planted and in a reasonable state of health. The financial security may be used to replace any landscape materials that have become damaged or diseased after planting. Adequate security must be retained to ensure performance for at least two years after the installations have been completed.

(Ord. 08-087, passed 8-20-2013)

SECTION 3. Effective Date. This ordinance shall become effective immediately upon adoption and publication in the official newspaper of the City of Lake Elmo.

SECTION 4. Adoption Date. This Ordinance 08-__ was adopted on this ____ day of ____ 2018, by a vote of __ Ayes and __ Nays.

LAKE ELMO CITY COUNCIL

Mike Pearson, Mayor

ATTEST:

Julie Johnson, City Clerk

This Ordinance 08-____ was published on the ____ day of _____, 2018.