

City of Lake Elmo, Minnesota

Annual Comprehensive Financial Report

For the Year Ended December 31, 2022

Prepared by:
Finance Department



**CITY OF LAKE ELMO, MINNESOTA
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**INTRODUCTORY
SECTION**



June 6, 2023

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 Governmental Accounting Standards 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 annual comprehensive financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2022.

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 Schlenner Wenner & Co., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2022 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, 2022 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, 2022 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 2022 population of 13,514, which represents 4,849 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 balanced budget for submission 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 2022 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 28, 2021. 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. Quarterly budget to actual comparison reports are provided to 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 numbering approximately 2,977 dwelling units have been approved. In 2022 and early 2023, the City saw continued interest in residential and commercial growth and entered into several new development agreements:

- Wildflower 4th addition – 41 New Single-Family Homes
- Kokoro Volleyball – 27,540 sq. ft. Athletic Facility
- Royal Golf 5th Addition – 43 New Single Family Homes
- Hendrix Apartments and Goddard School – 190 unit Apt Building and Day Care
- Drake Development – Tesla, Dairy Queen and 2 additional Commercial Lots
- Amira – 146 Senior Rental Apt Building

Further, several projects have been fully completed in 2022:

- Boulder Ponds 3rd
- Royal Golf Club 1st
- Wildflower 1st and 2nd
- Inwood 6th Addition-Kwik Trip
- Lake Ridge Crossing 1st and 2nd

The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2022 population estimates of 13,514, or an increase of 19%, since the 2020 census.

New housing starts in 2022 numbered 200 with a total permit value of \$143,910,977 and an average home value of \$347,786. There were 6 new Commercial construction projects in 2022, and a number of remodels and expansions. All these new starts have been built in 2022 or will be finished in 2023, which will greatly strengthen the existing tax base of the City.

LONG TERM FINANCIAL PLANNING

Total unassigned General Fund balance as of December 31, 2022 was 128% of the next year's general fund expenditures and other financing uses. 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 of Aa1, and reaffirmed this rating in 2022 and 2023. In their assessment of the City, Moody's noted the following:

- Wealthy tax base favorably located in the Twin Cities metropolitan area with strong resident incomes
- Strong financial operations supported by ample reserves and liquidity
- Low pension burden

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

Trends of the past decade, changes in state tax law, and recent legislation indicate that the City will have a greater reliance on property taxes as a source of financing for city operations in the future and less reliance on the intergovernmental revenues (federal and state) and building permit fees. Changes in state tax law over the past decade have resulted in funding changes for both schools and local governments. The elimination of the homestead and agricultural credit aids program, and large cuts in both local government aid and the market value homestead credit programs resulted in revenue losses to the City. In addition, as the City continues toward full development, we anticipate future decreases in building permit revenues.

MAJOR INITIATIVES

2022 was again an extremely robust year for the City due to continuation of on-going infrastructure upgrades, projects, as well as oversight of on-going residential and commercial development activity.

Some of the 2022 infrastructure projects included the following:

- Construction of a New City Center was approved and began in 2021. The New City Center consists of a combined City Hall & Public Safety Facility. The new facility combines City Hall staff and functions, the entire Fire Department, and a satellite office for the Washington County Sheriff's department. This co-location involves renovating and expanding the City-owned Brookfield Office building to concentrate civic resources into a single structure at the historic core of the city. In addition the Public Works facility will also be expanded to accommodate City growth and expanded service needs. The project is expected to be completed summer of 2023.
- A stoplight and turn lanes were installed at Manning Ave (CSAH 15) and 30th St to accommodate the growth in traffic along the corridor.
- The Old Village Improvement project on Phases V & VI of the project wrapped up construction in 2022. 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.
- Extension of municipal sewer to the Tapestry development began in 2022 with completion anticipated in 2023.
- Municipal sewer lines were extended along the city's western border in order to serve new development on the 180 acres the city received in a settlement with 3M in 2019. The new area will provide for business/industrial, commercial and low-density housing options.

- The City continued work on several expedited water main projects to bring water to neighborhoods with PFAS contamination at no cost to the city or residents due to grants from the MPCA. These projects include water main extensions, road construction and in some cases the extension of sewer. Sewer costs of the project will be assessed 100% to the benefiting property owners. In 2022, the projects in Hamlet on Sunfish Lake and 38th/39th/Innsdale Ave were completed.
- Well #1 and the pump house were also decommissioned and abandoned due to PFAS through grant assistance from MPCA.
- Water Tower #3 began construction in 2022 to increase storage capacity on the southeast area of the city. It is expected to be online in the fall of 2023.
- Use of Parkland dedication fees to continue to make improvements to existing and new parks.

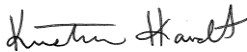
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City again for the fiscal year ending December 31, 2021. 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 Annual Comprehensive Financial Report, 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 Annual Comprehensive 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, 2022. 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



Kyle Sawyer
Contract Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lake Elmo
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

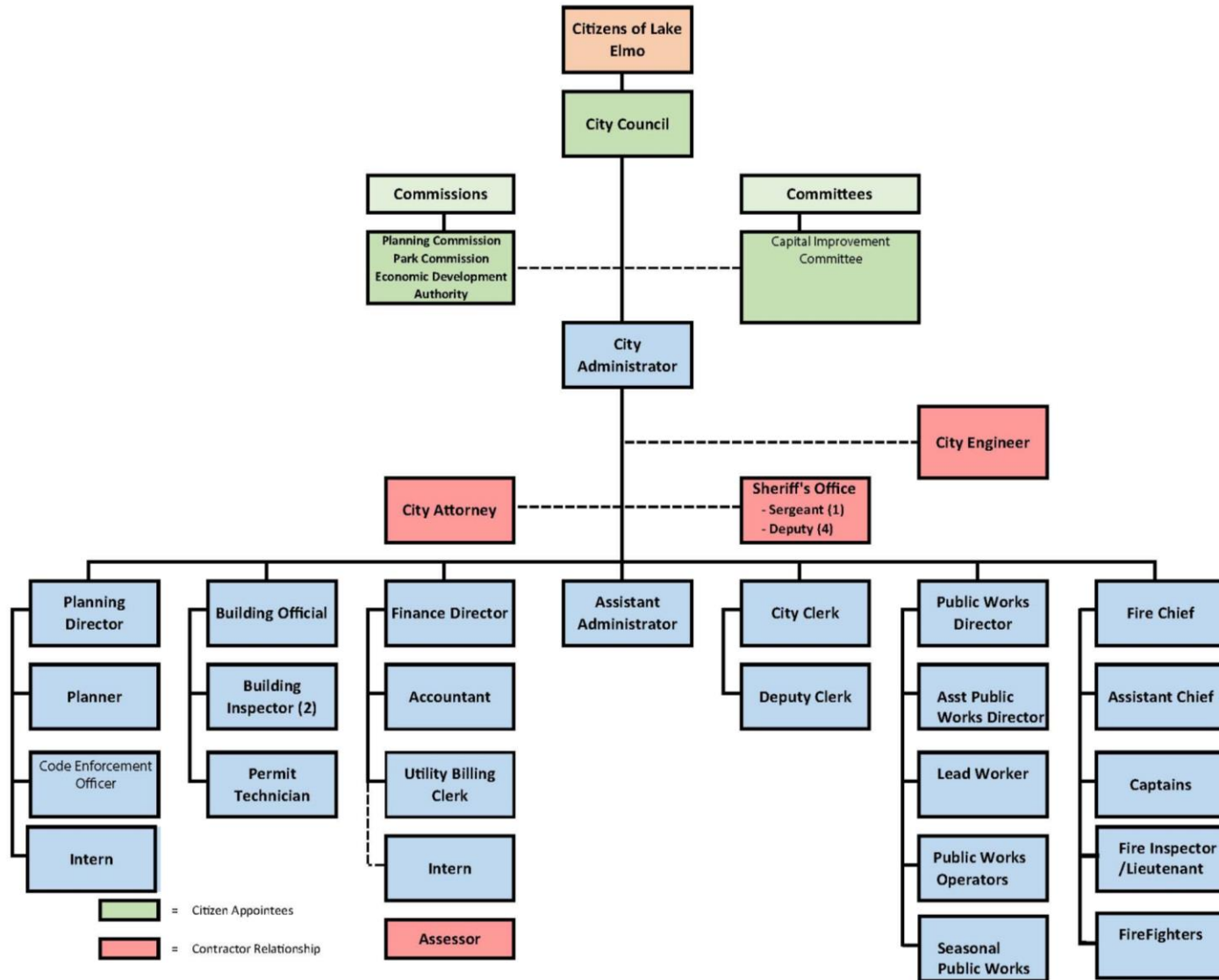
Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| CITY COUNCIL | | <u>Term Expires</u> |
|-------------------------------------|--------------------|---------------------|
| Charles Cadenhead | Mayor | January 1, 2025 |
| Katrina Beckstrom | Council Member | January 1, 2025 |
| Dale Dorschner | Council Member | January 1, 2023 |
| Jeff Holtz | Council Member | January 1, 2025 |
| Lisa McGinn | Council Member | January 1, 2027 |
| APPOINTED CITY OFFICIALS | | |
| Kristina Handt | City Administrator | Appointed |
| Julie Johnson | City Clerk | Appointed |



**ORGANIZATIONAL CHART
FOR THE YEAR ENDED DECEMBER 31, 2022**



**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

Report on the Audit of the Financial Statements

Opinions

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, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1.H. to the financial statements, during the current fiscal year the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Lake Elmo, Minnesota's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lake Elmo, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 combining and individual nonmajor fund financial statements and supplemental schedules, and schedule of indebtedness, 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 supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of indebtedness has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of the City of Lake Elmo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Elmo, Minnesota's internal control over financial reporting and compliance.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2023

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Our discussion and analysis of the City of Lake Elmo's financial performance provides an overview of the City's financial activities for the year ended December 31, 2022. Please read it in conjunction with the independent auditor's report on page 10 and the City's financial statements, which begin on page 25.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Lake Elmo exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$150,998,515 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$38,878,151.
- The City's total net position increased \$20,107,051 as a result of this year's operations.
- As of the close of the current fiscal year, the City of Lake Elmo's governmental funds reported a combined ending fund balance of \$24,435,594 which is a decrease of \$5,975,337 in comparison with the prior year. The overall unassigned fund balance is \$7,342,111.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$7,540,239, or 128% of total 2022 general fund expenditures. The City's Fund Balance policy is to maintain an unassigned fund balance in the General Fund of an amount that is not less than 50% to 60% of the next year's budgeted expenditures of the General Fund.
- In the City's business-type activities, revenues decreased \$791,023 (3.75 percent) and program expenses increased \$1,246,772 (24.65 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's governmental activities' departments increased \$1,280,489 (or 14.76 percent) in aggregate.
- The City's General Fund generated more revenue than budgeted of \$820,875, excluding transfers in from other funds. Expenditures were less than budgeted by \$1,185,372, excluding transfers to other funds. See additional details on page 71.
- As discussed in Note 1.H. in the Notes to the Basic Financial Statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87) during the current fiscal year. This standard changes the previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Due to the adoption of this standard, the City reported lease receivables of \$1,661,436 and corresponding deferred inflows of resources totaling \$1,631,600, at December 31, 2022. Because the overall impact of the change was not significant, no restatements to beginning net position or the comparative information in this Management's Discussion and Analysis were necessary.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 25 and 26) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

USING THIS ANNUAL REPORT (Continued)

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 16. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. You can think of the City's net position (assets plus deferred outflows, less liabilities plus deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, costs associated with current and future construction projects, and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including the fire, public works, parks, and planning and zoning departments, along with general administration. Property taxes, special assessments, licenses, permits and fees, and State aids finance most of these activities.
- **Business-type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and storm sewer systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's funds begins on page 18. The fund financial statements begin on page 27 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds (governmental and proprietary) use different accounting approaches.

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the governmental fund financial statements.
- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE

The City's combined net position increased \$20,107,051 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|-------------------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and Other Assets | \$ 35,239,395 | \$ 38,965,261 | \$ 26,273,660 | \$ 21,461,986 | \$ 61,513,055 | \$ 60,427,247 |
| Net Capital Assets | <u>72,396,569</u> | <u>53,195,055</u> | <u>90,076,157</u> | <u>77,034,129</u> | <u>162,472,726</u> | <u>130,229,184</u> |
| Total Assets | 107,635,964 | 92,160,316 | 116,349,817 | 98,496,115 | 223,985,781 | 190,656,431 |
| Deferred Outflows of Resources | 1,375,926 | 823,855 | 181,480 | 153,623 | 1,557,406 | 977,478 |
| Current Liabilities | 6,459,882 | 5,450,707 | 1,980,429 | 1,602,968 | 8,440,311 | 7,053,675 |
| Noncurrent Liabilities | <u>34,230,125</u> | <u>29,274,372</u> | <u>30,027,530</u> | <u>23,095,670</u> | <u>64,257,655</u> | <u>52,370,042</u> |
| Total Liabilities | 40,690,007 | 34,725,079 | 32,007,959 | 24,698,638 | 72,697,966 | 59,423,717 |
| Deferred Inflows of Resources | 1,836,690 | 1,123,890 | 10,016 | 194,838 | 1,846,706 | 1,318,728 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 39,647,112 | 34,784,806 | 59,998,083 | 53,867,479 | 99,645,195 | 88,652,285 |
| Restricted | 12,475,169 | 10,249,092 | - | - | 12,475,169 | 10,249,092 |
| Unrestricted | <u>14,362,912</u> | <u>12,101,304</u> | <u>24,515,239</u> | <u>19,888,783</u> | <u>38,878,151</u> | <u>31,990,087</u> |
| Total Net Position | <u>\$ 66,485,193</u> | <u>\$ 57,135,202</u> | <u>\$ 84,513,322</u> | <u>\$ 73,756,262</u> | <u>\$ 150,998,515</u> | <u>\$ 130,891,464</u> |

The net position of the City's governmental activities increased by \$9,349,991 (16.36 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$2,261,608 compared to the prior year.

The net position of the City's business-type activities increased by \$10,757,060 (14.58 percent) from the prior year. Such increase can be attributed primarily to the operations of the Water Fund, which individually experienced an increase in net position of \$6,374,212 from the prior year.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| REVENUE | | | | | | |
| Charges for Services | \$ 2,889,869 | \$ 2,847,821 | \$ 5,284,821 | \$ 2,773,787 | \$ 8,174,690 | \$ 5,621,608 |
| Operating Grants and Contributions | 391,306 | 279,690 | - | 35,635 | 391,306 | 315,325 |
| Capital Grants and Contributions | 4,783,094 | 8,981,866 | 15,257,903 | 18,326,363 | 20,040,997 | 27,308,229 |
| Property Taxes | 7,488,228 | 5,294,950 | - | - | 7,488,228 | 5,294,950 |
| Franchise Taxes | 77,694 | - | - | - | 77,694 | - |
| Intergovernmental | 703,388 | 4,639 | 2,146 | - | 705,534 | 4,639 |
| Investment Earnings (Losses) | (380,657) | (13,874) | (221,053) | (20,945) | (601,710) | (34,819) |
| Other | 23,384 | - | - | - | 23,384 | - |
| Total Revenues | 15,976,306 | 17,395,092 | 20,323,817 | 21,114,840 | 36,300,123 | 38,509,932 |
| PROGRAM EXPENSES | | | | | | |
| General Government | 1,055,405 | 1,052,188 | - | - | 1,055,405 | 1,052,188 |
| Public Safety | 2,939,066 | 3,091,321 | - | - | 2,939,066 | 3,091,321 |
| Public Works | 4,831,584 | 3,735,767 | - | - | 4,831,584 | 3,735,767 |
| Parks and Recreation | 415,377 | 391,240 | - | - | 415,377 | 391,240 |
| Economic Development | - | 53,264 | - | - | - | 53,264 |
| Interest and Other Charges | 716,093 | 353,256 | - | - | 716,093 | 353,256 |
| Water | - | - | 3,280,875 | 2,665,708 | 3,280,875 | 2,665,708 |
| Sewer | - | - | 2,071,858 | 1,563,008 | 2,071,858 | 1,563,008 |
| Storm Sewer | - | - | 952,799 | 830,044 | 952,799 | 830,044 |
| Total Expenses | 9,957,525 | 8,677,036 | 6,305,532 | 5,058,760 | 16,263,057 | 13,735,796 |
| Increase (Decrease) in Net Position | | | | | | |
| Before Transfers/Other Items | 6,018,781 | 8,718,056 | 14,018,285 | 16,056,080 | 20,037,066 | 24,774,136 |
| Gain (Loss) on Disposal of Assets | 69,985 | 17,300 | - | - | 69,985 | 17,300 |
| Capital Asset Transfers | 3,261,225 | - | (3,261,225) | - | - | - |
| Transfers | - | 5,250,000 | - | (5,250,000) | - | - |
| Change in Net Position | 9,349,991 | 13,985,356 | 10,757,060 | 10,806,080 | 20,107,051 | 24,791,436 |
| Net Position - Beginning of Year | 57,135,202 | 43,149,846 | 73,756,262 | 62,950,182 | 130,891,464 | 106,100,028 |
| Net Position - End of Year | <u>\$ 66,485,193</u> | <u>\$ 57,135,202</u> | <u>\$ 84,513,322</u> | <u>\$ 73,756,262</u> | <u>\$ 150,998,515</u> | <u>\$ 130,891,464</u> |

The City's total revenues decreased by \$2,209,809 (5.74 percent). The total cost of all programs and services increased by \$2,527,261 (18.40 percent). Our following analysis separately considers the operations of governmental and business-type activities.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities decreased by \$1,418,786 (8.16 percent). The decrease in revenue is primarily due to a reduction in revenues from capital grants and contributions, resulting from significant contributions of infrastructure from developers during 2021. Total expenses increased \$1,280,489 (14.76 percent), primarily due to increased expenses for public works and debt service related costs. Such changes in expenses have been reviewed in greater detail below.

Table 3 presents the cost of each of the City's programs - general government, public safety, public works, parks and recreation, economic development, and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities (net of capital outlay which is excluded from Table 3) were generally comparable to the prior year as operations remained fairly consistent with the prior year, with the exception of:

- Public works net cost of services increased \$3,359,575, due to increases in maintenance project costs and depreciation expense, in conjunction with a decrease in revenues from contributed infrastructure previously discussed.
- Parks and recreation net cost of services increased \$1,661,085, largely due to the recognition of \$1,845,371 of park dedication revenues in 2021 as compared to \$199,740 in 2022. The 2021 park dedication revenues served as a reduction to the *net* costs of the department in 2021.
- Interest and Other Charges net cost of services increased \$362,837 as a result of additional interest expenses incurred and accrued for debt issued during late 2021 and throughout 2022.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|----------------------------|---------------------------|---------------------|-------------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| General Government | \$ 1,055,405 | \$ 1,052,188 | \$ 620,275 | \$ 509,657 |
| Public Safety | 2,939,066 | 3,091,321 | 635,737 | 808,506 |
| Public Works | 4,831,584 | 3,735,767 | (283,078) | (3,642,653) |
| Parks and Recreation | 415,377 | 391,240 | 204,253 | (1,456,832) |
| Economic Development | - | 53,264 | (24) | (4,275) |
| Interest and Other Charges | 716,093 | 353,256 | 716,093 | 353,256 |
| Totals | <u>\$ 9,957,525</u> | <u>\$ 8,677,036</u> | <u>\$ 1,893,256</u> | <u>\$ (3,432,341)</u> |

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$791,023 (3.75 percent) and program expenses increased by \$1,246,772 (24.65 percent). The decrease in revenues is due primarily to a decrease in MPCA grant revenues recognized in 2022 as compared to 2021. The increase in expenses is due largely to an increase in depreciation expense being recognized in 2022, due to various projects being finalized and placed into service. Additionally, interest expenses increased as a result of the new debt issuances previously discussed, which partially pertained to business-type activities.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page 27) reported a combined fund balance of \$24,435,594. This is a decrease of \$5,975,337 from the prior year. Operations were comparable to the prior year, with the exception of significant expenditures being incurred in 2022 for the City Hall and Fire Station building project, as well as bond proceeds and premiums of over \$16 million being recognized in the prior year. Financial information specific to the governmental funds is detailed on the following page. Such information was derived from the fund financials.

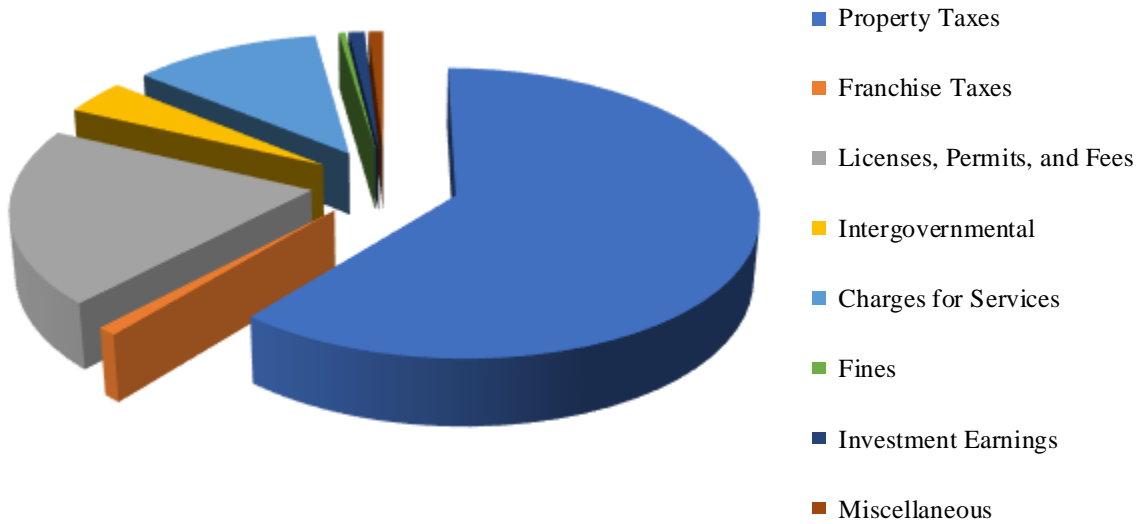
**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

| Major Funds | Fund Balance December 31, | | Increase (Decrease) |
|----------------|---------------------------|--------------|------------------------|
| | 2022 | 2021 | |
| General | \$ 7,540,239 | \$ 5,618,812 | \$ 1,921,427 |

The fund balance of the General Fund increased by \$1,921,427 compared to 2021. Details of the General Fund's revenues and expenditures are displayed below:

General Fund Revenues

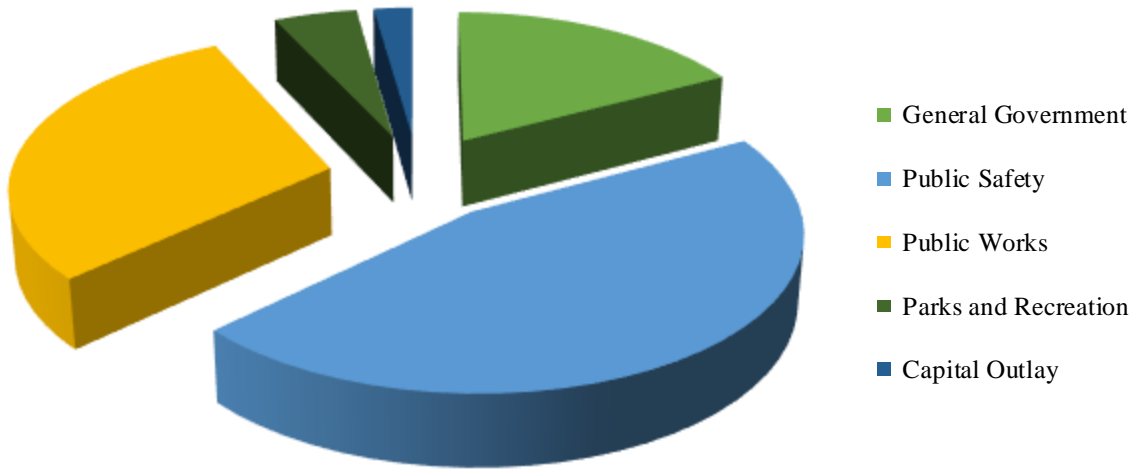


The City received the majority of its funding in the General Fund in the form of grants and funding received from property taxes (62.32 percent), licenses, permits, and fees (20.40 percent), charges for services (11.95 percent), and other governmental agencies (4.03 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception of property taxes that increased as planned with the 2022 levy.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the City's General Fund expenditures are used for public safety (45.82 percent). Remaining expenditures are used primarily for public works (29.90 percent) and general government (17.25 percent). Expenditures are comparable to the prior year.

| Major Funds | Fund Balance December 31, | | Increase (Decrease) |
|--------------------------|---------------------------|--------------|------------------------|
| | 2022 | 2021 | |
| Debt Service Fund | \$ 4,535,578 | \$ 3,890,901 | \$ 644,677 |

The Debt Service fund balance increased as a result of a decrease in loan principal payments made in 2022 as compared to 2021. Additionally, the City received bond proceeds during the year in relation to their 2022A G.O. Improvement and Tax Abatement Bond issuance.

| | | | |
|---|--------------|---------------|----------------|
| City Hall / Fire Station Bldg Project Fund | \$ 6,720,887 | \$ 15,220,166 | \$ (8,499,279) |
|---|--------------|---------------|----------------|

The City Hall / Fire Station Bldg Project fund balance decreased due to substantial capital outlay expenditures being incurred throughout the year for the construction of the City Hall and Fire Station project.

| | | | |
|-------------------------------------|------------|------------|--------------|
| Old Village Phases 5 & 6 | \$ (8,413) | \$ 323,317 | \$ (331,730) |
|-------------------------------------|------------|------------|--------------|

The Old Village Phases 5 & 6 fund balance decreased due to substantial capital outlay expenditures being incurred throughout the year for the corresponding project.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$820,875, excluding transfers in from other funds. Expenditures were less than those budgeted by \$1,185,372, excluding transfers to other funds. Budgeted expenditures in excess of actual amounts were mostly distributed across departments, but resulted most significantly from fire, building inspection, street maintenance, and public works capital outlay line items.

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$84,513,322. This is an increase of \$10,757,060 from the prior year. The following is a summary of the City's major proprietary funds:

| Major Funds | Net Position December 31, | | Increase (Decrease) |
|--------------|---------------------------|---------------|------------------------|
| | 2022 | 2021 | |
| Water | \$ 46,447,856 | \$ 40,073,644 | \$ 6,374,212 |

The Water Fund net position increased due to significant intergovernmental revenues received from the MPCA in relation to various projects during the year, as well as revenues being recognized in relation to infrastructure assets conveyed to the City by local developers.

| | | | |
|--------------|---------------|---------------|--------------|
| Sewer | \$ 25,298,195 | \$ 22,485,630 | \$ 2,812,565 |
|--------------|---------------|---------------|--------------|

The Sewer Fund net position increased as a result of approximately \$2.25 million of special assessments revenue being recognized during the year, along with significant developer contributions of infrastructure.

| | | | |
|--------------------|---------------|---------------|--------------|
| Storm Sewer | \$ 12,767,271 | \$ 11,196,988 | \$ 1,570,283 |
|--------------------|---------------|---------------|--------------|

The Storm Sewer Fund net position increased due to the City receiving developer contributed infrastructure during the year, \$1,994,356 of which was recognized in this fund.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had a net investment of \$161,875,371 in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, roads, and water, sewer, and storm sewer infrastructure. This amount represents a net increase of \$32,151,609 (24.78 percent) from last year. More detailed information about the City's capital assets is presented in Note 2.C. to the financial statements.

Significant capital asset activity from throughout the year consisted of the following:

- Developer contributions of infrastructure exceeded \$9 million in total.
- Costs incurred during the year for the City Hall and Fire Station project exceeded \$8.3 million.
- Costs incurred for the Old Village Phase 5 & 6 project exceeded \$5.4 million.

**Table 4
Capital Assets Net of Depreciation**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 3,453,979 | \$ 3,453,979 | \$ 3,668,869 | \$ 3,668,869 | \$ 7,122,848 | \$ 7,122,848 |
| Construction In Progress | 15,400,699 | 4,903,907 | 15,221,987 | 9,961,990 | 30,622,686 | 14,865,897 |
| Buildings | 2,904,470 | 2,994,635 | - | - | 2,904,470 | 2,994,635 |
| Other Improvements | 1,347,725 | 1,444,544 | - | - | 1,347,725 | 1,444,544 |
| Machinery and Equipment | 6,102,725 | 2,905,174 | 110,168 | 138,668 | 6,212,893 | 3,043,842 |
| Infrastructure | 42,589,616 | 36,987,394 | 71,075,133 | 63,264,602 | 113,664,749 | 100,251,996 |
| Totals | <u>\$71,799,214</u> | <u>\$52,689,633</u> | <u>\$90,076,157</u> | <u>\$77,034,129</u> | <u>\$161,875,371</u> | <u>\$129,723,762</u> |

Debt

At year-end, the City had \$61,209,616 in gross debt versus \$51,280,259 last year (an increase of 19.36 percent), as shown in Table 5. See additional information regarding these issuances in Note 2.D. to the financial statements.

**Table 5
Outstanding Debt at Year-End**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| G.O. Improvement Bonds | \$ 28,830,000 | \$ 26,705,000 | \$ 28,440,000 | \$ 22,195,000 | \$ 57,270,000 | \$ 48,900,000 |
| G.O. Equipment Certificates | 655,000 | 755,000 | - | - | 655,000 | 755,000 |
| G.O. Tax Abatement Bonds | 1,010,000 | - | - | - | 1,010,000 | - |
| Unamortized Bond Premium | 1,110,679 | 864,553 | 1,030,720 | 646,659 | 2,141,399 | 1,511,212 |
| Compensated Absences | 93,109 | 85,707 | 40,108 | 28,340 | 133,217 | 114,047 |
| Totals | <u>\$ 31,698,788</u> | <u>\$ 28,410,260</u> | <u>\$ 29,510,828</u> | <u>\$ 22,869,999</u> | <u>\$ 61,209,616</u> | <u>\$ 51,280,259</u> |

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- An update to the city's long-range financial management plan was completed in 2022 and now includes inflated averages for capital expenses such as roads and equipment in the 5-10 year horizon. The city is projected to maintain an estimated 2% annual increase in its tax rate over the next 10-year period while still meeting current service needs, adding a public works position, and funding capital needs while maintaining a fund balance above the city's policy of 50-60% of next year's expenses.
- Utility rate adjustments continue in accordance with the city's long-range financial management plan. For 2023, water and sewer rates were increased by 1% and stormwater rates increased by \$10.
- The City Council approved specifications and awarded a contract for Old Village Phase 7 in late 2022, early 2023. This is the last phase of the capital improvement project started in 2015 to bring municipal sewer to the Old Village Downtown area along with reconstructing streets and replacing aging watermain.
- Market interest rates on investments trended higher in 2022 and have continued to increase in 2023. The City is holding various investments that were purchased prior to 2022 that have lower rates of return due to the aforementioned increases. As a result, these investments have significant unrealized losses that would only be recognized if the City had to sell them before maturity. The City has sufficient cash and does not anticipate selling before maturity.
- The city began exploring a site for a new well in 2022. Efforts will continue in 2023 and may include treatment for PFAS contamination. Other major water capital projects on the horizon includes trunk main extensions and connecting existing neighborhoods vulnerable to PFAS to municipal water service.
- The City received a total of \$1,006,489 in American Recover Plan Act (ARPA) funding in two installments in 2021 and 2022. All funds are expected to be expended by the end of 2023. Projects included the extension of fiber to the public works building and municipal sewer trunk mains to city owned land on the western edge of town.
- The City expects to sell some of the 180 acres it owns along Ideal Ave to a developer in 2023 for business/industrial, commercial and housing purposes.
- With its close proximity to Minneapolis/St. Paul downtown area, easy access from a number of state highways, exceptional recreational offerings and low tax rate, Lake Elmo remains an attractive are for new residents and businesses. The city is seeing an increase in development interest for mutli family housing as well as from commercial and business/industrial developers. There remains hundreds of acres available for development in both the downtown area as well as along the I94 corridor.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 3800 Laverne Avenue North, Lake Elmo, Minnesota 55042.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | Governmental Activities | Business-Type Activities | Totals |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash, Cash Equivalents, and Investments | \$ 30,386,795 | \$ 18,497,336 | \$ 48,884,131 |
| Property Taxes Receivable | 116,183 | - | 116,183 |
| Assessments Receivable | 305,849 | 516,667 | 822,516 |
| Accounts Receivable | 2,736,834 | 5,815,540 | 8,552,374 |
| Interest Receivable | 29,332 | 15,000 | 44,332 |
| Due from Other Governments | 2,966 | 1,429,117 | 1,432,083 |
| Leases Receivable | 1,661,436 | - | 1,661,436 |
| Capital Assets Not Being Depreciated | 18,854,678 | 18,890,856 | 37,745,534 |
| Capital Assets Being Depreciated (Net) | 52,944,536 | 71,185,301 | 124,129,837 |
| Net Pension Asset | 597,355 | - | 597,355 |
| TOTAL ASSETS | 107,635,964 | 116,349,817 | 223,985,781 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 1,375,926 | 181,480 | 1,557,406 |
| LIABILITIES | | | |
| Accounts Payable | 2,355,274 | 288,058 | 2,643,332 |
| Salaries Payable | 19,321 | 13,831 | 33,152 |
| Construction Contracts Payable | 546,423 | 607,354 | 1,153,777 |
| Deposits Payable | 2,387,837 | - | 2,387,837 |
| Due to Other Governments | - | 176,759 | 176,759 |
| Payroll Deductions and Employer Contributions | 37,652 | - | 37,652 |
| Unearned Revenue | 772,010 | 575,000 | 1,347,010 |
| Accrued Interest Payable | 341,365 | 319,427 | 660,792 |
| Compensated Absences Payable: | | | |
| Due Within One Year | 69,832 | 30,081 | 99,913 |
| Due After One Year | 23,277 | 10,027 | 33,304 |
| Bonds Payable: | | | |
| Due Within One Year | 2,480,000 | 2,325,000 | 4,805,000 |
| Due After One Year | 29,125,679 | 27,145,720 | 56,271,399 |
| Net OPEB Liability: | | | |
| Due After One Year | 71,510 | 25,071 | 96,581 |
| Net Pension Liability: | | | |
| Due After One Year | 2,459,827 | 491,631 | 2,951,458 |
| TOTAL LIABILITIES | 40,690,007 | 32,007,959 | 72,697,966 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 205,090 | 10,016 | 215,106 |
| Leases | 1,631,600 | - | 1,631,600 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,836,690 | 10,016 | 1,846,706 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 39,647,112 | 59,998,083 | 99,645,195 |
| Restricted | 12,475,169 | - | 12,475,169 |
| Unrestricted | 14,362,912 | 24,515,239 | 38,878,151 |
| TOTAL NET POSITION | \$ 66,485,193 | \$ 84,513,322 | \$ 150,998,515 |

**CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,055,405 | \$ 409,126 | \$ 26,004 | \$ - | \$ (620,275) | \$ - | \$ (620,275) |
| Public Safety | 2,939,066 | 2,215,965 | 87,364 | - | (635,737) | - | (635,737) |
| Public Works | 4,831,584 | 58,414 | 273,154 | 4,783,094 | 283,078 | - | 283,078 |
| Parks and Recreation | 415,377 | 206,340 | 4,784 | - | (204,253) | - | (204,253) |
| Economic Development | - | 24 | - | - | 24 | - | 24 |
| Interest and Other Charges | 716,093 | - | - | - | (716,093) | - | (716,093) |
| Total Governmental Activities | 9,957,525 | 2,889,869 | 391,306 | 4,783,094 | (1,893,256) | - | (1,893,256) |
| Business-Type Activities: | | | | | | | |
| Water | 3,280,875 | 3,241,839 | - | 9,739,942 | - | 9,700,906 | 9,700,906 |
| Sewer | 2,071,858 | 1,499,393 | - | 3,523,352 | - | 2,950,887 | 2,950,887 |
| Storm Sewer | 952,799 | 543,589 | - | 1,994,609 | - | 1,585,399 | 1,585,399 |
| Total Business-Type Activities | 6,305,532 | 5,284,821 | - | 15,257,903 | - | 14,237,192 | 14,237,192 |
| TOTALS | \$ 16,263,057 | \$ 8,174,690 | \$ 391,306 | \$ 20,040,997 | (1,893,256) | 14,237,192 | 12,343,936 |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 7,488,228 | - | 7,488,228 |
| Franchise Taxes | | | | | 77,694 | - | 77,694 |
| Intergovernmental | | | | | 703,388 | 2,146 | 705,534 |
| Investment Earnings (Losses) | | | | | (380,657) | (221,053) | (601,710) |
| Gain (Loss) on Sale of Assets | | | | | 69,985 | - | 69,985 |
| Miscellaneous | | | | | 23,384 | - | 23,384 |
| Total General Revenues | | | | | 7,982,022 | (218,907) | 7,763,115 |
| Capital Asset Transfers | | | | | 3,261,225 | (3,261,225) | - |
| Total General Revenues and Transfers | | | | | 11,243,247 | (3,480,132) | 7,763,115 |
| CHANGE IN NET POSITION | | | | | 9,349,991 | 10,757,060 | 20,107,051 |
| NET POSITION - BEGINNING OF YEAR | | | | | 57,135,202 | 73,756,262 | 130,891,464 |
| NET POSITION - END OF YEAR | | | | | \$ 66,485,193 | \$ 84,513,322 | \$ 150,998,515 |

**CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

| | General Fund | Debt Service Fund | Capital Project Funds | | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--|-------------------------------|-----------------------------------|--------------------------|
| | | | City Hall / Fire Station Bldg Project Fund | Old Village Phases 5 & 6 Fund | | |
| ASSETS | | | | | | |
| Cash, Cash Equivalents, and Investments | \$ 10,744,465 | \$ 4,532,084 | \$ 7,695,512 | \$ 138,829 | \$ 7,275,905 | \$ 30,386,795 |
| Property Taxes Receivable | 116,183 | - | - | - | - | 116,183 |
| Assessments Receivable | 66,113 | 2,883,901 | - | - | 54,533 | 3,004,547 |
| Accounts Receivable | 38,136 | - | - | - | - | 38,136 |
| Interest Receivable | 8,406 | 3,004 | 11,371 | 97 | 6,454 | 29,332 |
| Due from Other Governments | 2,966 | - | - | - | - | 2,966 |
| Due from Other Funds | - | - | - | - | 51,975 | 51,975 |
| Leases Receivable | 1,661,436 | - | - | - | - | 1,661,436 |
| TOTAL ASSETS | \$ 12,637,705 | \$ 7,418,989 | \$ 7,706,883 | \$ 138,926 | \$ 7,388,867 | \$ 35,291,370 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 699,916 | \$ 500 | \$ 576,411 | \$ 10,501 | \$ 1,067,946 | \$ 2,355,274 |
| Salaries Payable | 19,321 | - | - | - | - | 19,321 |
| Payroll Deductions and Employer Contributions | 37,652 | - | - | - | - | 37,652 |
| Construction Contracts Payable | - | - | 409,585 | 136,838 | - | 546,423 |
| Deposits Payable | 2,387,837 | - | - | - | - | 2,387,837 |
| Due to Other Funds | - | - | - | - | 51,975 | 51,975 |
| Unearned Revenue | 204,900 | - | - | - | 567,110 | 772,010 |
| Total Liabilities | 3,349,626 | 500 | 985,996 | 147,339 | 1,687,031 | 6,170,492 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue: | | | | | | |
| Property Taxes | 50,127 | - | - | - | - | 50,127 |
| Special Assessments | 66,113 | 2,882,911 | - | - | 54,533 | 3,003,557 |
| Leases | 1,631,600 | - | - | - | - | 1,631,600 |
| Total Deferred Inflows of Resources | 1,747,840 | 2,882,911 | - | - | 54,533 | 4,685,284 |

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

| | General Fund | Debt Service Fund | Capital Project Funds | | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--|-------------------------------|-----------------------------------|--------------------------|
| | | | City Hall / Fire Station Bldg Project Fund | Old Village Phases 5 & 6 Fund | | |
| FUND BALANCES | | | | | | |
| Restricted | \$ - | \$ 4,535,578 | \$ 1,611,730 | \$ - | \$ 3,786,315 | \$ 9,933,623 |
| Committed | - | - | - | - | 14,120 | 14,120 |
| Assigned | - | - | 5,109,157 | - | 2,036,583 | 7,145,740 |
| Unassigned | 7,540,239 | - | - | (8,413) | (189,715) | 7,342,111 |
| Total Fund Balances | <u>7,540,239</u> | <u>4,535,578</u> | <u>6,720,887</u> | <u>(8,413)</u> | <u>5,647,303</u> | <u>24,435,594</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 12,637,705</u> | <u>\$ 7,418,989</u> | <u>\$ 7,706,883</u> | <u>\$ 138,926</u> | <u>\$ 7,388,867</u> | <u>\$ 35,291,370</u> |

**CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total Fund Balances - Governmental Funds \$ 24,435,594

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds:

| | | |
|--------------------------|---------------------|------------|
| Capital Assets | \$ 89,753,963 | |
| Accumulated Depreciation | <u>(17,954,749)</u> | |
| Capital Assets (Net) | | 71,799,214 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds Balance Sheet:

| | | |
|---|-----------------|--------------|
| Bond Principal Payable | (30,495,000) | |
| Bond Premium, Net of Accumulated Amortization | (1,110,679) | |
| Compensated Absences | <u>(93,109)</u> | |
| | | (31,698,788) |

The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:

| | | |
|--------------------|--|----------|
| Net OPEB Liability | | (71,510) |
|--------------------|--|----------|

The net pension asset/liability and related deferred outflows/inflows represent the allocation of pension obligations to the City. Such balances are not reported in the governmental funds:

| | | |
|------------------------------|------------------|-----------|
| Net Pension Asset | 597,355 | |
| Net Pension Liability | (2,459,827) | |
| Deferred Outflows - Pensions | 1,375,926 | |
| Deferred Inflows - Pensions | <u>(205,090)</u> | |
| | | (691,636) |

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

(341,365)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds:

| | | |
|--------------------------------|------------------|------------------|
| Property Taxes Receivable | 50,127 | |
| Special Assessments Receivable | <u>3,003,557</u> | |
| | | <u>3,053,684</u> |

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 66,485,193

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | General Fund | Debt Service Fund | Capital Project Funds | | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------------|-------------------|--|-------------------------------|-----------------------------------|--------------------------|
| | | | City Hall / Fire Station Bldg Project Fund | Old Village Phases 5 & 6 Fund | | |
| REVENUES | | | | | | |
| Property Taxes | \$ 5,029,144 | \$ 2,455,175 | \$ - | \$ - | \$ - | \$ 7,484,319 |
| Franchise Taxes | 77,694 | - | - | - | - | 77,694 |
| Special Assessments | - | 570,486 | - | - | - | 570,486 |
| Licenses, Permits, and Fees | 1,646,539 | - | - | - | - | 1,646,539 |
| Intergovernmental | 325,566 | - | - | - | 796,067 | 1,121,633 |
| Charges for Services | 964,422 | - | - | - | 206,340 | 1,170,762 |
| Fines | 34,711 | - | - | - | - | 34,711 |
| Investment Earnings (Losses) | (122,133) | (43,722) | (160,473) | (1,697) | (91,828) | (419,853) |
| Lease Interest | 39,196 | - | - | - | - | 39,196 |
| Miscellaneous | 74,273 | - | - | - | 76,153 | 150,426 |
| TOTAL REVENUES | 8,069,412 | 2,981,939 | (160,473) | (1,697) | 986,732 | 11,875,913 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government | 1,017,210 | - | - | - | - | 1,017,210 |
| Public Safety | 2,701,216 | - | - | - | - | 2,701,216 |
| Public Works | 1,763,030 | - | - | - | - | 1,763,030 |
| Parks and Recreation | 282,789 | - | - | - | - | 282,789 |
| Capital Outlay | 131,666 | - | 8,338,806 | 2,433,643 | 4,008,616 | 14,912,731 |
| Debt Service: | | | | | | |
| Principal | - | 1,870,000 | - | - | - | 1,870,000 |
| Interest and Other Charges | - | 522,761 | - | 40,577 | 48,298 | 611,636 |
| TOTAL EXPENDITURES | 5,895,911 | 2,392,761 | 8,338,806 | 2,474,220 | 4,056,914 | 23,158,612 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,173,501 | 589,178 | (8,499,279) | (2,475,917) | (3,070,182) | (11,282,699) |

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | General Fund | Debt Service Fund | Capital Project Funds | | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--|-------------------------------|-----------------------------------|--------------------------|
| | | | City Hall / Fire Station Bldg Project Fund | Old Village Phases 5 & 6 Fund | | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Sale of Assets | \$ - | \$ - | \$ - | \$ - | \$ 76,162 | \$ 76,162 |
| Bond Issuance | - | 55,499 | - | 2,020,000 | 2,829,501 | 4,905,000 |
| Premium on Bond Issuance | - | - | - | 124,187 | 202,013 | 326,200 |
| Transfers In | - | - | - | - | 252,074 | 252,074 |
| Transfers Out | (252,074) | - | - | - | - | (252,074) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(252,074)</u> | <u>55,499</u> | <u>-</u> | <u>2,144,187</u> | <u>3,359,750</u> | <u>5,307,362</u> |
| NET CHANGE IN FUND BALANCES | 1,921,427 | 644,677 | (8,499,279) | (331,730) | 289,568 | (5,975,337) |
| FUND BALANCES - BEGINNING | <u>5,618,812</u> | <u>3,890,901</u> | <u>15,220,166</u> | <u>323,317</u> | <u>5,357,735</u> | <u>30,410,931</u> |
| FUND BALANCES - ENDING | <u>\$ 7,540,239</u> | <u>\$ 4,535,578</u> | <u>\$ 6,720,887</u> | <u>\$ (8,413)</u> | <u>\$ 5,647,303</u> | <u>\$ 24,435,594</u> |

**CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ (5,975,337)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

| | | |
|---|----------------|------------|
| Capital Outlay Capitalized - Capital Assets | \$ 14,384,783 | |
| Depreciation Expense | (2,841,415) | |
| Capital Assets Acquired via Donation | 4,311,165 | |
| Capital Assets Transferred from Proprietary Funds | 3,261,225 | |
| Loss on Disposal of Assets | <u>(6,177)</u> | |
| | | 19,109,581 |

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

| | | |
|------------------------------|---------------|-------------|
| Bond Principal Repayments | 1,870,000 | |
| Bond Issuance | (4,905,000) | |
| Premium on Bond Issuance | (326,200) | |
| Amortization of Bond Premium | <u>80,074</u> | |
| | | (3,281,126) |

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

(184,531)

Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

| | | |
|---------------------|------------------|-----------|
| Property Taxes | 3,909 | |
| Special Assessments | <u>(210,682)</u> | |
| | | (206,773) |

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 the governmental funds:

| | | |
|----------------------|--|---------|
| Compensated Absences | | (7,402) |
|----------------------|--|---------|

Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

| | | |
|--|------------------|------------------|
| Net OPEB Liability and Deferred Outflows/Inflows of Resources | 9,282 | |
| Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources | <u>(113,703)</u> | |
| | | <u>(104,421)</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,349,991

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

| | Water Fund | Sewer Fund | Storm Sewer Fund | Totals |
|--|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 5,738,584 | \$ 11,502,451 | \$ 1,256,301 | \$ 18,497,336 |
| Assessments Receivable | 147,092 | 337,452 | 32,123 | 516,667 |
| Accounts Receivable | 239,219 | 165,091 | 306,187 | 710,497 |
| Interest Receivable | 4,338 | 9,578 | 1,084 | 15,000 |
| Due from Other Governments | 1,429,117 | - | - | 1,429,117 |
| Total Current Assets | <u>7,558,350</u> | <u>12,014,572</u> | <u>1,595,695</u> | <u>21,168,617</u> |
| Noncurrent Assets: | | | | |
| Capital Assets Not Being Depreciated | 14,682,205 | 4,208,651 | - | 18,890,856 |
| Capital Assets Being Depreciated (Net) | 39,254,225 | 18,222,109 | 13,708,967 | 71,185,301 |
| Assessments Receivable | 386,429 | 4,717,277 | 1,337 | 5,105,043 |
| Total Noncurrent Assets | <u>54,322,859</u> | <u>27,148,037</u> | <u>13,710,304</u> | <u>95,181,200</u> |
| TOTAL ASSETS | <u>61,881,209</u> | <u>39,162,609</u> | <u>15,305,999</u> | <u>116,349,817</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pensions | 109,550 | 45,920 | 26,010 | 181,480 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 218,537 | 64,215 | 5,306 | 288,058 |
| Salaries Payable | 8,847 | 3,692 | 1,292 | 13,831 |
| Construction Contracts Payable | 443,482 | 163,872 | - | 607,354 |
| Due to Other Governments | - | 176,759 | - | 176,759 |
| Unearned Revenue | 575,000 | - | - | 575,000 |
| Accrued Interest | 145,065 | 151,558 | 22,804 | 319,427 |
| Compensated Absences | 19,700 | 6,784 | 3,597 | 30,081 |
| Bonds Due Within One Year | 1,200,000 | 915,000 | 210,000 | 2,325,000 |
| Total Current Liabilities | <u>2,610,631</u> | <u>1,481,880</u> | <u>242,999</u> | <u>4,335,510</u> |
| Noncurrent Liabilities: | | | | |
| Compensated Absences | 6,567 | 2,261 | 1,199 | 10,027 |
| Bonds Due After One Year | 12,607,861 | 12,292,623 | 2,245,236 | 27,145,720 |
| Net OPEB Liability | 15,131 | 6,378 | 3,562 | 25,071 |
| Net Pension Liability | 296,669 | 124,652 | 70,310 | 491,631 |
| Total Noncurrent Liabilities | <u>12,926,228</u> | <u>12,425,914</u> | <u>2,320,307</u> | <u>27,672,449</u> |
| TOTAL LIABILITIES | <u>15,536,859</u> | <u>13,907,794</u> | <u>2,563,306</u> | <u>32,007,959</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pensions | 6,044 | 2,540 | 1,432 | 10,016 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 39,685,087 | 9,059,265 | 11,253,731 | 59,998,083 |
| Unrestricted | 6,762,769 | 16,238,930 | 1,513,540 | 24,515,239 |
| TOTAL NET POSITION | <u>\$ 46,447,856</u> | <u>\$ 25,298,195</u> | <u>\$ 12,767,271</u> | <u>\$ 84,513,322</u> |

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Water Fund | Sewer Fund | Storm Sewer Fund | Totals |
|--|----------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 1,761,364 | \$ 671,474 | \$ 510,061 | \$ 2,942,899 |
| OPERATING EXPENSES | | | | |
| Wages and Benefits | 453,262 | 211,488 | 118,674 | 783,424 |
| Materials and Supplies | 204,340 | 26,354 | 10,885 | 241,579 |
| Repairs and Maintenance | 84,958 | 25,283 | 35,370 | 145,611 |
| Professional Services | 98,275 | 57,067 | 29,992 | 185,334 |
| Insurance | 11,215 | 4,477 | 7,029 | 22,721 |
| Utilities | 176,806 | 448,325 | 572 | 625,703 |
| Miscellaneous | 37,158 | 31,189 | 13,432 | 81,779 |
| Depreciation | 1,868,224 | 960,729 | 691,840 | 3,520,793 |
| TOTAL OPERATING EXPENSES | <u>2,934,238</u> | <u>1,764,912</u> | <u>907,794</u> | <u>5,606,944</u> |
| NET OPERATING INCOME (LOSS) | (1,172,874) | (1,093,438) | (397,733) | (2,664,045) |
| NONOPERATING INCOME (EXPENSE) | | | | |
| Special Assessments | 73,461 | 2,250,585 | 253 | 2,324,299 |
| Intergovernmental | 8,164,179 | 544 | 307 | 8,165,030 |
| Connection Fees | 1,080,400 | 801,100 | - | 1,881,500 |
| Capital Contributions from Private Sources | 1,503,597 | 1,272,767 | 1,994,356 | 4,770,720 |
| Investment Earnings (Losses) | (66,764) | (138,866) | (15,423) | (221,053) |
| Miscellaneous | 400,075 | 26,819 | 33,528 | 460,422 |
| Interest and Other Charges | (346,637) | (306,946) | (45,005) | (698,588) |
| TOTAL NONOPERATING INCOME (EXPENSE) | <u>10,808,311</u> | <u>3,906,003</u> | <u>1,968,016</u> | <u>16,682,330</u> |
| CHANGE IN NET POSITION PRIOR TO TRANSFERS | 9,635,437 | 2,812,565 | 1,570,283 | 14,018,285 |
| TRANSFERS | | | | |
| Interfund Capital Asset Transfers | (3,261,225) | - | - | (3,261,225) |
| CHANGE IN NET POSITION | 6,374,212 | 2,812,565 | 1,570,283 | 10,757,060 |
| NET POSITION - BEGINNING OF YEAR | <u>40,073,644</u> | <u>22,485,630</u> | <u>11,196,988</u> | <u>73,756,262</u> |
| NET POSITION - END OF YEAR | <u>\$ 46,447,856</u> | <u>\$ 25,298,195</u> | <u>\$ 12,767,271</u> | <u>\$ 84,513,322</u> |

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Water Fund | Sewer Fund | Storm Sewer Fund | Totals |
|---|---------------------|----------------------|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 1,623,571 | \$ 647,496 | \$ 623,680 | \$ 2,894,747 |
| Cash Paid to Suppliers | (597,429) | (424,097) | (92,883) | (1,114,409) |
| Cash Paid to Employees | (400,097) | (187,296) | (104,817) | (692,210) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 626,045 | 36,103 | 425,980 | 1,088,128 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Taxes and Intergovernmental | 1,295 | 544 | 307 | 2,146 |
| Other Receipts from Customers | 1,090,475 | 827,919 | 33,528 | 1,951,922 |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | 1,091,770 | 828,463 | 33,835 | 1,954,068 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Special Assessments | 106,840 | 867,924 | 8,167 | 982,931 |
| Intergovernmental and Other | 7,399,308 | - | - | 7,399,308 |
| Purchases of Capital Assets | (11,738,573) | (3,032,390) | - | (14,770,963) |
| Payments on Bond Principal | (825,000) | (315,000) | (205,000) | (1,345,000) |
| Proceeds from Debt Issuance | 4,622,646 | 3,406,099 | - | 8,028,745 |
| Cash Paid for Interest and Other Charges | (299,918) | (240,955) | (52,713) | (593,586) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (734,697) | 685,678 | (249,546) | (298,565) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment Income | (64,999) | (140,185) | (15,750) | (220,934) |
| Net Change in Cash and Cash Equivalents | 918,119 | 1,410,059 | 194,519 | 2,522,697 |
| Cash and Cash Equivalents - Beginning of Year | 4,820,465 | 10,092,392 | 1,061,782 | 15,974,639 |
| Cash and Cash Equivalents - End of Year | <u>\$ 5,738,584</u> | <u>\$ 11,502,451</u> | <u>\$ 1,256,301</u> | <u>\$ 18,497,336</u> |

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Water Fund | Sewer Fund | Storm Sewer Fund | Totals |
|---|-----------------------|---------------------|---------------------|-----------------------|
| RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Net Operating Income (Loss) | \$ (1,172,874) | \$ (1,093,438) | \$ (397,733) | \$ (2,664,045) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | 1,868,224 | 960,729 | 691,840 | 3,520,793 |
| Changes in Assets, Liabilities, and Deferrals: | | | | |
| Accounts Receivable | (23,051) | (23,978) | 113,619 | 66,590 |
| Special Assessments | (114,742) | - | - | (114,742) |
| Accounts Payable | 15,323 | 12,143 | 4,397 | 31,863 |
| Due to Other Governments | - | 156,455 | - | 156,455 |
| Salaries Payable | 840 | 559 | (305) | 1,094 |
| Compensated Absences | 7,283 | 2,680 | 1,805 | 11,768 |
| Net OPEB Liability | 3,980 | 1,282 | 812 | 6,074 |
| Net Pension Liability | 169,857 | 73,293 | 41,807 | 284,957 |
| Deferred Outflows of Resources - Pensions | (15,289) | (7,745) | (4,823) | (27,857) |
| Deferred Inflows of Resources - Pensions | (113,506) | (45,877) | (25,439) | (184,822) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 626,045</u> | <u>\$ 36,103</u> | <u>\$ 425,980</u> | <u>\$ 1,088,128</u> |
| SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Contribution of Capital Assets from Private Sources | <u>\$ 1,503,597</u> | <u>\$ 1,272,767</u> | <u>\$ 1,994,356</u> | <u>\$ 4,770,720</u> |
| Contribution of Capital Assets to Governmental Activities | <u>\$ (3,261,225)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,261,225)</u> |

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lake Elmo, Minnesota (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, and storm sewer utilities, recreation, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Lake Elmo, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority of the City of Lake Elmo

The Economic Development Authority (EDA) of Lake Elmo is an entity legally separate from the City. The EDA provides services primarily to the City of Lake Elmo and the City Council appoints the EDA's board members. Therefore, the EDA has been reported as a blended component unit of the City. The EDA does not issue its own separate financial statements.

The financial activity of the Authority is performed by the City of Lake Elmo and treated as routine City business.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Related Organizations

The Lake Elmo Firefighters Relief Association (the Association) is organized as a non-profit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with Minnesota Statutes. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby State aids flow to the Association, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the general fund under public safety.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which the City has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

The *City Hall / Fire Station Bldg Project Fund* is a capital project fund used to account for financial resources related to the construction of a new City Center/Fire Station and Public Works addition. The project is expected to be completed in 2023.

The *Old Village Phases 5 & 6 Fund* is a capital project fund used to account for financial resources related to the Old Village streets improvement project.

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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

The City reports the following nonmajor governmental fund types:

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below. In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the *accrual* basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual* basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statements of Net Position, “cash, cash equivalents, and investments” includes all demand, savings, and money market savings accounts for the City, as well as certain investments discussed below. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand, savings, and money market savings accounts, as well as portions of investment balances that are pooled with other funds.

Investments

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and charges for services. Business-type activities report utility charges and assessments as their major receivables.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

(Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines, and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Leases Receivable

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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 and an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|-------------|
| Buildings | 10-50 years |
| Other Improvements | 10-20 years |
| Machinery and Equipment | 5-25 years |
| Infrastructure | 20-40 years |

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY
(Continued)**

Accounts Payable

Payables in the governmental and proprietary funds are composed almost entirely of payables to vendors.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal time off (PTO), compensatory time, and sick pay benefits. All PTO, compensatory time, and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would typically be used to liquidate the compensated absences.

Long-Term Debt

The accounting treatment of long-term debt and other long-term debt obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, but also includes various other obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the City provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Net Pension Asset/Liability

The net pension asset represents the Lake Elmo Firefighters Relief Association's net pension asset as of the most recent actuarial measurement date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration (PERA).

PERA

For purposes of measuring the net pension asset and 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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY
(Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. A previously discussed, the City reports deferred inflows of resources in both the governmental fund Balance Sheet and the government-wide Statement of Net Position in relation to its leasing activities. The City also reports property taxes and special assessments as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. There are no nonspendable fund balances at December 31, 2022.

Restricted – That portion of fund balance which is not available for appropriation, or which has been legally segregated for a specific purpose.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY
(Continued)

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the power to assign fund balances to the City Administrator and/or the Finance Director.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The City strives to maintain a minimum unassigned fund balance in the General Fund of an amount that is not less than 50% to 60% of the next year’s budgeted expenditures of the General Fund.

See Note 2.F. for additional disclosures.

Proprietary Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements, as described on the previous page.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Washington County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The City certifies its levy to the County each year in December, for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable include the past six years’ uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related to financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

| | |
|-----------------------------------|--|
| Governmental Funds - By Character | Current (further classified by Function) |
| | Capital Outlay |
| | Debt Service |

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

1.G. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation in the City's Management's Discussion and Analysis and Basic Financial Statements. Such reclassifications have no impact on the change in net position.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.H. RECENTLY ISSUED ACCOUNTING STANDARD

During the current fiscal year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard changes previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Because the overall impact of the changes was not significant, no restatements to beginning net position were necessary.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2022, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance and collateral held by the City’s agent in the City’s name.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment balances at December 31, 2022 are as follows:

| Investment Type | S & P's Credit Rating | Fair Value Level | Fair Value | Investment Maturities (in Years) | | |
|----------------------------------|-----------------------------|---------------------|----------------------|----------------------------------|---------------------|-------------------|
| | | | | Less Than 1 | 1 - 5 | 6 - 10 |
| Money Market Funds | N/A | N/A | \$ 408,582 | \$ 408,582 | \$ - | \$ - |
| U.S. Government Bonds | AA+ | Level 2 | 8,007,228 | 3,853,123 | 4,154,105 | - |
| Municipal Bonds | A to AAA | Level 2 | 2,670,506 | 593,639 | 1,421,143 | 655,724 |
| Brokered Certificates of Deposit | NR | Level 2 | <u>3,727,992</u> | <u>480,296</u> | <u>3,247,696</u> | <u>-</u> |
| Totals | | | <u>\$ 14,814,308</u> | <u>\$ 5,335,640</u> | <u>\$ 8,822,944</u> | <u>\$ 655,724</u> |

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City’s investments. The City’s policy to minimize credit risk includes limiting investing funds to those allowable under Minnesota Statute 118A, annually appointing all financial institutions where investments are held, and diversifying the investment portfolio. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s investment policy requires its brokers to be licensed with the appropriate federal and state agencies. A minimum capital requirement of \$10,000,000 and at least five years of operation is mandatory. Investments in securities are held by the City’s broker-dealers. The securities at each broker-dealer are insured \$500,000 through SIPC. Each broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer’s accounts.
- Concentration of Credit Risk is the risk associated with the magnitude of the City’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy allows no more than 5 percent of the overall portfolio to be invested in a single issuer, except for the securities of the U.S. Government, or a maximum of 25 percent with any individual counter party in an external investment pool. At December 31, 2022, the City did not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment policy states that extended maturities may be utilized to take advantage of higher yields; however no more than 25 percent of total investments should extend beyond five years and in no circumstance should any extend beyond ten years. The City’s investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations.

Deposits and Investments Summary

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

| | | |
|---|--------|-----------------------|
| Carrying Amount of Deposits | \$ | 34,069,823 |
| Investments | | 14,814,308 |
| Total | \$ | <u>48,884,131</u> |
| <i>Government-wide</i> | | |
| Cash, Cash Equivalents, and Investments | \$ | <u>48,884,131</u> |

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. LEASE RECEIVABLES

The City has executed various arrangements under which the City leases property to external parties. A summary of the pertinent terms for these leasing arrangements, as well as the corresponding lease receivables, is presented below:

Governmental Activities

| Description | Original Amount | Total Annual Lease Payment | Interest Rate(s) | Maturity Date | Remaining Amount |
|---|--------------------|-------------------------------|---------------------|------------------|---------------------|
| Wireless Site Lease | \$ 58,510 | \$20,441 | 3.25% | 12/31/2024 | \$ 39,636 |
| Wireless Site Lease | 548,874 | \$2,500 - \$55,902 | 5.50% | 11/30/2047 | 548,878 |
| Wireless Site Lease | 696,030 | \$27,987 - \$55,425 | 3.25% | 6/30/2043 | 681,032 |
| Land Lease | 400,078 | \$21,012 - \$31,847 | 3.25% | 12/31/2043 | 391,890 |
| Total Governmental Activities Lease Receivables | | | | | <u>\$ 1,661,436</u> |

During the year ended December 31, 2022, the City recognized revenues from leasing activities under the arrangements above within governmental activities in the amount of \$111,088.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

| | Balance at 01/01/22 | Additions | Disposals | Transfers | Balance at 12/31/22 |
|---|------------------------|----------------------|-------------------|---------------------|------------------------|
| <i>Governmental Activities</i> | | | | | |
| Capital Assets not Being Depreciated | | | | | |
| Land | \$ 3,453,979 | \$ - | \$ - | \$ - | \$ 3,453,979 |
| Construction In Progress | <u>4,903,907</u> | <u>14,070,567</u> | <u>-</u> | <u>(3,573,775)</u> | <u>15,400,699</u> |
| Total Capital Assets not Being Depreciated | 8,357,886 | 14,070,567 | - | (3,573,775) | 18,854,678 |
| Capital Assets Being Depreciated | | | | | |
| Buildings | 4,330,670 | - | - | - | 4,330,670 |
| Other Improvements | 2,780,348 | - | - | - | 2,780,348 |
| Machinery and Equipment | 5,824,177 | 314,216 | (197,042) | 3,261,225 | 9,202,576 |
| Infrastructure | <u>46,700,751</u> | <u>4,311,165</u> | <u>-</u> | <u>3,573,775</u> | <u>54,585,691</u> |
| Total Capital Assets Being Depreciated | 59,635,946 | 4,625,381 | (197,042) | 6,835,000 | 70,899,285 |
| Less: Accumulated Depreciation | | | | | |
| Buildings | (1,336,035) | (90,165) | - | - | (1,426,200) |
| Other Improvements | (1,335,804) | (96,820) | - | - | (1,432,624) |
| Machinery and Equipment | (2,919,003) | (371,713) | 190,865 | - | (3,099,851) |
| Infrastructure | <u>(9,713,357)</u> | <u>(2,282,717)</u> | <u>-</u> | <u>-</u> | <u>(11,996,074)</u> |
| Total Accumulated Depreciation | <u>(15,304,199)</u> | <u>(2,841,415)</u> | <u>190,865</u> | <u>-</u> | <u>(17,954,749)</u> |
| Total Capital Assets Being Depreciated, Net | <u>44,331,747</u> | <u>1,783,966</u> | <u>(6,177)</u> | <u>6,835,000</u> | <u>52,944,536</u> |
| Capital Assets, Net | <u>\$ 52,689,633</u> | <u>\$ 15,854,533</u> | <u>\$ (6,177)</u> | <u>\$ 3,261,225</u> | <u>\$ 71,799,214</u> |

Depreciation is charged to governmental activities as follows:

| | |
|----------------------------|---------------------|
| General Government | \$ 11,911 |
| Public Safety | 178,479 |
| Public Works | 2,527,129 |
| Parks and Recreation | <u>123,896</u> |
| Total Depreciation Expense | <u>\$ 2,841,415</u> |

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. CAPITAL ASSETS (Continued)

| | <u>Balance at</u> 01/01/22 | <u>Additions</u> | <u>Disposals</u> | <u>Transfers</u> | <u>Balance at</u> 12/31/22 |
|---|-------------------------------|----------------------|------------------|-----------------------|-------------------------------|
| <i>Business-Type Activities</i> | | | | | |
| Capital Assets not Being Depreciated | | | | | |
| Land | \$ 3,668,869 | \$ - | \$ - | \$ - | \$ 3,668,869 |
| Construction In Progress | <u>9,961,990</u> | <u>14,870,831</u> | <u>-</u> | <u>(9,610,834)</u> | <u>15,221,987</u> |
| Total Capital Assets not Being Depreciated | 13,630,859 | 14,870,831 | - | (9,610,834) | 18,890,856 |
| Capital Assets Being Depreciated | | | | | |
| Machinery and Equipment | 413,699 | - | - | - | 413,699 |
| Infrastructure | <u>77,831,857</u> | <u>4,953,215</u> | <u>-</u> | <u>6,349,609</u> | <u>89,134,681</u> |
| Total Capital Assets Being Depreciated | 78,245,556 | 4,953,215 | - | 6,349,609 | 89,548,380 |
| Less: Accumulated Depreciation | | | | | |
| Machinery and Equipment | (275,031) | (28,500) | - | - | (303,531) |
| Infrastructure | <u>(14,567,255)</u> | <u>(3,492,293)</u> | <u>-</u> | <u>-</u> | <u>(18,059,548)</u> |
| Total Accumulated Depreciation | <u>(14,842,286)</u> | <u>(3,520,793)</u> | <u>-</u> | <u>-</u> | <u>(18,363,079)</u> |
| Total Capital Assets Being Depreciated, Net | <u>63,403,270</u> | <u>1,432,422</u> | <u>-</u> | <u>6,349,609</u> | <u>71,185,301</u> |
| Capital Assets, Net | <u>\$ 77,034,129</u> | <u>\$ 16,303,253</u> | <u>\$ -</u> | <u>\$ (3,261,225)</u> | <u>\$ 90,076,157</u> |

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Debt Detail

General Obligation Bonds and Certificates

The City of Lake Elmo issues general obligation bonds and certificates to finance the acquisition and construction of major capital facilities and infrastructure throughout the City. General obligation bonds and certificates have been issued for both activities pertaining to governmental and business-type operations. All bonds are direct obligations of the City and pledge the full faith and credit of the City. As of December 31, 2022, the long-term debt of the financial reporting entity, excluding compensated absences payable and the net pension and OPEB liabilities, consists of the following:

| Description | Original Issue Amount | Interest Rates | Final Maturity Date | Balance Outstanding |
|--|--------------------------|-------------------|------------------------|------------------------|
| <i>Governmental Activities</i> | | | | |
| General Obligation Improvement Bonds: | | | | |
| GO Refunding Bonds, Series 2010B | \$ 1,970,000 | 1.00 - 3.20% | 2025 | \$ 555,000 |
| GO Improvement Bonds, Series 2012B | 865,000 | 0.50 - 1.90% | 2023 | 95,000 |
| GO Improvement Bonds, Series 2014A | 2,850,000 | 2.00 - 3.50% | 2030 | 1,385,000 |
| GO Improvement Bonds, Series 2015A | 1,620,000 | 2.00 - 3.00% | 2026 | 650,000 |
| GO Improvement Bonds, Series 2016A | 2,690,000 | 2.00 - 2.00% | 2027 | 1,410,000 |
| GO Improvement Bonds, Series 2017A | 4,565,000 | 2.50 - 2.50% | 2028 | 2,860,000 |
| GO Improvement Bonds, Series 2019A | 2,860,000 | 2.00 - 3.00% | 2035 | 2,355,000 |
| GO Improvement Bonds, Series 2021A | 15,675,000 | 1.75 - 3.00% | 2042 | 15,625,000 |
| GO Improvement Bonds, Series 2022A | 3,895,000 | 3.00 - 5.00% | 2038 | <u>3,895,000</u> |
| Total General Obligation Improvement Bonds | | | | 28,830,000 |
| General Obligation Equipment Certificates: | | | | |
| GO Equipment Certificates, Series 2018A | 940,000 | 2.70 - 2.70% | 2028 | 655,000 |
| General Obligation Tax Abatement Bonds: | | | | |
| GO Tax Abatement Bonds, Series 2022A | 1,010,000 | 3.00 - 5.00% | 2033 | <u>1,010,000</u> |
| Total Governmental Activities Debt | | | | <u>\$ 30,495,000</u> |
| <i>Business-Type Activities</i> | | | | |
| General Obligation Revenue Bonds: | | | | |
| GO Refunding Bonds, Series 2012A | \$ 4,035,000 | 2.00 - 2.50% | 2030 | \$ 2,530,000 |
| GO Improvement Bonds, Series 2014A | 3,385,000 | 2.00 - 3.50% | 2030 | 1,940,000 |
| GO Improvement Bonds, Series 2015A | 1,195,000 | 2.00 - 3.00% | 2031 | 770,000 |
| GO Improvement Bonds, Series 2016A | 6,855,000 | 2.00 - 2.00% | 2032 | 4,790,000 |
| GO Improvement Bonds, Series 2017A | 4,480,000 | 2.50 - 3.00% | 2033 | 3,440,000 |
| GO Improvement Bonds, Series 2019A | 1,195,000 | 2.00 - 3.00% | 2035 | 1,070,000 |
| GO Improvement Bonds, Series 2021A | 6,310,000 | 1.75 - 3.00% | 2037 | 6,310,000 |
| GO Improvement Bonds, Series 2022A | 7,590,000 | 3.00 - 5.00% | 2037 | <u>7,590,000</u> |
| Total Business-Type Activities Debt | | | | <u>\$ 28,440,000</u> |

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities, excluding the net pension and OPEB liabilities, for the year ended December 31, 2022:

| Type of Debt | Balance 01/01/22 | Additions | Deductions | Balance 12/31/22 | Amounts Due Within One Year |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| <i>Governmental Activities</i> | | | | | |
| G.O. Improvement Bonds | \$ 26,705,000 | \$ 3,895,000 | \$ (1,770,000) | \$ 28,830,000 | \$ 2,380,000 |
| G.O. Equipment Certificates | 755,000 | - | (100,000) | 655,000 | 100,000 |
| G.O. Tax Abatement Bonds | - | 1,010,000 | - | 1,010,000 | - |
| Unamortized Bond Premium | 864,553 | 326,200 | (80,074) | 1,110,679 | - |
| Compensated Absences | <u>85,707</u> | <u>-</u> | <u>7,402</u> | <u>93,109</u> | <u>69,832</u> |
| Total | <u>\$ 28,410,260</u> | <u>\$ 5,231,200</u> | <u>\$ (1,942,672)</u> | <u>\$ 31,698,788</u> | <u>\$ 2,549,832</u> |
| <i>Business-Type Activities</i> | | | | | |
| G.O. Revenue Bonds | \$ 22,195,000 | \$ 7,590,000 | \$ (1,345,000) | \$ 28,440,000 | \$ 2,325,000 |
| Unamortized Bond Premium | 646,659 | 438,745 | (54,684) | 1,030,720 | - |
| Compensated Absences | <u>28,340</u> | <u>-</u> | <u>11,768</u> | <u>40,108</u> | <u>30,081</u> |
| Total | <u>\$ 22,869,999</u> | <u>\$ 8,028,745</u> | <u>\$ (1,387,916)</u> | <u>\$ 29,510,828</u> | <u>\$ 2,355,081</u> |

Governmental activity debt is typically funded through the Debt Service Fund. Business-Type activity debt is typically funded through the Water Fund, Sewer Fund, Storm Sewer Fund. Compensated absences are funded through the funds to which the respective employees' wages are allocated.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2022, the estimated annual debt service requirements to maturity, including principal and interest and excluding compensated absences payable and net pension and OPEB liabilities, are as follows:

| Years Ending December 31, | Governmental Activities | | | | | |
|------------------------------|-------------------------|---------------------|----------------------|-----------------------------|------------------|-------------------|
| | G.O. Improvement Bonds | | | G.O. Equipment Certificates | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 2,380,000 | \$ 728,167 | \$ 3,108,167 | \$ 100,000 | \$ 16,336 | \$ 116,336 |
| 2024 | 2,520,000 | 666,738 | 3,186,738 | 105,000 | 13,568 | 118,568 |
| 2025 | 2,500,000 | 593,287 | 3,093,287 | 110,000 | 10,665 | 120,665 |
| 2026 | 2,370,000 | 521,879 | 2,891,879 | 110,000 | 7,695 | 117,695 |
| 2027 | 2,270,000 | 453,576 | 2,723,576 | 115,000 | 4,656 | 119,656 |
| 2028-2032 | 7,485,000 | 1,463,787 | 8,948,787 | 115,000 | 1,551 | 116,551 |
| 2033-2037 | 6,145,000 | 692,894 | 6,837,894 | - | - | - |
| 2038-2042 | 3,160,000 | 163,260 | 3,323,260 | - | - | - |
| Totals | <u>\$ 28,830,000</u> | <u>\$ 5,283,588</u> | <u>\$ 34,113,588</u> | <u>\$ 655,000</u> | <u>\$ 54,471</u> | <u>\$ 709,471</u> |

| Years Ending December 31, | Governmental Activities | | | Business-Type Activities | | |
|------------------------------|--------------------------|-------------------|---------------------|--------------------------|---------------------|----------------------|
| | G.O. Tax Abatement Bonds | | | G.O. Revenue Bonds | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ - | \$ 43,796 | \$ 43,796 | \$ 2,325,000 | \$ 775,011 | \$ 3,100,011 |
| 2024 | 80,000 | 43,700 | 123,700 | 2,190,000 | 721,408 | 2,911,408 |
| 2025 | 85,000 | 39,575 | 124,575 | 2,255,000 | 656,721 | 2,911,721 |
| 2026 | 90,000 | 35,200 | 125,200 | 2,310,000 | 589,783 | 2,899,783 |
| 2027 | 95,000 | 30,575 | 125,575 | 2,375,000 | 520,563 | 2,895,563 |
| 2028-2032 | 540,000 | 77,950 | 617,950 | 11,470,000 | 1,513,126 | 12,983,126 |
| 2033-2037 | 120,000 | 1,800 | 121,800 | 5,515,000 | 343,929 | 5,858,929 |
| Totals | <u>\$ 1,010,000</u> | <u>\$ 272,596</u> | <u>\$ 1,282,596</u> | <u>\$ 28,440,000</u> | <u>\$ 5,120,541</u> | <u>\$ 33,560,541</u> |

Interest expense totals \$1,332,788 in the Statement of Activities (included in Debt Service, Water, Sewer, and Storm Sewer lines). Interest expenditures total \$519,487 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$628,771 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2022:

| Major Funds | Transfers Out | Transfers In | |
|-------------|------------------------|--------------------------------------|------------------------|
| General | \$ 252,074 | Nonmajor Capital Project Funds | Total |
| | <u>\$ 252,074</u> | <u>\$ 252,074</u> | <u>\$ 252,074</u> |

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at year-end are as follows:

| Short-Term Balances | | Amount | Reason |
|------------------------------------|---|------------------------|-------------------------|
| Due To Fund | Due From Fund | | |
| Infrastructure Reserve Fund | CSAH 15 Manning Avenue Phase 3 Fund | \$ 3,525 | Eliminate negative cash |
| Infrastructure Reserve Fund | TH36 Lake Elmo Avenue Improvements Fund | 2,515 | Eliminate negative cash |
| Infrastructure Reserve Fund | Old Village Phase 7 Fund | 34,601 | Eliminate negative cash |
| Infrastructure Reserve Fund | 2023 Street Improvements Fund | <u>11,334</u> | Eliminate negative cash |
| Total Short-Term Interfund Balance | | 51,975 | |
| Government Fund Elimination | | <u>(51,975)</u> | |
| Government-wide Internal Balances | | <u>\$ -</u> | |

Interfund balances are to be repaid as cash flows become available.

2.F. FUND EQUITY

At December 31, 2022, governmental fund equity consists of the following:

| | Restricted | Committed | Assigned | Unassigned |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| General Fund | | | | |
| Unassigned | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,540,239</u> |
| Debt Service Fund | | | | |
| Restricted for Debt Service | <u>\$ 4,535,578</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.F. FUND EQUITY (Continued)

At December 31, 2022, governmental fund equity consists of the following:

| | Restricted | Committed | Assigned | Unassigned |
|--|---------------------|------------------|---------------------|---------------------|
| City Hall/Fire Station Bldg Project Fund | | | | |
| Restricted for Capital Projects | \$ 1,611,730 | \$ - | \$ - | \$ - |
| Assigned for City Hall/Fire Station Project | <u>-</u> | <u>-</u> | <u>5,109,157</u> | <u>-</u> |
| Total City Hall/Fire Station Bldg Project Fund Balance | <u>\$ 1,611,730</u> | <u>\$ -</u> | <u>\$ 5,109,157</u> | <u>\$ -</u> |
| Old Village Phases 5 & 6 Fund | | | | |
| Unassigned | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (8,413)</u> |
| Nonmajor Governmental Funds | | | | |
| Restricted for Capital Projects | \$ 707,880 | \$ - | \$ - | \$ - |
| Restricted for Park Improvements | 2,078,435 | - | - | - |
| Restricted for the Development of Ball Parks | 1,000,000 | - | - | - |
| Committed for Lions Park | - | 14,120 | - | - |
| Assigned for Economic Development Authority | - | - | 11,943 | - |
| Assigned for Vehicle Acquisition | - | - | 1,261,670 | - |
| Assigned for Infrastructure Reserve | - | - | 631,399 | - |
| Assigned for City Facilities | - | - | 95,397 | - |
| Assigned for Manning and Hudson Future Stoplight | - | - | 7,797 | - |
| Assigned for Railroad Crossing Improvements | - | - | 27,711 | - |
| Assigned for Manning and Highway 36 Interchange | - | - | 666 | - |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>(189,715)</u> |
| Total Nonmajor Governmental Funds Balance | <u>\$ 3,786,315</u> | <u>\$ 14,120</u> | <u>\$ 2,036,583</u> | <u>\$ (189,715)</u> |

Deficit fund balances in individual funds at December 31, 2022 consist of the following:

| Major Governmental Fund | Fund Deficit |
|---|--------------------|
| Old Village Phases 5 & 6 Fund | <u>\$ (8,413)</u> |
| Nonmajor Governmental Funds | |
| ARPA Fund | <u>\$ (3,605)</u> |
| CSAH 13 Phase 2 Fund | <u>\$ (51,717)</u> |
| CSAH 15 Manning Avenue Phase 3 Fund | <u>\$ (3,525)</u> |
| CSAH 15 Manning Avenue & 30th Street Fund | <u>\$ (20,343)</u> |
| TH36 Lake Elmo Avenue Improvements Fund | <u>\$ (2,710)</u> |
| Old Village Phase 7 Fund | <u>\$ (54,720)</u> |
| 2023 Street Improvements Fund | <u>\$ (53,095)</u> |

Fund deficits are expected to be recovered through future assessments, tax levies, tax increment, or transfers.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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 local relief associations 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. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General 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 Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan 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 percent after five years up to 100 percent 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 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent 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.

**CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2022 were \$132,383. The City’s contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in the fiscal year 2022 and the City was required to contribute 17.70 percent for the Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2022 were \$49,674. The City’s contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,837,447 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. 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 \$53,688.

The net pension liability was measured as of June 30, 2022, 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 proportionate 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0232 percent at the end of the measurement period and 0.0202 percent for the beginning of the period.

| | |
|--|-------------|
| City’s proportionate share of the net pension liability: | \$1,837,447 |
| State of Minnesota’s proportionate share of the net pension liability associated with the City | 53,688 |
| Total | \$1,891,135 |

For the year ended December 31, 2022, the City recognized pension expense of \$316,594 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$8,022 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2022, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 15,348 | \$ 17,090 |
| Changes in actuarial assumptions | 363,699 | 6,507 |
| Difference between projected and actual investment earnings | 113,685 | - |
| Changes in proportionate share | 115,391 | 13,839 |
| Contributions paid to PERA subsequent to the measurement date | 65,264 | - |
| Total Deferred Outflows/Inflows | \$ 673,387 | \$ 37,436 |

The \$65,264 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Pension Expense |
|----------------------------|-----------------|
| 2023 | \$ 206,919 |
| 2024 | \$ 193,863 |
| 2025 | \$ 3,735 |
| 2026 | \$ 166,170 |

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,114,011 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0256 percent at the end of the measurement period and 0.0165 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct State aid that does meet the definition of a special funding situation and \$9 million in supplemental State aid that does not meet the definition of a special funding situation. The \$9 million direct State was paid on October 1, 2021. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental State aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct State aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$228,714 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$9,433 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental State aid. The City recognized \$2,304 for the year ended December 31, 2022 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.

| | |
|--|---------------------------|
| City’s proportionate share of the net pension liability: | \$1,114,011 |
| State of Minnesota’s proportionate share of the net pension liability associated with the City | <u>48,633</u> |
| Total | <u>\$1,162,644</u> |

At December 31, 2022, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 58,037 | \$ - |
| Changes in actuarial assumptions | 573,177 | 4,239 |
| Difference between projected and actual investment earnings | 113,915 | - |
| Changes in proportionate share | 103,837 | 15,911 |
| Contributions paid to PERA subsequent to the measurement date | <u>25,527</u> | <u>-</u> |
| Total Deferred Outflows/Inflows | <u>\$ 874,493</u> | <u>\$ 20,150</u> |

The \$25,527 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Pension Expense |
|----------------------------|-----------------|
| 2023 | \$ 197,086 |
| 2024 | \$ 162,056 |
| 2025 | \$ 147,637 |
| 2026 | \$ 217,642 |
| 2027 | \$ 104,395 |

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 33.50% | 5.10% |
| International Equity | 16.50% | 5.30% |
| Fixed Income | 25.00% | 0.75% |
| Private Markets | 25.00% | 5.90% |
| Total | 100% | |

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 and were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

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

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

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

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

Pension Liability Sensitivity

The following table 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 one percentage point lower or one percentage point higher than the current discount rate:

| Sensitivity Analysis | | | | | | |
|---|------------------------|----|-----------|----------------------|----|-----------|
| Net Pension Liability at Different Discount Rates | | | | | | |
| | General Employees Fund | | | Police and Fire Fund | | |
| 1% Decrease in Discount Rate | 5.50% | \$ | 2,902,345 | 4.40% | \$ | 1,685,913 |
| Current Discount Rate | 6.50% | \$ | 1,837,448 | 5.40% | \$ | 1,114,011 |
| 1% Increase in Discount Rate | 7.50% | \$ | 964,068 | 6.40% | \$ | 651,663 |

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 THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Lake Elmo are members of the Lake Elmo Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of the most recent valuation date, membership includes 19 active participants and 8 inactive members who are entitled to future benefits. The plan issues a stand-alone financial statement.

Benefits Provided

Each member who is at least 50 years of age, has retired from the Lake Elmo Fire Department, has served at least 20 years of active service with such department before retirement, and has been a member of the Association in good standing at least 10 years prior to such retirement shall be entitled to a lump sum service pension in the amount of \$5,850 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$5,850 for each year the member was an active member of the City of Lake Elmo Fire Department. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if State tax law is modified to exclude lump sum distributions from State income tax. The Association qualifies for these benefits.

Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are specified in Minnesota Statutes. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations).

The plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$99,778 in fire state aid, which the City remitted to the Relief Association during the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City did not have a statutorily-required contribution to the plan for the year ended December 31, 2022.

Pension Costs

At December 31, 2022, the City of Lake Elmo reported a net pension asset of \$597,355 for the Firefighters Relief Association's plan. The net pension asset was measured as of December 31, 2021, as determined by an actuarial valuation as of January 1, 2021.

For the year ended December 31, 2022, the City recognized pension expense of negative \$108,156 for the Association. The City also recognized \$80,470, as pension expense (and grant revenue) for State of Minnesota's contributions to the Association during the measurement period.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)

The following table presents the changes in net pension asset during the measurement period.

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|-------------------------------|----------------------------|--------------------------------|----------------------------------|
| Beginning Balance 12/31/20 | \$ 775,033 | \$ 1,280,455 | \$ (505,422) |
| Service Cost | 46,677 | - | 46,677 |
| Interest on Pension Liability | 43,140 | - | 43,140 |
| Projected Investment Earnings | - | 68,948 | (68,948) |
| Contributions (State) | - | 80,470 | (80,470) |
| Asset (Gain)/Loss | - | 47,138 | (47,138) |
| Administrative Fee | - | (14,806) | 14,806 |
| Net Changes | <u>89,817</u> | <u>181,750</u> | <u>(91,933)</u> |
| Balance End of Year 12/31/21 | <u>\$ 864,850</u> | <u>\$ 1,462,205</u> | <u>\$ (597,355)</u> |

At December 31, 2022, the City of Lake Elmo reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 79,470 |
| Changes in actuarial assumptions | 9,526 | - |
| Difference between projected and actual investment earnings | - | 78,050 |
| Total Deferred Outflows/Inflows | <u>\$ 9,526</u> | <u>\$ 157,520</u> |

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

| Year ended December 31, | Pension Expense |
|----------------------------|-----------------|
| 2023 | \$ (24,774) |
| 2024 | \$ (50,799) |
| 2025 | \$ (35,470) |
| 2026 | \$ (23,568) |
| 2027 | \$ (10,669) |
| 2028-2032 | \$ (2,714) |

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)

Actuarial Assumptions

The total pension asset measured at December 31, 2021 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

| <u>Assumptions</u> | <u>Rates</u> |
|--------------------------------------|--------------|
| Investment Rate of Return (Discount) | 5.25% |
| Expected Long-Term Rate of Return | 5.25% |
| Salary Increases | 2.50% |
| Interest on Deferred Amounts | 0.00% |

There were no changes to actuarial assumptions, plan provisions, or methods since the prior valuation.

Pension Liability Sensitivity

The following presents the City’s net pension asset for the Firefighters Relief 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 one percent lower or one percent higher than the current discount rate:

| | <u>1% Decrease in Discount Rate (4.25%)</u> | <u>Discount Rate (5.25%)</u> | <u>1% Increase in Discount Rate (6.25%)</u> |
|-------------------|---|------------------------------|---|
| Net Pension Asset | \$ 565,283 | \$ 597,355 | \$ 628,315 |

Plan Investments

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.25 percent. The target allocation and best estimates of geometric real rates of return for each major asset class of the Association’s pension fund investments are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Cash | 15.00% | 1.80% |
| Fixed Income | 22.00% | 3.00% |
| Equities | 62.00% | 6.80% |
| Other | 1.00% | 7.00% |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City Hall at 3800 Laverne Avenue North, Lake Elmo, Minnesota 55042.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City administers a single-employer defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. As of the most recent actuarial valuation date, there are 23 active employees electing coverage and no retirees electing coverage. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

Benefits Provided

At retirement, employees of the City receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the City's group insurance plan. Vesting requirements of three years if hired before July 1, 2010 or five years if hired on or after July 1, 2010 generally apply.

The City is legally required to include any retirees for who it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

Contributions

The City has historically funded these liabilities on a pay-as-you-go basis, in the amounts contractually required to satisfy the benefit terms discussed above. For the year ended December 31, 2022, the City did not make any direct contributions to the plan.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources

At December 31, 2022, the City reported a net OPEB liability of \$96,581 for the City's plan. The net OPEB liability was measured as of December 31, 2021, based on an actuarial valuation as of December 31, 2021.

For the year ended December 31, 2022, the City recognized OPEB expense of negative \$3,208.

In accordance with the Alternative Measurement Method, gains and losses due to experience and assumption changes are recognized immediately. In addition, there were no contributions between the measurement date and reporting date because the City has no retirees and no active employees who were expected to retire during 2022. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2022.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended December 31, 2022:

| | |
|--|------------------|
| Changes in Total OPEB Liability (TOL) | |
| Balance at January 1st | \$ 99,789 |
| Service Cost | 15,989 |
| Interest Cost | 2,300 |
| Changes in Assumptions | (4,833) |
| Differences between Expected and Actual Experience | (15,088) |
| Benefit Payments | <u>(1,576)</u> |
| Balance at December 31st | <u>\$ 96,581</u> |

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

| | |
|-------------------------------|---|
| <u>Actuarial Information:</u> | |
| Valuation Date | December 31, 2021 |
| Measurement Date | December 31, 2021 |
| Actuarial Cost Method | Entry Age Normal level percentage of pay |
| Actuarial Assets | None |
| <u>Actuarial Assumptions:</u> | |
| Discount Rate | 1.84% |
| Inflation | 2.50% |
| Bond Yield | 2.50% |
| Medical Trend Rate | 6.80% for 2022, gradually decreasing to an ultimate rate of 3.90% by 2075 and later years |
| Dental Trend Rate | None |

Mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

Changes to actuarial assumptions since the prior valuation:

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

Changes to plan provisions since the prior valuation:

- Retiree premiums were updated to current levels.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability Sensitivity

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| Sensitivity of Net OPEB Liability at Current Single Discount Rate | | |
|---|-------|-----------|
| | Rates | Amounts |
| 1% Increase in Discount Rate | 2.84% | \$89,403 |
| Current Discount Rate | 1.84% | \$96,581 |
| 1% Decrease in Discount Rate | 0.84% | \$104,405 |

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| Sensitivity of Net OPEB Liability at Current Healthcare Cost Trend Rate | |
|---|-----------|
| | Amounts |
| 1% Increase in Healthcare Trend Rates | \$109,514 |
| Current Healthcare Trend Rates | \$96,581 |
| 1% Decrease in Healthcare Trend Rates | \$86,036 |

NOTE 6 OTHER NOTES

6.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The City’s management is not aware of any incurred but not reported claims.

6.B. OTHER EMPLOYEE BENEFITS

The City provides eligible employees future retirement benefits through participation in the Minnesota Deferred Compensation Plan (MNDCP), which is a Section 457 plan administered by the Minnesota State Retirement System. Eligible employees of the City may begin participating in the MNDCP commencing on the date of their employment by electing to have a portion of their pay contributed to the Plan. Certain employees are eligible to receive a City match of employee contributions up to the qualifying amounts set forth in their employment contracts, and there are no vesting requirements related to such contributions. The City’s contributions to the plan total \$3,167 for the year ended December 31, 2022.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 OTHER NOTES (Continued)

6.C. NEW ACCOUNTING STANDARD

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96 will be effective for the City's fiscal year ended December 31, 2023. The effect on net position may be significant.

6.D. COMMITMENTS

During the year, the City entered into various contracts for construction services. At December 31, 2022, remaining commitments related to these projects total \$8,463,608.

6.E. SUBSEQUENT EVENTS

Subsequent to year end but prior to the issuance of these financial statements, the City accepted bids for various construction projects and engineering services in the amount of \$5,125,667.

Additionally, the City issued G.O. Improvement Bonds in the amount of \$5,880,000 to finance these projects.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKE ELMO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Budget Amounts - Original and Final | Actual Amounts Budgetary Basis | Variance with Budget Over (Under) |
|--|--|---|--|
| REVENUES | | | |
| Taxes | | | |
| Property Taxes | \$ 5,013,574 | \$ 5,029,060 | \$ 15,486 |
| Franchise Taxes | 50,000 | 77,694 | 27,694 |
| Gravel Tax | - | 84 | 84 |
| Total Taxes | <u>5,063,574</u> | <u>5,106,838</u> | <u>43,264</u> |
| Licenses and Permits | 1,048,000 | 1,646,539 | 598,539 |
| Intergovernmental Revenue | | | |
| State Revenue | | | |
| Market Value Credit | - | 4,137 | 4,137 |
| Police and Fire Aid | 76,608 | 99,778 | 23,170 |
| Other State Grants and Aids | 177,009 | 207,647 | 30,638 |
| County Revenue | | | |
| Other County Grants and Aids | 10,000 | 14,004 | 4,004 |
| Total Intergovernmental Revenue | <u>263,617</u> | <u>325,566</u> | <u>61,949</u> |
| Charges for Services | | | |
| General Government | 233,246 | 362,171 | 128,925 |
| Other Public Safety | 545,000 | 601,435 | 56,435 |
| Streets and Highways | 1,500 | 816 | (684) |
| Total Charges for Services | <u>779,746</u> | <u>964,422</u> | <u>184,676</u> |
| Fines and Forfeitures | 35,000 | 34,711 | (289) |
| Miscellaneous Revenue | | | |
| Investment Earnings (Losses) | 38,500 | (122,133) | (160,633) |
| Lease Interest | - | 39,196 | 39,196 |
| Refunds and Reimbursements | 5,000 | 25,637 | 20,637 |
| Contributions and Donations | 11,000 | 14,185 | 3,185 |
| Other Miscellaneous | 4,100 | 34,451 | 30,351 |
| Total Miscellaneous Revenue | <u>58,600</u> | <u>(8,664)</u> | <u>(67,264)</u> |
| TOTAL REVENUES | 7,248,537 | 8,069,412 | 820,875 |

CITY OF LAKE ELMO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Budget Amounts - Original and Final</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Budget Over (Under)</u> |
|--|--|---|--|
| EXPENDITURES | | | |
| General Government | | | |
| Mayor and Council | 56,203 | 53,131 | (3,072) |
| Administration and Finance | 718,279 | 572,394 | (145,885) |
| Other General Government | <u>486,608</u> | <u>391,685</u> | <u>(94,923)</u> |
| Total General Government | 1,261,090 | 1,017,210 | (243,880) |
| Public Safety | | | |
| Police | | | |
| Current | 948,210 | 947,044 | (1,166) |
| Fire | | | |
| Current | 1,071,061 | 863,360 | (207,701) |
| Capital Outlay | 92,286 | 78,628 | (13,658) |
| Building Inspections | | | |
| Current | 1,008,746 | 808,620 | (200,126) |
| Other Public Safety | | | |
| Current | <u>84,136</u> | <u>82,192</u> | <u>(1,944)</u> |
| Total Public Safety | 3,204,439 | 2,779,844 | (424,595) |
| Public Works | | | |
| Street Maintenance and Storm Sewers | 1,916,868 | 1,636,690 | (280,178) |
| Snow and Ice Removal | 62,000 | 57,401 | (4,599) |
| Street Engineering | 14,000 | 9,934 | (4,066) |
| Street Lighting | 45,000 | 59,005 | 14,005 |
| Capital Outlay - Other | <u>256,350</u> | <u>53,038</u> | <u>(203,312)</u> |
| Total Public Works | 2,294,218 | 1,816,068 | (478,150) |
| Culture and Recreation | | | |
| Parks and Recreation | | | |
| Current | <u>321,536</u> | <u>282,789</u> | <u>(38,747)</u> |
| TOTAL EXPENDITURES | <u>7,081,283</u> | <u>5,895,911</u> | <u>(1,185,372)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 167,254 | 2,173,501 | 2,006,247 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers | | | |
| To Other Funds | <u>(167,254)</u> | <u>(252,074)</u> | <u>(84,820)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | 1,921,427 | <u>\$ 1,921,427</u> |
| FUND BALANCE - BEGINNING | | <u>5,618,812</u> | |
| FUND BALANCE - ENDING | | <u>\$ 7,540,239</u> | |

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

| For the Measurement Year Ended June 30, | City's Proportion of the Net Pension Liability (Asset) | City's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share 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) | City's 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 |
|---|---|--|--|--|----------------------------------|---|--|
| <i>General Employees Retirement Pension Plan</i> | | | | | | | |
| 2022 | 0.0232% | \$ 1,837,447 | \$ 53,688 | \$ 1,891,135 | \$ 1,776,733 | 106.4% | 76.7% |
| 2021 | 0.0202% | \$ 862,631 | \$ 26,322 | \$ 888,953 | \$ 1,456,866 | 61.0% | 87.0% |
| 2020 | 0.0207% | \$ 1,241,060 | \$ 38,201 | \$ 1,279,261 | \$ 1,476,621 | 86.6% | 79.1% |
| 2019 | 0.0193% | \$ 1,067,054 | \$ 33,165 | \$ 1,100,219 | \$ 1,364,625 | 80.6% | 80.2% |
| 2018 | 0.0191% | \$ 1,059,590 | \$ 34,710 | \$ 1,094,300 | \$ 1,283,088 | 85.3% | 79.5% |
| 2017 | 0.0189% | \$ 1,206,564 | \$ 15,173 | \$ 1,221,737 | \$ 1,209,466 | 101.0% | 75.9% |
| 2016 | 0.0159% | \$ 1,291,001 | \$ 16,853 | \$ 1,307,854 | \$ 1,041,540 | 125.6% | 68.9% |
| 2015 | 0.0169% | \$ 875,846 | \$ - | \$ 875,846 | \$ 975,250 | 89.8% | 78.2% |
| 2014 | 0.0191% | \$ 897,222 | \$ - | \$ 897,222 | \$ 979,703 | 91.6% | 78.2% |
| <i>Public Employees Police and Fire Pension Plan</i> | | | | | | | |
| 2022 | 0.0256% | \$ 1,114,011 | \$ 48,633 | \$ 1,162,644 | \$ 292,842 | 397.0% | 70.5% |
| 2021 | 0.0165% | \$ 127,363 | \$ 5,712 | \$ 133,075 | \$ 194,379 | 68.5% | 93.7% |
| 2020 | 0.0171% | \$ 225,396 | \$ 5,309 | \$ 230,705 | \$ 194,511 | 118.6% | 87.2% |
| 2019 | 0.0193% | \$ 205,468 | \$ 2,605 | \$ 208,073 | \$ 203,030 | 102.5% | 89.3% |
| 2018 | 0.0163% | \$ 173,741 | \$ 1,467 | \$ 175,208 | \$ 172,287 | 101.7% | 88.8% |
| 2017 | 0.0100% | \$ 135,012 | \$ - | \$ 135,012 | \$ 105,846 | 127.6% | 85.4% |
| 2016 | 0.0090% | \$ 361,186 | \$ - | \$ 361,186 | \$ 87,111 | 414.6% | 63.9% |
| 2015 | 0.0090% | \$ 102,261 | \$ - | \$ 102,261 | \$ 86,600 | 118.1% | 86.6% |
| 2014 | 0.0090% | \$ 97,204 | \$ - | \$ 97,204 | \$ 84,098 | 115.6% | 87.1% |

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 (June 30, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

| For the Fiscal Year Ended December 31, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|--|--|------------------------------|---|
| <i>General Employees Retirement Pension Plan</i> | | | | | |
| 2022 | \$ 132,383 | \$ 132,383 | \$ - | \$ 1,765,107 | 7.5% |
| 2021 | \$ 120,362 | \$ 120,362 | \$ - | \$ 1,609,407 | 7.5% |
| 2020 | \$ 109,289 | \$ 109,289 | \$ - | \$ 1,457,195 | 7.5% |
| 2019 | \$ 108,779 | \$ 108,779 | \$ - | \$ 1,450,387 | 7.5% |
| 2018 | \$ 96,960 | \$ 96,960 | \$ - | \$ 1,294,100 | 7.5% |
| 2017 | \$ 95,794 | \$ 95,794 | \$ - | \$ 1,276,944 | 7.5% |
| 2016 | \$ 85,649 | \$ 85,649 | \$ - | \$ 1,141,987 | 7.5% |
| 2015 | \$ 70,582 | \$ 70,582 | \$ - | \$ 941,092 | 7.5% |
| 2014 | \$ 73,182 | \$ 73,182 | \$ - | \$ 1,009,407 | 7.2% |
| <i>Public Employees Police and Fire Pension Plan</i> | | | | | |
| 2022 | \$ 49,674 | \$ 49,674 | \$ - | \$ 280,644 | 17.7% |
| 2021 | \$ 47,658 | \$ 47,658 | \$ - | \$ 269,254 | 17.7% |
| 2020 | \$ 27,492 | \$ 27,492 | \$ - | \$ 155,365 | 17.7% |
| 2019 | \$ 39,225 | \$ 39,225 | \$ - | \$ 231,416 | 16.9% |
| 2018 | \$ 30,990 | \$ 30,990 | \$ - | \$ 191,350 | 16.2% |
| 2017 | \$ 20,327 | \$ 20,327 | \$ - | \$ 125,475 | 16.2% |
| 2016 | \$ 13,967 | \$ 13,967 | \$ - | \$ 86,216 | 16.2% |
| 2015 | \$ 14,257 | \$ 14,257 | \$ - | \$ 88,005 | 16.2% |
| 2014 | \$ 13,035 | \$ 13,035 | \$ - | \$ 85,195 | 15.3% |
| <i>Volunteer Fire Relief Association</i> | | | | | |
| 2022 | \$ - | \$ - | \$ - | N/A | N/A |
| 2021 | \$ - | \$ 76,608 | \$ (76,608) | N/A | N/A |
| 2020 | \$ - | \$ 69,975 | \$ (69,975) | N/A | N/A |
| 2019 | \$ - | \$ 65,533 | \$ (65,533) | N/A | N/A |
| 2018 | \$ - | \$ 61,147 | \$ (61,147) | N/A | N/A |
| 2017 | \$ - | \$ 59,136 | \$ (59,136) | N/A | N/A |
| 2016 | \$ - | \$ 61,166 | \$ (61,166) | N/A | N/A |

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
FIREFIGHTERS RELIEF ASSOCIATION
LAST TEN YEARS (Presented Prospectively)

| | Measurement Year Ended December 31, | | | | | | |
|---|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Changes in Total Pension Liability (TPL) | | | | | | | |
| Balance at January 1st | \$ 775,033 | \$ 724,844 | \$ 898,899 | \$ 681,802 | \$ 618,531 | \$ 588,689 | \$ 714,621 |
| Service Cost | 46,677 | 38,225 | 37,293 | 28,420 | 27,727 | 27,579 | 28,520 |
| Interest on the TPL | 43,140 | 39,743 | 42,177 | 36,119 | 35,544 | 36,976 | 37,130 |
| Assumption Changes | - | - | - | 8,730 | - | 11,690 | - |
| Plan Changes | - | - | - | 325,127 | - | - | - |
| Actuarial Experience (Gains)/Losses | - | (27,779) | - | (80,312) | - | (46,403) | - |
| Benefit Payments | - | - | (253,525) | (100,987) | - | - | (191,582) |
| Balance at December 31st | <u>\$ 864,850</u> | <u>\$ 775,033</u> | <u>\$ 724,844</u> | <u>\$ 898,899</u> | <u>\$ 681,802</u> | <u>\$ 618,531</u> | <u>\$ 588,689</u> |
| Plan Fiduciary Net Position (PFNP) | | | | | | | |
| Balance at January 1st | \$ 1,280,455 | \$ 1,097,917 | \$ 1,169,306 | \$ 1,279,379 | \$ 1,075,446 | \$ 963,628 | \$ 1,155,598 |
| Fire State Aid | 80,470 | 76,608 | 69,975 | 65,533 | 61,147 | 59,136 | 61,166 |
| Projected Investment Income | 68,948 | 118,822 | 127,902 | (61,227) | 156,879 | 70,101 | (48,240) |
| Gain or Loss | 47,138 | - | - | - | - | - | - |
| Total Additions | <u>196,556</u> | <u>195,430</u> | <u>197,877</u> | <u>4,306</u> | <u>218,026</u> | <u>129,237</u> | <u>12,926</u> |
| Benefit Payments | - | - | (253,525) | (100,987) | - | - | (191,582) |
| Administrative Expenses | <u>(14,806)</u> | <u>(12,892)</u> | <u>(15,741)</u> | <u>(13,392)</u> | <u>(14,093)</u> | <u>(17,419)</u> | <u>(13,314)</u> |
| Total Reductions | <u>(14,806)</u> | <u>(12,892)</u> | <u>(269,266)</u> | <u>(114,379)</u> | <u>(14,093)</u> | <u>(17,419)</u> | <u>(204,896)</u> |
| Balance at December 31st | <u>\$ 1,462,205</u> | <u>\$ 1,280,455</u> | <u>\$ 1,097,917</u> | <u>\$ 1,169,306</u> | <u>\$ 1,279,379</u> | <u>\$ 1,075,446</u> | <u>\$ 963,628</u> |
| Net Pension Liability (Asset) - December 31st | <u>\$ (597,355)</u> | <u>\$ (505,422)</u> | <u>\$ (373,073)</u> | <u>\$ (270,407)</u> | <u>\$ (597,577)</u> | <u>\$ (456,915)</u> | <u>\$ (374,939)</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) | 169.1% | 165.2% | 151.5% | 130.1% | 187.6% | 173.9% | 163.7% |

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2016 (December 31, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

| | Measurement Year Ended December 31, | | | | |
|--|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Changes in Total OPEB Liability (TOL) | | | | | |
| Balance at January 1st | \$ 99,789 | \$ 79,303 | \$ 73,788 | \$ 63,930 | \$ 51,220 |
| Service Cost | 15,989 | 13,859 | 9,793 | 9,525 | 8,200 |
| Interest on the TPL | 2,300 | 2,541 | 3,101 | 2,431 | 2,264 |
| Assumption Changes | (4,833) | 5,583 | 6,912 | (2,098) | 2,246 |
| Differences Between Expected and Actual Experience | (15,088) | - | (14,291) | - | - |
| Benefit Payments | (1,576) | (1,497) | - | - | - |
| Balance at December 31st | <u>\$ 96,581</u> | <u>\$ 99,789</u> | <u>\$ 79,303</u> | <u>\$ 73,788</u> | <u>\$ 63,930</u> |
| Covered Payroll for Active Members | <u>\$ 1,743,100</u> | <u>\$ 1,455,967</u> | <u>\$ 1,831,326</u> | <u>\$ 1,605,997</u> | <u>\$ 1,483,782</u> |
| Net OPEB Liability / Covered Payroll | 5.5% | 6.9% | 4.3% | 4.6% | 4.3% |

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2019 (December 31, 2018 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CITY OPEB CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

| For the Year Ended December 31, | Contractually Required Contribution | Contributions in Relation to the Contractually Required Contribution | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll | | |
|--|---|--|--|------------------------------|---|-----------|------|
| <i>Other Post-Employment Benefits</i> | | | | | | | |
| 2022 | \$ | - | \$ | - | \$ | 1,786,678 | 0.0% |
| 2021 | \$ | - | \$ | - | \$ | 1,743,100 | 0.0% |
| 2020 | \$ | - | \$ | - | \$ | 1,455,967 | 0.0% |
| 2019 | \$ | - | \$ | - | \$ | 1,831,326 | 0.0% |
| 2018 | \$ | - | \$ | - | \$ | 1,605,997 | 0.0% |
| 2017 | \$ | - | \$ | - | \$ | 1,483,782 | 0.0% |

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State’s contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual State aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent 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 3.00 percent 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 65.00 percent to 60.00 percent.
- 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 postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

NOTE 3 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION

2021 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The benefit level increased from \$3,400 to \$5,850 for each year of service.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75 percent to 2.00 percent.

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71 percent to 2.75 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans. In addition, the medical trend rate adjustments to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans was removed because the tax was repealed.
- Medical per capita claims costs were updated to reflect recent experience.
- Salary increase rates were updated from the rates used in the July 1, 2017 PERA General Employees Plan valuation to the rates used in the July 1, 2019 valuation.
- Mortality rates were updated from the RP-2014 tables to the rates used in the July 1, 2019 PERA General Employees Plan actuarial valuation.
- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.31 percent to 3.71 percent.

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
|--|--|--|---|
| ASSETS | | | |
| Cash, Cash Equivalents, and Investments | \$ 476,880 | \$ 6,799,025 | \$ 7,275,905 |
| Assessments Receivable | - | 54,533 | 54,533 |
| Interest Receivable | 439 | 6,015 | 6,454 |
| Due from Other Funds | - | 51,975 | 51,975 |
| TOTAL ASSETS | \$ 477,319 | \$ 6,911,548 | \$ 7,388,867 |
| LIABILITIES | | | |
| Accounts Payable | \$ 158,981 | \$ 908,965 | \$ 1,067,946 |
| Due to Other Funds | - | 51,975 | 51,975 |
| Unearned Revenue | 295,880 | 271,230 | 567,110 |
| Total Liabilities | 454,861 | 1,232,170 | 1,687,031 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue: | | | |
| Special Assessments | - | 54,533 | 54,533 |
| FUND BALANCES | | | |
| Restricted | - | 3,786,315 | 3,786,315 |
| Committed | 14,120 | - | 14,120 |
| Assigned | 11,943 | 2,024,640 | 2,036,583 |
| Unassigned | (3,605) | (186,110) | (189,715) |
| Total Fund Balances | 22,458 | 5,624,845 | 5,647,303 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 477,319 | \$ 6,911,548 | \$ 7,388,867 |

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
|--|--|--|---|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Intergovernmental | \$ 683,942 | \$ 112,125 | \$ 796,067 |
| Charges for Services | 6,600 | 199,740 | 206,340 |
| Investment Earnings (Losses) | (6,339) | (85,489) | (91,828) |
| Miscellaneous | 24 | 76,129 | 76,153 |
| TOTAL REVENUES | <u>684,227</u> | <u>302,505</u> | <u>986,732</u> |
| EXPENDITURES | | | |
| Capital Outlay | 683,942 | 3,324,674 | 4,008,616 |
| Debt Service: | | | |
| Interest and Other Charges | - | 48,298 | 48,298 |
| TOTAL EXPENDITURES | <u>683,942</u> | <u>3,372,972</u> | <u>4,056,914</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 285 | (3,070,467) | (3,070,182) |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of Assets | - | 76,162 | 76,162 |
| Bond Issuance | - | 2,829,501 | 2,829,501 |
| Premium on Bond Issuance | - | 202,013 | 202,013 |
| Transfers In | - | 252,074 | 252,074 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>3,359,750</u> | <u>3,359,750</u> |
| NET CHANGE IN FUND BALANCES | 285 | 289,283 | 289,568 |
| FUND BALANCES - BEGINNING | <u>22,173</u> | <u>5,335,562</u> | <u>5,357,735</u> |
| FUND BALANCES - ENDING | <u>\$ 22,458</u> | <u>\$ 5,624,845</u> | <u>\$ 5,647,303</u> |

**CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022**

| | Lions Park Sign Program Fund | Economic Development Authority Fund | ARPA Fund | Total Nonmajor Special Revenue Funds |
|--|---------------------------------|---|-------------------|--|
| ASSETS | | | | |
| Cash, Cash Equivalents, and Investments | \$ 14,109 | \$ 11,933 | \$ 450,838 | \$ 476,880 |
| Interest Receivable | <u>11</u> | <u>10</u> | <u>418</u> | <u>439</u> |
| TOTAL ASSETS | <u>\$ 14,120</u> | <u>\$ 11,943</u> | <u>\$ 451,256</u> | <u>\$ 477,319</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ 158,981 | \$ 158,981 |
| Unearned Revenue | <u>-</u> | <u>-</u> | <u>295,880</u> | <u>295,880</u> |
| Total Liabilities | - | - | 454,861 | 454,861 |
| FUND BALANCES | | | | |
| Committed | 14,120 | - | - | 14,120 |
| Assigned | - | 11,943 | - | 11,943 |
| Unassigned | <u>-</u> | <u>-</u> | <u>(3,605)</u> | <u>(3,605)</u> |
| Total Fund Balances | <u>14,120</u> | <u>11,943</u> | <u>(3,605)</u> | <u>22,458</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 14,120</u> | <u>\$ 11,943</u> | <u>\$ 451,256</u> | <u>\$ 477,319</u> |

**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, 2022**

| | Lions Park Sign Program Fund | Economic Development Authority Fund | ARPA Fund | Total Nonmajor Special Revenue Funds |
|------------------------------------|---------------------------------|---|-------------------|--|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ 683,942 | \$ 683,942 |
| Charges for Services | 6,600 | - | - | 6,600 |
| Investment Earnings (Losses) | (153) | (137) | (6,049) | (6,339) |
| Miscellaneous | - | 24 | - | 24 |
| TOTAL REVENUES | <u>6,447</u> | <u>(113)</u> | <u>677,893</u> | <u>684,227</u> |
| EXPENDITURES | | | | |
| Capital Outlay | - | - | 683,942 | 683,942 |
| NET CHANGE IN FUND BALANCES | 6,447 | (113) | (6,049) | 285 |
| FUND BALANCES - BEGINNING | <u>7,673</u> | <u>12,056</u> | <u>2,444</u> | <u>22,173</u> |
| FUND BALANCES - ENDING | <u>\$ 14,120</u> | <u>\$ 11,943</u> | <u>\$ (3,605)</u> | <u>\$ 22,458</u> |

**CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022**

| | Park Dedication Fund | Vehicle Acquisition Fund | Heritage Farms Street & Utility Improvements Fund | Infrastructure Reserve Fund | City Facilities Fund | Manning & Hudson Future Stoplight Fund | CSAH 19 / Hudson Blvd Interchange Fund |
|--|-------------------------|-----------------------------|--|--------------------------------|-------------------------|--|--|
| ASSETS | | | | | | | |
| Cash, Cash Equivalents, and Investments | \$ 3,076,165 | \$ 1,260,363 | \$ 238,540 | \$ 578,913 | \$ 95,309 | \$ 257,560 | \$ - |
| Assessments Receivable | - | - | - | 54,533 | - | - | - |
| Interest Receivable | 2,862 | 1,307 | 146 | 511 | 88 | 237 | - |
| Due from Other Funds | - | - | - | 51,975 | - | - | - |
| TOTAL ASSETS | <u>\$ 3,079,027</u> | <u>\$ 1,261,670</u> | <u>\$ 238,686</u> | <u>\$ 685,932</u> | <u>\$ 95,397</u> | <u>\$ 257,797</u> | <u>\$ -</u> |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ 592 | \$ - | \$ 8,780 | \$ - | \$ - | \$ - | \$ - |
| Due to Other Funds | - | - | - | - | - | - | - |
| Unearned Revenue | - | - | - | - | - | 250,000 | - |
| Total Liabilities | 592 | - | 8,780 | - | - | 250,000 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenue: Special Assessments | - | - | - | 54,533 | - | - | - |
| FUND BALANCES | | | | | | | |
| Restricted | 3,078,435 | - | 229,906 | - | - | - | - |
| Assigned | - | 1,261,670 | - | 631,399 | 95,397 | 7,797 | - |
| Unassigned | - | - | - | - | - | - | - |
| Total Fund Balance | <u>3,078,435</u> | <u>1,261,670</u> | <u>229,906</u> | <u>631,399</u> | <u>95,397</u> | <u>7,797</u> | <u>-</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 3,079,027</u> | <u>\$ 1,261,670</u> | <u>\$ 238,686</u> | <u>\$ 685,932</u> | <u>\$ 95,397</u> | <u>\$ 257,797</u> | <u>\$ -</u> |

CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022

| | CSAH 13 Phase 2 Fund | Inwood & 5th Street Stoplight Fund | Railroad Crossing Improvements Fund | CSAH 15 Manning Avenue Phase 3 Fund | Manning & Highway 36 Interchange Fund | Tamarack Farm Estates Street Improvements Fund | CSAH 15 Manning Avenue & 30th Street Fund |
|--|-------------------------|--|--|---|---|---|--|
| ASSETS | | | | | | | |
| Cash, Cash Equivalents, and Investments | | | | | | | |
| Assessments Receivable | \$ 115,359 | \$ - | \$ 50,744 | \$ - | \$ 597 | \$ 119,430 | \$ 639,226 |
| Interest Receivable | - | - | - | - | - | - | - |
| Due from Other Funds | 84 | - | 66 | - | 69 | 111 | 238 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 115,443</u> | <u>\$ -</u> | <u>\$ 50,810</u> | <u>\$ -</u> | <u>\$ 666</u> | <u>\$ 119,541</u> | <u>\$ 639,464</u> |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ 167,160 | \$ - | \$ 1,869 | \$ - | \$ - | \$ 64 | \$ 659,807 |
| Due to Other Funds | - | - | - | 3,525 | - | - | - |
| Unearned Revenue | - | - | 21,230 | - | - | - | - |
| Total Liabilities | <u>167,160</u> | <u>-</u> | <u>23,099</u> | <u>3,525</u> | <u>-</u> | <u>64</u> | <u>659,807</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenue: Special Assessments | - | - | - | - | - | - | - |
| FUND BALANCES | | | | | | | |
| Restricted | - | - | - | - | - | 119,477 | - |
| Assigned | - | - | 27,711 | - | 666 | - | - |
| Unassigned | (51,717) | - | - | (3,525) | - | - | (20,343) |
| Total Fund Balance | <u>(51,717)</u> | <u>-</u> | <u>27,711</u> | <u>(3,525)</u> | <u>666</u> | <u>119,477</u> | <u>(20,343)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 115,443</u> | <u>\$ -</u> | <u>\$ 50,810</u> | <u>\$ -</u> | <u>\$ 666</u> | <u>\$ 119,541</u> | <u>\$ 639,464</u> |

CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022

| | TH36 Lake Elmo Avenue Improvements Fund | 2022 Street Improvements Fund | Old Village Phase 7 Fund | 2023 Street Improvements Fund | Total Nonmajor Capital Project Funds |
|--|--|-------------------------------------|-----------------------------|-------------------------------------|--|
| ASSETS | | | | | |
| Cash, Cash Equivalents, and Investments | | | | | |
| Assessments Receivable | \$ - | \$ 366,819 | \$ - | \$ - | \$ 6,799,025 |
| Interest Receivable | - | - | - | - | 54,533 |
| Due from Other Funds | - | 296 | - | - | 6,015 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>51,975</u> |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 367,115</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,911,548</u> |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 195 | \$ 8,618 | \$ 20,119 | \$ 41,761 | \$ 908,965 |
| Due to Other Funds | 2,515 | - | 34,601 | 11,334 | 51,975 |
| Unearned Revenue | - | - | - | - | 271,230 |
| Total Liabilities | <u>2,710</u> | <u>8,618</u> | <u>54,720</u> | <u>53,095</u> | <u>1,232,170</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue: Special Assessments | - | - | - | - | 54,533 |
| FUND BALANCES | | | | | |
| Restricted | - | 358,497 | - | - | 3,786,315 |
| Assigned | - | - | - | - | 2,024,640 |
| Unassigned | (2,710) | - | (54,720) | (53,095) | (186,110) |
| Total Fund Balance | <u>(2,710)</u> | <u>358,497</u> | <u>(54,720)</u> | <u>(53,095)</u> | <u>5,624,845</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ -</u> | <u>\$ 367,115</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,911,548</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, 2022

| | Park Dedication Fund | Vehicle Acquisition Fund | Heritage Farms Street & Utility Improvements Fund | Infrastructure Reserve Fund | City Facilities Fund | Manning & Hudson Future Stoplight Fund | CSAH 19 / Hudson Blvd Interchange Fund |
|--|-------------------------|-----------------------------|--|--------------------------------|-------------------------|--|--|
| REVENUES | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 63,409 |
| Charges for Services | 199,740 | - | - | - | - | - | - |
| Investment Earnings (Losses) | (40,984) | (18,620) | (2,189) | (7,371) | (1,258) | (3,400) | - |
| Miscellaneous | - | 1,129 | - | 75,000 | - | - | - |
| TOTAL REVENUES | <u>158,756</u> | <u>(17,491)</u> | <u>(2,189)</u> | <u>67,629</u> | <u>(1,258)</u> | <u>(3,400)</u> | <u>63,409</u> |
| EXPENDITURES | | | | | | | |
| Capital Outlay | 104,541 | 505,216 | (100,144) | 227 | - | - | - |
| Debt Service: | | | | | | | |
| Interest and Other Charges | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>104,541</u> | <u>505,216</u> | <u>(100,144)</u> | <u>227</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 54,215 | (522,707) | 97,955 | 67,402 | (1,258) | (3,400) | 63,409 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Sale of Assets | - | 76,162 | - | - | - | - | - |
| Bond Issuance | - | - | - | - | - | - | - |
| Premium on Bond Issuance | - | - | - | - | - | - | - |
| Transfers In | - | 150,000 | - | - | - | - | 73,872 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>226,162</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>73,872</u> |
| NET CHANGE IN FUND BALANCES | 54,215 | (296,545) | 97,955 | 67,402 | (1,258) | (3,400) | 137,281 |
| FUND BALANCES- BEGINNING | <u>3,024,220</u> | <u>1,558,215</u> | <u>131,951</u> | <u>563,997</u> | <u>96,655</u> | <u>11,197</u> | <u>(137,281)</u> |
| FUND BALANCES - ENDING | <u>\$ 3,078,435</u> | <u>\$ 1,261,670</u> | <u>\$ 229,906</u> | <u>\$ 631,399</u> | <u>\$ 95,397</u> | <u>\$ 7,797</u> | <u>\$ -</u> |

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | CSAH 13 Phase 2 Fund | Inwood & 5th Street Stoplight Fund | Railroad Crossing Improvements Fund | CSAH 15 Manning Avenue Phase 3 Fund | Manning & Highway 36 Interchange Fund | Tamarack Farm Estates Street Improvements Fund | CSAH 15 Manning Avenue & 30th Street Fund |
|--|-------------------------|--|--|---|---|---|--|
| REVENUES | | | | | | | |
| Intergovernmental | \$ 48,716 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for Services | - | - | - | - | - | - | - |
| Investment Earnings (Losses) | (1,100) | - | (967) | - | (998) | (1,607) | (3,118) |
| Miscellaneous | - | - | - | - | - | - | - |
| TOTAL REVENUES | <u>47,616</u> | <u>-</u> | <u>(967)</u> | <u>-</u> | <u>(998)</u> | <u>(1,607)</u> | <u>(3,118)</u> |
| EXPENDITURES | | | | | | | |
| Capital Outlay | 426,255 | - | 39,541 | - | - | 4,364 | 736,605 |
| Debt Service: | | | | | | | |
| Interest and Other Charges | <u>5,490</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,965</u> |
| TOTAL EXPENDITURES | <u>431,745</u> | <u>-</u> | <u>39,541</u> | <u>-</u> | <u>-</u> | <u>4,364</u> | <u>747,570</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (384,129) | - | (40,508) | - | (998) | (5,971) | (750,688) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Sale of Assets | - | - | - | - | - | - | - |
| Bond Issuance | 319,002 | - | - | - | - | - | 670,052 |
| Premium on Bond Issuance | 32,295 | - | - | - | - | - | 67,834 |
| Transfers In | <u>-</u> | <u>28,202</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>351,297</u> | <u>28,202</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>737,886</u> |
| NET CHANGE IN FUND BALANCES | (32,832) | 28,202 | (40,508) | - | (998) | (5,971) | (12,802) |
| FUND BALANCES- BEGINNING | <u>(18,885)</u> | <u>(28,202)</u> | <u>68,219</u> | <u>(3,525)</u> | <u>1,664</u> | <u>125,448</u> | <u>(7,541)</u> |
| FUND BALANCES - ENDING | <u>\$ (51,717)</u> | <u>\$ -</u> | <u>\$ 27,711</u> | <u>\$ (3,525)</u> | <u>\$ 666</u> | <u>\$ 119,477</u> | <u>\$ (20,343)</u> |

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | TH36 Lake Elmo Avenue Improvements Fund | 2022 Street Improvements Fund | Old Village Phase 7 Fund | 2023 Street Improvements Fund | Total Nonmajor Capital Project Funds |
|--|--|-------------------------------------|-----------------------------|-------------------------------------|--|
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ 112,125 |
| Charges for Services | - | - | - | - | 199,740 |
| Investment Earnings (Losses) | - | (3,877) | - | - | (85,489) |
| Miscellaneous | - | - | - | - | 76,129 |
| TOTAL REVENUES | - | (3,877) | - | - | 302,505 |
| EXPENDITURES | | | | | |
| Capital Outlay | 1,008 | 1,499,246 | 54,720 | 53,095 | 3,324,674 |
| Debt Service: | | | | | |
| Interest and Other Charges | - | 31,843 | - | - | 48,298 |
| TOTAL EXPENDITURES | 1,008 | 1,531,089 | 54,720 | 53,095 | 3,372,972 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,008) | (1,534,966) | (54,720) | (53,095) | (3,070,467) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of Assets | - | - | - | - | 76,162 |
| Bond Issuance | - | 1,840,447 | - | - | 2,829,501 |
| Premium on Bond Issuance | - | 101,884 | - | - | 202,013 |
| Transfers In | - | - | - | - | 252,074 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 1,942,331 | - | - | 3,359,750 |
| NET CHANGE IN FUND BALANCES | (1,008) | 407,365 | (54,720) | (53,095) | 289,283 |
| FUND BALANCES- BEGINNING | (1,702) | (48,868) | - | - | 5,335,562 |
| FUND BALANCES - ENDING | <u>\$ (2,710)</u> | <u>\$ 358,497</u> | <u>\$ (54,720)</u> | <u>\$ (53,095)</u> | <u>\$ 5,624,845</u> |

**CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2022**

| | 2010B GO CIP Bonds Fund | 2011A GO Improvement Bonds Fund | 2012B GO Improvement Bonds Fund | 2014A GO Improvement Bonds Fund | 2015A GO Improvement Bonds Fund | 2016A GO Improvement Bonds Fund |
|--|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| ASSETS | | | | | | |
| Cash, Cash Equivalents, and Investments | \$ 201,199 | \$ - | \$ 56,074 | \$ 968,484 | \$ 129,599 | \$ 689,126 |
| Assessments Receivable | - | - | 17,261 | 116,018 | 283,560 | 490,719 |
| Interest Receivable | 110 | - | 16 | 796 | 83 | 512 |
| TOTAL ASSETS | <u>\$ 201,309</u> | <u>\$ -</u> | <u>\$ 73,351</u> | <u>\$ 1,085,298</u> | <u>\$ 413,242</u> | <u>\$ 1,180,357</u> |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue: | | | | | | |
| Special Assessments | - | - | 17,261 | 115,707 | 283,560 | 490,719 |
| FUND BALANCES | | | | | | |
| Restricted | 201,309 | - | 56,090 | 969,591 | 129,682 | 689,638 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 201,309</u> | <u>\$ -</u> | <u>\$ 73,351</u> | <u>\$ 1,085,298</u> | <u>\$ 413,242</u> | <u>\$ 1,180,357</u> |

CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET (Continued)
DEBT SERVICE FUND
DECEMBER 31, 2022

| | 2017A GO Improvement Bonds Fund | 2019 Improvement Bonds Fund | 2018A GO Equipment Cert. Bonds Fund | 2021A GO Improvement Bonds Fund | 2022A GO Improvement Bonds Fund | Total Debt Service Fund |
|--|---------------------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|----------------------------|
| ASSETS | | | | | | |
| Cash, Cash Equivalents, and Investments | \$ 189,235 | \$ 744,591 | \$ 29,504 | \$ 1,469,914 | \$ 54,358 | \$ 4,532,084 |
| Assessments Receivable | 413,862 | 255,518 | - | 1,306,963 | - | 2,883,901 |
| Interest Receivable | <u>22</u> | <u>555</u> | <u>-</u> | <u>889</u> | <u>21</u> | <u>3,004</u> |
| TOTAL ASSETS | <u>\$ 603,119</u> | <u>\$ 1,000,664</u> | <u>\$ 29,504</u> | <u>\$ 2,777,766</u> | <u>\$ 54,379</u> | <u>\$ 7,418,989</u> |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 500 | \$ - | \$ 500 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue: | | | | | | |
| Special Assessments | 413,862 | 254,839 | - | 1,306,963 | - | 2,882,911 |
| FUND BALANCES | | | | | | |
| Restricted | <u>189,257</u> | <u>745,825</u> | <u>29,504</u> | <u>1,470,303</u> | <u>54,379</u> | <u>4,535,578</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 603,119</u> | <u>\$ 1,000,664</u> | <u>\$ 29,504</u> | <u>\$ 2,777,766</u> | <u>\$ 54,379</u> | <u>\$ 7,418,989</u> |

CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | 2010B GO CIP Bonds Fund | 2011A GO Improvement Bonds Fund | 2012B GO Improvement Bonds Fund | 2014A GO Improvement Bonds Fund | 2015A GO Improvement Bonds Fund | 2016A GO Improvement Bonds Fund |
|--|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| REVENUES | | | | | | |
| Property Taxes | \$ 207,076 | \$ - | \$ 65,417 | \$ 200,394 | \$ 14,508 | \$ 193,934 |
| Special Assessments | - | 5,128 | 18,285 | 40,025 | 60,924 | 104,513 |
| Investment Earnings (Losses) | (1,656) | 865 | (208) | (11,600) | (2,415) | (7,505) |
| TOTAL REVENUES | <u>205,420</u> | <u>5,993</u> | <u>83,494</u> | <u>228,819</u> | <u>73,017</u> | <u>290,942</u> |
| EXPENDITURES | | | | | | |
| Debt Service: | | | | | | |
| Principal | 175,000 | 90,000 | 95,000 | 225,000 | 165,000 | 265,000 |
| Interest and Other Charges | 20,333 | 1,035 | 3,203 | 43,970 | 17,087 | 30,850 |
| TOTAL EXPENDITURES | <u>195,333</u> | <u>91,035</u> | <u>98,203</u> | <u>268,970</u> | <u>182,087</u> | <u>295,850</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 10,087 | (85,042) | (14,709) | (40,151) | (109,070) | (4,908) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond Issuance | - | - | - | - | - | - |
| Transfers In | - | - | - | - | 96,401 | - |
| Transfers Out | - | (96,401) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(96,401)</u> | <u>-</u> | <u>-</u> | <u>96,401</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 10,087 | (181,443) | (14,709) | (40,151) | (12,669) | (4,908) |
| FUND BALANCES - BEGINNING | <u>191,222</u> | <u>181,443</u> | <u>70,799</u> | <u>1,009,742</u> | <u>142,351</u> | <u>694,546</u> |
| FUND BALANCES - ENDING | <u>\$ 201,309</u> | <u>\$ -</u> | <u>\$ 56,090</u> | <u>\$ 969,591</u> | <u>\$ 129,682</u> | <u>\$ 689,638</u> |

CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | 2017A GO Improvement Bonds Fund | 2019 Improvement Bonds Fund | 2018A GO Equipment Cert. Bonds Fund | 2021A GO Improvement Bonds Fund | 2022A GO Improvement Bonds Fund | Total Debt Service Fund |
|--|---------------------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|----------------------------|
| REVENUES | | | | | | |
| Property Taxes | \$ 344,104 | \$ 295,301 | \$ 126,404 | \$ 1,008,037 | \$ - | \$ 2,455,175 |
| Special Assessments | 54,644 | 70,091 | - | 216,876 | - | 570,486 |
| Investment Earnings (Losses) | (649) | (7,974) | (26) | (12,285) | (269) | (43,722) |
| TOTAL REVENUES | <u>398,099</u> | <u>357,418</u> | <u>126,378</u> | <u>1,212,628</u> | <u>(269)</u> | <u>2,981,939</u> |
| EXPENDITURES | | | | | | |
| Debt Service: | | | | | | |
| Principal | 440,000 | 265,000 | 100,000 | 50,000 | - | 1,870,000 |
| Interest and Other Charges | 76,999 | 69,315 | 19,035 | 240,083 | 851 | 522,761 |
| TOTAL EXPENDITURES | <u>516,999</u> | <u>334,315</u> | <u>119,035</u> | <u>290,083</u> | <u>851</u> | <u>2,392,761</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (118,900) | 23,103 | 7,343 | 922,545 | (1,120) | 589,178 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond Issuance | - | - | - | - | 55,499 | 55,499 |
| Transfers In | - | - | - | - | - | 96,401 |
| Transfers Out | - | - | - | - | - | (96,401) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>55,499</u> | <u>55,499</u> |
| NET CHANGE IN FUND BALANCES | (118,900) | 23,103 | 7,343 | 922,545 | 54,379 | 644,677 |
| FUND BALANCES - BEGINNING | <u>308,157</u> | <u>722,722</u> | <u>22,161</u> | <u>547,758</u> | <u>-</u> | <u>3,890,901</u> |
| FUND BALANCES - ENDING | <u>\$ 189,257</u> | <u>\$ 745,825</u> | <u>\$ 29,504</u> | <u>\$ 1,470,303</u> | <u>\$ 54,379</u> | <u>\$ 4,535,578</u> |

**CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

| | Issue Dates | Interest Rates | Maturity Dates | Initial Authorized Issue | Outstanding Balance 01/01/22 | Issued | Paid | Outstanding Balance 12/31/22 | Principal Due Within One Year |
|--|----------------|-------------------|-------------------|--------------------------------|------------------------------------|----------------------|---------------------|------------------------------------|-------------------------------------|
| GOVERNMENTAL INDEBTEDNESS | | | | | | | | | |
| <u>General Obligation Improvement Bonds</u> | | | | | | | | | |
| 2010B G.O. Refunding Bonds | 11/30/2010 | 1.00 - 3.20% | 2/1/2025 | \$ 1,970,000 | \$ 730,000 | \$ - | \$ 175,000 | \$ 555,000 | \$ 180,000 |
| 2011A G.O. Improvement Bonds | 10/26/2011 | 0.50 - 2.30% | 2/1/2022 | 845,000 | 90,000 | - | 90,000 | - | - |
| 2012B G.O. Improvement Bonds | 8/16/2012 | 0.50 - 1.90% | 2/1/2023 | 865,000 | 190,000 | - | 95,000 | 95,000 | 95,000 |
| 2014A G.O. Improvement Bonds | 7/15/2014 | 2.00 - 3.50% | 1/15/2030 | 2,850,000 | 1,610,000 | - | 225,000 | 1,385,000 | 225,000 |
| 2015A G.O. Improvement Bonds | 8/13/2015 | 2.00 - 3.00% | 1/15/2026 | 1,620,000 | 815,000 | - | 165,000 | 650,000 | 170,000 |
| 2016A G.O. Improvement Bonds | 6/8/2016 | 2.00% | 1/15/2027 | 2,690,000 | 1,675,000 | - | 265,000 | 1,410,000 | 275,000 |
| 2017A G.O. Improvement Bonds | 6/8/2017 | 2.50% | 1/15/2028 | 4,565,000 | 3,300,000 | - | 440,000 | 2,860,000 | 455,000 |
| 2019A G.O. Improvement Bonds | 10/24/2019 | 2.00 - 3.00% | 2/1/2035 | 2,860,000 | 2,620,000 | - | 265,000 | 2,355,000 | 275,000 |
| 2021A G.O. Improvement Bonds | 12/7/2021 | 1.75 - 3.00% | 2/1/2042 | 15,675,000 | 15,675,000 | - | 50,000 | 15,625,000 | 705,000 |
| 2022A G.O. Improvement Bonds | 8/16/2022 | 3.00 - 5.00% | 2/1/2038 | 3,895,000 | - | 3,895,000 | - | 3,895,000 | - |
| | | | | <u>37,835,000</u> | <u>26,705,000</u> | <u>3,895,000</u> | <u>1,770,000</u> | <u>28,830,000</u> | <u>2,380,000</u> |
| <u>General Obligation Equipment Certificates</u> | | | | | | | | | |
| 2018A G.O. Equipment Certificates | 10/16/2018 | 2.70% | 2/1/2028 | 940,000 | 755,000 | - | 100,000 | 655,000 | 100,000 |
| <u>General Obligation Tax Abatement Bonds</u> | | | | | | | | | |
| 2022A G.O. Tax Abatement Bonds | 8/16/2022 | 3.00 - 5.00% | 2/1/2033 | 1,010,000 | - | 1,010,000 | - | 1,010,000 | - |
| TOTAL GOVERNMENTAL DEBTS | | | | <u>39,785,000</u> | <u>27,460,000</u> | <u>4,905,000</u> | <u>1,870,000</u> | <u>30,495,000</u> | <u>2,480,000</u> |
| BUSINESS-TYPE INDEBTEDNESS | | | | | | | | | |
| <u>General Obligation Revenue Bonds</u> | | | | | | | | | |
| 2012A G.O. Water Crossover Refunding Bonds | 8/16/2012 | 2.00 - 2.50% | 12/1/2030 | 4,035,000 | 2,810,000 | - | 280,000 | 2,530,000 | 300,000 |
| 2014A G.O. Improvement Bonds | 7/15/2014 | 2.00 - 3.50% | 1/15/2030 | 3,385,000 | 2,160,000 | - | 220,000 | 1,940,000 | 220,000 |
| 2015A G.O. Improvement Bonds | 8/13/2015 | 2.00 - 3.00% | 1/15/2031 | 1,195,000 | 850,000 | - | 80,000 | 770,000 | 80,000 |
| 2016A G.O. Improvement Bonds | 6/8/2016 | 2.00% | 1/15/2032 | 6,855,000 | 5,220,000 | - | 430,000 | 4,790,000 | 435,000 |
| 2017A G.O. Improvement Bonds | 6/8/2017 | 2.50 - 3.00% | 1/15/2033 | 4,480,000 | 3,710,000 | - | 270,000 | 3,440,000 | 275,000 |
| 2019A G.O. Improvement Bonds | 10/24/2019 | 2.00 - 3.00% | 2/1/2035 | 1,195,000 | 1,135,000 | - | 65,000 | 1,070,000 | 70,000 |
| 2021A G.O. Improvement Bonds | 12/7/2021 | 1.75 - 3.00% | 2/1/2037 | 6,310,000 | 6,310,000 | - | - | 6,310,000 | 430,000 |
| 2022A G.O. Improvement Bonds | 8/16/2022 | 3.00 - 5.00% | 2/1/2037 | 7,590,000 | - | 7,590,000 | - | 7,590,000 | 515,000 |
| TOTAL BUSINESS-TYPE DEBTS | | | | <u>35,045,000</u> | <u>22,195,000</u> | <u>7,590,000</u> | <u>1,345,000</u> | <u>28,440,000</u> | <u>2,325,000</u> |
| TOTAL INDEBTEDNESS | | | | <u>\$ 74,830,000</u> | <u>\$ 49,655,000</u> | <u>\$ 12,495,000</u> | <u>\$ 3,215,000</u> | <u>\$ 58,935,000</u> | <u>\$ 4,805,000</u> |

**STATISTICAL SECTION
(UNAUDITED)**

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

This part of the City of Lake Elmo, Minnesota's Annual Comprehensive 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.

| Contents | Pages |
|---|--------------|
| <p>Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p> | 103-112 |
| <p>Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, property taxes, as well as water and sanitary sewer rates and gallons sold.</p> | 113-117 |
| <p>Debt Capacity These tables 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.</p> | 118-122 |
| <p>Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p> | 123-124 |
| <p>Operating Information These tables 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.</p> | 125-129 |

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

**CITY OF LAKE ELMO, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN YEARS**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| Governmental Activities: | | | | | |
| Net Investment in Capital Assets | \$ 39,647,112 | \$ 34,784,806 | \$ 29,694,288 | \$ 24,771,065 | \$ 15,396,520 |
| Restricted | 12,475,169 | 10,249,092 | 8,171,161 | 8,596,759 | 10,121,648 |
| Unrestricted | <u>14,362,912</u> | <u>12,101,304</u> | <u>5,284,397</u> | <u>4,231,363</u> | <u>1,086,636</u> |
| Total Governmental Activities Net Position | <u>\$ 66,485,193</u> | <u>\$ 57,135,202</u> | <u>\$ 43,149,846</u> | <u>\$ 37,599,187</u> | <u>\$ 26,604,804</u> |
| Business-Type Activities: | | | | | |
| Net Investment in Capital Assets | \$ 59,998,083 | \$ 53,867,479 | \$ 44,371,375 | \$ 33,052,649 | \$ 18,382,934 |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>24,515,239</u> | <u>19,888,783</u> | <u>18,578,807</u> | <u>16,528,968</u> | <u>13,842,382</u> |
| Total Business-Type Activities Net Position | <u>\$ 84,513,322</u> | <u>\$ 73,756,262</u> | <u>\$ 62,950,182</u> | <u>\$ 49,581,617</u> | <u>\$ 32,225,316</u> |
| Primary Government: | | | | | |
| Net Investment in Capital Assets | \$ 99,645,195 | \$ 88,652,285 | \$ 74,065,663 | \$ 57,823,714 | \$ 33,779,454 |
| Restricted | 12,475,169 | 10,249,092 | 8,171,161 | 8,596,759 | 10,121,648 |
| Unrestricted | <u>38,878,151</u> | <u>31,990,087</u> | <u>23,863,204</u> | <u>20,760,331</u> | <u>14,929,018</u> |
| Total Primary Government Net Position | <u>\$ 150,998,515</u> | <u>\$ 130,891,464</u> | <u>\$ 106,100,028</u> | <u>\$ 87,180,804</u> | <u>\$ 58,830,120</u> |

GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

GASB 75 was implemented in 2018. Net position was restated for 2017 to reflect the reporting of the OPEB liability and OPEB related deferred inflows of resources. Net position for years prior to 2017 was not restated.

GASB 87 was implemented in 2022. Net position for years prior to 2022 was not restated.

CITY OF LAKE ELMO, MINNESOTA
NET POSITION BY COMPONENT (Continued)
LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities: | | | | | |
| Net Investment in Capital Assets | \$ 8,883,320 | \$ 9,032,535 | \$ 8,723,329 | \$ 7,957,840 | \$ 9,056,353 |
| Restricted | 5,057,169 | 4,704,133 | 3,446,142 | 1,106,200 | 1,225,849 |
| Unrestricted | <u>4,818,383</u> | <u>4,136,292</u> | <u>3,942,646</u> | <u>5,405,920</u> | <u>4,593,463</u> |
| Total Governmental Activities Net Position | <u>\$ 18,758,872</u> | <u>\$ 17,872,960</u> | <u>\$ 16,112,117</u> | <u>\$ 14,469,960</u> | <u>\$ 14,875,665</u> |
| Business-Type Activities: | | | | | |
| Net Investment in Capital Assets | \$ 12,180,378 | \$ 12,506,474 | \$ 10,170,351 | \$ 10,567,418 | \$ 6,855,807 |
| Restricted | 2,695,734 | 1,473,164 | 1,876,119 | 2,387,312 | 2,612,569 |
| Unrestricted | <u>9,151,417</u> | <u>6,400,375</u> | <u>3,577,285</u> | <u>1,100,422</u> | <u>1,846,681</u> |
| Total Business-Type Activities Net Position | <u>\$ 24,027,529</u> | <u>\$ 20,380,013</u> | <u>\$ 15,623,755</u> | <u>\$ 14,055,152</u> | <u>\$ 11,315,057</u> |
| Primary Government: | | | | | |
| Net Investment in Capital Assets | \$ 21,063,698 | \$ 21,539,009 | \$ 18,893,680 | \$ 18,525,258 | \$ 15,912,160 |
| Restricted | 7,752,903 | 6,177,297 | 5,322,261 | 3,493,512 | 3,838,418 |
| Unrestricted | <u>13,969,800</u> | <u>10,536,667</u> | <u>7,519,931</u> | <u>6,506,342</u> | <u>6,440,144</u> |
| Total Primary Government Net Position | <u>\$ 42,786,401</u> | <u>\$ 38,252,973</u> | <u>\$ 31,735,872</u> | <u>\$ 28,525,112</u> | <u>\$ 26,190,722</u> |

**CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION
LAST TEN YEARS**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 1,055,405 | \$ 1,052,188 | \$ 1,008,916 | \$ 1,181,219 | \$ 1,266,269 |
| Public Safety | 2,939,066 | 3,091,321 | 2,681,784 | 2,058,419 | 2,161,082 |
| Public Works | 4,831,584 | 3,735,767 | 4,012,661 | 3,728,247 | 2,192,092 |
| Parks and Recreation | 415,377 | 391,240 | 428,083 | 361,730 | 524,445 |
| Economic Development Authority | - | 53,264 | 46,371 | 71,609 | 47,702 |
| Debt Service | <u>716,093</u> | <u>353,256</u> | <u>363,988</u> | <u>395,106</u> | <u>352,376</u> |
| Total Governmental Activities Expenses | <u>9,957,525</u> | <u>8,677,036</u> | <u>8,541,803</u> | <u>7,796,330</u> | <u>6,543,966</u> |
| Business-Type Activities: | | | | | |
| Water | 3,280,875 | 2,665,708 | 2,383,252 | 1,940,148 | 2,068,178 |
| Sewer | 2,071,858 | 1,563,008 | 1,481,586 | 1,082,997 | 846,032 |
| Storm Sewer | <u>952,799</u> | <u>830,044</u> | <u>753,177</u> | <u>469,765</u> | <u>315,967</u> |
| Total Business-Type Activities Expenses | <u>6,305,532</u> | <u>5,058,760</u> | <u>4,618,015</u> | <u>3,492,910</u> | <u>3,230,177</u> |
| Total Primary Government Expenses | <u>\$ 16,263,057</u> | <u>\$ 13,735,796</u> | <u>\$ 13,159,818</u> | <u>\$ 11,289,240</u> | <u>\$ 9,774,143</u> |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for Services: | | | | | |
| General Government | \$ 409,126 | \$ 485,785 | \$ 421,792 | \$ 553,870 | \$ 379,378 |
| Public Safety | 2,215,965 | 2,199,655 | 2,146,319 | 1,574,359 | 1,938,163 |
| Public Works | 58,414 | 104,817 | 243,060 | 126,721 | - |
| Parks and Recreation | 206,340 | 25 | 2,812 | 1,430 | - |
| Economic Development Authority | 24 | 57,539 | 87,778 | 99,690 | 78,573 |
| Operating Grants and Contributions | 391,306 | 279,690 | 1,039,823 | 795,483 | 248,915 |
| Capital Grants and Contributions | <u>4,783,094</u> | <u>8,981,866</u> | <u>4,823,628</u> | <u>11,076,353</u> | <u>4,970,565</u> |
| Total Governmental Activities Program Revenues | <u>8,064,269</u> | <u>12,109,377</u> | <u>8,765,212</u> | <u>14,227,906</u> | <u>7,615,594</u> |
| Business-Type Activities: | | | | | |
| Charges for services: | | | | | |
| Water | 3,241,839 | 1,711,596 | 1,239,404 | 962,003 | 951,985 |
| Sewer | 1,499,393 | 549,567 | 432,583 | 306,041 | 252,614 |
| Storm Sewer | 543,589 | 512,624 | 369,689 | 380,645 | 322,700 |
| Operating Grants and Contributions | - | 35,635 | 21,893 | 122,350 | - |
| Capital Grants and Contributions | <u>15,257,903</u> | <u>18,326,363</u> | <u>15,636,661</u> | <u>14,114,787</u> | <u>7,466,627</u> |
| Total Business-Type Activities | <u>20,542,724</u> | <u>21,135,785</u> | <u>17,700,230</u> | <u>15,885,826</u> | <u>8,993,926</u> |
| Total Primary Government Program Revenues | <u>\$ 28,606,993</u> | <u>\$ 33,245,162</u> | <u>\$ 26,465,442</u> | <u>\$ 30,113,732</u> | <u>\$ 16,609,520</u> |

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION (Continued)
LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 1,503,251 | \$ 1,358,370 | \$ 1,134,132 | \$ 1,072,888 | \$ 1,103,337 |
| Public Safety | 1,528,253 | 1,308,360 | 1,344,282 | 1,530,609 | 1,277,798 |
| Public Works | 2,800,044 | 1,698,566 | 1,377,969 | 1,032,426 | 1,273,977 |
| Parks and Recreation | 1,299,551 | 660,947 | 639,006 | 448,361 | 424,687 |
| Economic Development Authority | - | - | - | - | - |
| Debt Service | <u>225,910</u> | <u>178,266</u> | <u>215,611</u> | <u>165,028</u> | <u>133,694</u> |
| Total Governmental Activities Expenses | <u>7,357,009</u> | <u>5,204,509</u> | <u>4,711,000</u> | <u>4,249,312</u> | <u>4,213,493</u> |
| Business-Type Activities: | | | | | |
| Water | 2,022,446 | 1,409,832 | 1,363,043 | 1,069,511 | 958,870 |
| Sewer | 1,030,058 | 380,650 | 250,866 | 353,438 | 119,370 |
| Storm Sewer | <u>213,514</u> | <u>150,302</u> | <u>103,536</u> | <u>149,887</u> | <u>86,989</u> |
| 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> | <u>1,165,229</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> | <u>\$ 5,378,722</u> |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for Services: | | | | | |
| General Government | \$ 206,856 | \$ 51,009 | \$ 42,706 | \$ 45,161 | \$ 32,778 |
| Public Safety | 2,101,890 | 1,752,522 | 866,708 | 496,916 | 414,472 |
| Public Works | - | - | 3,615 | - | 2,647 |
| Parks and Recreation | - | - | 26,214 | 10,753 | 17,000 |
| Economic Development Authority | - | - | - | - | - |
| Operating Grants and Contributions | 229,960 | 235,214 | 249,094 | 204,462 | 208,276 |
| Capital Grants and Contributions | <u>2,290,265</u> | <u>1,452,469</u> | <u>2,038,940</u> | <u>557,601</u> | <u>1,364,622</u> |
| 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> | <u>2,039,795</u> |
| Business-Type Activities: | | | | | |
| Charges for services: | | | | | |
| Water | 2,628,848 | 1,801,228 | 1,850,240 | 1,291,091 | 596,421 |
| Sewer | 2,435,749 | 1,315,948 | 1,523,067 | 741,054 | 53,142 |
| Storm Sewer | 289,375 | 213,233 | 229,252 | 214,915 | 191,087 |
| Operating Grants and Contributions | - | - | - | - | - |
| Capital Grants and Contributions | <u>1,489,922</u> | <u>3,464,567</u> | <u>-</u> | <u>1,159,222</u> | <u>3,781,528</u> |
| Total Business-Type Activities | <u>6,843,894</u> | <u>6,794,976</u> | <u>3,602,559</u> | <u>3,406,282</u> | <u>4,622,178</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> | <u>\$ 6,661,973</u> |

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION (Continued)
LAST TEN YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net (Expense) Revenue: | | | | | |
| Governmental Activities | \$ (1,893,256) | \$ 3,432,341 | \$ 223,409 | \$ 6,431,576 | \$ 1,071,628 |
| Business-Type Activities | <u>14,237,192</u> | <u>16,077,025</u> | <u>13,082,215</u> | <u>12,392,916</u> | <u>5,763,749</u> |
| Total Primary Government, net | <u>12,343,936</u> | <u>19,509,366</u> | <u>13,305,624</u> | <u>18,824,492</u> | <u>6,835,377</u> |
| General Revenues and Other | | | | | |
| Changes in Net Position: | | | | | |
| Governmental Activities: | | | | | |
| General Property Taxes | 7,565,922 | 5,294,950 | 4,960,342 | 4,181,914 | 3,610,106 |
| Unrestricted Grants and Contributions | 703,388 | 4,639 | 4,337 | 4,956 | 6,868 |
| Unrestricted Investment Earnings (Losses) | (380,657) | (13,874) | 348,766 | 331,010 | 115,583 |
| Miscellaneous | 23,384 | - | - | - | - |
| Gain (Loss) on Disposal of Capital Assets | 69,985 | 17,300 | 13,805 | 44,927 | 8,991 |
| Transfers | <u>3,261,225</u> | <u>5,250,000</u> | <u>-</u> | <u>-</u> | <u>840</u> |
| Total Governmental Activities | <u>11,243,247</u> | <u>10,553,015</u> | <u>5,327,250</u> | <u>4,562,807</u> | <u>3,742,388</u> |
| Business-Type Activities: | | | | | |
| Unrestricted Grants and Contributions | 2,146 | - | - | - | 956 |
| Unrestricted Investment Earnings (Losses) | (221,053) | (20,945) | 286,350 | 411,206 | 96,425 |
| Extraordinary Item | - | - | - | 4,552,179 | - |
| Transfers | <u>(3,261,225)</u> | <u>(5,250,000)</u> | <u>-</u> | <u>-</u> | <u>(840)</u> |
| Total Business-Type Activities | <u>(3,480,132)</u> | <u>(5,270,945)</u> | <u>286,350</u> | <u>4,963,385</u> | <u>96,541</u> |
| Total Primary Government | <u>\$ 7,763,115</u> | <u>\$ 5,282,070</u> | <u>\$ 5,613,600</u> | <u>\$ 9,526,192</u> | <u>\$ 3,838,929</u> |
| Change in Net Position: | | | | | |
| Governmental Activities | \$ 9,349,991 | \$ 13,985,356 | \$ 5,550,659 | \$ 10,994,383 | \$ 4,814,016 |
| Business-Type Activities | <u>10,757,060</u> | <u>10,806,080</u> | <u>13,368,565</u> | <u>17,356,301</u> | <u>5,860,290</u> |
| Total Primary Government Change in Net Position | <u>\$ 20,107,051</u> | <u>\$ 24,791,436</u> | <u>\$ 18,919,224</u> | <u>\$ 28,350,684</u> | <u>\$ 10,674,306</u> |

GASB 68 was implemented in 2015. Pension expense for years prior to 2015 was not restated.

GASB 75 was implemented in 2018. OPEB expense for years prior to 2018 was not restated.

GASB 87 was implemented in 2022. Lease revenue for years prior to 2022 was not restated.

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION (Continued)
LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Net (Expense) Revenue: | | | | | |
| Governmental Activities | \$ (2,528,038) | \$ (1,713,295) | \$ (1,483,723) | \$ (2,934,419) | \$ (2,173,698) |
| Business-Type Activities | <u>3,577,876</u> | <u>4,854,192</u> | <u>1,885,114</u> | <u>1,833,446</u> | <u>3,456,949</u> |
| Total Primary Government, net | <u>1,049,838</u> | <u>3,140,897</u> | <u>401,391</u> | <u>(1,100,973)</u> | <u>1,283,251</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 | 3,231,609 |
| Unrestricted Grants and Contributions | 2,749 | 8,584 | 2,749 | 2,749 | 2,749 |
| Unrestricted Investment Earnings (Losses) | 48,987 | 43,228 | 46,589 | 87,586 | 35,259 |
| Miscellaneous | 158,350 | 52,479 | 73,738 | 125,400 | 1,833 |
| Gain (Loss) on Disposal of Capital Assets | - | - | - | - | 8,979 |
| Transfers | <u>-</u> | <u>143,105</u> | <u>220,842</u> | <u>(887,312)</u> | <u>-</u> |
| Total Governmental Activities | <u>3,250,499</u> | <u>3,474,135</u> | <u>3,548,037</u> | <u>2,528,714</u> | <u>3,280,429</u> |
| Business-Type Activities: | | | | | |
| Unrestricted Grants and Contributions | - | 748 | - | - | - |
| Unrestricted Investment Earnings (Losses) | 46,757 | 44,423 | 39,757 | 19,337 | 30,346 |
| Extraordinary Item | - | - | - | - | - |
| Transfers | <u>-</u> | <u>(143,105)</u> | <u>(220,842)</u> | <u>887,312</u> | <u>-</u> |
| Total Business-Type Activities | <u>46,757</u> | <u>(97,934)</u> | <u>(181,085)</u> | <u>906,649</u> | <u>30,346</u> |
| Total Primary Government | <u>\$ 3,297,256</u> | <u>\$ 3,376,201</u> | <u>\$ 3,366,952</u> | <u>\$ 3,435,363</u> | <u>\$ 3,310,775</u> |
| Change in Net Position: | | | | | |
| Governmental Activities | \$ 722,461 | \$ 1,760,840 | \$ 2,064,314 | \$ (405,705) | \$ 1,106,731 |
| Business-Type Activities | <u>3,624,633</u> | <u>4,756,258</u> | <u>1,704,029</u> | <u>2,740,095</u> | <u>3,487,295</u> |
| Total Primary Government Change in Net Position | <u>\$ 4,347,094</u> | <u>\$ 6,517,098</u> | <u>\$ 3,768,343</u> | <u>\$ 2,334,390</u> | <u>\$ 4,594,026</u> |

**CITY OF LAKE ELMO, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN YEARS**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| General Fund: | | | | | |
| Nonspendable | \$ - | \$ - | \$ 21,206 | \$ 28,162 | \$ 18,951 |
| Committed | - | - | - | - | - |
| Unassigned | <u>7,540,239</u> | <u>5,618,812</u> | <u>5,212,435</u> | <u>4,286,022</u> | <u>4,756,695</u> |
| Total General Fund | <u>7,540,239</u> | <u>5,618,812</u> | <u>5,233,641</u> | <u>4,314,184</u> | <u>4,775,646</u> |
| All Other Governmental Funds: | | | | | |
| Nonspendable | - | - | - | - | 395 |
| Restricted | 9,933,623 | 17,458,949 | 5,814,832 | 5,973,451 | 6,133,168 |
| Committed | 14,120 | 7,673 | 7,314 | 24,070 | 11,003 |
| Assigned | 7,145,740 | 7,571,501 | 2,653,880 | 1,746,202 | 1,198,909 |
| Unassigned | <u>(198,128)</u> | <u>(246,004)</u> | <u>(1,525,916)</u> | <u>(757,968)</u> | <u>(3,043,623)</u> |
| Total all Other Governmental Funds | <u>16,895,355</u> | <u>24,792,119</u> | <u>6,950,110</u> | <u>6,985,755</u> | <u>4,299,852</u> |
| Total Governmental Funds | <u>\$ 24,435,594</u> | <u>\$ 30,410,931</u> | <u>\$ 12,183,751</u> | <u>\$ 11,299,939</u> | <u>\$ 9,075,498</u> |

CITY OF LAKE ELMO, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS (Continued)
LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund: | | | | | |
| Nonspendable | \$ 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: | | | | | |
| Nonspendable | 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> |

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|----------------------|--------------------|---------------------|---------------------|
| Revenues: | | | | | |
| General Property Taxes | \$ 7,562,013 | \$ 5,303,553 | \$ 4,947,133 | \$ 4,182,327 | \$ 3,610,508 |
| Licenses and Permits | 1,646,539 | 1,485,658 | 1,425,695 | 1,055,038 | 1,317,648 |
| Intergovernmental | 1,121,633 | 722,128 | 1,023,193 | 2,819,961 | 247,178 |
| Charges for Services | 1,170,762 | 1,151,914 | 1,273,241 | 1,079,342 | 899,808 |
| Fines and Forfeits | 34,711 | 45,749 | 33,584 | 36,696 | 49,203 |
| Special Assessments | 570,486 | 862,766 | 474,099 | 649,487 | 1,398,155 |
| Park Dedication Fees | - | 1,845,371 | 714,558 | 123,500 | 502,802 |
| Investment Earnings (Losses) | (419,853) | (13,874) | 348,766 | 331,010 | 115,583 |
| Lease Interest | 39,196 | - | - | - | - |
| Miscellaneous | 150,426 | 177,000 | 183,711 | 201,494 | 129,455 |
| Total Revenues | <u>11,875,913</u> | <u>11,580,265</u> | <u>10,423,980</u> | <u>10,478,855</u> | <u>8,270,340</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | 1,017,210 | 1,056,983 | 1,005,254 | 1,136,908 | 1,208,145 |
| Public Safety | 2,701,216 | 3,003,677 | 2,641,770 | 1,948,269 | 1,644,159 |
| Public Works | 1,763,030 | 1,488,448 | 1,493,370 | 1,875,606 | 1,227,521 |
| Parks And Recreation | 282,789 | 258,690 | 310,066 | 265,260 | 241,761 |
| Economic Development Authority | - | 53,264 | 46,371 | 71,609 | 47,702 |
| Debt service: | | | | | |
| Principal | 1,870,000 | 3,641,000 | 1,790,000 | 1,615,000 | 1,175,000 |
| Interest and Fiscal Charges | 611,636 | 425,797 | 420,299 | 454,814 | 230,822 |
| Capital Outlay | <u>14,912,731</u> | <u>4,915,641</u> | <u>1,846,843</u> | <u>4,354,643</u> | <u>4,552,089</u> |
| Total Expenditures | <u>23,158,612</u> | <u>14,843,500</u> | <u>9,553,973</u> | <u>11,722,109</u> | <u>10,327,199</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(11,282,699)</u> | <u>(3,263,235)</u> | <u>870,007</u> | <u>(1,243,254)</u> | <u>(2,056,859)</u> |
| Other Financing Sources (Uses): | | | | | |
| Issuance of Debt | 4,905,000 | 6,126,989 | - | 2,860,000 | 1,866,000 |
| Premium on Issuance of Debt | 326,200 | (876,989) | - | 168,168 | - |
| (Discount) on Issuance of Debt | - | 15,675,000 | - | - | - |
| Proceeds from Sale of Capital Assets | 76,162 | 548,115 | 13,805 | 44,927 | 8,991 |
| Transfers In | 252,074 | - | 1,900,244 | 1,181,173 | 56,209 |
| Transfers Out | <u>(252,074)</u> | <u>17,300</u> | <u>(1,900,244)</u> | <u>(786,573)</u> | <u>(173,190)</u> |
| Total Other Financing Sources (Uses) | <u>5,307,362</u> | <u>21,490,415</u> | <u>13,805</u> | <u>3,467,695</u> | <u>1,758,010</u> |
| Net Change in Fund Balance | <u>\$ (5,975,337)</u> | <u>\$ 18,227,180</u> | <u>\$ 883,812</u> | <u>\$ 2,224,441</u> | <u>\$ (298,849)</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 28.3% | 40.9% | 26.8% | 26.1% | 24.2% |
| Debt Service as a Percentage of Total Expenditures | 10.7% | 27.4% | 23.1% | 17.7% | 13.6% |

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (Continued)
LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------------|---------------------|--------------------|--------------------|-----------------------|
| Revenues: | | | | | |
| General Property 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 Forfeits | 41,418 | 49,505 | 48,739 | 48,647 | 52,110 |
| Special Assessments | 455,493 | 897,323 | 1,316,239 | 115,424 | 180,023 |
| Park Dedication Fees | 265,783 | 171,708 | 138,158 | 274,257 | - |
| Investment Earnings (Losses) | 48,987 | 43,228 | 46,415 | 87,467 | 35,127 |
| Lease Interest | - | - | - | - | - |
| Miscellaneous | 265,133 | 77,491 | 99,055 | 165,319 | 57,260 |
| Total Revenues | <u>7,327,134</u> | <u>6,506,329</u> | <u>6,032,014</u> | <u>4,790,338</u> | <u>5,641,394</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | 1,502,904 | 1,358,306 | 1,094,723 | 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 |
| Parks And Recreation | 603,292 | 500,689 | 457,749 | 368,276 | 301,404 |
| Economic Development Authority | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | 910,000 | 826,219 | 667,342 | 585,000 | 3,348,000 |
| Interest and Fiscal Charges | 463,570 | 242,392 | 226,611 | 157,649 | 179,018 |
| Capital Outlay | 5,860,917 | 3,126,782 | 2,729,512 | 2,881,437 | 1,784,914 |
| Total Expenditures | <u>11,997,237</u> | <u>8,210,072</u> | <u>7,066,103</u> | <u>6,822,885</u> | <u>8,929,483</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(4,670,103)</u> | <u>(1,703,743)</u> | <u>(1,034,089)</u> | <u>(2,032,547)</u> | <u>(3,288,089)</u> |
| 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) | - | - |
| Proceeds from Sale of Capital Assets | 1,400 | - | 30,000 | - | - |
| Transfers In | - | 143,105 | 220,842 | 10,501 | - |
| Transfers Out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>4,706,166</u> | <u>2,921,590</u> | <u>1,891,593</u> | <u>2,892,021</u> | <u>1,604,797</u> |
| Net Change in Fund Balance | <u>\$ 36,063</u> | <u>\$ 1,217,847</u> | <u>\$ 857,504</u> | <u>\$ 859,474</u> | <u>\$ (1,683,292)</u> |
| Debt Service as a Percentage of | | | | | |
| Noncapital Expenditures | 22.4% | 21.0% | 20.6% | 18.8% | 49.4% |
| Debt Service as a Percentage of | | | | | |
| Total Expenditures | 11.4% | 13.0% | 12.7% | 10.9% | 39.5% |

**CITY OF LAKE ELMO, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN 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 | | | | |
| 2013 | 1,028,011,400 | 11,392,876 | 237,584 | 11,630,460 | 11,384,320 | 29.259 | 1.13% |
| 2014 | 1,046,031,000 | 11,504,611 | 238,764 | 11,743,375 | 11,393,889 | 27.761 | 1.12% |
| 2015 | 1,184,578,800 | 12,938,515 | 243,104 | 13,181,619 | 13,072,105 | 23.798 | 1.11% |
| 2016 | 1,224,463,300 | 13,386,725 | 266,218 | 13,652,943 | 13,441,204 | 23.121 | 1.12% |
| 2017 | 1,316,618,700 | 14,520,320 | 292,938 | 14,813,258 | 14,631,062 | 20.018 | 1.13% |
| 2018 | 1,452,554,500 | 16,054,044 | 326,744 | 16,380,788 | 15,359,350 | 22.442 | 1.13% |
| 2019 | 1,648,277,500 | 18,184,317 | 345,172 | 18,529,489 | 18,249,623 | 22.927 | 1.12% |
| 2020 | 1,901,067,300 | 20,907,484 | 345,800 | 21,253,284 | 20,021,726 | 23.476 | 1.12% |
| 2021 | 2,009,618,900 | 21,975,125 | 374,464 | 22,349,589 | 21,116,953 | 23.638 | 1.11% |
| 2022 | 2,231,230,900 | 24,469,045 | 287,646 | 24,756,691 | 23,487,099 | 30.546 | 1.11% |

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

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
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS**

| Fiscal Year | City Direct Rate | | | Overlapping Rates | | | Special Taxing Districts | Range of Total Direct and Overlapping Tax Rates | |
|-------------|--------------------|-----------------------|----------------|---|-------------------|--|--------------------------|---|---------|
| | Operating Tax Rate | Debt Service Tax Rate | Total Tax Rate | Range of Tax Rates for ISD's 622, 832 & 834 | Washington County | Range of Tax Rates for Watershed Districts | | | |
| 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 |
| 2018 | 16.107 (1) | 6.335 | 22.442 | 19.349 - 32.161 | 29.709 | 0.819 - 5.021 | 3.072 | 75.391 | 92.405 |
| 2019 | 16.258 (1) | 6.670 | 22.927 | 18.442 - 31.894 | 29.305 | 0.808 - 5.263 | 3.994 | 75.476 | 93.383 |
| 2020 | 16.777 (1) | 6.700 | 23.477 | 15.321 - 29.926 | 28.610 | 0.766 - 4.850 | 3.738 | 71.911 | 90.600 |
| 2021 | 17.178 (1) | 6.460 | 23.638 | 17.277 - 29.554 | 27.244 | 0.742 - 4.835 | 3.593 | 72.494 | 88.864 |
| 2022 | 20.505 (1) | 10.041 | 30.546 | 19.502 - 32.173 | 27.526 | 0.718 - 4.437 | 3.483 | 81.775 | 98.165 |

Source: Washington County Taxation Division

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) Excludes Library Levy component effective 1/1/2018 due to going back to Washington County

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

| Taxpayer | 2022 | | | 2013 | | |
|----------------------------------|----------------------------|------|---|----------------------------|------|---|
| | Taxable Tax Capacity | Rank | Percentage of Total City Tax Capacity Value | Taxable Tax Capacity | Rank | Percentage of Total City Tax Capacity Value |
| Dakota Upreit LP | \$ 279,546 | 1 | 1.13% | \$ - | | - |
| Bremer Financial Services Inc | 257,388 | 2 | 1.04% | 197,474 | 3 | 1.70% |
| MLL High Pointe LLC | 198,362 | 3 | 0.80% | - | | - |
| Xcel Energy | 175,822 | 4 | 0.71% | 204,686 | 2 | 1.76% |
| Eagle Point Medical Building LLC | 172,324 | 5 | 0.70% | - | | - |
| Arbor Glen Senior Living LLC | 143,258 | 6 | 0.58% | - | | - |
| MHC Cimarron LLC | 141,288 | 7 | 0.57% | 134,090 | 4 | 1.15% |
| Boulder Ponds Senior Living LLC | 138,506 | 8 | 0.56% | - | | - |
| Auto-Owners Life Insurance Co. | 113,510 | 9 | 0.46% | - | | - |
| HOA Hotels LLC | 107,784 | 10 | 0.44% | 89,880 | 7 | 0.77% |
| IRET Properties | - | | - | 205,342 | 1 | 1.77% |
| United Land LLC | - | | - | 121,976 | 5 | 1.05% |
| Tartan Park LLC | - | | - | 100,643 | 6 | 0.87% |
| Danate Proper Inv I LLC | - | | - | 76,762 | 8 | 0.66% |
| Eagle Point II LLC | - | | - | 71,064 | 9 | 0.61% |
| Davis Estates LTD | - | | - | 64,912 | 10 | 0.56% |
| Total | <u>\$ 1,727,788</u> | | <u>6.98%</u> | <u>\$ 1,266,829</u> | | <u>10.33%</u> |

Source: Washington County Taxation Division

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

| Fiscal Year | 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 | Total Collections to Date | | Outstanding Delinquent Taxes | Delinquent Taxes as a Percentage of Total Net Tax Levy |
|-------------|----------------------------------|--------------------------------------|--|------------------------|---------------------------------|---------------------------|------------------------|------------------------------|--|
| | | | Amount | Percentage of Net Levy | | Amount | Percentage of Net Levy | | |
| 2013 | \$ 3,163,359 | \$ 3,160,524 | \$ 3,133,764 | 99.15% | \$ 26,760 | \$ 3,160,524 | 100.00% | \$ - | 0.00% |
| 2014 | 3,163,359 | 3,160,285 | 3,128,695 | 99.00% | 31,590 | 3,160,285 | 100.00% | - | 0.00% |
| 2015 | 3,113,017 | 3,133,137 | 3,112,989 | 99.36% | 19,874 | 3,132,863 | 99.99% | 274 | 0.01% |
| 2016 | 3,112,204 | 3,112,204 | 3,068,116 | 98.58% | 42,044 | 3,110,160 | 99.93% | 2,044 | 0.07% |
| 2017 | 2,950,426 | 2,950,426 | 2,935,173 | 99.48% | 12,485 | 2,947,658 | 99.91% | 2,768 | 0.09% |
| 2018 | 3,596,601 | 3,592,491 | 3,574,859 | 99.51% | 13,239 | 3,588,098 | 99.88% | 4,393 | 0.12% |
| 2019 | 4,179,840 | 4,175,590 | 4,149,059 | 99.36% | 19,244 | 4,168,303 | 99.83% | 7,287 | 0.17% |
| 2020 | 4,949,823 | 4,945,184 | 4,864,708 | 98.37% | 43,075 | 4,907,782 | 99.24% | 37,402 | 0.76% |
| 2021 | 5,263,268 | 5,258,656 | 5,205,793 | 98.99% | 50,910 | 5,256,703 | 99.96% | 1,953 | 0.04% |
| 2022 | 7,468,748 | 7,463,868 | 7,372,100 | 98.77% | 61,909 | 7,434,009 | 99.60% | 29,860 | 0.40% |

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

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Water (in millions of gallons): | | | | | | | | | | |
| Residential | 351,923 | 323,632 | 203,453 | 173,925 | 96,882 | 93,513 | 98,044 | 84,007 | 98,573 | 120,676 |
| Commercial service | <u>46,427</u> | <u>50,822</u> | <u>157,170</u> | <u>87,935</u> | <u>22,189</u> | <u>16,603</u> | <u>29,379</u> | <u>21,653</u> | <u>12,156</u> | <u>8,253</u> |
| Total gallons | 398,350 | 374,454 | 360,623 | 261,860 | 119,071 | 110,116 | 127,423 | 105,660 | 110,729 | 128,929 |
| Total direct rate per 1,000 gallons: | | | | | | | | | | |
| Residential (2) | 2.18 | 2.14 | 2.12 | 2.12 | 2.06 | 2.00 | 2.14 | 2.14 | 2.14 | 2.14 |
| Commercial service (2) | 3.39 | 3.33 | 3.30 | 3.30 | 3.20 | 3.11 | 3.11 | 3.11 | 3.11 | 3.11 |
| Sanitary Sewer (in millions of gallons): | | | | | | | | | | |
| Residential (1) | 96,361 | 75,550 | 46,170 | 41,003 | 32,409 | 38,340 | 6,812 | 3,794 | - | - |
| Commercial service | <u>20,432</u> | <u>16,021</u> | <u>11,779</u> | <u>12,943</u> | <u>12,267</u> | <u>6,807</u> | <u>9,125</u> | <u>8,179</u> | <u>6,532</u> | <u>6,149</u> |
| Total gallons | 116,793 | 91,571 | 57,949 | 53,946 | 44,676 | 45,147 | 15,937 | 11,973 | 6,532 | 6,149 |
| Total direct rate per 1,000 gallons | 4.80 | 4.70 | 4.65 | 4.60 | 4.55 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |

(1) City did not have any residential sanitary sewer customers in 2014 and prior

(2) City uses tiers, rate represents first tier, up to 15,000 gallons rate

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

| Fiscal Year | Governmental Activities | | | | Total Governmental Activities | Business-Type Activities | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|-------------------------|-----------------------------|-------------------------------------|-----------------------|-------------------------------|----------------------------|---------------|--------------------------|-------------------------------|------------|
| | G.O. Improvement Bonds | G.O. Equipment Certificates | G.O. Capital Improvement Plan Bonds | Other Notes and Bonds | | G.O. Utility Revenue Bonds | | | | |
| 2013 | \$ 4,436,967 | \$ 102,000 | \$ 1,941,135 | \$ - | \$ 6,480,102 | \$ 12,476,920 | \$ 18,957,022 | 4.5% | 2,349 | |
| 2014 | 6,919,568 | 52,000 | 1,808,024 | - | 8,779,592 | 15,530,642 | 24,310,234 | 6.8% | 3,013 | |
| 2015 | 8,095,288 | - | 1,687,803 | 21,219 | 9,804,310 | 12,622,484 | 22,426,794 | 6.0% | 2,779 | |
| 2016 | 10,210,038 | - | 1,537,530 | - | 11,747,568 | 18,990,395 | 30,737,963 | 8.2% | 3,809 | |
| 2017 | 14,151,671 | - | 1,382,249 | - | 15,533,920 | 22,866,787 | 38,400,707 | 8.8% | 3,990 | |
| 2018 | 13,185,126 | 940,000 | 1,226,928 | 926,000 | 16,278,054 | 21,680,126 | 37,958,180 | 7.6% | 3,608 | |
| 2019 | 14,697,425 | 940,000 | 1,065,000 | 926,000 | 17,628,425 | 21,520,145 | 39,148,570 | 6.5% | 3,525 | |
| 2020 | 13,159,432 | 850,000 | 900,000 | 881,000 | 15,790,432 | 20,105,366 | 35,895,798 | 5.5% | 3,232 | |
| 2021 | 26,839,553 | 755,000 | 730,000 | - | 28,324,553 | 22,841,659 | 51,166,212 | 6.0% | 4,043 | |
| 2022 | 30,395,678 | 655,000 | 555,000 | - | 31,605,678 | 29,470,720 | 61,076,398 | 6.3% | 4,826 | |

Details regarding the City's outstanding debt can be found in the notes to the financial statements. See the *Demographic and Economic Statistics* schedule for personal income and population data.

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

| Fiscal Year | General Bonded Debt Outstanding | | | | | Less: Amounts Available in Debt Service Funds | Net General Bonded Debt Outstanding | Percentage of Actual Taxable Value of Property | Per Capita (Net) |
|-------------|---------------------------------|-----------------------------|-------------------------------------|----------------------------|---------------|---|-------------------------------------|--|------------------|
| | G.O. Improvement Bonds | G.O. Equipment Certificates | G.O. Capital Improvement Plan Bonds | G.O. Utility Revenue Bonds | Total* | | | | |
| 2013 | \$ 4,436,967 | \$ 102,000 | \$ 1,941,135 | \$ 12,476,920 | \$ 18,957,022 | \$ (729,753) | \$ 18,227,269 | 1.77% | 2,259 |
| 2014 | 6,919,568 | 52,000 | 1,808,024 | 15,530,642 | 24,310,234 | (691,700) | 23,618,534 | 2.26% | 2,927 |
| 2015 | 8,095,288 | - | 1,687,803 | 12,622,484 | 22,405,575 | (2,477,730) | 19,927,845 | 1.68% | 2,470 |
| 2016 | 10,210,038 | - | 1,537,530 | 18,990,395 | 30,737,963 | (3,215,590) | 27,522,373 | 2.25% | 3,411 |
| 2017 | 14,151,671 | - | 1,382,249 | 22,866,787 | 38,400,707 | (3,524,956) | 34,875,751 | 2.65% | 3,623 |
| 2018 | 13,185,126 | 940,000 | 1,226,928 | 21,680,126 | 37,032,180 | (4,461,692) | 32,570,488 | 2.24% | 3,096 |
| 2019 | 14,697,425 | 940,000 | 1,065,000 | 21,520,145 | 38,222,570 | (4,716,520) | 33,506,050 | 2.03% | 3,017 |
| 2020 | 13,159,432 | 850,000 | 900,000 | 20,105,366 | 35,014,798 | (4,530,993) | 30,483,805 | 1.60% | 2,745 |
| 2021 | 26,839,553 | 755,000 | 730,000 | 22,841,659 | 51,166,212 | (3,893,266) | 47,272,946 | 2.35% | 3,736 |
| 2022 | 30,395,678 | 655,000 | 555,000 | 29,470,720 | 61,076,398 | (4,535,578) | 56,540,820 | 2.53% | 4,468 |

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for taxable market value

See Table 15 for population data

* Net of crossover debt

**CITY OF LAKE ELMO, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2022**

| | <u>Debt Outstanding</u> | | <u>Estimated Percentage Applicable*</u> | <u>Estimated Share of Overlapping Debt</u> |
|-----------------------------------|-----------------------------|-----|---|--|
| Overlapping Debt: | | | | |
| Independent School District # 622 | \$ 418,170,000 | (1) | 40% | \$ 167,672,933 |
| Independent School District # 832 | 45,165,000 | (1) | 89% | 40,160,054 |
| Independent School District # 834 | 81,265,000 | (1) | 18% | 15,008,001 |
| Washington County | 108,685,000 | (1) | 6% | 6,125,299 |
| Metropolitan Council | 1,717,186,171 | (1) | 7% | <u>119,564,916</u> |
| Total Overlapping Debt | | | | <u>348,531,203</u> |
| City Direct Debt | \$ 31,605,678 | | 100% | <u>31,605,678</u> |
| Total Direct and Overlapping Debt | | | | <u><u>\$ 380,136,881</u></u> |

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

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. 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.

Sources: Taxable value data used to estimate applicable percentages provided by Washington County.
Debt outstanding data provided by each governmental unit.

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

Legal Debt Margin Calculation for Fiscal Year 2022

| | |
|---|----------------------|
| Market Value | \$ 2,231,230,900 |
| Applicable Percentage | <u>3%</u> |
| Debt Limit | <u>66,936,927</u> |
| Debt Applicable to Limit: | |
| Total Bonded Debt | 61,076,398 |
| Less: | |
| Special Assessment Bonds | (30,395,678) |
| Utility Revenue Bonds | (29,470,720) |
| Amount set aside for Repayment of G.O. Debt | <u>(230,703)</u> |
| | <u>979,297</u> |
| Legal Debt Margin | <u>\$ 65,957,630</u> |

Legal Debt Margin Calculation for Fiscal Years 2013 Through 2022

| Fiscal Year | Population | Debt Limit | Net Debt Applicable to Limit | Legal Debt Margin | Amount of Debt Applicable to Debt Limit | Net Debt Applicable to Limit Per Capita |
|----------------|------------|---------------|------------------------------------|-------------------------|---|--|
| 2013 | 8,069 | \$ 32,470,203 | \$ 1,894,510 | \$ 30,575,693 | 5.83% | \$235 |
| 2014 | 8,069 | 35,537,364 | 1,757,421 | 33,779,943 | 4.95% | 218 |
| 2015 | 8,069 | 36,733,899 | 1,572,289 | 35,161,610 | 4.28% | 195 |
| 2016 | 8,069 | 38,035,233 | 2,102,343 | 35,932,890 | 5.53% | 261 |
| 2017 | 9,625 | 38,556,774 | 1,846,657 | 36,710,117 | 4.79% | 192 |
| 2018 | 10,521 | 43,576,635 | 2,018,280 | 41,558,355 | 4.63% | 192 |
| 2019 | 11,105 | 49,448,325 | 1,839,548 | 47,608,777 | 3.72% | 166 |
| 2020 | 11,105 | 57,032,019 | 850,000 | 56,182,019 | 1.49% | 77 |
| 2021 | 12,655 | 60,288,567 | 1,485,000 | 58,803,567 | 2.46% | 117 |
| 2022 | 12,655 | 66,936,927 | 979,297 | 65,957,630 | 1.46% | 77 |

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

| Payable Year | G.O. Utility Revenue Bonds | | | | | | Coverage |
|-----------------|----------------------------|---------------------------|-----------------------------|------------------|------------|------|----------|
| | Gross Revenue (1) | Operating Expenses (2) | Net Available Revenue | Debt Service (3) | | | |
| | | | | Principal | Interest | | |
| 2013 | \$ 3,501,321 | \$ 504,648 | \$ 2,996,673 | \$ 165,000 | \$ 300,789 | 643% | |
| 2014 | 2,266,397 | 678,394 | 1,588,003 | 365,000 | 424,080 | 201% | |
| 2015 | 3,642,316 | 627,977 | 3,014,339 | 4,165,000 | 456,782 | 65% | |
| 2016 | 3,407,097 | 757,862 | 2,649,235 | 615,000 | 380,969 | 266% | |
| 2017 | 6,651,513 | 1,505,420 | 5,146,093 | 705,000 | 513,768 | 422% | |
| 2018 | 5,767,128 | 1,279,347 | 4,487,781 | 625,000 | 312,660 | 479% | |
| 2019 | 4,190,240 | 1,175,282 | 3,014,958 | 1,360,000 | 509,863 | 161% | |
| 2020 | 6,243,582 | 1,553,371 | 4,690,211 | 1,380,000 | 504,661 | 249% | |
| 2021 | 9,147,164 | 1,680,527 | 7,466,637 | 3,825,000 | 514,210 | 172% | |
| 2022 | 6,911,305 | 2,086,151 | 4,825,154 | 1,345,000 | 468,989 | 266% | |

- (1) Gross revenue includes investment earnings, infrastructure 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 YEARS**

| Fiscal Year | Population (1) | Personal Income (4) <i>(thousands of dollars)</i> | Per Capita Personal Income (2) | State Unemployment Rate (3) | City Unemployment Rate (3) |
|----------------|----------------|---|---|-----------------------------------|----------------------------------|
| 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% |
| 2018 | 10,521 | 497,896 | 47,324 | 2.8% | 2.7% |
| 2019 | 11,105 | 601,991 | 54,209 | 3.5% | 2.8% |
| 2020 | 11,105 | 652,352 | 58,744 | 4.9% | 4.0% |
| 2021 | 12,655 | 851,277 | 67,268 | 2.6% | 2.2% |
| 2022 | 12,655 | 971,056 | 76,733 | 3.4% | 2.9% |

Sources:

- (1) Metropolitan Council; 2021 most recent
- (2) United States Census Bureau
- (3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development
- (4) The estimated personal income for the City of Lake Elmo is calculated by taking the per capita income and multiplying it by the City's population.

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

| Employer | 2022 | | | 2013 | | |
|---|-----------|------|--|-----------|------|--|
| | Employees | Rank | Percentage of Total City Employment(1) | Employees | Rank | Percentage of Total City Employment(1) |
| 3M Company (Maplewood) | 11,000 | 1 | 47.3% | 9,500 | 1 | 48.7% |
| Andersen Corp (Bayport) | 4,500 | 2 | 19.3% | 1,850 | 2 | 9.5% |
| ISD No. 622 (North St. Paul-Maplewood-Oakdale) | 1,830 | 3 | 7.9% | - | - | - |
| Woodwinds Health (Woodbury) | 1,500 | 4 | 6.4% | 1,070 | 4 | 5.5% |
| ISD 834 (Stillwater) | 1,162 | 5 | 5.0% | 1,037 | 5 | 5.3% |
| HealthEast Care/St. John's Hospital (Maplewood) | 973 | 6 | 4.2% | - | - | - |
| Washington County (Stillwater) | 940 | 7 | 4.0% | 1,138 | 3 | 5.8% |
| Presbyterian Homes/Boutwells (Oak Park Heights) | 500 | 8 | 2.1% | - | - | - |
| Ecowater Systems, Inc. (Woodbury) | 440 | 9 | 1.9% | 440 | 7 | 2.3% |
| Bremer Bank Operations Ctr (Lake Elmo) | 425 | 10 | 1.8% | 400 | 8 | 2.1% |
| MN Correctional Facility (Oak Park Hts) | - | - | - | 725 | 6 | 3.7% |
| Imation Corp (Oakdale) | - | - | - | 380 | 9 | 1.9% |
| SunAmerica Financial Group (Woodbury) | - | - | - | 310 | 10 | 1.6% |

⁽¹⁾City staff estimate

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

| | Full-Time-Equivalent Employees as of December 31, | | | | |
|--------------------------------|---|---------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| General Government: | | | | | |
| Administration | 1.93 | 1.93 | 1.98 | 2.70 | 2.70 |
| Finance | 0.82 | 0.82 | 0.72 | 1.05 | 1.05 |
| Planning and Zoning | 2.75 | 1.95 | 1.95 | 2.10 | 2.10 |
| Total General Government | <u>5.50</u> | <u>4.70</u> | <u>4.65</u> | <u>5.85</u> | <u>5.85</u> |
| Public Safety: | | | | | |
| Fire | 2.32 | 1.42 | 1.42 | 3.80 | 3.80 |
| Building Inspections | 5.21 | 4.91 | 4.91 | 4.20 | 4.20 |
| Total Public Safety | <u>7.53</u> | <u>6.33</u> | <u>6.33</u> | <u>8.00</u> | <u>8.00</u> |
| Public Works: | | | | | |
| Streets and Roadways | <u>5.64</u> | <u>6.47</u> | <u>4.80</u> | <u>4.80</u> | <u>4.80</u> |
| Parks and Recreation: | | | | | |
| Parks | <u>1.18</u> | <u>1.01</u> | <u>2.25</u> | <u>2.20</u> | <u>2.20</u> |
| Communications | <u>0.42</u> | <u>0.42</u> | <u>0.42</u> | <u>0.50</u> | <u>0.50</u> |
| Total Governmental Activities | <u>20.27</u> | <u>18.93</u> | <u>18.45</u> | <u>21.35</u> | <u>21.35</u> |
| Business-type Activities: | | | | | |
| Water Utility | 3.76 | 2.98 | 2.75 | 2.50 | 2.50 |
| Sewer Utility | 1.59 | 1.05 | 1.40 | 1.15 | 1.15 |
| Storm Sewer Utility | 0.89 | 0.54 | 0.90 | 0.80 | 0.80 |
| Total Business-Type Activities | <u>6.23</u> | <u>4.57</u> | <u>5.05</u> | <u>4.45</u> | <u>4.45</u> |
| Total | <u><u>26.50</u></u> | <u><u>23.50</u></u> | <u><u>23.50</u></u> | <u><u>25.80</u></u> | <u><u>25.80</u></u> |

Source: City's Adopted Budgets

CITY OF LAKE ELMO, MINNESOTA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM (Continued)
LAST TEN YEARS

| | Full-Time-Equivalent Employees as of December 31, | | | | |
|--------------------------------|---|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| General Government: | | | | | |
| 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 |
| Total General Government | <u>5.86</u> | <u>5.86</u> | <u>6.75</u> | <u>7.50</u> | <u>7.75</u> |
| Public Safety: | | | | | |
| Fire | 3.80 | 3.80 | 1.50 | 1.55 | 2.05 |
| Building Inspections | 4.21 | 4.21 | 3.15 | 1.55 | 1.30 |
| Total Public Safety | <u>8.01</u> | <u>8.01</u> | <u>4.65</u> | <u>3.10</u> | <u>3.35</u> |
| Public Works: | | | | | |
| Streets and Roadways | <u>4.55</u> | <u>4.55</u> | <u>3.90</u> | <u>3.20</u> | <u>3.21</u> |
| Parks and Recreation: | | | | | |
| Parks | <u>3.00</u> | <u>3.00</u> | <u>1.85</u> | <u>3.30</u> | <u>2.74</u> |
| Communications | <u>-</u> | <u>-</u> | <u>0.70</u> | <u>0.35</u> | <u>0.40</u> |
| Total Governmental Activities | <u>21.42</u> | <u>21.42</u> | <u>17.85</u> | <u>17.45</u> | <u>17.45</u> |
| Business-type Activities: | | | | | |
| Water Utility | 2.00 | 2.00 | 2.45 | 2.60 | 2.10 |
| Sewer Utility | 1.66 | 1.66 | 1.30 | 0.70 | 0.70 |
| Storm Sewer Utility | 0.80 | - | - | - | - |
| Total Business-Type Activities | <u>4.46</u> | <u>3.66</u> | <u>3.75</u> | <u>3.30</u> | <u>2.80</u> |
| Total | <u>25.88</u> | <u>25.08</u> | <u>21.60</u> | <u>20.75</u> | <u>20.25</u> |

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------|------------|-----------|------------|------------|
| Planning and Zoning: | | | | | |
| Conditional use permits | 7 | 1 | 1 | 6 | 6 |
| Interim use permits | - | - | - | - | - |
| Minor subdivisions | - | 2 | - | 1 | 1 |
| Plats / planned unit developments | 5 | 7 | 5 | 13 | 13 |
| Rezoning | 2 | 8 | 1 | 4 | 4 |
| Site plans | - | - | 3 | - | - |
| Variances | 10 | 6 | 5 | 6 | 6 |
| Fire: | | | | | |
| Total emergency responses | 790 | 568 | 546 | 461 | 461 |
| EMS responses | 493 | 355 | 317 | 317 | 317 |
| Fire responses | 297 | 213 | 229 | 144 | 144 |
| Building Inspections: | | | | | |
| Residential permit valuations (thousands of dollars) \$ | 69,557 | \$ 100,189 | \$ 98,294 | \$ 113,913 | \$ 113,913 |
| Commercial permit valuations (thousands of dollars) \$ | 25,189 | \$ 12,548 | \$ 11,761 | \$ 3,217 | \$ 3,217 |
| New residential units (1) | 200 | 297 | 309 | 245 | 245 |
| New commercial units | 6 | 5 | 11 | - | - |
| Water Utility: | | | | | |
| Number of customers | 4,769 | 4,229 | 3,559 | 2,317 | 2,317 |
| Average quarterly consumption (2) (millions of gallons) | 100 | 89 | 76 | 56 | 56 |
| Sanitary Sewer Utility: | | | | | |
| Number of customers | 3,415 | 2,971 | 2,363 | 1,253 | 1,253 |
| Average quarterly flow (3) (millions of gallons) | 29 | 19 | 18 | 11 | 11 |

Sources: Various City Department's annual financial report statistics

(1) Excludes fire/demolition rebuilds

(2) Residential and Commercial

(3) Billed and measured based on water usage; new developer homes built in 2015 but not yet sold/occupied so no impact to flows

CITY OF LAKE ELMO, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM (Continued)
LAST TEN YEARS

| | 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 | - | 2 |
| Plats / planned unit developments | 10 | 11 | 9 | 17 | 1 |
| Rezoning | 5 | 3 | 2 | 11 | 2 |
| Site plans | 1 | 1 | - | - | 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 | - |
| Water Utility: | | | | | |
| Number of customers | 1,727 | 1,538 | 1,234 | 1,073 | 1,051 |
| Average quarterly consumption (2) (millions of gallons) | 28 | 18 | 18 | 19 | 21 |
| Sanitary Sewer Utility: | | | | | |
| Number of customers | 712 | 321 | 96 | 45 | 29 |
| Average quarterly flow (3) (millions of gallons) | 12 | 14 | 74 | 77 | 77 |

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fire: | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Works: | | | | | | | | | | |
| Bituminous streets (miles) | 97 | 94.80 | 92 | 112 | 112 | 103 | 103 | 65 | 65 | 63 |
| Gravel streets (miles) | 0.5 | 0.5 | 0.5 | 0.5 | 1 | 2 | 2 | 2 | 2 | 2 |
| Storm sewer (miles) | 52.5 | 50 | 48 | 33 | 33 | 30 | 30 | 25 | 25 | 25 |
| Parks & Recreation: | | | | | | | | | | |
| Acres of parkland | 517 | 517 | 427 | 427 | 427 | 420 | 420 | 420 | 420 | 420 |
| Number of parks | 24 | 24 | 24 | 24 | 24 | 17 | 17 | 17 | 17 | 17 |
| Water Utility: | | | | | | | | | | |
| Water towers | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Miles of watermain | 81.6 | 75 | 73 | 58 | 58 | 50 | 50 | 43 | 40 | 39 |
| Number of fire hydrants | 812 | 735 | 707 | 559 | 559 | 415 | 415 | 378 | 351 | 293 |
| Sanitary Sewer Utility: | | | | | | | | | | |
| Miles of sanitary sewer | 36.1 | 33 | 32 | 29 | 29 | 8 | 8 | 4 | 3 | 3 |
| Lift Stations | 8 | 6 | 7 | 5 | 5 | 4 | 4 | 4 | 4 | 3 |

Sources: Various City Department's annual financial report statistics

OTHER REQUIRED REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo's basic financial statements and have issued our report thereon dated June 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Elmo's internal control over financial reporting (internal control) as a basis for designing audit 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.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Responses* as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake Elmo failed to comply with the provisions of the contracting-bid laws, depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Lake Elmo's response to the findings identified in our engagement and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2023

**CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2022-001 Limited Segregation of Duties

Condition: Throughout the year, the same employee was often responsible for preparing and reviewing bank reconciliations, as well as recording and approving adjusting journal entries.

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person may have control over two or more of these responsibilities.

Cause: Limited number of staff members in the finance department, as well as a vacancy in the Finance Director role.

Effect: The existence of limited segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: We recommend the City review and evaluate current procedures for the purpose of implementing additional oversight and segregation of duties to the extent that is determined to be feasible.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF LAKE ELMO, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2022-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will review and evaluate current processes, procedures, and employee roles within the Finance Department. To the extent possible, the City will implement additional controls to mitigate the lack of segregation of duties.
3. Official Responsible
Kristina Handt, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2023.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.