

Lake Elmo, Minnesota



Popular Annual Financial Report To The Community

For the fiscal year ended December 31, 2017

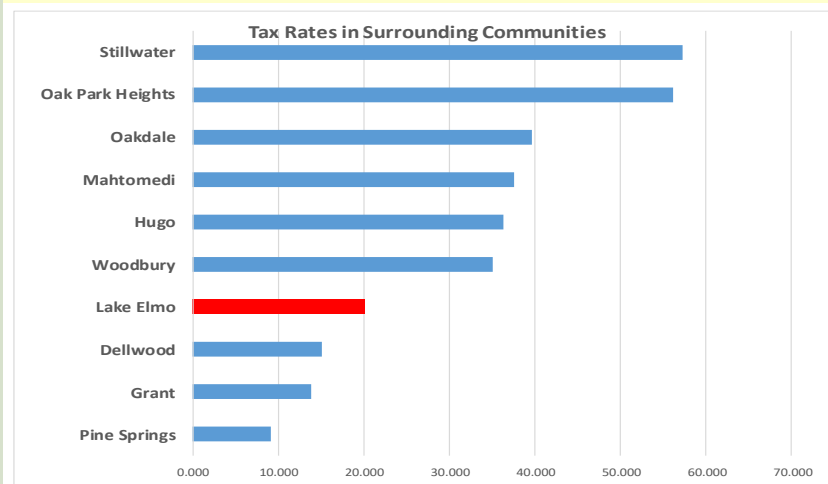
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Making Cents

The City of Lake Elmo presents its Popular Annual Financial Report [PAFR]. The purpose of this report is to inform the community of the City's financial activity in a simple, easy-to-read format for the fiscal year ending December 31, 2017. These highlights are based upon the City's Comprehensive Annual Financial Report [CAFR] which is a more inclusive, audited document.

Lake Elmo Ranked Well Against Surrounding Areas



Tax Rate Comparison

In a 2017 comparison of ten communities in Washington County, the average cost of services on a \$375,800 homestead in terms of property taxes and property tax aids showed Lake Elmo ranking as one of the lowest.

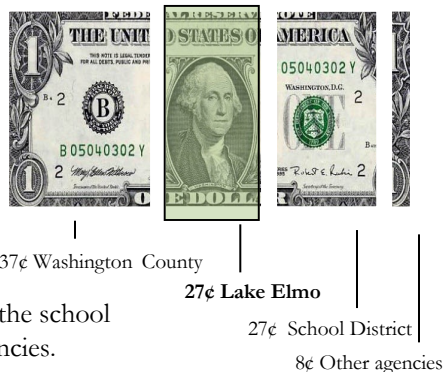
A \$375,800 valued home in the Lake Elmo paid \$62.08 per month in property taxes to the City.

Lake Elmo's Six Basic Fund Types

In order for the City to manage the community finances smoothly, it divides various activities into several different funds.

Dividing Up Your Property Tax Dollar

Your tax dollar is divided between several governmental entities. The City collects 27 cents of every tax dollar for City services. The remaining portions are divided among Washington County, the school district and other agencies.



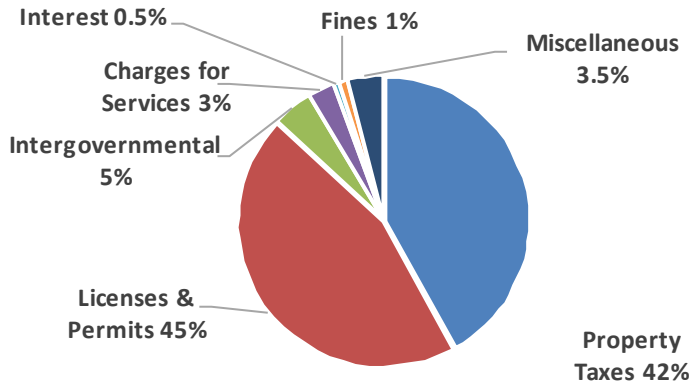
- The **General Fund** accounts for revenues and expenses that provide for *basic operations of the City* i.e., police and fire protection and street maintenance.
- **Special Revenue Funds** account for activities restricted to *specific purposes* like grants or economic development.
- **Debt Service Funds** track revenues and expenses related to *repayment of long term debt*.
- The **Capital Funds** collect revenues from special assessments, state, and county aids and allots them toward *construction or major capital expenses*.
- **Enterprise Funds** account for activities that operate as *public enterprises* which are paid for by user fees, i.e., water, sewer & surface water management.
- **Internal Service Funds** account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominately self-supporting by user charges.
- **Fiduciary Funds** account for resources held for the benefit of parties outside the City.

General Fund Revenue

The City's General Fund is the largest fund and also one of the most vital to the City's operation. The General Fund is the primary fund that accounts for everyday general expenditures like street and park maintenance, police protection, and fire protection while at the same time supplementing portions of the other funds. Like most funds, the General Fund relies on the inflow of

	2016	2017
Property Taxes	2,310,177	1,910,494
Licenses & Permits	1,713,918	2,046,462
Intergovernmental	209,373	206,185
Charges for Services	38,608	137,920
Interest Earnings	20,437	27,665
Fines	49,505	41,418
Miscellaneous	42,515	183,114
Total Revenues	4,384,533	4,553,258

Inflow: Where does the money come from?

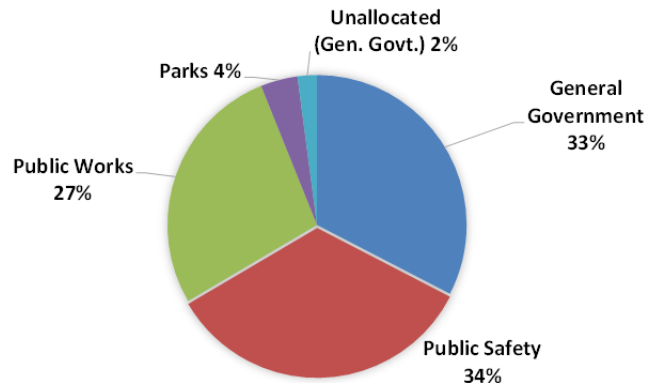


cash, shown as revenues and subsequently the outflow listed as expenditures. The primary revenue for the General Fund is property taxes. Intergovernmental revenues are items like state/county aid and grants. For the year the City's revenue total was \$4,553,258 which was a \$168,725 (3.8%) increase from the previous year. This is mainly due to an increase in building permits and planning and zoning fees due to new development in the City, miscellaneous revenues increased due to some reclassifications. The other revenue classifications were similar to revenues received in 2016.

General Fund Expenditure

The City's total General Fund expenditures for 2017 were \$4,332,969 which was \$381,583 (9.6%) over the final budget. Overall, General Fund expenditures increased \$650,191 (17.6%) from 2016. General Government costs increased \$131,736 primarily due to professional services in the finance area and assessing. Public Safety cost increased \$208,686 due to increases in policing costs from Washington County, an increase in the number of fire protection staff, and an increase in building inspection staff. Public Works increased \$292,184

Outflow: Where does the money go?



	2016	2017
General Government	1,280,259	1,411,995
Public Safety	1,262,040	1,470,726
Public Works	893,644	1,185,828
Parks	168,788	173,511
Unallocated (Gen. Govt.)	78,047	90,909
Total Expenditures	3,682,778	4,332,969

due to an increase in personnel and road maintenance costs. Parks increased \$12,882 due to funds spent on maintenance items.

City Departments

Administration: This department provides the overall direction for the City as determined by the City Council. It is responsible for maintaining City records, issuing licenses, administering Council policies, communications, and election procedures.

Finance: This department conducts the financial affairs of the City of Lake Elmo and in accordance with the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principals (GAAP). This includes utility billing.

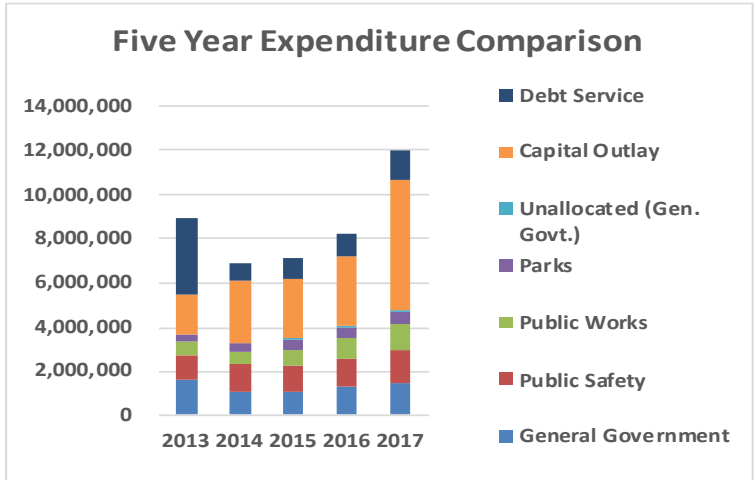
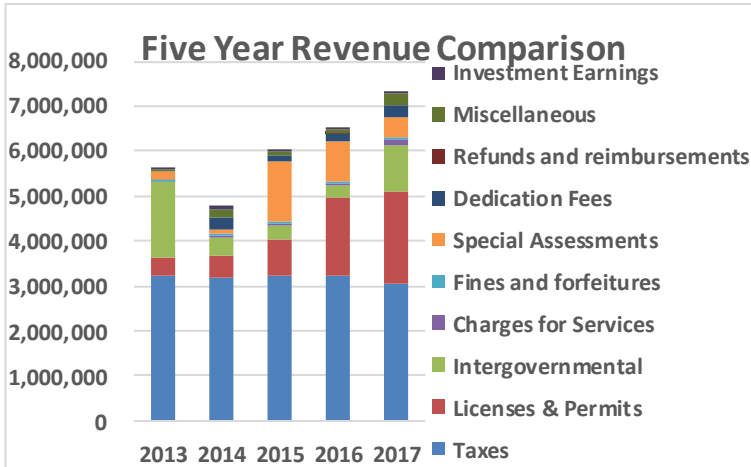
Public Safety: This department includes police, and fire protection, and code enforcement, which includes building inspection activities.

Planning: This department is responsible for ensuring that laws, ordinances, and zoning codes are enforced. It is also responsible for Economic Development within the City.

Public Works: This department manages the City's infrastructure as it relates to roadways, water, sewer, and surface water management as well as maintaining the City's parks and trails.

Governmental Revenue & Expenditure

The City's revenues for 2017 (for all funds except Enterprise and Internal Service Funds) totaled \$7,327,134 a increase of 12.6% from 2016. This increase is attributable to an increase licenses & permits and charges for services as a result of new development and an increase in intergovernmental revenues as a result of state construction aid received from the State of Minnesota. The graph below illustrates the City's various revenue sources.



The City prides itself on controlling spending while providing the best services possible. In 2017, the City's expenditures (for all funds except Enterprise and Internal Service Funds) totaled \$11,997,237, an increase of 46.1% from 2016. The increase was due to an increase in capital outlay as a result of infrastructure improvements, park improvements and the purchase of a dump truck and plow pickup in 2017. The chart above highlights the City's ability to control its expenditures over a five year period and demonstrates the City's priorities over different departments within the individual year.

Special Revenue Funds

The City has three special revenue funds. Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are required by statute to finance particular functions, activities, or governments. See the 2017 CAFR for more information.

Long Term Debt

Lake Elmo maintains a very good "Aa1" rating from Moody's Investor Service, which allows the City to borrow funds at low interest rates and reflects sound financial position. The City currently has twelve G. O. bond issues outstanding, with the final payment scheduled to be made through 2033.

Internal Service Funds

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains three internal service funds to account for certain capital acquisition activities (Radio Replacement, IT Replacement, and Equipment Replacement). There were no revenues in 2017 and the only expense was for depreciation.

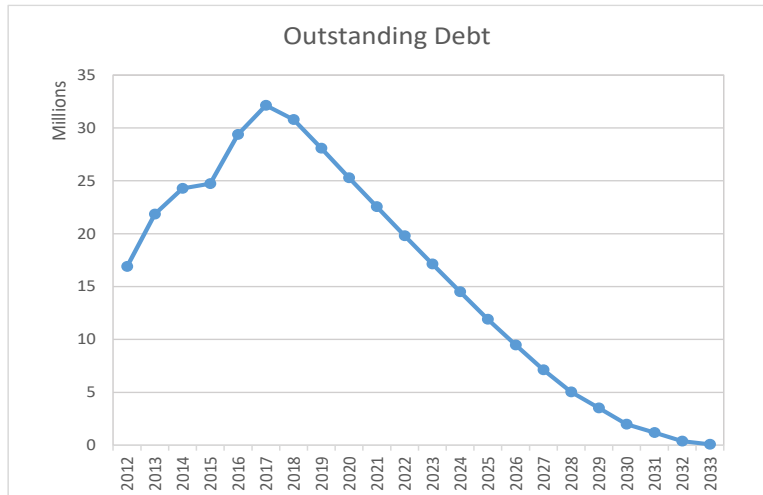
Revenue — \$0

Expenses — \$27,789

In 2017, the City issued \$9,045,000 in General Obligation Bonds, Series 2017A to fund Infrastructure Improvements and Equipment. The chart below shows the City's current debt obligations. The 2017 revenues were \$1,331,097 (special assessment collections, property taxes and interest) and expenditures were \$1,342,223 in the Governmental Funds. The Enterprise Funds (Water, Sewer, and Storm Sewer) recorded \$2,063,273 in bond payment expenses.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The resources of these funds are not available to support the City's own programs. The City's agency funds are used to record the receipt and remittance of monies held by the City as an agent primarily for land developers and builders that will be refunded to respective depositors when the conditions are satisfied in accordance with the respective agreements

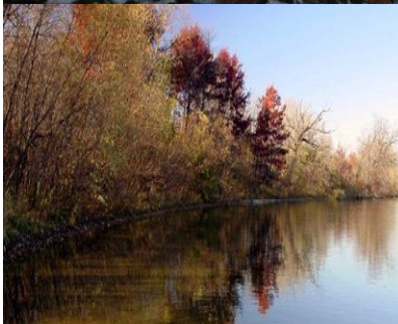




About this Report

Lake Elmo reports financial year-end results in the Comprehensive Annual Financial Report (CAFR). The Popular Annual Financial Report (PAFR) is an unaudited report that summarizes the most significant data from the 2017 CAFR, and is consistent with Generally Accepted Accounting Principles. The report reflects the net tax cost by service expenditure, developed by crediting related revenues against appropriate expenditures and allocating local taxes against the remaining balance.

For a complete review of the City's financial position, consult the 2017 CAFR available on the City's website at www.lakeelmo.org, or from the Finance Department at 651.747-3909.

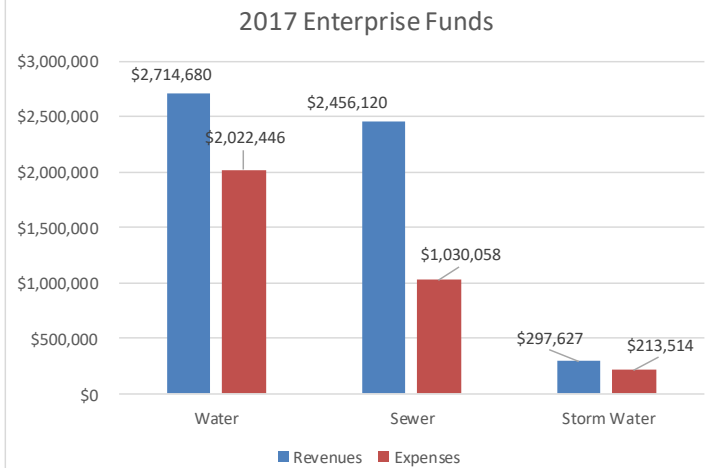


Capital Funds

The City has seven Capital Project Funds, four which are for road improvements and additions, one for park and trail improvements, one for vehicle acquisition and replacement and for City facilities. The City has a program for maintaining the life of City streets, which identifies and tracks street conditions to ensure that the proper maintenance is scheduled at the appropriate time. The main revenue source for these funds are special assessments to benefitting properties and interest earnings. Revenue sources for the park improvement funds include park dedication fees and interest earnings. Projects in these capital funds are scheduled in the City's 5-year capital improvement plan. The Capital Project funds had revenues of \$1,179,535 in 2017. Bond proceeds and revenues from sales of capital assets totaled \$4,706,166. Projects in 2017 included the City's annual infrastructure improvements and other projects referred to in the City's 5-year Capital Improvement Plan. Total expenditures were \$5,892,264 in 2017.

Enterprise Fund

These funds consist of utility services provided to the community by the City such as water, sanitary sewer, and storm water. The City completed a Comprehensive Financial Management Plan for all Utility Funds in 2016 which included establishing annual increases in fees and charges beginning in 2018 to ensure the City is able to maintain sufficient cash in funds over the long-term.



Overall Financial Condition

Overall the City's financial condition remains stable in 2017 as demonstrated by the City's net position of \$42,600,067 with an increase of \$4,347,094 during 2017. At year end, the general fund unassigned balance was 81% of total general fund expenditures. Non current liabilities increased by \$7,342,158 or 22% due to the issuance of the 2017A General Obligation bonds.

How Tax Dollars Buy City Services

Residents receive a variety of City services at an affordable price. The cost of City services in 2017 for the owner of a median valued home (\$375,800) in Lake Elmo is \$62.08 per month. The value received from City services compared favorably to charges of other monthly bills.

Description of Transaction	Balance
Public Safety	\$17.79
General Government	\$ 13.79
Culture and Recreation (Parks and Library)	\$ 6.34
Public Works	\$13.26
Debt Services	\$ 10.90
Total	\$62.08

Homeowner Lake Elmo, MN	DATE January 1, 2017	101
PAY TO THE ORDER OF <i>City of Lake Elmo</i>	\$ 62.08	
<i>Sixty-two & 08/100</i>		DOLLARS
YOUR BANK <small>First American Bank</small> 1221 Main Street Anywhere, US 10001	<i>Homeowner</i>	
<small>MONTHLY police, fire, street FOR maintenance, parks, library etc.</small>		
<small>⑆33401068⑆ 7269914625⑈ 0101⑈</small>		

Property Tax-Supported Services

The checkbook shows how the monthly cost of property tax-supported services was divided among City departments.

Monthly Cost of Utilities

Based on an average usage of 7,000 gallons per month, monthly cost of utilities for a home in the City is \$33.51 in 2017 (The City bills water and sewer on a quarterly basis and storm water on an annual basis). The bill includes water, sewer, and storm water.