

**CITY OF LAKE ELMO, MINNESOTA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2014**

**PREPARED BY:  
FINANCE DIRECTOR'S OFFICE  
FINANCE DIRECTOR  
CATHY BENDEL**





**CITY OF LAKE ELMO, MINNESOTA  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2014**

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**CITY OF LAKE ELMO, MINNESOTA  
FINANCIAL STATEMENTS  
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**CITY OF LAKE ELMO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2014**

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**3800 Laverne Avenue North  
Lake Elmo, MN 44042  
651-747-3900 [www.lakeelmo.org](http://www.lakeelmo.org)**

**May 19, 2015**

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

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Smith, Schafer and Associates, Ltd, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Lake Elmo, Minnesota’s (the City) financial statements for the year ended December 31, 2014. The independent auditor’s report is located in the front of the financial section of this report.

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

## **PROFILE OF THE GOVERNMENT**

The City 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, the City covers 25 square miles and has an estimated population of 8,773 which represents 2,844 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 the City Administrator, City Attorney and City Engineer. The City Administrator is appointed by the Council and is the chief administrative officer of the City. The mayor and council members each serve a four year term.

## **CITY OF LAKE ELMO, MINNESOTA**

The City provides a full range of municipal services. This includes general government (administration, finance and planning), public safety (building inspection, police and fire), public works (engineering and streets) and culture and recreation. In addition, the City has three enterprise funds. These funds provide utilities, including water, sewer and storm water.

The annual budget serves as the foundation for the City's financial planning and control. City departments submit their department budget requests to the City Administrator and Finance Director for compilation and review. The City Administrator and Finance Director then bring the proposed annual budget to the City Finance Committee for review and feedback prior to its submission to the City Council. The preliminary balanced budget is presented to the City Council prior to September 1<sup>st</sup> each year so that the preliminary tax levy can be submitted to Washington County by the annual due date. The preliminary tax levy may be lowered but not increased. The 2014 final budget and tax levy needed to be adopted by and submitted to Washington County by December 28, 2013. 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 undesignated fund balance.

### **LOCAL ECONOMY**

Lake Elmo is home to numerous businesses that are leaders in their respective industries of banking, education, medical, hotel and restaurants. In 2014, the economy in Lake Elmo was strengthened by the addition of a new medical facility as well as a new convenience store, both located in the I-94 Corridor. With the residential development growth in this area, it is anticipated that additional businesses will seek out this location for expansion in the near future.

During 2014, the City worked on nine residential subdivisions in various stages of approval. Overall, four residential final plants and seven preliminary plats were approved. During 2014, a Memorandum of Understanding (MOU) with the Metropolitan Council was eliminated, which relieves the City of mandated growth quotas and potential wastewater inefficiency fees.

### **LONG-TERM FINANCIAL PLANNING**

Total unassigned General Fund balance as of December 31, 2014 was 84% of the total General Fund expenditures. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

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

During 2014, Moody's Investors Service maintained the previously assigned long term rating of Aa2. During 2014, the City also requested that Standard and Poor's provide their rating of the City and as a result of this review, they upgraded their long term rating of the City to AA+.



## **CITY OF LAKE ELMO, MINNESOTA**

In their assessment of the City, Standard and Poor's noted the following:

- Affluent tax base favorably located in the Twin Cities metropolitan area
- Strong financial operations
- Healthy General Fund reserves and very strong liquidity
- Moderate direct debt burden
- Very strong economy
- Budgetary performance strong overall

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. This will continue to further strengthen fund balances while paying down the debt incurred to build the City share of infrastructure related to those developments.

### **RELEVANT FINANCIAL POLICIES**

One of the greatest accomplishments during 2014 was the successful negotiation of the termination of the Memorandum of Understanding (MOU) with the Metropolitan Council. This relieved the community of mandated growth quotas and potential wastewater inefficiency fees. The Met Council was agreeable to negotiate the elimination of the MOU after the adoption of the two major Comprehensive Plan Amendments in the I-94 and Village Planning Areas and the extension of municipal utilities.

### **MAJOR INITIATIVES**

2014 was a revolutionary year for the City due to a large amount of growth and development activity. As a result, the City initialized the following critical infrastructure investment policies to minimize risk to taxpayers:

- Lake Elmo Avenue watermain commitments
- 100% assessment waivers/easement granting
- Developer responsibility for payment of majority of costs related to 5<sup>th</sup> street (\$15M collector road). The City will participate in the cost of the oversizing of pipe which is standard
- Strictest Developer Agreement security standards in the East Metro.

In addition, the follow initiatives were undertaken during 2014:

- Municipal consent for participation with Washington County on a joint project on CSAH 17. This project includes the replacement of old watermain and installation of sanitary sewer and storm sewer while reconstructing of the streets.
- Significant planning related to the CSAH 15 project which will be brought forward for municipal consent in 2015.
- Gateway Corridor project involvement to assist in the determination of the locally preferred alternative for the regional project.
- Extensive work with Union Pacific Railroad regarding the impact of the downtown project as well as new development impacts at various locations.

## CITY OF LAKE ELMO, MINNESOTA

- Diligent collection, tracking and reporting related to developer escrows to minimize taxpayer risk.
- 2014 street improvement project and sealcoating.
- Use of Parkland dedication fees to make improvements in a number of the City parks.
- Purchase of a new Fire Truck and a new single axel plow truck.

### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to the City for the first time for the fiscal year ended December 31, 2013. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

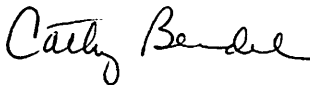
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal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

A Certificate of Achievement is valid for a period of one year only. As mentioned, 2013 was the first year the City was awarded this prestigious award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient services of the Finance Committee and finance staff as well as the assistance of the independent auditors.

We want to express our appreciation to the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City.

Respectfully,



Cathy Bendel  
Finance Director



Dean A. Zuleger  
City Administrator



Government Finance Officers Association

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

Presented to

**City of Lake Elmo  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2014**

POSITION	NAME	TERM EXPIRES
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**ELECTED OFFICIALS**

City Council:

Mayor	Mike Pearson	December 31, 2016
Council Member	Justin Bloyer	December 31, 2016
Council Member	Wally Nelson	December 31, 2014
Council Member	Mike Reeves	December 31, 2014
Council Member	Anne Smith	December 31, 2016

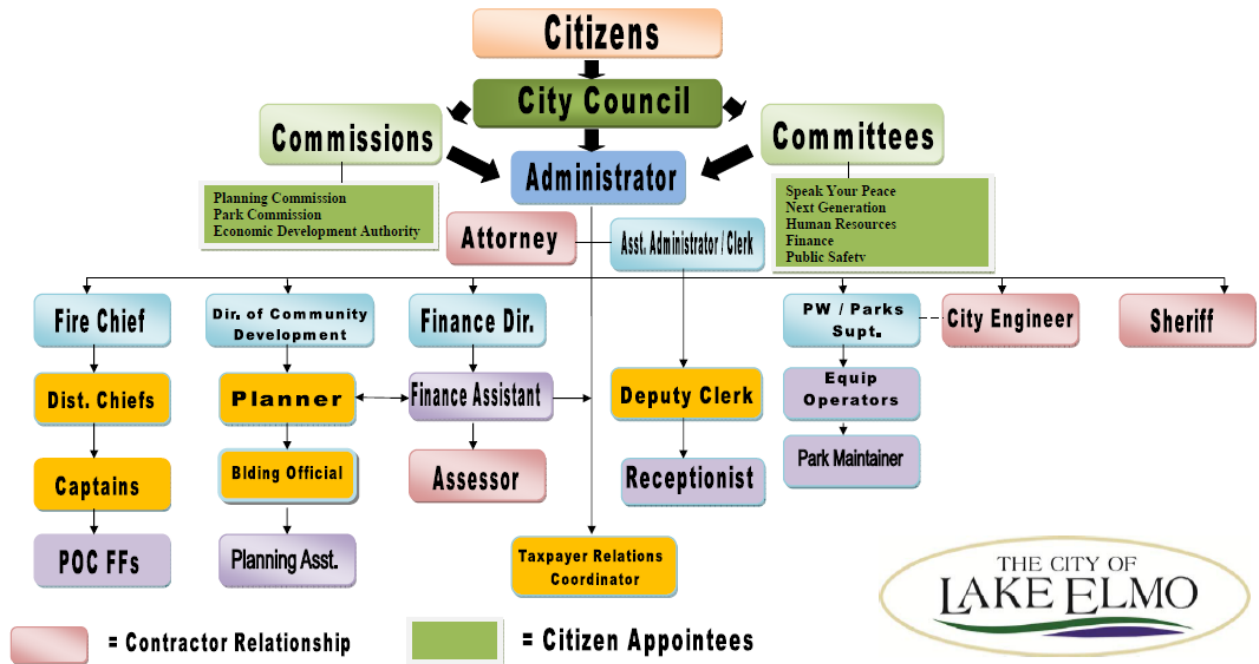
**APPOINTED OFFICIALS**

City Administrator	Dean Zuleger	Continuous
Finance Director	Cathy Bendel	Continuous
City Clerk	Adam Bell	Continuous

**FINANCE COMMITTEE**

Wally Nelson, Committee Chair and City Council  
Anne Smith, City Council  
Terry Forrest, Retired CFO  
Julie Fliflet, Director of Finance and Administration

**CITY OF LAKE ELMO, MINNESOTA ORGANIZATIONAL CHART**



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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 and the Schedule of Funding Progress - Other Post-Employment Benefits on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Elmo, Minnesota basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplemental information and statistical section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Smith, Schafn and Associates, Ltd.*

Maplewood, Minnesota  
May 19, 2015

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

As management of the City of Lake Elmo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lake Elmo, Minnesota for the fiscal year ended December 31, 2014.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Lake Elmo, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$28,525,112 (*net position*). Of this amount, \$6,506,342 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$2,334,390. The increase is attributed to the City's business-type activities.
- As of the close of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$6,148,403, an increase of \$859,474 from the prior year. This increase was due primarily to the issuance of the 2014A G.O. improvement bonds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,542,038, or 83.7% of total general fund expenditures. The nonspendable portion of the general fund balance as of December 31, 2014 (\$638,963) related primarily to the interfund loan to the Village Project fund and prepaid expenses.
- The City's total noncurrent liabilities increased by \$5,360,234 or 28% during the current fiscal year. The increase was primarily related to this issuance of the 2014A G.O. improvement/revenue bonds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The *statement of net position* presents information on all of the City of Lake Elmo, Minnesota's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lake Elmo, Minnesota is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lake Elmo, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lake Elmo, Minnesota include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Lake Elmo, Minnesota include the water, sewer and storm sewer funds.

The government-wide financial statements can be found on pages 17-19 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lake Elmo, Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lake Elmo, Minnesota can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The City of Lake Elmo, Minnesota maintains twenty-four individual governmental funds, eleven of which are debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the infrastructure reserve fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City of Lake Elmo, Minnesota adopts an annual budget for its general fund. Budgetary comparison statements have been provided for this fund (pages 30 to 33) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and storm sewer funds, all of which are considered to be major funds of the City of Lake Elmo, Minnesota.

The proprietary fund financial statements can be found on pages 34-41 of this report.

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

The basic fiduciary fund financial statement can be found on page 42 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-80 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds, debt service funds and internal service funds can be found on pages 86-101 of this report.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake Elmo, Minnesota, assets exceeded liabilities by \$28,525,112 at the close of the most recent fiscal year.

The largest portion of the City of Lake Elmo, Minnesota's net position, \$18,525,258 (65%) reflects its investment in capital assets (e.g. land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lake Elmo, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lake Elmo, Minnesota's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,399,479	\$ 6,568,146	\$ 8,094,107	\$ 9,515,965	\$ 15,493,586	\$ 16,084,111
Capital assets	16,737,433	15,595,829	22,037,175	15,323,660	38,774,608	30,919,489
Total assets	<u>24,136,912</u>	<u>22,163,975</u>	<u>30,131,282</u>	<u>24,839,625</u>	<u>54,268,194</u>	<u>47,003,600</u>
Long-term liabilities outstanding	9,001,835	6,693,551	15,559,572	12,507,622	24,561,407	19,201,173
Other liabilities	665,117	594,759	516,558	1,016,946	1,181,675	1,611,705
Total liabilities	<u>9,666,952</u>	<u>7,288,310</u>	<u>16,076,130</u>	<u>13,524,568</u>	<u>25,743,082</u>	<u>20,812,878</u>
Net position:						
Net investment in capital assets	7,957,840	9,056,353	10,567,418	6,855,807	18,525,258	15,912,160
Restricted	1,106,200	1,225,849	2,387,312	2,612,569	3,493,512	3,838,418
Unrestricted	5,405,920	4,593,463	1,100,422	1,846,681	6,506,342	6,440,144
Total net position	<u>\$ 14,469,960</u>	<u>\$ 14,875,665</u>	<u>\$ 14,055,152</u>	<u>\$ 11,315,057</u>	<u>\$ 28,525,112</u>	<u>\$ 26,190,722</u>

An additional portion of the City of Lake Elmo, Minnesota's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6,506,342) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

**Governmental activities.** Governmental activities decreased the City of Lake Elmo, Minnesota's net position by \$405,705 during 2014. Key elements of this decrease include:

- Capital grants decreased by \$807,021 from the prior year due primarily to construction aid received from the State of Minnesota in 2013.
- Public safety expenditures increased by \$259,208 from the prior year due primarily to repairs and maintenance costs in the fire department.

**Business-type activities.** Business-type activities increased the City of Lake Elmo, Minnesota's net position by \$2,740,095, accounting for the entire increase in the net position of the City of Lake Elmo, Minnesota. This increase is due primarily to sewer and water access fees related to development in the City, as well as capital grants received in the enterprise funds.

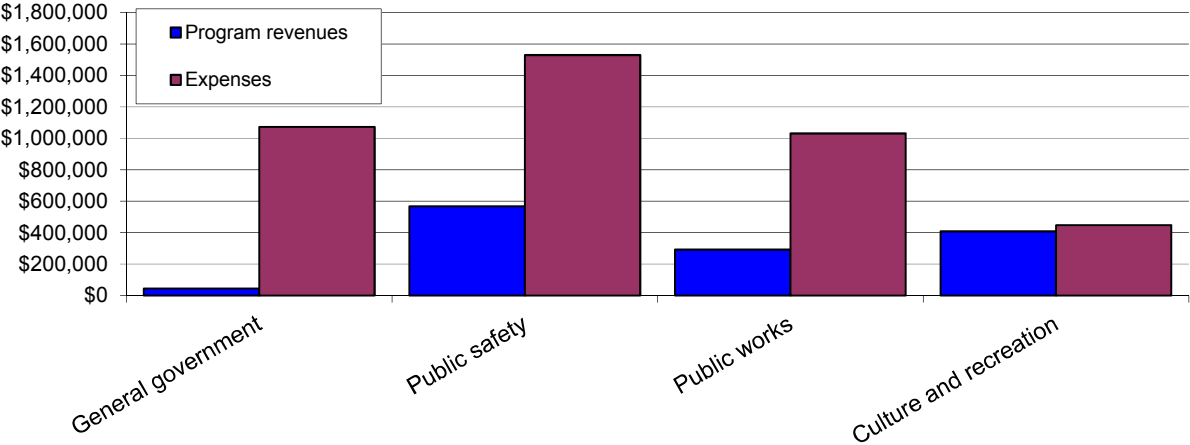
A condensed version of the Statement of Activities follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 552,830	\$ 466,897	\$ 2,247,060	\$ 840,650	\$ 2,799,890	\$ 1,307,547
Operating grants and contributions	204,462	208,276			204,462	208,276
Capital grants and contributions	557,601	1,364,622	1,159,222	3,781,528	1,716,823	5,146,150
General revenues:						
Property taxes	3,200,291	3,231,609			3,200,291	3,231,609
Other	215,735	48,820	19,337	30,346	235,072	79,166
Total revenues	<u>4,730,919</u>	<u>5,320,224</u>	<u>3,425,619</u>	<u>4,652,524</u>	<u>8,156,538</u>	<u>9,972,748</u>
Expenses:						
General government	1,072,888	1,103,337			1,072,888	1,103,337
Public safety	1,530,609	1,277,798			1,530,609	1,277,798
Public works	1,032,426	1,273,977			1,032,426	1,273,977
Culture and recreation	448,361	424,687			448,361	424,687
Interest on long-term debt	165,028	133,694			165,028	133,694
Water			1,069,511	958,870	1,069,511	958,870
Sewer			353,438	119,370	353,438	119,370
Storm sewer			149,887	86,989	149,887	86,989
Total expenses	<u>4,249,312</u>	<u>4,213,493</u>	<u>1,572,836</u>	<u>1,165,229</u>	<u>5,822,148</u>	<u>5,378,722</u>
Increase in net position before transfers	481,607	1,106,731	1,852,783	3,487,295	2,334,390	4,594,026
Transfers	<u>(887,312)</u>		<u>887,312</u>			
Change in net position	(405,705)	1,106,731	2,740,095	3,487,295	2,334,390	4,594,026
Net position - beginning of year	<u>14,875,665</u>	<u>13,768,934</u>	<u>11,315,057</u>	<u>7,827,762</u>	<u>26,190,722</u>	<u>21,596,696</u>
Net position - end of year	<u>\$ 14,469,960</u>	<u>\$ 14,875,665</u>	<u>\$ 14,055,152</u>	<u>\$ 11,315,057</u>	<u>\$ 28,525,112</u>	<u>\$ 26,190,722</u>

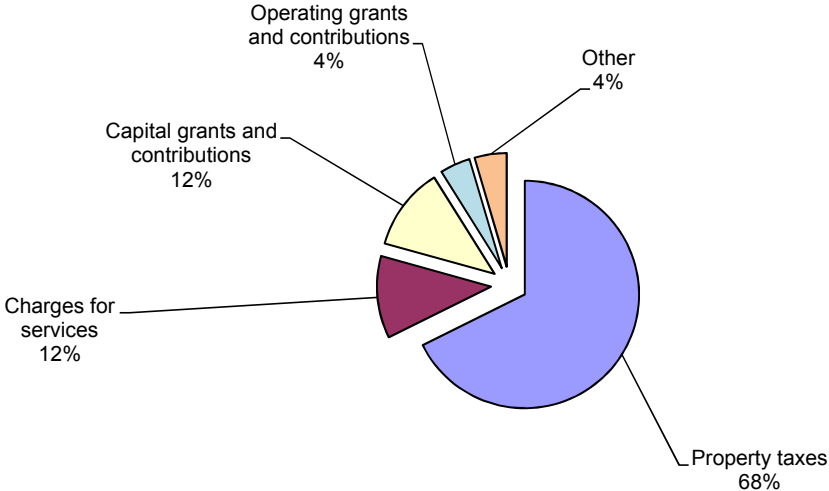
**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**

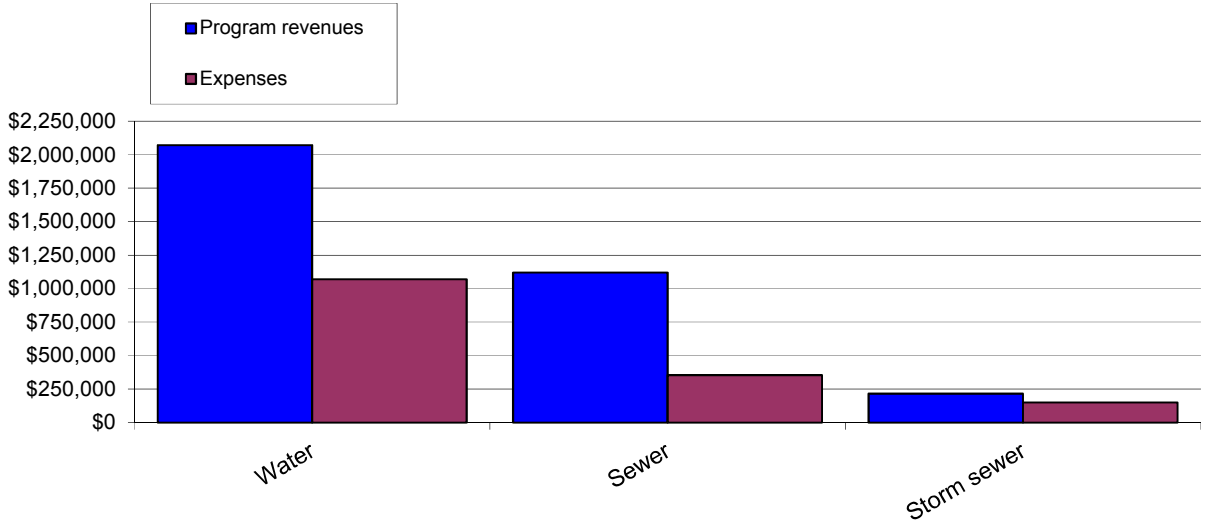




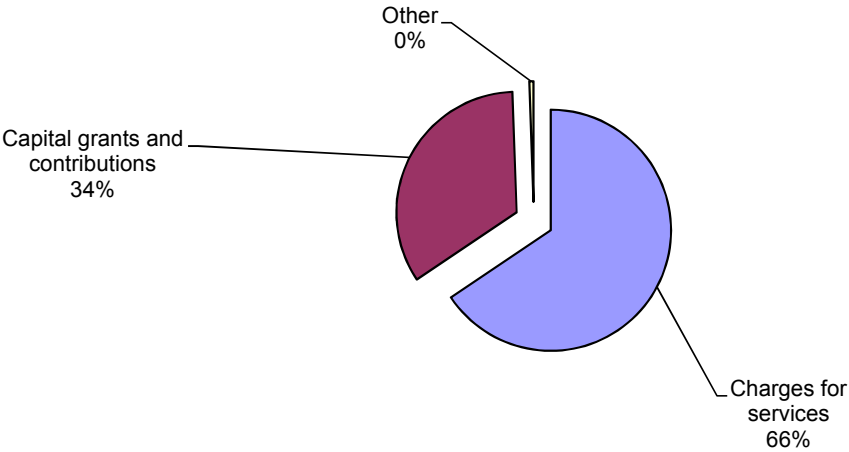
**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Governmental Activities**



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

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Lake Elmo, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Lake Elmo, Minnesota's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$6,148,403, an increase of \$859,474 in comparison with the prior year. Approximately 78% of this total fund balance, or \$4,791,659, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$1,356,744) is *restricted and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments, has been expensed for prepaid items, or is unavailable because the funds have been loaned to another fund.

The general fund is the chief operating fund of City of Lake Elmo, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,542,038. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represented 83.7% of total 2014 general fund expenditures. The general fund's total fund balance increased by \$3,619 during the current fiscal year due primarily to an increase in building permits and related revenue and investment earnings during the year.

The debt service fund decreased its fund balance by \$35,055 due primarily to debt service expenditures in excess of property taxes, special assessments and intergovernmental revenues allocated to this fund.

The infrastructure reserve fund increased its fund balance by \$29,968 due primarily to transfers from the general fund.

The special revenue funds increased their overall fund balances by \$112,120 due primarily to property taxes allocated to those funds in excess of current expenditures for culture and recreation.

The capital projects funds, other than the infrastructure reserve fund described previously, increased their collective fund balance by \$748,822 due primarily to bond proceeds allocated to these funds prior to incurring the intended capital outlay expenditures, which include extensive expansion and improvement to the city parks system.

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

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

Unrestricted net position for water operations, sewer operations and storm sewer operations at the end of the year amounted to \$436,035, \$93,709 and \$570,678, respectively. The water fund and sewer fund increased their net position by \$2,527,222 and \$229,376, respectively, for the year ended December 31, 2014. The storm sewer fund decreased its net position by \$16,503 for the year ended December 31, 2014. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Lake Elmo, Minnesota's business-type activities.

**General Fund Budgetary Highlights**

The City's General Fund budget was not amended during the year. The budget called for no change in General Fund balance. The actual net change to the General Fund balance was an increase of \$3,619. Revenues exceeded budget by \$98,811 for the year ended December 31, 2014 due primarily to licenses and permits revenue related to new development in the City as well as miscellaneous revenues related to a right-of-way transaction.

Total expenditures exceeded budget by \$95,192 for the year. Four departments had expenditures in excess of budget: general government expenditures exceeded budget by \$8,140, public safety expenditures exceeded budget by \$40,883, public works expenditures exceeded budget by \$44,802 and culture and recreation exceeded budget by \$1,367. The over expenditures in the general government department were primarily related to lobbying costs related to capital projects in the City during the year. The over expenditures in the public safety department were primarily related to contracted police service costs, as well as repairs and maintenance costs and the purchase of new safety equipment in the fire department in excess of budget. The over expenditures in the public works department were primarily related to winter overtime costs and street maintenance costs related to renting a spray patching machine for use in the City's five-stage street maintenance program. The over expenditures in the culture and recreation department related primarily to parks repairs and maintenance in excess of budget.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lake Elmo, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounted to \$38,774,608 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Total capital assets increased by \$7,855,119, or 25%, for the year ended December 31, 2014, due primarily to completed construction projects and additional construction in progress on various capital projects within the City.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,453,979	\$ 3,453,979	\$ 54,675	\$ 54,675	\$ 3,508,654	\$ 3,508,654
Construction in progress	3,510,704	2,279,552	6,668,232	3,361,742	10,178,936	5,641,294
Buildings	2,760,350	2,842,852			2,760,350	2,842,852
Improvements other than buildings	510,821	428,727			510,821	428,727
Machinery and equipment	854,912	739,507	116,565	113,597	971,477	853,104
Infrastructure	5,646,667	5,851,212	15,197,703	11,793,646	20,844,370	17,644,858
Total	\$ 16,737,433	\$ 15,595,829	\$ 22,037,175	\$ 15,323,660	\$ 38,774,608	\$ 30,919,489

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

Additional information on the City of Lake Elmo, Minnesota's capital assets can be found in Note 3D beginning on page 61 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Lake Elmo, Minnesota had \$24,292,000 in bonds and certificates outstanding. This amount includes \$3,925,000 of bonds outstanding that will be refunded during 2015. The entire \$24,292,000 outstanding comprises debt backed by the full faith and credit of the government.

**City of Lake Elmo, Minnesota's Outstanding Debt**  
General Obligation Bonds and Certificates

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 8,735,000	\$ 6,420,000	\$ 15,505,000	\$ 12,485,000	\$ 24,240,000	\$ 18,905,000
General obligation certificates	52,000	102,000			52,000	102,000
Total	<u>\$ 8,787,000</u>	<u>\$ 6,522,000</u>	<u>\$ 15,505,000</u>	<u>\$ 12,485,000</u>	<u>\$ 24,292,000</u>	<u>\$ 19,007,000</u>

The City of Lake Elmo, Minnesota's total bonds and certificates payable increased by \$5,285,000 during the current fiscal year. The increase was due primarily to the issuance of the City's 2014A general obligation improvement bonds.

The City of Lake Elmo, Minnesota maintains an AA2 bond rating from Moody's Investor Service for general obligation debt. The City has also recently been upgraded by Standard and Poor's to a AA+ bond rating.

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

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

- The City's taxable market value increased 1.8 percent from 2013 to 2014 and 13.2 percent from 2014 to 2015.
- There was a slight reduction to total property taxes levied in 2015 due to a 10% reduction in the library component of the levy. This is due to a conscious effort by the City to reduce general government spending in order to absorb the increase in the debt service levy. It is a firm belief of City management that the operational costs related to growth should be paid for by a corresponding increase in permit and related revenue.
- The City has planned for a new minor collector road to be built (5<sup>th</sup> Street) in the I-94 Corridor and a new minor collector road (Village Parkway) in the Old Village. Both of these roadways will be constructed by the development groups they are serving, representing 95% of the cost of construction (approximately \$16 million), with the City paying for only oversizing costs that serve as a benefit to the entire City.

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

**Economic Factors and Next Year's Budgets and Rates (continued)**

- Plans are well underway for increased residential development with 1,912 new homes in various stages of the approval process in the following areas:
  - The I-94 Corridor represents a four-mile stretch along an interstate highway that is served by three major interchanges. This area is scheduled for 1,273 new homes to be built in the next six to eight years, representing \$445 million in additional incremental value. In addition, the corridor has experienced resurgence in commercial activity with the construction of a medical clinic and a convenience store. Plans are underway for the addition of a 90-unit senior center, a 100-employee regional headquarters for an insurance company, and a \$13.4 million special needs K-12 school for Independent School District #916, a special facility that will serve 12 other school districts.
  - The Old Village area represents a traditional downtown that is served by two major highways (CTH 17 and CSAH 5). This area is scheduled for 557 homes to be built in the next ten to twelve years, representing approximately \$200 million in additional incremental value. The area will be improved by the Lake Elmo Avenue Downtown Improvement Project, a \$12 million cooperative effort with Washington County. The project will cover full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
  - The Inwood Avenue segment of the water line (for which \$3.5 million in State bonding proceeds were secured) will be built out in 2015-2016. This includes the construction of a new water tower, booster station, reducing valves and the trunk watermain improvements that are scheduled to serve the I-94 corridor.
  - The City was able to remove itself from an onerous Memorandum of Understanding from the Metropolitan Council with the adoption of two comprehensive plan amendments and the installation of a force main sewer line that will serve the Old Village.

**Requests for Information**

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

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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 6,616,118	\$ 990,993	\$ 7,607,111
Cash with fiscal agent		3,848,031	3,848,031
Receivables, net of allowance	652,218	3,174,501	3,826,719
Due from other governmental units	175,003	3,157	178,160
Internal balances	(77,425)	77,425	
Prepaid expenses	33,565		33,565
Capital assets:			
Nondepreciable	6,964,683	6,722,907	13,687,590
Depreciable, net	9,772,750	15,314,268	25,087,018
Total Assets	24,136,912	30,131,282	54,268,194
<b>LIABILITIES</b>			
Accounts payable	445,252	360,400	805,652
Accrued expenses	47,078	4,782	51,860
Accrued interest	89,637	112,518	202,155
Escrow deposits	75,000		75,000
Due to other governmental units		38,858	38,858
Unearned revenue	8,150		8,150
Noncurrent liabilities:			
Due within one year	707,738	393,914	1,101,652
Due in more than one year	8,294,097	15,165,658	23,459,755
Total Liabilities	9,666,952	16,076,130	25,743,082
<b>NET POSITION</b>			
Net investment in capital assets	7,957,840	10,567,418	18,525,258
Restricted			
Debt service	1,106,200	2,387,312	3,493,512
Unrestricted	5,405,920	1,100,422	6,506,342
Total Net Position	\$ 14,469,960	\$ 14,055,152	\$ 28,525,112

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2014

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,072,888	\$ 45,161	\$	\$
Public safety	1,530,609	496,916	70,203	
Public works	1,032,426		117,196	175,790
Culture and recreation	448,361	10,753	17,063	381,811
Interest on long-term debt	165,028			
<b>Total governmental activities</b>	<u>4,249,312</u>	<u>552,830</u>	<u>204,462</u>	<u>557,601</u>
<b>Business-Type activities:</b>				
Water	1,069,511	1,291,091		780,403
Sewer	353,438	741,054		378,819
Storm sewer	149,887	214,915		
<b>Total business-type activities</b>	<u>1,572,836</u>	<u>2,247,060</u>		<u>1,159,222</u>
<b>Total</b>	<u>\$ 5,822,148</u>	<u>\$ 2,799,890</u>	<u>\$ 204,462</u>	<u>\$ 1,716,823</u>

General revenues:  
    General property taxes  
    Grants and contributions not restricted to specific programs  
    Interest earnings  
    Miscellaneous  
Transfers  
    Total general revenues and transfers  
Change in net position  
Net position - beginning  
Net position - ending

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,027,727)		\$ (1,027,727)
(963,490)		(963,490)
(739,440)		(739,440)
(38,734)		(38,734)
(165,028)		(165,028)
<u>(2,934,419)</u>		<u>(2,934,419)</u>
	\$ 1,001,983	1,001,983
	766,435	766,435
	65,028	65,028
	<u>1,833,446</u>	<u>1,833,446</u>
<u>(2,934,419)</u>	<u>1,833,446</u>	<u>(1,100,973)</u>
3,200,291		3,200,291
2,749		2,749
87,586	19,337	106,923
125,400		125,400
(887,312)	887,312	
<u>2,528,714</u>	<u>906,649</u>	<u>3,435,363</u>
(405,705)	2,740,095	2,334,390
<u>14,875,665</u>	<u>11,315,057</u>	<u>26,190,722</u>
<u>\$ 14,469,960</u>	<u>\$ 14,055,152</u>	<u>\$ 28,525,112</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**CITY OF LAKE ELMO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2014

	General Fund	Debt Service	Infrastructure Reserve
<b>ASSETS</b>			
Cash and investments	\$ 2,734,444	\$ 798,705	\$ 832,036
Receivables (Net of allowance for uncollectibles)			
Accounts	17,349		62,511
Delinquent taxes	61,285		
Special assessments		321,620	66,799
Accrued interest	9,519		
Due from other funds	129,721	23,304	
Advances to other funds	605,398		
Due from other governmental units	28,366	141,098	9,000
Prepaid expenses	33,565		
	\$ 3,619,647	\$ 1,284,727	\$ 970,346
<b>TOTAL ASSETS</b>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 323,900	\$ 13,500	\$ 103,682
Escrow deposits payable			
Accrued liabilities	45,311		
Due to other funds		117,907	7,032
Unearned revenue	8,150		
Advances from other funds			
Total liabilities	377,361	131,407	110,714
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Property taxes	61,285		
Special assessments		321,620	66,799
Accounts receivable			
Intergovernmental revenue		140,000	
Total deferred inflows of resources	61,285	461,620	66,799
<b>FUND BALANCE</b>			
Nonspendable	638,963		
Restricted		717,781	
Assigned			792,833
Unassigned	2,542,038	(26,081)	
Total Fund Balance	3,181,001	691,700	792,833
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	\$ 3,619,647	\$ 1,284,727	\$ 970,346

**See Notes to Financial Statements**

Other Governmental Funds	Total
\$ 2,223,844	\$ 6,589,029
109,367	189,227
	61,285
	388,419
	9,519
	153,025
	605,398
307	178,771
	33,565
<u>\$ 2,333,518</u>	<u>\$ 8,208,238</u>

\$ 4,526	\$ 445,608
75,000	75,000
1,411	46,722
56,760	181,699
	8,150
<u>605,398</u>	<u>605,398</u>
<u>743,095</u>	<u>1,362,577</u>

	61,285
	388,419
107,554	107,554
	140,000
<u>107,554</u>	<u>697,258</u>

	638,963
	717,781
2,150,692	2,943,525
(667,823)	1,848,134
<u>1,482,869</u>	<u>6,148,403</u>

<u>\$ 2,333,518</u>	<u>\$ 8,208,238</u>
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**CITY OF LAKE ELMO, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS**

December 31, 2014

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

Total governmental fund balances (pages 22-23)		\$ 6,148,403
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$ 22,179,867	
Accumulated depreciation	<u>(5,569,102)</u>	16,610,765
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$ 61,285	
Special assessments	388,419	
Accounts receivable	107,554	
Due from other governmental units	<u>140,000</u>	697,258
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (8,787,000)	
Compensated absences	(83,085)	
Post employment benefit obligation	(139,158)	
Accrued interest	(89,637)	
Unamortized bond premiums	(66,045)	
Unamortized bond discounts	<u>73,453</u>	(9,091,472)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position.		
		<u>105,006</u>
Net position of governmental activities (page 17)		<u>\$ 14,469,960</u>

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

For the Year Ended December 31, 2014

	<u>General Fund</u>	<u>Debt Service</u>	<u>Infrastructure Reserve</u>
<b>REVENUES</b>			
Taxes	\$ 2,461,340	\$ 484,814	\$
Licenses and permits	451,953		
Intergovernmental	190,148	76,650	147,170
Charges for services	30,192		
Fines and forfeitures	48,647		
Special assessments		100,974	14,450
Dedication fees			
Investment earnings	71,813	3,547	3,464
Miscellaneous revenue	148,253		
<b>TOTAL REVENUES</b>	<u>3,402,346</u>	<u>665,985</u>	<u>165,084</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,046,906		
Public safety	1,198,546		
Public works	585,071		
Culture and recreation	208,204		
<b>Capital Outlay</b>			
Public works			2,418,870
Culture and recreation			
<b>Debt Service</b>			
Principal		585,000	
Interest and other charges		135,382	
Bond issuance costs			16,603
<b>TOTAL EXPENDITURES</b>	<u>3,038,727</u>	<u>720,382</u>	<u>2,435,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>363,619</u>	<u>(54,397)</u>	<u>(2,270,389)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt			2,125,000
Premium (discount) on issuance of debt			21,949
Transfers	(360,000)	19,342	153,408
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(360,000)</u>	<u>19,342</u>	<u>2,300,357</u>
Net change in fund balances	3,619	(35,055)	29,968
<b>FUND BALANCES, Beginning</b>	<u>3,177,382</u>	<u>726,755</u>	<u>762,865</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 3,181,001</u>	<u>\$ 691,700</u>	<u>\$ 792,833</u>

**See Notes to Financial Statements**

Other Governmental Funds	Total
\$ 256,957	\$ 3,203,111
	451,953
	413,968
	30,192
	48,647
	115,424
274,257	274,257
8,643	87,467
17,066	165,319
<u>556,923</u>	<u>4,790,338</u>
	1,046,906
	1,198,546
	585,071
160,072	368,276
247,650	2,666,520
214,917	214,917
	585,000
	135,382
5,664	22,267
<u>628,303</u>	<u>6,822,885</u>
<u>(71,380)</u>	<u>(2,032,547)</u>
725,000	2,850,000
9,571	31,520
197,751	10,501
<u>932,322</u>	<u>2,892,021</u>
860,942	859,474
621,927	5,288,929
<u>\$ 1,482,869</u>	<u>\$ 6,148,403</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2014

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

Net change in fund balances - total governmental funds (pages 26-27)	\$	859,474
Governmental funds report capital outlay as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay capitalized	\$	2,747,050
Depreciation expense		(677,231)
Capital assets contributed to the enterprise funds		<u>(897,813)</u>
		1,172,006
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Special assessments	\$	(93,454)
Property taxes		(2,820)
Park dedication fees		107,554
Intergovernmental revenue		<u>(70,000)</u>
		(58,720)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences, end of year	\$	(83,085)
Compensated absences, beginning of year		76,551
Post employment benefit obligation, end of year		(139,158)
Post employment benefit obligation, beginning of year		<u>136,898</u>
		(8,794)
Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Principal retirement on long-term debt	\$	585,000
Issuance of long-term debt		(2,850,000)
Change in accrued interest, bond premiums and bond discounts		<u>(73,389)</u>
		(2,338,389)
Internal service funds are used by management to charge the costs of capital equipment replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements		
		<u>(31,282)</u>
Change in net position of governmental activities (page 19)	\$	<u><u>(405,705)</u></u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2014

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 2,718,180	\$ 2,718,180	\$ 2,417,238	\$ (300,942)
Franchise	44,802	44,802	44,102	(700)
Total Taxes	<u>2,762,982</u>	<u>2,762,982</u>	<u>2,461,340</u>	<u>(301,642)</u>
Licenses and Permits				
Business	9,815	9,815	7,570	(2,245)
Nonbusiness	294,076	294,076	444,383	150,307
Total Licenses and Permits	<u>303,891</u>	<u>303,891</u>	<u>451,953</u>	<u>148,062</u>
Intergovernmental				
MSA - maintenance	98,022	98,022	101,696	3,674
Fire state aid	41,500	41,500	53,446	11,946
Other	3,899	3,899	19,506	15,607
County and local	15,500	15,500	15,500	
Total Intergovernmental	<u>158,921</u>	<u>158,921</u>	<u>190,148</u>	<u>31,227</u>
Charges for Services	<u>5,741</u>	<u>5,741</u>	30,192	24,451
Fines and forfeits	<u>48,000</u>	<u>48,000</u>	48,647	647
Investment earnings	<u>20,000</u>	<u>20,000</u>	71,813	51,813
Miscellaneous Revenue	<u>4,000</u>	<u>4,000</u>	148,253	144,253
<b>TOTAL REVENUES</b>	<u>\$ 3,303,535</u>	<u>\$ 3,303,535</u>	<u>\$ 3,402,346</u>	<u>\$ 98,811</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**

For the Year Ended December 31, 2014

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	\$ 27,956	\$ 27,956	\$ 27,732	\$ 224
Other services and charges	17,314	17,314	12,164	5,150
Total Mayor and Council	<u>45,270</u>	<u>45,270</u>	<u>39,896</u>	<u>5,374</u>
Election				
Other services and charges	13,350	13,350	9,875	3,475
Administration				
Personnel services	372,119	372,119	357,914	14,205
Supplies	6,300	6,300	6,612	(312)
Other services and charges	52,405	52,405	93,541	(41,136)
Total Administration	<u>430,824</u>	<u>430,824</u>	<u>458,067</u>	<u>(27,243)</u>
Communications				
Personnel services	18,615	18,615	26,740	(8,125)
Other services and charges	60,514	60,514	57,267	3,247
Total Communications	<u>79,129</u>	<u>79,129</u>	<u>84,007</u>	<u>(4,878)</u>
Building				
Supplies	225	225	360	(135)
Other services and charges	26,908	26,908	26,920	(12)
Total Building	<u>27,133</u>	<u>27,133</u>	<u>27,280</u>	<u>(147)</u>
Professional Services				
Assessor	30,500	30,500	42,728	(12,228)
Accounting and auditing	31,500	31,500	42,331	(10,831)
Legal	60,000	60,000	45,078	14,922
Engineering	48,000	48,000	36,463	11,537
Total Professional Services	<u>170,000</u>	<u>170,000</u>	<u>166,600</u>	<u>3,400</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**

For the Year Ended December 31, 2014

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Planning and Zoning				
Personnel services	\$ 219,310	\$ 219,310	\$ 226,595	\$ (7,285)
Supplies	2,750	2,750	2,476	274
Other services and charges	51,000	51,000	32,110	18,890
Total Planning and Zoning	<u>273,060</u>	<u>273,060</u>	<u>261,181</u>	<u>11,879</u>
Total General Government	<u>1,038,766</u>	<u>1,038,766</u>	<u>1,046,906</u>	<u>(8,140)</u>
<b>Public Safety</b>				
Police				
Contracted services	<u>500,000</u>	<u>500,000</u>	<u>515,604</u>	<u>(15,604)</u>
Fire Protection				
Personnel services	234,394	234,394	228,656	5,738
2% fire aid	37,324	37,324	53,446	(16,122)
Supplies	44,900	44,900	31,846	13,054
Other services and charges	120,662	120,662	142,327	(21,665)
Total Fire Protection	<u>437,280</u>	<u>437,280</u>	<u>456,275</u>	<u>(18,995)</u>
Building Inspector				
Personnel services	134,493	134,493	122,345	12,148
Supplies	2,060	2,060	1,755	305
Other services and charges	20,748	20,748	34,642	(13,894)
Total Building Inspector	<u>157,301</u>	<u>157,301</u>	<u>158,742</u>	<u>(1,441)</u>
Animal Control				
Other services and charges	<u>6,282</u>	<u>6,282</u>	<u>10,086</u>	<u>(3,804)</u>
Criminal Legal	<u>51,000</u>	<u>51,000</u>	<u>54,466</u>	<u>(3,466)</u>
Emergency Communications	<u>5,800</u>	<u>5,800</u>	<u>3,373</u>	<u>2,427</u>
Total Public Safety	<u>\$ 1,157,663</u>	<u>\$ 1,157,663</u>	<u>\$ 1,198,546</u>	<u>\$ (40,883)</u>

**See Notes to Financial Statements**



**CITY OF LAKE ELMO, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**

For the Year Ended December 31, 2014

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Works</b>				
General				
Personnel services	\$ 265,814	\$ 265,814	\$ 264,003	\$ 1,811
Supplies	138,200	138,200	168,700	(30,500)
Other services and charges	102,455	102,455	124,404	(21,949)
Total General	506,469	506,469	557,107	(50,638)
Trees	5,000	5,000	5,350	(350)
Street Lighting	28,800	28,800	22,614	6,186
Total Public Works	540,269	540,269	585,071	(44,802)
<b>Culture and Recreation</b>				
Parks				
Personnel services	173,782	173,782	168,258	5,524
Supplies	8,912	8,912	16,575	(7,663)
Other services and charges	24,143	24,143	23,371	772
Total Culture and Recreation	206,837	206,837	208,204	(1,367)
Total Expenditures	2,943,535	2,943,535	3,038,727	(95,192)
Excess (deficiency) of revenues over (under) expenditures	360,000	360,000	363,619	3,619
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(360,000)	(360,000)	(360,000)	
NET CHANGE IN FUND BALANCE			3,619	3,619
FUND BALANCE, January 1	3,177,382	3,177,382	3,177,382	
FUND BALANCE, December 31	\$ 3,177,382	\$ 3,177,382	\$ 3,181,001	\$ 3,619

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position**  
December 31, 2014

	Water	Sewer	Storm Sewer
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 617,655	\$ 60,592	\$ 312,746
Cash with fiscal agent	3,848,031		
Receivables			
Accounts	336,833	190,412	222,564
Special assessments	786,047	1,615,978	22,667
Due from other governments	2,989		168
Due from other funds		54,305	23,915
	<u>5,591,555</u>	<u>1,921,287</u>	<u>582,060</u>
<b>Noncurrent Assets</b>			
Property and Equipment			
Land	54,675		
Machinery and equipment	300,587		
Infrastructure	17,551,239	361,986	611,337
Construction in progress	1,201,086	5,467,146	
Total Property and Equipment	<u>19,107,587</u>	<u>5,829,132</u>	<u>611,337</u>
Less: Accumulated depreciation	<u>3,217,170</u>	<u>207,224</u>	<u>86,487</u>
Net Property and Equipment	<u>15,890,417</u>	<u>5,621,908</u>	<u>524,850</u>
<b>TOTAL ASSETS</b>	<u>\$ 21,481,972</u>	<u>\$ 7,543,195</u>	<u>\$ 1,106,910</u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
\$ 990,993	\$ 27,089
3,848,031	
749,809	
2,424,692	
3,157	
78,220	
8,094,902	27,089
54,675	
300,587	558,621
18,524,562	
6,668,232	
25,548,056	558,621
3,510,881	431,953
22,037,175	126,668
\$ 30,132,077	\$ 153,757

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position (Continued)**  
December 31, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 238,058	\$ 118,823	\$ 3,519
Accrued salaries payable	2,561	1,219	1,002
Accrued interest payable	64,042	48,476	
Due to other funds	795		
Due to other governments	1,956	36,902	
Current portion of compensated absences	2,225	1,202	487
Current portion of bonds payable	<u>240,000</u>	<u>150,000</u>	
Total Current Liabilities	<u>549,637</u>	<u>356,622</u>	<u>5,008</u>
<b>Long-term Liabilities</b>			
Other postemployment benefits payable	11,459	3,806	5,762
Compensated absences payable	2,205	1,172	612
Bonds payable and unamortized premium on bonds, net of unamortized discount on bonds	<u>11,558,596</u>	<u>3,582,046</u>	
Total Long-term Liabilities	<u>11,572,260</u>	<u>3,587,024</u>	<u>6,374</u>
Total Liabilities	<u>12,121,897</u>	<u>3,943,646</u>	<u>11,382</u>
<b>Net Position</b>			
Net investment in capital assets	8,152,706	1,889,862	524,850
Restricted			
Debt service	771,334	1,615,978	
Unrestricted	<u>436,035</u>	<u>93,709</u>	<u>570,678</u>
Total Net Position	<u>9,360,075</u>	<u>3,599,549</u>	<u>1,095,528</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 21,481,972</u></u>	<u><u>\$ 7,543,195</u></u>	<u><u>\$ 1,106,910</u></u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
\$ 360,400	\$
4,782	
112,518	
795	48,751
38,858	
3,914	
390,000	
<u>911,267</u>	<u>48,751</u>
21,027	
3,989	
<u>15,140,642</u>	<u>                    </u>
<u>15,165,658</u>	<u>                    </u>
<u>16,076,925</u>	<u>48,751</u>
10,567,418	126,668
2,387,312	
<u>1,100,422</u>	<u>(21,662)</u>
<u>14,055,152</u>	<u>105,006</u>
<u><u>\$ 30,132,077</u></u>	<u><u>\$ 153,757</u></u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
For the Year Ended December 31, 2014

	Water	Sewer	Storm Sewer
<b>Operating Revenues</b>	<u>\$ 396,256</u>	<u>\$ 31,054</u>	<u>\$ 214,915</u>
<b>Operating Expenses</b>			
Personnel services	111,441	47,036	45,242
Supplies	40,195	975	2,784
Professional services	32,022	146,676	48,617
Repairs and maintenance	33,778	837	37,659
Insurance	5,432		
Utilities	102,627	23,073	
Depreciation	416,864	11,815	15,963
Total Operating Expenses	<u>742,359</u>	<u>230,412</u>	<u>150,265</u>
<b>Operating Income (Loss)</b>	<u>(346,103)</u>	<u>(199,358)</u>	<u>64,650</u>
<b>Other Revenue (Expense)</b>			
Investment earnings	16,668	1,430	1,239
Rents	46,935		
Future infrastructure charges	847,900	710,000	
Bond issuance costs	(19,994)	(6,563)	
Intergovernmental revenue	663,994	378,819	
Interest and fiscal expense	(307,158)	(116,463)	(459)
Total Other Revenue (Expense)	<u>1,248,345</u>	<u>967,223</u>	<u>780</u>
Net Income (Loss) Before Transfers and Contributions	902,242	767,865	65,430
Capital contributions	731,665	166,148	
Capital contributions - special assessments	116,409		837
Transfers in	784,801		
Transfers out	<u>(7,895)</u>	<u>(704,637)</u>	<u>(82,770)</u>
Net Income (Loss)	2,527,222	229,376	(16,503)
<b>Net Position, Beginning of Year</b>	<u>6,832,853</u>	<u>3,370,173</u>	<u>1,112,031</u>
<b>Net Position, End of Year</b>	<u>\$ 9,360,075</u>	<u>\$ 3,599,549</u>	<u>\$ 1,095,528</u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
<u>\$ 642,225</u>	<u>\$</u>
203,719	
43,954	
227,315	
72,274	999
5,432	
125,700	
<u>444,642</u>	<u>30,402</u>
<u>1,123,036</u>	<u>31,401</u>
<u>(480,811)</u>	<u>(31,401)</u>
19,337	119
46,935	
1,557,900	
(26,557)	
1,042,813	
(424,080)	
<u>2,216,348</u>	<u>119</u>
1,735,537	(31,282)
897,813	
117,246	
784,801	
<u>(795,302)</u>	<u></u>
2,740,095	(31,282)
<u>11,315,057</u>	<u>136,288</u>
<u>\$ 14,055,152</u>	<u>\$ 105,006</u>

**CITY OF LAKE ELMO, MINNESOTA  
PROPRIETARY FUNDS  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2014**

	Water	Sewer	Storm Sewer	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 1,118,774	\$ 582,691	\$ 219,806	\$ 1,921,271	\$
Cash payments to suppliers	(218,100)	(727,514)	(93,120)	(1,038,734)	(999)
Cash payments to employees	(112,742)	(47,598)	(45,438)	(205,778)	
Net Cash Provided By (Used In) Operating Activities	<u>787,932</u>	<u>(192,421)</u>	<u>81,248</u>	<u>676,759</u>	<u>(999)</u>
<b>Cash Flows From Investing Activities</b>					
Interest earnings received	<u>16,668</u>	<u>1,430</u>	<u>1,239</u>	<u>19,337</u>	<u>119</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Rents received	46,935			46,935	
(Increase) decrease in due from other funds	1,918	(54,305)		(52,387)	
Increase (decrease) in due to other funds	(23,788)	(1,250)		(25,038)	1,003
Transfers to other funds	(7,895)	(2,606)		(10,501)	
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>17,170</u>	<u>(58,161)</u>		<u>(40,991)</u>	<u>1,003</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(3,775,676)	(1,518,430)		(5,294,106)	
Intergovernmental revenue received for the acquisition of capital assets	663,994	378,819		1,042,813	
Special assessments	197,792	244,170		441,962	
Proceeds from issuance of long-term debt	2,545,000	840,000		3,385,000	
Bond issuance costs	(19,994)	(6,563)		(26,557)	
Increase in unamortized bond premiums	26,269	8,624		34,893	
Principal paid on long-term debt	(230,000)	(135,000)		(365,000)	
Interest paid on long-term debt	(292,324)	(68,507)	(459)	(361,290)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(884,939)</u>	<u>(256,887)</u>	<u>(459)</u>	<u>(1,142,285)</u>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(63,169)</u>	<u>(506,039)</u>	<u>82,028</u>	<u>(487,180)</u>	<u>123</u>
<b>Cash and Cash Equivalents, January 1</b>	<u>4,528,855</u>	<u>566,631</u>	<u>230,718</u>	<u>5,326,204</u>	<u>26,966</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 4,465,686</u>	<u>\$ 60,592</u>	<u>\$ 312,746</u>	<u>\$ 4,839,024</u>	<u>\$ 27,089</u>
Classified as:					
Cash and investments	\$ 617,655	\$ 60,592	\$ 312,746	\$ 990,993	\$ 27,089
Cash with fiscal agent	3,848,031			3,848,031	
Total Cash and Cash Equivalents, December 31	<u>\$ 4,465,686</u>	<u>\$ 60,592</u>	<u>\$ 312,746</u>	<u>\$ 4,839,024</u>	<u>\$ 27,089</u>

**See Notes to Financial Statements**



**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows (Continued)**  
For the Year Ended December 31, 2014

<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating income (loss)	\$ (346,103)	\$ (199,358)	\$ 64,650	\$ (480,811)	\$ (31,401)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	416,864	11,815	15,963	444,642	30,402
Future infrastructure charges, included in nonoperating revenue	847,900	710,000		1,557,900	
(Increase) decrease in:					
Accounts receivable	(125,382)	(158,363)	4,891	(278,854)	
Increase (decrease) in:					
Accounts payable	(5,470)	(592,855)	(4,060)	(602,385)	
Accrued salaries payable	(258)	99	(128)	(287)	
Due to other governments	1,424	36,902		38,326	
Other postemployment benefits payable	155	5	64	224	
Compensated absences payable	(1,198)	(666)	(132)	(1,996)	
Net Cash Provided By (Used In) Operating Activities	<u>\$ 787,932</u>	<u>\$ (192,421)</u>	<u>\$ 81,248</u>	<u>\$ 676,759</u>	<u>\$ (999)</u>
 Noncash Capital and Related Financing Activities					
Amortization of deferred charges	\$ 3,517	\$ 125	\$	\$ 3,642	\$
Amortization of bond premiums	4,165	645		4,810	
 Transfer of capital assets	82,770		(82,770)		
 Transfer of special assessments receivable to the fund where the asset was capitalized in the current year	702,031	(702,031)			

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
December 31, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 795,189
Accounts receivable	<u>128</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 795,317</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 20,293
Deposits payable	<u>775,024</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 795,317</u></u>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

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

##### *Related Organizations*

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

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

The *infrastructure reserve fund* accounts for current and future road and street infrastructure projects.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

*Fiduciary funds* account for assets held by the City in a trustee capacity or as an agent on behalf of others.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

1. Cash and investments (including cash equivalents)

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

2. Receivables and payables

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

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

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

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

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

2. Receivables and payables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from ten to twenty years with interest charged at 2% over the borrowing rate. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Capital assets

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

3. Capital assets (continued)

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

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

4. Postemployment benefits other than pensions

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

5. Long-term obligations

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

5. Long-term obligations (continued)

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

6. Deferred Inflows

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The city has only one type of this item, which arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds Balance Sheets. The governmental funds report unavailable revenue from three sources: property taxes, special assessments and loans and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

7. Net Position and Fund Balance

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

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

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

7. Net Position and Fund Balance (continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

7. Net Position and Fund Balance (continued)

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

8. Interfund transactions

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

E. Concentration of Credit Risk

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

F. Use of Estimates

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Stewardship, Compliance and Accountability**

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**A. Budgetary Information**

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

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

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

All budget amounts presented as a basic financial statement or in the accompanying supplementary information reflect the original budget and the final budget (which were the same for the year ended December 31, 2014).

The City does not use encumbrance accounting.



**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**B. Expenditures Exceeding Appropriations**

For the year ended December 31, 2014, the General Fund total expenditures were \$95,192 more than budget. The following General Fund departments had expenditures exceeding the latest amended budget:

	<u>2014 Budgeted Expenditures</u>	<u>2014 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General government	\$ 1,038,766	\$ 1,046,906	\$ 8,140
Public safety	1,157,663	1,198,546	40,883
Public works	540,269	585,071	44,802
Culture and recreation	206,837	208,204	1,367

The above listed over expenditures in the general government department were due primarily to funds expended to secure state bonding revenue to aid in various construction projects. This expenditure was not included in the 2014 budget. The above listed over expenditures in the public safety department were primarily related to repairs to a City fire truck that were not included in the 2014 budget. The above listed over expenditures in the public works department were primarily related to increased staffing costs and street maintenance expenditures as a result of a harsh winter and severe summer storms that were not anticipated when preparing the 2014 budget. The over expenditures in the culture and recreation department listed above were primarily related to repairs and maintenance expenditures in excess of budgeted amounts.

All overexpenditures were approved by the City Council.

**C. Fund Balance Deficits**

As of December 31, 2014, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
Village Project Capital Project	\$ 662,158
Manning Avenue/Highway 36 Capital Project	5,665

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds

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##### A. Deposits and Investments

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

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

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2014.

##### Investment Policy

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

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

A. Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.

The following is a summary of the City of Lake Elmo, Minnesota's cash and investment portfolio including the range of maturities and investment ratings by type of investment:

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 4,775,023
Certificates of Deposit	11/19	N/A	2,640,686
Municipal Bonds	12/18	A	366,478
U.S. Government Agencies and State and Local Government Securities	10/19	AAA	<u>4,468,144</u>
Total cash and investments			<u><u>\$ 12,250,331</u></u>

N/A Not applicable or not available

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

Carrying amount of deposits	\$ 4,775,023
Investments	<u>7,475,308</u>
Total	<u><u>\$ 12,250,331</u></u>
Government-wide	
Cash and investments	\$ 7,607,111
Cash with fiscal agent	3,848,031
Fiduciary	
Cash and investments	<u>795,189</u>
Total	<u><u>\$ 12,250,331</u></u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**A. Deposits and Investments (Continued)**

Credit Risk

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

Concentration of Credit Risk

Investments in any one issuer that represented 5% or more of total investments as of December 31, 2014 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
State and Local Governments	State and Local Government Securities	\$ 3,848,031
Wells Fargo	Money Market Account	694,877

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2014, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

**B. Due from Other Governmental Units**

Amounts due from other governmental units as of December 31, 2014 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>Valley Branch Watershed District</u>	<u>Minnesota Department of Transportation</u>	<u>Total</u>
General Fund	\$ 28,366	\$	\$	\$ 28,366
Debt Service Fund	1,098		140,000	141,098
Infrastructure Reserve Fund		9,000		9,000
Manning Avenue/Hwy 36 Fund			307	307
Water Fund	2,989			2,989
Storm Sewer Fund	168			168
Total	<u>\$ 32,621</u>	<u>\$ 9,000</u>	<u>\$ 140,307</u>	<u>\$ 181,928</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**C. Accounts and Loans Receivable**

Accounts receivable as of December 31, 2014 are expected to be collected in full. Based upon management's assessment of the creditworthiness of the customers comprising the receivable balance, no allowance for uncollectible accounts is necessary.

In addition, in 2013 the City recorded a \$500,000 loan receivable related to pass through grant funds that were loaned to a business as an incentive for that business to relocate its corporate headquarters within the City. Payments received on the loan, if any, were to be remitted to the original grantor. Therefore, the City recorded an allowance for uncollectible loans to reserve the entire balance of the loan receivable. The loan was to be forgiven after two years if the business met certain employment milestones. The business exceeded these milestones during 2014 and therefore the loan was forgiven ahead of schedule in 2014.

**D. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2014 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,453,979	\$	\$	\$ 3,453,979
Construction in progress	2,279,552	2,339,734	1,108,582	3,510,704
Total capital assets, not being depreciated	5,733,531	2,339,734	1,108,582	6,964,683
Capital assets, being depreciated:				
Buildings	3,634,483			3,634,483
Improvements other than buildings	1,199,541	148,109		1,347,650
Machinery and equipment	2,736,435	259,207		2,995,642
Infrastructure	7,585,261	210,769		7,796,030
Total capital assets, being depreciated	15,155,720	618,085		15,773,805
Less accumulated depreciation for:				
Building	791,631	82,502		874,133
Improvements other than buildings	770,814	66,015		836,829
Machinery and equipment	1,996,928	143,802		2,140,730
Infrastructure	1,734,049	415,314		2,149,363
Total accumulated depreciation	5,293,422	707,633		6,001,055
Total capital assets, being depreciated, net	9,862,298	(89,548)		9,772,750
Governmental activities capital assets, net	\$ 15,595,829	\$ 2,250,186	\$ 1,108,582	\$ 16,737,433

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**D. Capital Assets (Continued)**

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 54,675	\$	\$	\$ 54,675
Construction in progress	3,361,742	6,250,688	2,944,198	6,668,232
Total capital assets, not being depreciated	3,416,417	6,250,688	2,944,198	6,722,907
Capital assets, being depreciated:				
Machinery and equipment	282,860	17,727		300,587
Infrastructure	14,690,622	3,842,011	8,071	18,524,562
Total capital assets, being depreciated	14,973,482	3,859,738	8,071	18,825,149
Less accumulated depreciation for:				
Machinery and equipment	169,263	14,759		184,022
Infrastructure	2,896,976	429,883		3,326,859
Total accumulated depreciation	3,066,239	444,642		3,510,881
Total capital assets, being depreciated, net	11,907,243	3,415,096	8,071	15,314,268
Business-type activities capital assets, net	\$ 15,323,660	\$ 9,665,784	\$ 2,952,269	\$ 22,037,175

The City capitalizes all costs associated with certain street projects in the governmental funds, then contributes the portions related to water, sewer and storm sewer to their respective funds. Therefore, the decrease in construction in progress for governmental activities is greater than the increase in capital assets being depreciated. In addition, certain assets in the City's business-type activities have been partially funded by grants from the State of Minnesota and therefore are considered jointly owned property. In the unlikely event the City would sell these assets, the City would be required to reimburse the State up to the full amount of the grants.

Depreciation expense for the year ended December 31, 2014 was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General government	\$ 20,668
Public safety	83,585
Public works	537,432
Culture and recreation	65,948
Total	\$ 707,633
<b>Business-Type Activities</b>	
Water	\$ 416,864
Sewer	11,815
Storm sewer	15,963
Total	\$ 444,642

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt**

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital assets including infrastructure. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued to provide funds for business-type activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation improvement bonds are expected to be repaid, in part, from assessments to the benefited properties. A summary of long-term debt outstanding at December 31, 2014 is as follows:

	Issue Date	Range of Interest Rates	Final Maturity	Balance 12/31/14
General obligation bonds:				
2009A Refunding Bonds	5/1/2009	3.00% - 3.85%	2016	\$ 140,000
2009B Improvement Bonds	10/1/2009	2.00% - 3.05%	2020	370,000
2010A Improvement Bonds	11/15/2010	1.30% - 2.80%	2021	505,000
2010B CIP Crossover Refunding Bonds	11/15/2010	1.40% - 3.20%	2025	1,835,000
2011A Improvement Bonds	10/1/2011	1.25% - 2.30%	2022	690,000
2012B Improvement Bonds	8/16/2012	0.50% - 1.90%	2023	790,000
2013A Improvement Bonds	10/1/2013	2.00% - 3.75%	2028	1,555,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	2,850,000
General obligation certificates:				
2006A Equipment Certificates	3/8/2006	4.00%	2015	52,000
General obligation revenue bonds:				
2005A Water Revenue Bonds	8/10/2005	3.70% - 4.375%	2030	3,925,000
2009A Refunding Bonds	5/1/2009	3.00% - 3.85%	2021	320,000
2012A Refunding Bonds	8/13/2012	2.00 - 2.50%	2030	4,035,000
2013A Improvement Bonds	10/1/2013	2.00% - 4.00%	2033	3,840,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	3,385,000
Other Liabilities:				
Compensated Absences				90,988
Post Employment Benefit Obligation				160,185
Unamortized premium				187,490
Less: Unamortized discount				<u>(169,256)</u>
Total Long-Term Debt				<u>\$ 24,561,407</u>

Liquidation of the compensated absences liability occurs within the department and fund for which the corresponding employees are assigned. The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2014, the City had not utilized \$33,779,943 of its net legal debt margin.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt (Continued)**

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2009A Refunding Bonds	\$ 210,000	\$	\$ 70,000	\$ 140,000	\$ 70,000
2009B Improvement Bonds	430,000		60,000	370,000	60,000
2010A Improvement Bonds	575,000		70,000	505,000	70,000
2010B CIP Crossover Refunding Bonds	1,970,000		135,000	1,835,000	150,000
2011A Improvement Bonds	770,000		80,000	690,000	80,000
2012B Improvement Bonds	865,000		75,000	790,000	80,000
2013A Improvement Bonds	1,600,000		45,000	1,555,000	105,000
2014A Improvement Bonds		2,850,000		2,850,000	
General obligation certificates:					
2006A Equipment Certificates	102,000		50,000	52,000	52,000
Other Liabilities:					
Compensated Absences	76,551	86,461	79,927	83,085	40,738
Post Employment Benefit Obligation	136,898	2,260		139,158	
Unamortized premium	17,476	51,179	2,610	66,045	
Less: Unamortized (discount)	(59,374)	(19,659)	(5,580)	(73,453)	
Governmental Activities					
Long-Term Liabilities	<u>6,693,551</u>	<u>2,970,241</u>	<u>661,957</u>	<u>9,001,835</u>	<u>707,738</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation revenue bonds:					
2005A Water Revenue Bonds	4,075,000		150,000	3,925,000	150,000
2009A Refunding Bonds	360,000		40,000	320,000	40,000
2012A Refunding Bonds	4,035,000			4,035,000	
2013A Improvement Bonds	4,015,000		175,000	3,840,000	200,000
2014A Improvement Bonds		3,385,000		3,385,000	
Other Liabilities:					
Compensated Absences	9,899	6,845	8,841	7,903	3,914
Post Employment Benefit Obligation	20,803	224		21,027	
Unamortized premium	68,016	58,239	4,810	121,445	
Less: Unamortized (discount)	(76,096)	(23,349)	(3,642)	(95,803)	
Business-Type Activities					
Long-Term Liabilities	<u>12,507,622</u>	<u>3,426,959</u>	<u>375,009</u>	<u>15,559,572</u>	<u>393,914</u>
Total	<u>\$ 19,201,173</u>	<u>\$ 6,397,200</u>	<u>\$ 1,036,966</u>	<u>\$ 24,561,407</u>	<u>\$ 1,101,652</u>



**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**E. Long-Term Debt (Continued)**

In August 2012, the City issued \$4,035,000 in general obligation water revenue crossover refunding bonds with interest rates ranging from 2.00% to 2.50%. Proceeds from this bond issuance will be used to refund the remaining principal of the 2005A water revenue bonds in 2015. This refunding will result in a \$455,000 reduction to total debt service payments over the next sixteen years. This will result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$366,000.

Debt service requirements to maturity for long-term debt, excluding compensated absences and post employment benefit obligation, as of December 31, 2014 were as follows:

Year	General Obligation Improvement Bonds		Equipment Certificates		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 615,000	\$ 201,213	\$ 52,000	\$ 2,080	\$ 4,165,000	\$ 462,379
2016	805,000	188,910			615,000	289,979
2017	770,000	173,714			645,000	276,979
2018	775,000	159,017			680,000	263,427
2019	785,000	143,215			685,000	249,123
2020-2024	3,400,000	463,572			3,495,000	1,020,094
2025-2029	1,420,000	131,780			3,805,000	566,952
2030-2033	165,000	2,888			1,415,000	96,364
Totals	\$ 8,735,000	\$ 1,464,309	\$ 52,000	\$ 2,080	\$ 15,505,000	\$ 3,225,297

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2014:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 129,721	\$
Debt Service	23,304	117,907
Infrastructure Reserve		7,032
Subtotal	<u>153,025</u>	<u>124,939</u>
Nonmajor Governmental Funds:		
Village Project		<u>56,760</u>
Proprietary Funds:		
Water		795
Sewer	54,305	
Storm Sewer	23,915	
Subtotal	<u>78,220</u>	<u>795</u>
Internal Service Funds:		
FFE Replacement		<u>48,751</u>
Total All Funds	<u>\$ 231,245</u>	<u>\$ 231,245</u>

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Receivables and Payables (continued)

The City established an interfund loan from the General Fund to the Village Project fund. At December 31, 2014, the outstanding balance was \$605,398. The loan carries an interest rate of 4 percent.

G. Interfund Transfers

The following schedule reports the interfund transfers within the City's funds as of December 31, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$	\$ 360,000
Debt Service	19,342	
Infrastructure Reserve	160,000	6,592
Non-Major Governmental Funds	200,000	2,249
Proprietary Funds:		
Water	784,801	7,895
Sewer		704,637
Storm sewer		82,770
	<hr/>	
Total All Funds	<u>\$ 1,164,143</u>	<u>\$ 1,164,143</u>

Transfers are used to move unassigned general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Additionally, during 2014, a one-time transfer was made from the sewer fund to the water fund to move receivables for special assessments to the fund that incurred the expenditures for the improvements that were assessed.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**G. Interfund Transfers (continued)**

In the government-wide statement of net position, transfers in/out are comprised of:

Governmental Funds:		
Transfers in	\$	379,342
Transfers out		(368,841)
Capital assets transferred from government activities to business-type activities		<u>(897,813)</u>
Government-wide Statement of Activities - Transfers in (out)	<u>\$</u>	<u>(887,312)</u>

**H. Fund Equity**

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2014:

	<u>General</u>	<u>Debt Service</u>	<u>Infrastructure Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid items	\$ 33,565	\$	\$	\$	\$ 33,565
Advance to other funds	<u>605,398</u>				<u>605,398</u>
Total Nonspendable	<u>638,963</u>				<u>638,963</u>
Restricted					
Debt service		<u>717,781</u>			<u>717,781</u>
Assigned					
Fall festival				990	990
Library				200,768	200,768
City facilities				269,935	269,935
Infrastructure improvements			792,833		792,833
Park improvements				957,140	957,140
Vehicle acquisition				721,859	721,859
Total Assigned			<u>792,833</u>	<u>2,150,692</u>	<u>2,943,525</u>
Unassigned	<u>2,542,038</u>	<u>(26,081)</u>		<u>(667,823)</u>	<u>1,848,134</u>
Total Fund Balance	<u>\$ 3,181,001</u>	<u>\$ 691,700</u>	<u>\$ 792,833</u>	<u>\$ 1,482,869</u>	<u>\$ 6,148,403</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information**

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A. Risk Management

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

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

B. Commitments and Contingencies

Capital Assets:

During 2014, the City entered into a contract for the purchase of a fire truck and related equipment in 2015 at a total price of \$714,884.

General Litigation:

Although the City is occasionally involved in litigation, management was unaware of any pending lawsuits in which the City was involved as of December 31, 2014. It is the opinion of management that any potential claim regarding any lawsuits against the City would be covered by the liability insurance of the City and that any potential claim against the City would not affect the financial statements.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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B. Commitments and Contingencies (Continued)

Operating Lease:

The City is obligated under a lease agreement for office space accounted for as an operating lease. Expenditures under this operating lease for the year ended December 31, 2014 totaled \$7,383. The following is a schedule by year of future minimum rental payments required under the lease as of December 31, 2014:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 29,532
2016	30,147
2017	31,992
2018	32,301
2019	<u>24,921</u>
Total	<u>\$ 148,893</u>

C. Other Post Employment Benefits

Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. There are 19 active participants and no retiree participants. Benefit provisions are established by the Council. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2014, the City did not contribute anything to the plan as there were no retiree participants. Plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Other Post Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligations

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

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

Annual required contribution	\$ 37,730
Interest on net OPEB obligations	1,509
Adjustment to ARC	<u>(36,755)</u>
Annual OPEB cost	2,484
Contributions during the year	<u>                    </u>
Increase in net OPEB obligation	2,484
Net OPEB, beginning of year	<u>157,701</u>
Net OPEB, ending of year	<u><u>\$ 160,185</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended December 31, 2014, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2012	\$ 27,107	0%	\$ 78,503
12/31/2013	79,198	0%	157,701
12/31/2014	2,484	0%	160,185

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the actuarial accrued liability for benefits was \$204,437, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,022,592, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.99 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

The following simplifying assumptions were made:

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

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



CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Methods and Assumptions (Continued)

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

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

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

*Health insurance premiums* - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Based on the historical and expected return of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was thirty years.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans

The following disclosures are made in accordance with GASB Statement No. 50:

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

A. Plan Description

All full-time and certain part-time employees of the City of Lake Elmo, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

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

A. Plan Description (continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. In 2014, the City of Lake Elmo, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$85,794, \$81,475 and \$64,694, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers).

2. Lake Elmo Volunteer Firefighter's Relief Association

A. Plan Description

Volunteer fire fighters of the City of Lake Elmo, Minnesota are members of the Lake Elmo Volunteer Firefighter's Relief Association (the Association). The Association is administrator of a single-employer defined benefit pension plan available to firefighters that operates under the provisions of Minnesota Laws 1951, Chapter 550, as amended and Minnesota State Statutes Section 317, as amended. It is governed by a Board of six officers and trustees elected by the members of the Association for two-year terms. The Chief of the Lake Elmo Fire Department, the Mayor and Clerk of the City of Lake Elmo, Minnesota are ex officio, non-voting members of the Board of Trustees.

The Lake Elmo Volunteer Firefighter's Relief Association issues a publicly available financial report that includes financial statements for the Organization. That report may be obtained by contacting the Fire Department at the City of Lake Elmo, Minnesota.

For financial reporting purposes, the Association's financial statements are not included in the City of Lake Elmo, Minnesota's financial statements because the Association is not a component unit of the City.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

A. Plan Description (Continued)

The Association maintains a separate special fund to accumulate assets to fund the retirement benefits earned by the Association's membership. Funds available for retirement benefits are supplemented by investment income.

B. Pension Benefits

Benefits are payable in a lump sum, based upon years of service, to eligible members of the Association. At December 31, 2014, the pension benefit level was at \$3,400 per year of service.

C. Funding Policy

*Minnesota Statutes* specify minimum contributions that may be required from the City on an annual basis. These statutes are established and amended by the state legislature. The Association is comprised of volunteers; therefore, members have no contribution requirements. No contribution to the plan was required to be made by the City for the year ended December 31, 2014. The Association also receives funding from the State of Minnesota two-percent fire premium tax. The City receives the contributions and is required by state statute to pass this through as payment to the Association. This contribution amounted to \$53,446 (including the supplemental State reimbursement) for the year ended December 31, 2014.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

D. Annual Pension Cost and Net Pension Obligation as of and for the year ended December 31, 2014:

Annual pension cost - total	\$ 53,446
Contributions made:	
City	
State Aid - pass-through	53,446
Actuarial valuation date	12/31/14
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period:	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Annual Pension Cost and Net Pension Obligation (Continued)

The net pension obligation for the Association for the years ended December 31, 2014, 2013 and 2012 are as follows:

Disclosure	2014	2013	2012
Annual Pension Cost (APC)	\$ 53,446	\$ 54,778	\$ 39,324
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	N/A	N/A	N/A

Membership of the Association at December 31, 2014 was comprised of the following:

Retired members entitled to benefits but have not received them	6
Current Members:	
Vested (Fully or Partially)	7
Non-Vested	14
Total Plan Members	27

E. Schedule of Funding Progress

Valuation Date	Net Position Available for Benefits	Accrued Liability	Assets in Excess of Accrued Liability	Funded Ratio	Pension Benefit Per Year of Service
12/31/2014	\$ 1,155,598	\$ 868,722	\$ 286,876	133.0%	\$ 3,400
12/31/2013	1,075,460	784,527	290,933	137.1%	3,400
12/31/2012	919,992	717,847	202,145	128.2%	3,100

F. Related Party Investments

As of December 31, 2014, and for the year then ended, the Association held no securities issued by the City or other related parties.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**5. Accounting Standards Issued But Not Yet Adopted**

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GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective for the City beginning with its year ending December 31, 2015. This statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.



**CITY OF LAKE ELMO, MINNESOTA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**December 31, 2014**

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**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**For the Year Ended December 31, 2014**

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

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

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**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING AND INDIVIDUAL**  
**FUND STATEMENTS AND SCHEDULES**  
**December 31, 2014**

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2014**

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and investments	\$ 207,388	\$ 2,016,456	\$ 2,223,844
Receivables (net of allowance of uncollectibles)			
Accounts		109,367	109,367
Due from other governmental units		307	307
<b>TOTAL ASSETS</b>	<b>\$ 207,388</b>	<b>\$ 2,126,130</b>	<b>\$ 2,333,518</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,219	\$ 307	\$ 4,526
Accrued liabilities	1,411		1,411
Due to other funds		56,760	56,760
Advances from other funds		605,398	605,398
Escrow deposits payable		75,000	75,000
Total liabilities	5,630	737,465	743,095
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Accounts receivable		107,554	107,554
 <b>FUND BALANCE (DEFICIT)</b>			
Restricted			
Assigned	201,758	1,948,934	2,150,692
Unassigned		(667,823)	(667,823)
Total Fund Balance (Deficit)	201,758	1,281,111	1,482,869
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 207,388</b>	<b>\$ 2,126,130</b>	<b>\$ 2,333,518</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2014

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 256,957	\$	\$ 256,957
Dedication fees		274,257	274,257
Investment earnings	695	7,948	8,643
Miscellaneous revenue	17,066		17,066
<b>TOTAL REVENUES</b>	<u>274,718</u>	<u>282,205</u>	<u>556,923</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	160,072		160,072
<b>Capital Outlay</b>			
Public works		247,650	247,650
Culture and recreation	2,526	212,391	214,917
<b>Debt Service</b>			
Bond issuance costs		5,664	5,664
<b>TOTAL EXPENDITURES</b>	<u>162,598</u>	<u>465,705</u>	<u>628,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>112,120</u>	<u>(183,500)</u>	<u>(71,380)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt		725,000	725,000
Premium (discount) on issuance of debt		9,571	9,571
Transfers		197,751	197,751
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>932,322</u>	<u>932,322</u>
Net change in fund balances	112,120	748,822	860,942
<b>FUND BALANCES, Beginning</b>	<u>89,638</u>	<u>532,289</u>	<u>621,927</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 201,758</u>	<u>\$ 1,281,111</u>	<u>\$ 1,482,869</u>

**CITY OF LAKE ELMO, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 December 31, 2014**

	Fall Festival	Library	Total
<b>ASSETS</b>			
Cash and investments	\$ 990	\$ 206,398	\$ 207,388
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$ 4,219	\$ 4,219
Accrued liabilities		1,411	1,411
Total liabilities		5,630	5,630
<b>FUND BALANCE</b>			
Assigned	990	200,768	201,758
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 990</b>	<b>\$ 206,398</b>	<b>\$ 207,388</b>



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2014

	<u>Fall Festival</u>	<u>Library</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$	\$ 256,957	\$ 256,957
Investment earnings	19	676	695
Miscellaneous revenue	<u>3,396</u>	<u>13,670</u>	<u>17,066</u>
<b>TOTAL REVENUES</b>	<u>3,415</u>	<u>271,303</u>	<u>274,718</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	9,798	150,274	160,072
<b>Capital Outlay</b>			
Culture and recreation		<u>2,526</u>	<u>2,526</u>
<b>TOTAL EXPENDITURES</b>	<u>9,798</u>	<u>152,800</u>	<u>162,598</u>
Net change in fund balances	(6,383)	118,503	112,120
<b>FUND BALANCES, Beginning</b>	<u>7,373</u>	<u>82,265</u>	<u>89,638</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 990</u>	<u>\$ 200,768</u>	<u>\$ 201,758</u>

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

December 31, 2014

	Park Dedication	Vehicle Acquisition	City Facilities
<b>ASSETS</b>			
Cash and investments	\$ 957,140	\$ 720,046	\$ 269,935
Receivables (net of allowance for uncollectibles)			
Accounts	107,554	1,813	
Due from other governmental units			
<b>TOTAL ASSETS</b>	<b>\$ 1,064,694</b>	<b>\$ 721,859</b>	<b>\$ 269,935</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$	\$
Due to other funds			
Advances from other funds			
Escrow deposits payable			
Total liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Accounts receivable	107,554		
<b>FUND BALANCE (DEFICIT)</b>			
Assigned	957,140	721,859	269,935
Unassigned			
Total Fund Balance (Deficit)	957,140	721,859	269,935
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
	<b>\$ 1,064,694</b>	<b>\$ 721,859</b>	<b>\$ 269,935</b>

<u>Village Project</u>	<u>Manning Avenue/Hwy 36</u>	<u>Total</u>
\$	\$ 69,335	\$ 2,016,456
		109,367
	307	307
<u>\$</u>	<u>\$ 69,642</u>	<u>\$ 2,126,130</u>
\$	\$ 307	\$ 307
56,760		56,760
605,398		605,398
	75,000	75,000
<u>662,158</u>	<u>75,307</u>	<u>737,465</u>
		107,554
		1,948,934
<u>(662,158)</u>	<u>(5,665)</u>	<u>(667,823)</u>
<u>(662,158)</u>	<u>(5,665)</u>	<u>1,281,111</u>
<u>\$</u>	<u>\$ 69,642</u>	<u>\$ 2,126,130</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, 2014

	Park Dedication	Vehicle Acquisition	City Facilities
<b>REVENUES</b>			
Dedication fees	\$ 274,257	\$	\$
Investment earnings (loss)	4,215	2,189	1,228
<b>TOTAL REVENUES</b>	<u>278,472</u>	<u>2,189</u>	<u>1,228</u>
<b>EXPENDITURES</b>			
<b>Capital Outlay</b>			
Public works		247,650	
Culture and recreation	212,391		
<b>Debt Service</b>			
Bond issuance costs		5,664	
<b>TOTAL EXPENDITURES</b>	<u>212,391</u>	<u>253,314</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>66,081</u>	<u>(251,125)</u>	<u>1,228</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt		725,000	
Premium (discount) on issuance of debt		9,571	
Transfers		(2,249)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>732,322</u>	
Net change in fund balances	66,081	481,197	1,228
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>891,059</u>	<u>240,662</u>	<u>268,707</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 957,140</u>	<u>\$ 721,859</u>	<u>\$ 269,935</u>

<u>Village Project</u>	<u>Manning Avenue/Hwy 36</u>	<u>Total</u>
\$	\$	\$ 274,257
	316	7,948
	316	282,205
		247,650
		212,391
		5,664
		465,705
	316	(183,500)
		725,000
		9,571
200,000		197,751
200,000		932,322
200,000	316	748,822
(862,158)	(5,981)	532,289
<u>\$ (662,158)</u>	<u>\$ (5,665)</u>	<u>\$ 1,281,111</u>

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

December 31, 2014

	Radio Replacement	IT Replacement	FFE Replacement	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 27,089	\$	\$	\$ 27,089
<b>Noncurrent Assets</b>				
Property and Equipment				
Machinery and equipment	99,851	95,617	363,153	558,621
Less: Accumulated depreciation	61,714	68,049	302,190	431,953
Net Property and Equipment	38,137	27,568	60,963	126,668
<b>TOTAL ASSETS</b>	<b>\$ 65,226</b>	<b>\$ 27,568</b>	<b>\$ 60,963</b>	<b>\$ 153,757</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Due to other funds	\$	\$	\$ 48,751	\$ 48,751
<b>Net Position</b>				
Net investment in capital assets	38,137	27,568	60,963	126,668
Unrestricted	27,089		(48,751)	(21,662)
Total Net Position	65,226	27,568	12,212	105,006
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 65,226</b>	<b>\$ 27,568</b>	<b>\$ 60,963</b>	<b>\$ 153,757</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2014

	<u>Radio Replacement</u>	<u>IT Replacement</u>	<u>FFE Replacement</u>	<u>Total</u>
<b>Operating Expenses</b>				
Repairs and maintenance	\$	\$	\$ 999	\$ 999
Depreciation	8,321	4,654	17,427	30,402
Total Operating Expenses	<u>8,321</u>	<u>4,654</u>	<u>18,426</u>	<u>31,401</u>
<b>Other Revenue (Expense)</b>				
Investment earnings (loss)	<u>123</u>	<u></u>	<u>(4)</u>	<u>119</u>
Net (Loss)	(8,198)	(4,654)	(18,430)	(31,282)
<b>Net Position, Beginning of Year</b>	<u>73,424</u>	<u>32,222</u>	<u>30,642</u>	<u>136,288</u>
<b>Net Position, End of Year</b>	<u>\$ 65,226</u>	<u>\$ 27,568</u>	<u>\$ 12,212</u>	<u>\$ 105,006</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2014

	Radio Replacement	IT Replacement	FFE Replacement	Total
<b>Cash Flows from Operating Activities</b>				
Cash payments to suppliers	\$	\$	\$ (999)	\$ (999)
<b>Cash Flows From Noncapital Financing Activities</b>				
Increase in due to other funds			1,003	1,003
<b>Cash Flows From Investing Activities</b>				
Investment earnings (losses)	123		(4)	119
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	123			123
<b>Cash and Cash Equivalents, Beginning of Year</b>	26,966			26,966
<b>Cash and Cash Equivalents, End of Year</b>	\$ 27,089	\$	\$	\$ 27,089
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (8,321)	\$ (4,654)	\$ (18,426)	\$ (31,401)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	8,321	4,654	17,427	30,402
<b>Net Cash Provided By (Used In) Operating Activities</b>	\$	\$	\$ (999)	\$ (999)



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**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
December 31, 2014

	2002 GO Improvement Bonds	2004 GO CIP Bonds	2006A GO Equipment Certificates	2009A GO Refunding Bonds	2009B GO Improvement Bonds
<b>ASSETS</b>					
Cash and investments	\$ 468	\$ 23,357	\$ 26,516	\$ 2,069	\$ 125,765
Receivables (Net of allowance for uncollectibles)					
Special assessments					36,110
Due from other funds					
Due from other governmental units				140,000	
<b>TOTAL ASSETS</b>	<b>\$ 468</b>	<b>\$ 23,357</b>	<b>\$ 26,516</b>	<b>\$ 142,069</b>	<b>\$ 161,875</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds		23,304			
Total liabilities		23,304			
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Special assessments					36,110
Intergovernmental revenue				140,000	
Total deferred inflows of resources				140,000	36,110
<b>FUND BALANCE (DEFICIT)</b>					
Restricted	468	53	26,516	2,069	125,765
Unassigned					
Total fund balance (deficit)	468	53	26,516	2,069	125,765
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 468</b>	<b>\$ 23,357</b>	<b>\$ 26,516</b>	<b>\$ 142,069</b>	<b>\$ 161,875</b>

2010A GO Improvement Bonds	2010B GO CIP Bonds	2011A GO Improvement Bonds	2012B GO Improvement Bonds	2013A GO Improvement Bonds	2014A GO Improvement Bonds	Total
\$ 129,859	\$ 80,138	\$ 316,846	\$ 13,234	\$ 55,053	\$ 25,400	\$ 798,705
58,450		51,560	175,500			321,620
811	23,304	52	235			23,304
<u>\$ 189,120</u>	<u>\$ 103,442</u>	<u>\$ 368,458</u>	<u>\$ 188,969</u>	<u>\$ 55,053</u>	<u>\$ 25,400</u>	<u>\$ 1,284,727</u>
\$	\$	\$ 13,500	\$	\$	\$	\$ 13,500
			17,176	77,427		117,907
		13,500	17,176	77,427		131,407
58,450		51,560	175,500			321,620
58,450		51,560	175,500			140,000
						461,620
130,670	103,442	303,398			25,400	717,781
			(3,707)	(22,374)		(26,081)
<u>130,670</u>	<u>103,442</u>	<u>303,398</u>	<u>(3,707)</u>	<u>(22,374)</u>	<u>25,400</u>	<u>691,700</u>
<u>\$ 189,120</u>	<u>\$ 103,442</u>	<u>\$ 368,458</u>	<u>\$ 188,969</u>	<u>\$ 55,053</u>	<u>\$ 25,400</u>	<u>\$ 1,284,727</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**

For the Year Ended December 31, 2014

	2002 GO Improvement Bonds	2004 GO CIP Bonds	2006A GO Equipment Certificates	2009A GO Refunding Bonds	2009B GO Improvement Bonds
<b>REVENUES</b>					
Taxes	\$	\$	\$ 56,784	\$	\$ 30,487
Intergovernmental				76,650	
Special assessments					8,393
Investment earnings	2	53	114	11	645
<b>TOTAL REVENUES</b>	<u>2</u>	<u>53</u>	<u>56,898</u>	<u>76,661</u>	<u>39,525</u>
<b>EXPENDITURES</b>					
<b>Debt Service</b>					
Principal			50,000	70,000	60,000
Interest and other charges			4,080	6,970	10,573
<b>TOTAL EXPENDITURES</b>			<u>54,080</u>	<u>76,970</u>	<u>70,573</u>
Excess (deficiency) of revenues over (under) expenditures	2	53	2,818	(309)	(31,048)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers					
Net change in fund balances	2	53	2,818	(309)	(31,048)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>466</u>		<u>23,698</u>	<u>2,378</u>	<u>156,813</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 468</u>	<u>\$ 53</u>	<u>\$ 26,516</u>	<u>\$ 2,069</u>	<u>\$ 125,765</u>

2010A GO Improvement Bonds	2010B GO CIP Bonds	2011A GO Improvement Bonds	2012B GO Improvement Bonds	2013A GO Improvement Bonds	2014A GO Improvement Bonds	Total
\$ 61,358	\$ 205,020	\$ 72,400	\$ 58,765	\$	\$	\$ 484,814
14,280		8,077	41,024	23,200	6,000	76,650
605	364	1,468	30	197	58	100,974
<u>76,243</u>	<u>205,384</u>	<u>81,945</u>	<u>99,819</u>	<u>23,397</u>	<u>6,058</u>	<u>665,985</u>
70,000	135,000	80,000	75,000	45,000		585,000
11,565	46,432	12,030	11,305	32,427		135,382
<u>81,565</u>	<u>181,432</u>	<u>92,030</u>	<u>86,305</u>	<u>77,427</u>		<u>720,382</u>
(5,322)	23,952	(10,085)	13,514	(54,030)	6,058	(54,397)
					19,342	19,342
(5,322)	23,952	(10,085)	13,514	(54,030)	25,400	(35,055)
135,992	79,490	313,483	(17,221)	31,656		726,755
<u>\$ 130,670</u>	<u>\$ 103,442</u>	<u>\$ 303,398</u>	<u>\$ (3,707)</u>	<u>\$ (22,374)</u>	<u>\$ 25,400</u>	<u>\$ 691,700</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FALL FESTIVAL SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$	\$	\$ 19	\$ 19
Miscellaneous revenue	25,000	25,000	3,396	(21,604)
<b>TOTAL REVENUES</b>	25,000	25,000	3,415	(21,585)
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation	19,000	19,000	9,798	9,202
Net change in fund balances	6,000	6,000	(6,383)	(12,383)
<b>FUND BALANCES, Beginning</b>	7,373	7,373	7,373	
<b>FUND BALANCES, Ending</b>	\$ 13,373	\$ 13,373	\$ 990	\$ (12,383)

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**LIBRARY SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 256,957	\$ 256,957	\$ 256,957	\$
Investment earnings			676	676
Miscellaneous revenue	11,400	11,400	13,670	2,270
<b>TOTAL REVENUES</b>	<u>268,357</u>	<u>268,357</u>	<u>271,303</u>	<u>2,946</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation	265,857	265,857	150,274	115,583
<b>Capital Outlay</b>				
Culture and recreation	1,500	1,500	2,526	(1,026)
<b>TOTAL EXPENDITURES</b>	<u>267,357</u>	<u>267,357</u>	<u>152,800</u>	<u>114,557</u>
Net change in fund balances	1,000	1,000	118,503	117,503
<b>FUND BALANCES, Beginning</b>	<u>82,265</u>	<u>82,265</u>	<u>82,265</u>	
<b>FUND BALANCES, Ending</b>	<u>\$ 83,265</u>	<u>\$ 83,265</u>	<u>\$ 200,768</u>	<u>\$ 117,503</u>

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

For the Year Ended December 31, 2014

	Balance January 1	Additions	Deletions	Balance December 31
<b>ESCROW</b>				
ASSETS				
Cash and investments	\$ 557,190	\$ 730,088	\$ 491,961	\$ 795,317
LIABILITIES				
Accounts payable	\$	\$ 423,819	\$ 403,526	\$ 20,293
Deposits payable	557,190	859,281	641,447	775,024
TOTAL LIABILITIES	\$ 557,190	\$ 1,283,100	\$ 1,044,973	\$ 795,317
<b>YELLOW RIBBON</b>				
ASSETS				
Cash and investments	\$ (128)	\$	\$	\$ (128)
Accounts receivable	128			128
TOTAL ASSETS	\$	\$	\$	\$
<b>TOTAL AGENCY FUNDS</b>				
ASSETS				
Cash and investments	\$ 557,062	\$ 730,088	\$ 491,961	\$ 795,189
Accounts receivable	128			128
TOTAL ASSETS	\$ 557,190	\$ 730,088	\$ 491,961	\$ 795,317
LIABILITIES				
Accounts payable	\$	\$ 423,819	\$ 403,526	\$ 20,293
Deposits payable	557,190	859,281	641,447	775,024
TOTAL LIABILITIES	\$ 557,190	\$ 1,283,100	\$ 1,044,973	\$ 795,317



**CITY OF LAKE ELMO, MINNESOTA**  
**REDEVELOPMENT GRANT PROGRAM**  
**Supplemental Schedule of Sources and Uses**  
For the Year Ended December 31, 2014

	<u>Water (1)</u>	<u>Sewer (2)</u>	<u>Total</u>
<b>SOURCES</b>	<u>\$ 572,170</u>	<u>\$ 378,819</u>	<u>\$ 950,989</u>
<b>USES **</b>			
Keats Avenue watermain construction	\$ 18,071	\$	\$ 18,071
Keats Avenue watermain engineering	1,043		1,043
Lake Elmo Avenue watermain construction	212,209		212,209
Lake Elmo Avenue watermain engineering	16,350		16,350
Well #4 pumphouse construction	289,974		289,974
Well #4 pumphouse engineering	34,523		34,523
Forcemain construction		163,698	163,698
Lift station construction		215,121	215,121
<b>TOTAL USES</b>	<u>\$ 572,170</u>	<u>\$ 378,819</u>	<u>\$ 950,989</u>

(1) Redevelopment Grant Program RDGP-10-0012-o-FY10

(2) Redevelopment Grant Program RDGP-10-0013-o-FY10

\*\* Amounts expended for grant purposes are recorded under the full accrual method in the proprietary funds and therefore were recorded as a noncurrent asset (property and equipment) rather than current period expenses.

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

**December 31, 2014**

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

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	108
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	118
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	126
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	135
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	138

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year			
	2014	2013	2012	2011
Governmental activities				
Net investment in capital assets	\$ 7,957,840	\$ 9,056,353	\$ 8,782,840	\$ 8,553,984
Restricted	1,106,200	1,225,849	4,205,247	2,664,689
Unrestricted	5,405,920	4,593,463	918,996	2,555,596
Total governmental activities net position	<u>\$ 14,469,960</u>	<u>\$ 14,875,665</u>	<u>\$ 13,907,083</u>	<u>\$ 13,774,269</u>
Business-type activities				
Net investment in capital assets	\$ 10,567,418	\$ 6,855,807	\$ 6,788,377	\$ 6,422,782
Restricted	2,387,312	2,612,569	39,153	
Unrestricted	1,100,422	1,846,681	1,105,847	1,449,340
Total business-type activities net position	<u>\$ 14,055,152</u>	<u>\$ 11,315,057</u>	<u>\$ 7,933,377</u>	<u>\$ 7,872,122</u>
Primary government				
Net investment in capital assets	\$ 18,525,258	\$ 15,912,160	\$ 15,571,217	\$ 14,976,766
Restricted	3,493,512	3,838,418	4,244,400	2,664,689
Unrestricted	6,506,342	6,440,144	2,024,843	4,004,936
Total primary government net position	<u>\$ 28,525,112</u>	<u>\$ 26,190,722</u>	<u>\$ 21,840,460</u>	<u>\$ 21,646,391</u>

Schedule 1

2010	2009	2008	2007	2006	2005
\$ 8,368,479	\$ 7,983,822	\$ 7,151,543	\$ 5,648,702	\$ 3,535,882	\$ 1,002,073
2,057,467	1,399,968	718,617	711,966	1,071,105	1,020,372
3,439,106	3,824,156	4,698,858	5,139,270	4,620,785	6,969,165
<u>\$ 13,865,052</u>	<u>\$ 13,207,946</u>	<u>\$ 12,569,018</u>	<u>\$ 11,499,938</u>	<u>\$ 9,227,772</u>	<u>\$ 8,991,610</u>
\$ 6,713,292	\$ 6,644,334	\$ 6,181,055	\$ 5,617,960	\$ 5,961,996	\$ 2,324,276
1,193,509	1,056,968	951,793	1,080,666	706,170	(529,295)
<u>\$ 7,906,801</u>	<u>\$ 7,701,302</u>	<u>\$ 7,132,848</u>	<u>\$ 6,698,626</u>	<u>\$ 6,668,166</u>	<u>\$ 1,794,981</u>
\$ 15,081,771	\$ 14,628,156	\$ 13,332,598	\$ 11,266,662	\$ 9,497,878	\$ 3,326,349
2,057,467	1,399,968	718,617	711,966	1,071,105	1,020,372
4,632,615	4,881,124	5,650,651	6,219,936	5,326,955	6,439,870
<u>\$ 21,771,853</u>	<u>\$ 20,909,248</u>	<u>\$ 19,701,866</u>	<u>\$ 18,198,564</u>	<u>\$ 15,895,938</u>	<u>\$ 10,786,591</u>

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

	Fiscal Year			
	2014	2013	2012	2011
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,072,888	\$ 1,103,337	\$ 1,093,204	\$ 1,036,038
Public safety	1,530,609	1,277,798	1,302,857	1,107,050
Public works	1,032,426	1,273,977	891,169	1,008,686
Culture and recreation	448,361	424,687	362,432	247,845
Interest on long-term debt	165,028	133,694	316,039	266,730
Total governmental activities expenses	<u>4,249,312</u>	<u>4,213,493</u>	<u>3,965,701</u>	<u>3,666,349</u>
Business-Type activities:				
Water	1,069,511	958,870	872,786	845,474
Sewer	353,438	119,370	53,903	73,797
Storm sewer	149,887	86,989	73,590	142,517
Total business-type activities expenses	<u>1,572,836</u>	<u>1,165,229</u>	<u>1,000,279</u>	<u>1,061,788</u>
Total primary government expenses	<u>\$ 5,822,148</u>	<u>\$ 5,378,722</u>	<u>\$ 4,965,980</u>	<u>\$ 4,728,137</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 45,161	\$ 32,778	\$ 48,476	\$ 22,058
Public safety	496,916	414,472	379,557	283,813
Public works	2,647	2,647	3,256	3,058
Culture and recreation	10,753	17,000	9,341	
Operating grants and contributions	204,462	208,276	160,060	184,476
Capital grants and contributions	557,601	1,364,622	160,444	222,488
Total governmental activities program revenues	<u>1,314,893</u>	<u>2,039,795</u>	<u>761,134</u>	<u>715,893</u>
Business-type activities:				
Charges for services:				
Water	1,291,091	596,421	699,159	575,534
Sewer	741,054	53,142	65,737	53,012
Storm sewer	214,915	191,087	171,229	235,252
Operating grants and contributions				17,000
Capital grants and contributions	1,159,222	3,781,528	115,127	75,885
Total business-type activities program revenues	<u>3,406,282</u>	<u>4,622,178</u>	<u>1,051,252</u>	<u>956,683</u>
Total primary government program revenues	<u>\$ 4,721,175</u>	<u>\$ 6,661,973</u>	<u>\$ 1,812,386</u>	<u>\$ 1,672,576</u>

Schedule 2

	2010	2009	2008	2007	2006	2005
\$	980,456	\$ 971,677	\$ 1,168,625	\$ 914,212	\$ 900,278	\$ 876,056
	1,171,158	1,125,464	1,002,408	956,649	1,009,494	931,155
	1,135,351	872,045	868,804	1,247,398	1,358,801	349,111
	239,389	248,856	228,393	333,164	232,878	169,495
	222,404	218,319	237,753	207,648	215,381	211,475
	<u>3,748,758</u>	<u>3,436,361</u>	<u>3,505,983</u>	<u>3,659,071</u>	<u>3,716,832</u>	<u>2,537,292</u>
	898,319	857,014	849,018	735,499	764,282	432,810
	61,513	59,243	63,400	125,773	55,827	44,503
	151,384	140,365	123,902	78,807	129,946	12,148
	<u>1,111,216</u>	<u>1,056,622</u>	<u>1,036,320</u>	<u>940,079</u>	<u>950,055</u>	<u>489,461</u>
\$	<u>4,859,974</u>	<u>4,492,983</u>	<u>4,542,303</u>	<u>4,599,150</u>	<u>4,666,887</u>	<u>3,026,753</u>
\$	18,296	\$ 15,631	\$ 19,430	\$ 28,890	\$ 29,612	\$ 40,536
	320,242	270,653	295,353	365,327	594,779	365,703
	3,425	6,584	3,833	18,573	4,035	5,591
	10,800			61,274	31,828	211,571
	168,491	174,433	140,176	94,185	163,421	86,082
	<u>1,090,419</u>	<u>798,687</u>	<u>1,345,803</u>	<u>1,371,489</u>	<u>4,664,817</u>	<u>1,871,596</u>
	<u>1,611,673</u>	<u>1,265,988</u>	<u>1,804,595</u>	<u>1,939,738</u>	<u>5,488,492</u>	<u>2,581,079</u>
	562,585	479,430	467,336	471,226	351,733	281,835
	48,508	45,146	44,568	99,581	139,057	32,381
	185,425	149,407	134,674	138,092	45	72,000
	32,721	30,100				
	418,400	776,473	684,400	298,928	1,112,374	
	<u>1,247,639</u>	<u>1,480,556</u>	<u>1,330,978</u>	<u>1,007,827</u>	<u>1,603,209</u>	<u>386,216</u>
\$	<u>2,859,312</u>	<u>2,746,544</u>	<u>3,135,573</u>	<u>2,947,565</u>	<u>7,091,701</u>	<u>2,967,295</u>

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

	Fiscal Year			
	2014	2013	2012	2011
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (2,934,419)	\$ (2,173,698)	\$ (3,204,567)	\$ (2,950,456)
Business-type activities	1,833,446	3,456,949	50,973	(105,105)
Total primary government net revenue	<u>\$ (1,100,973)</u>	<u>\$ 1,283,251</u>	<u>\$ (3,153,594)</u>	<u>\$ (3,055,561)</u>
<b>General Revenues and Other Changes In Net Position</b>				
Governmental activities:				
General property taxes	\$ 3,200,291	\$ 3,231,609	\$ 3,183,078	\$ 2,793,776
Grants and contributions not restricted to specific programs	2,749	2,749		10,628
Interest income	87,586	35,259	111,705	94,501
Miscellaneous	125,400	1,833	42,599	20,405
Gain on sale of capital assets		8,979		
Transfers	(887,312)			(59,637)
Total governmental activities	<u>2,528,714</u>	<u>3,280,429</u>	<u>3,337,382</u>	<u>2,859,673</u>
Business-type activities:				
Interest income	19,337	30,346	10,282	10,789
Transfers	887,312			59,637
Total business-type activities	<u>906,649</u>	<u>30,346</u>	<u>10,282</u>	<u>70,426</u>
Total primary government	<u>\$ 3,435,363</u>	<u>\$ 3,310,775</u>	<u>\$ 3,347,664</u>	<u>\$ 2,930,099</u>
<b>Change in Net Position</b>				
Governmental activities	\$ (405,705)	\$ 1,106,731	\$ 132,815	\$ (90,783)
Business-type activities	2,740,095	3,487,295	61,255	(34,679)
Total primary government	<u>\$ 2,334,390</u>	<u>\$ 4,594,026</u>	<u>\$ 194,070</u>	<u>\$ (125,462)</u>



Schedule 2  
(continued)

2010	2009	2008	2007	2006	2005
\$ (2,137,085)	\$ (2,170,373)	\$ (1,701,388)	\$ (1,719,333)	\$ 1,771,660	\$ 43,787
136,423	423,934	294,658	67,748	653,154	(103,245)
<u>\$ (2,000,662)</u>	<u>\$ (1,746,439)</u>	<u>\$ (1,406,730)</u>	<u>\$ (1,651,585)</u>	<u>\$ 2,424,814</u>	<u>\$ (59,458)</u>
\$ 2,711,067	\$ 2,718,691	\$ 2,568,705	\$ 2,424,782	\$ 2,174,377	\$ 1,916,352
9,771	8,764	57,390	46,154	38,342	107,080
113,989	160,679	209,539	335,578	317,896	195,715
17,311	41,827	50,865	33,204		
	8,517				42,284
<u>(57,947)</u>	<u>(129,177)</u>	<u>(116,031)</u>	<u>(424,940)</u>	<u>(4,066,113)</u>	
<u>2,794,191</u>	<u>2,809,301</u>	<u>2,770,468</u>	<u>2,414,778</u>	<u>(1,535,498)</u>	<u>2,261,431</u>
11,129	15,343	23,533	94,325	153,918	53,507
<u>57,947</u>	<u>129,177</u>	<u>116,031</u>	<u>424,940</u>	<u>4,066,113</u>	
<u>69,076</u>	<u>144,520</u>	<u>139,564</u>	<u>519,265</u>	<u>4,220,031</u>	<u>53,507</u>
<u>\$ 2,863,267</u>	<u>\$ 2,953,821</u>	<u>\$ 2,910,032</u>	<u>\$ 2,934,043</u>	<u>\$ 2,684,533</u>	<u>\$ 2,314,938</u>
\$ 657,106	\$ 638,928	\$ 1,069,080	\$ 695,445	\$ 236,162	\$ 2,305,218
205,499	568,454	434,222	587,013	4,873,185	(49,738)
<u>\$ 862,605</u>	<u>\$ 1,207,382</u>	<u>\$ 1,503,302</u>	<u>\$ 1,282,458</u>	<u>\$ 5,109,347</u>	<u>\$ 2,255,480</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General fund					
Reserved	\$	\$	\$	\$	\$ 1,068,950
Unreserved					1,617,211
Nonspendable	638,963	859,072	1,024,433	1,206,209	
Unassigned	<u>2,542,038</u>	<u>2,318,310</u>	<u>2,414,692</u>	<u>1,707,711</u>	
Total general fund	<u>3,181,001</u>	<u>3,177,382</u>	<u>3,439,125</u>	<u>2,913,920</u>	<u>2,686,161</u>
All other governmental funds					
Reserved					3,605,250
Unreserved					504,106
Restricted	717,781	743,976	3,959,111	4,691,748	
Committed				7,114	
Assigned	2,943,525	2,252,931	1,244,900	654,358	
Unassigned	<u>(693,904)</u>	<u>(885,360)</u>	<u>(1,670,915)</u>	<u>(1,353,754)</u>	
Total all other governmental funds	<u>2,967,402</u>	<u>2,111,547</u>	<u>3,533,096</u>	<u>3,999,466</u>	<u>4,109,356</u>
Total governmental funds	<u>\$ 6,148,403</u>	<u>\$ 5,288,929</u>	<u>\$ 6,972,221</u>	<u>\$ 6,913,386</u>	<u>\$ 6,795,517</u>

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

Schedule 3

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	1,032,570	\$ 1,015,753	\$ 1,003,823	\$ 503,823	\$ 500,000
	1,403,240	1,395,088	1,251,127	1,768,505	1,745,735
	<u>2,435,810</u>	<u>2,410,841</u>	<u>2,254,950</u>	<u>2,272,328</u>	<u>2,245,735</u>
	1,422,049	727,673	698,683	725,337	562,883
	1,077,659	1,976,379	2,554,808	2,419,112	4,795,939
	<u>2,499,708</u>	<u>2,704,052</u>	<u>3,253,491</u>	<u>3,144,449</u>	<u>5,358,822</u>
\$	<u>4,935,518</u>	<u>5,114,893</u>	<u>5,508,441</u>	<u>5,416,777</u>	<u>7,604,557</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>					
Taxes	\$ 3,203,111	\$ 3,231,609	\$ 3,221,733	\$ 2,790,773	\$ 2,737,225
Licenses and permits	451,953	374,974	330,819	230,419	261,450
Intergovernmental	413,968	1,704,178	237,254	276,638	239,244
Charges for services	30,192	6,113	5,726	14,691	22,416
Fines and forfeitures	48,647	52,110	58,385	63,819	68,897
Special assessments	115,424	180,023	136,150	153,536	134,257
Dedication fees	274,257				
Investment earnings	87,467	35,127	111,737	94,066	113,033
Miscellaneous revenue	165,319	57,260	87,562	48,217	84,860
<b>Total Revenues</b>	<u>4,790,338</u>	<u>5,641,394</u>	<u>4,189,366</u>	<u>3,672,159</u>	<u>3,661,382</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,046,906	1,527,732	1,034,712	1,016,898	921,590
Public safety	1,198,546	1,174,145	1,109,937	996,733	1,064,176
Public works	585,071	614,270	446,541	447,629	473,293
Culture and recreation	368,276	301,404	260,404	168,747	168,971
<b>Debt service</b>					
Principal	585,000	3,348,000	406,000	344,000	313,000
Interest and other charges	135,382	171,148	267,253	251,385	216,820
Bond issuance costs	22,267	7,870	41,828	34,327	74,580
<b>Capital outlay</b>	<u>2,881,437</u>	<u>1,784,914</u>	<u>1,428,856</u>	<u>1,029,183</u>	<u>1,203,309</u>
<b>Total Expenditures</b>	<u>6,822,885</u>	<u>8,929,483</u>	<u>4,995,531</u>	<u>4,288,902</u>	<u>4,435,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,032,547)</u>	<u>(3,288,089)</u>	<u>(806,165)</u>	<u>(616,743)</u>	<u>(774,357)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	2,850,000	1,604,797	865,000	845,000	2,680,000
Premium (Discount) on issuance of debt	31,520				4,356
Payment to bond escrow agent					
Sale of property					
Transfers in	10,501			204,972	314,698
Transfers out				(315,360)	(364,698)
<b>Total other financing sources (uses)</b>	<u>2,892,021</u>	<u>1,604,797</u>	<u>865,000</u>	<u>734,612</u>	<u>2,634,356</u>
<b>Net change in fund balances</b>	<u>\$ 859,474</u>	<u>\$ (1,683,292)</u>	<u>\$ 58,835</u>	<u>\$ 117,869</u>	<u>\$ 1,859,999</u>
Debt service as a percentage of noncapital expenditures	17.67%	47.79%	18.66%	17.43%	15.11%

Schedule 4

	2009	2008	2007	2006	2005
\$	2,685,894	\$ 2,523,332	\$ 2,416,861	\$ 2,164,117	\$ 1,908,357
	225,166	242,074	315,975	406,225	245,252
	288,881	261,743	384,160	255,018	94,511
	11,433	15,623	39,163	152,472	108,137
	54,052	60,919	57,652	69,729	58,441
	73,013	102,929	75,993	147,368	179,219
	160,679	209,539	335,578	317,896	195,715
	61,533	177,599	1,094,478	4,622,737	576,555
	<u>3,560,651</u>	<u>3,593,758</u>	<u>4,719,860</u>	<u>8,135,562</u>	<u>3,366,187</u>
	929,960	1,108,737	942,131	879,167	851,645
	988,082	882,135	984,090	950,669	881,905
	459,703	438,591	459,478	523,938	286,756
	180,965	154,011	160,940	129,806	109,153
	361,000	280,000	334,000	265,000	130,000
	229,175	235,450	206,020	220,115	165,985
	45,056				
	998,031	888,382	2,281,938	7,797,647	1,334,583
	<u>4,191,972</u>	<u>3,987,306</u>	<u>5,368,597</u>	<u>10,766,342</u>	<u>3,760,027</u>
	<u>(631,321)</u>	<u>(393,548)</u>	<u>(648,737)</u>	<u>(2,630,780)</u>	<u>(393,840)</u>
	1,110,000			443,000	
	17,756				
	(525,000)				
	9,190				10,526
	1,466,041	8,500	778,074	162,129	206,598
	(1,626,041)	(8,500)	(778,074)	(162,129)	(206,598)
	<u>451,946</u>			<u>443,000</u>	<u>10,526</u>
\$	<u>(179,375)</u>	<u>(393,548)</u>	<u>(648,737)</u>	<u>(2,187,780)</u>	<u>(383,314)</u>
	17.81%	15.42%	14.69%	12.76%	12.07%

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

Payable Year	Estimated 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				
2005	\$ 910,438,700	\$ 9,790,389	\$ 190,625	\$ 9,981,014	\$ 9,981,014	19.375	% 0.01
2006	1,017,596,900	12,678,177	221,613	12,899,790	12,899,790	19.351	0.01
2007	1,131,010,100	12,506,910	207,913	12,714,823	12,714,823	19.274	0.01
2008	1,146,659,500	12,750,173	203,610	12,953,783	12,953,783	20.553	0.01
2009	1,208,072,300	13,490,182	201,896	13,692,078	13,692,078	19.810	0.01
2010	1,201,213,400	13,394,423	202,299	13,596,722	13,596,722	20.479	0.01
2011	1,142,936,500	12,678,177	221,613	12,899,790	12,899,790	21.832	0.01
2012	1,037,557,100	11,525,623	229,157	11,754,780	11,754,780	27.271	0.01
2013	1,028,011,400	11,392,876	237,584	11,630,460	11,630,460	29.259	0.01
2014	1,046,031,000	11,504,611	238,764	11,743,375	11,743,375	27.761	0.01

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

NOTE - Valuations are determined as of January 1 of year preceding tax collection year.

The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use. The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

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

Fiscal Year	City of Lake Elmo			Overlapping Rates										
	Operating Tax Rate Urban	Debt Service Tax Rate Urban	Total City Tax Rate Urban	Range of Tax Rates for Independent School Districts 622, 832 and 834			Washington County	Range of Tax Rates for Watershed Districts			Special Taxing Districts	Range of Total Direct and Overlapping Tax Rates		
2005	19.375 %		19.375 %	19.468	-	24.219 %	28.599 %	1.606	-	5.415 %	2.736 %	71.784	-	80.344 %
2006	16.477	2.874	19.351	19.471	-	23.075	26.968	1.794	-	4.408	2.427	70.011	-	76.229
2007	19.274		19.274	17.698	-	22.628	25.673	1.315	-	4.580	2.331	66.291	-	74.486
2008	20.553		20.553	17.404	-	22.691	25.936	1.608	-	4.532	2.367	67.868	-	76.079
2009	17.059	2.751	19.810	17.714	-	24.480	26.371	1.545	-	4.002	2.351	67.791	-	77.014
2010	18.033	2.446	20.479	19.734	-	26.389	27.775	1.511	-	4.153	2.558	72.057	-	81.354
2011	19.448	2.384	21.832	20.300	-	34.330	29.772	1.725	-	4.275	2.664	76.293	-	92.873
2012	23.679 (1)	3.592	27.271	22.333	-	38.360	31.939	2.340	-	4.906	2.909	86.792	-	105.385
2013	23.555	5.704	29.259	22.017	-	37.104	31.548	0.779	-	5.306	4.857	88.460	-	108.074
2014	23.472	4.289	27.761	23.150	-	39.770	30.243	0.761	-	5.066	4.641	86.556	-	107.481

Source: Washington County Taxation Division

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

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

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

SCHEDULE 7

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

Taxpayers (1)	2014			2005		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
IRET Properties	\$ 205,342	1	1.56 %	\$ 147,422	3	1.51 %
Xcel Energy	208,806	2	1.58	164,712	2	1.68
Bremer Financial Services Inc	197,474	3	1.50	196,854	1	2.01
MHC Cimarron LLC	134,090	4	1.02	134,090	4	1.37
HOA Hotels	108,150	5	0.82	111,644	6	1.14
Tartan Park LLC	100,647	6	0.76			
Danate Proper Inv I LLC	76,762	7	0.58			
Eagle Point II LLC	71,064	8	0.54			
Davis Estates LTD	64,912	9	0.49			
United Properties Inv LLC	62,460	10	0.47	49,892	8	0.51
United Land LLC				111,708	5	1.14
Lake Elmo Foundation				91,379	7	0.93
State Bank of Lake Elmo				33,276	9	0.34
Individuals				29,344	10	0.30
TOTAL	<u>\$ 1,229,707</u>		<u>9.33 %</u>	<u>\$ 1,070,321</u>		<u>10.93 %</u>

(1) Source: Washington County Taxation Division



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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2005	\$ 1,923,978	\$ 1,875,488	\$ 1,856,610	98.99	\$ 18,301
2006	2,149,941	2,110,956	2,081,289	98.59	29,324
2007	2,428,644	2,394,822	2,357,634	98.45	37,188
2008	2,597,983	2,559,227	2,485,397	97.12	73,830
2009	2,708,155	2,672,623	2,624,026	98.18	48,591
2010	2,743,346	2,705,782	2,645,536	97.77	59,623
2011	2,789,559	2,745,785	2,692,423	98.06	52,281
2012	3,113,017	3,110,478	3,071,202	98.74	36,717
2013	3,163,359	3,160,524	3,133,764	99.15	23,724
2014	3,163,359	3,160,285	3,128,695	99.00	

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

**Schedule 8**

<u>Total Collections to Date</u>		Total Delinquent Taxes	Delinquent Taxes As A % Of Total Net Tax Levy
<u>Amount</u>	<u>Percentage of Net Levy</u>		
\$ 1,874,911	99.97	\$ 577	0.03
2,110,613	99.98	343	0.02
2,394,822	100.00		0.00
2,559,227	100.00		0.00
2,672,617	100.00	6	0.00
2,705,159	99.98	623	0.02
2,744,704	99.96	1,081	0.04
3,107,919	99.92	2,559	0.08
3,157,488	99.90	3,036	0.10
3,128,695	99.00	31,591	1.00

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

**Water (in millions of gallons)**

<u>Type of Customer</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010*</u>
Residential	98.573	120.676	154.747	105.290	95.704
Commercial Service	12.156	8.253	10.405	6.872	7.261
Total gallons	<u>110.729</u>	<u>128.929</u>	<u>165.152</u>	<u>112.162</u>	<u>102.965</u>
Total direct rate per 1,000 gallons - residential	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.10
Total direct rate per 1,000 gallons - commercial	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.05

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

<u>Type of Customer</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010*</u>
Residential (1)	0.000	0.000	0.000	0.000	0.000
Commercial Service	6.532	6.149	6.172	6.961	7.086
Total gallons	<u>6.532</u>	<u>6.149</u>	<u>6.172</u>	<u>6.961</u>	<u>7.086</u>
Total direct rate per 1,000 gallons	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.35

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

\* City converted to a tiered rate structure effective January 1, 2010; lowest tier rate listed for 2010-2014

**Schedule 9**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
122.461	120.986	108.649	70.255	45.724
7.989	7.851	8.746	6.126	6.064
130.450	128.837	117.395	76.381	51.788

\$ 2.15	\$ 2.05	\$ 2.05	\$ 1.75	\$ 1.75
\$ 3.10	\$ 3.00	\$ 3.00	\$ 2.60	\$ 2.60

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
0.000	0.000	0.000	0.000	0.000
5.381	5.130	4.409	8.107	8.564
5.381	5.130	4.409	8.107	8.564

\$ 4.08	\$ 3.71	\$ 2.75	\$ 2.50	\$ 2.50
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**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

**Other Governmental Activities Debt**

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Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Total Governmental Activities Debt
2005	\$ 1,065,000	\$	\$ 4,090,000	\$ 5,155,000
2006	925,000	403,000	4,005,000	5,333,000
2007	780,000	364,000	3,855,000	4,999,000
2008	695,000	324,000	3,700,000	4,719,000
2009	1,120,000	283,000	3,540,000	4,943,000
2010	1,725,000	240,000	5,345,000	7,310,000
2011	2,440,000	196,000	5,175,000	7,811,000
2012	3,100,092	150,000	4,969,153	8,219,245
2013	4,436,967	102,000	1,941,135	6,480,102
2014	6,919,568	52,000	1,808,024	8,779,592

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

**Schedule 10**

**Business-Type Activities**

	Utility Revenue Bonds	Total Business Activities Debt	Total Primary Government Debt	Percentage of Personal Income	Per Capita
\$	5,215,000	\$ 5,215,000	\$ 10,370,000	0.04	\$ 1,511
	5,015,000	5,015,000	10,348,000	0.03	1,508
	4,810,000	4,810,000	9,809,000	0.03	1,429
	4,730,000	4,730,000	9,449,000	0.03	1,377
	4,715,000	4,715,000	9,658,000	0.03	1,407
	4,680,000	4,680,000	11,990,000	0.03	1,486
	4,640,000	4,640,000	12,451,000	0.03	1,543
	8,314,837	8,314,837	16,534,082	0.04	2,049
	12,476,920	12,476,920	18,957,022	0.05	2,349
	15,530,642	15,530,642	24,310,234	N/A	3,013

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

**General Bonded Debt Outstanding**

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Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Utility Revenue Bonds	Total
2005	\$ 1,065,000	\$	\$ 4,090,000	\$ 5,215,000	\$ 10,370,000
2006	955,000	40,000	4,005,000	5,015,000	10,015,000
2007	780,000	364,000	3,855,000	4,810,000	9,809,000
2008	695,000	324,000	3,700,000	4,730,000	9,449,000
2009	1,120,000	283,000	3,540,000	4,715,000	9,658,000
2010	1,725,000	240,000	5,345,000	4,680,000	11,990,000
2011	2,440,000	196,000	5,175,000	4,640,000	12,451,000
2012	3,100,092	150,000	4,969,153	8,314,837	16,534,082
2013	4,436,967	102,000	1,941,135	12,476,920	18,957,022
2014	6,919,568	52,000	1,808,024	15,530,642	24,310,234

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

See Schedule 15 for population data

See Schedule 5 for estimated market value information

Source: City of Lake Elmo Finance Department



**Schedule 11**

Less: Available in Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
\$ 562,883	\$ 9,807,117	1.08	\$ 1,429
725,337	9,289,663	0.91	1,354
698,683	9,110,317	0.81	1,327
727,673	8,721,327	0.76	1,271
1,422,049	8,235,951	0.68	1,200
3,605,250	8,384,750	0.70	1,039
3,534,742	8,916,258	0.78	1,105
3,500,799	13,033,283	1.26	1,615
726,753	18,230,269	1.77	2,259
691,700	23,618,534	2.01	2,927

**CITY OF LAKE ELMO, MINNESOTA**  
**COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT**  
**AND LEGAL DEBT MARGIN**  
December 31, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(a)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Independent School District #622	\$ 132,665,000	3.10%	\$ 4,112,615
Independent School District #832	60,030,000	4.70%	2,821,410
Independent School District #834	39,690,000	14.10%	5,596,290
<b>Other debt</b>			
Washington County	172,765,000	4.50%	7,774,425
Metropolitan Council	220,775,000	1.10%	<u>2,428,525</u>
Subtotal, overlapping debt			22,733,265
<b>City direct debt</b>	8,779,592	100.00%	<u>8,779,592</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 31,512,857</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lake Elmo. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

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**CITY OF LAKE ELMO, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**  
(Dollars in Thousands)

	<b>Fiscal Year</b>				
	2014	2013	2012	2011	2010
Debt limit	\$35,537,364	\$32,470,203	\$32,054,064	\$31,126,713	\$34,288,095
Total net debt applicable to limit	<u>1,757,421</u>	<u>1,894,510</u>	<u>2,099,369</u>	<u>2,148,203</u>	<u>2,195,153</u>
Legal debt margin	\$33,779,943	\$30,575,693	\$29,954,695	\$28,978,510	\$32,092,942
Total net debt applicable to the limit as a percentage of debt limit	4.95%	5.83%	6.55%	6.90%	6.40%

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

**Schedule 13**

**Legal Debt Margin Calculation for the Fiscal Year 2014**

Taxable Market Value	\$1,184,578,800
Debt Limit (3% of market value)	35,537,364
Debt applicable to limit:	
General obligation bonds	1,887,000
Less: Amount set aside for repayment of general obligation debt	<u>129,579</u>
Total net debt applicable to limit	<u>1,757,421</u>
Legal debt margin	<u><u>\$ 33,779,943</u></u>

2009	2008	2007	2006	2005
\$36,036,402	\$36,242,169	\$22,620,202	\$20,351,938	\$ 18,208,774
<u>271,142</u>	<u>315,169</u>	<u>358,220</u>	<u>400,384</u>	
\$35,765,260	\$35,927,000	\$22,261,982	\$19,951,554	\$ 18,208,774
0.75%	0.87%	1.58%	1.97%	0.00%

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

Utility Revenue Bonds

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage
				Principal	Interest	
2005	\$ 439,723	\$ 294,616	\$ 145,107	\$ 25,000	\$ 107,468	1.10
2006	1,757,127	529,313	1,227,814	200,000	223,214	2.90
2007	1,011,400	595,824	415,576	205,000	211,482	1.00
2008	715,611	536,475	179,136	80,000	202,224	0.63
2009	776,899	513,226	263,673	530,000	208,303	0.36
2010	920,768	563,896	356,872	35,000	191,156	1.58
2011	891,587	516,157	375,430	40,000	190,094	1.63
2012	946,407	426,118	520,289	40,000	221,129	1.99
2013	3,501,321	504,648	2,996,673	165,000	300,789	6.43
2014	2,266,397	678,394	1,588,003	365,000	424,080	2.01

**Notes:** (1) Gross revenue includes investment earnings, hook-up charges and special assessments.

(2) Operating expenses do not include interest, depreciation, or amortization expense.

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

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

<b>YEAR</b>	<b>POPULATION (1)</b>	<b>PERSONAL INCOME</b> (thousands of dollars)	<b>PER CAPITA PERSONAL INCOME (2)</b>	<b>STATE UNEMPLOYMENT RATE (3)</b>	<b>CITY UNEMPLOYMENT RATE (3)</b>
2005	6,863	\$ 294,553	\$ 42,919	4.2	3.6
2006	6,863	308,512	44,953	4.4	3.6
2007	6,863	323,426	47,126	5.0	4.2
2008	6,863	329,774	48,051	6.3	5.8
2009	6,863	317,997	46,335	7.6	7.1
2010	8,069	383,834	47,569	7.0	6.4
2011	8,069	409,203	50,713	5.8	5.2
2012	8,069	420,242	52,081	5.4	4.9
2013	8,069	420,879	52,160	4.6	4.0
2014	8,069	N/A	N/A	3.8	3.7

Sources: (1) Metropolitan Council 2000/2010-Census Bureau

(2) Bureau of Economic Analysis - Washington County, Minnesota

(3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development

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

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>
3M Company (Maplewood)	9,100	1	46.7%	12,774	1	54.3%
Andersen Corp (Bayport)	1,875	2	9.5%			
Washington County (Stillwater)	1,142	3	5.9%			
Woodwinds Health (Woodbury)	1,085	4	5.6%			
Fortis Company (Woodbury)				1,300	3	5.5%
ISD 834 (Stillwater)	1,046	5	5.4%	2,050	2	8.7%
3M Company (Woodbury)				940	4	4.0%
MN Correctional Facility (Oak Park Hts)	730	6	3.7%			
Ecowater Systems, Inc. (Woodbury)	440	7	2.3%	450	6	1.9%
Bremer Bank Operations Ctr (Lake Elmo)	415	8	2.1%	400	7	1.7%
Imation Corp (Oakdale)	360	9	1.8%	500	5	2.1%
SunAmerica Financial Group (Woodbury)	310	10	1.6%			
High Pointe Health Campus (Lake Elmo)				200	8	0.8%
Lake Elmo Inn Inc.				80	10	0.3%
Machine Shed/Wildwood Inn (Lake Elmo)				150	9	0.6%

(1) City staff estimate of total global employees for each employer

(2) City staff estimate



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

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>201</u>	<u>2011</u>	<u>2010</u>
Administration	3.55	3.55	3.15	3.15	3.15
Finance	1.25	1.25	0.50	0.50	0.50
Planning and Zoning	2.70	2.95	1.55	1.55	1.55
<b>General Government</b>	<u>7.50</u>	<u>7.75</u>	<u>5.20</u>	<u>5.20</u>	<u>5.20</u>
Fire	1.55	2.05	1.60	1.10	1.10
Building Inspections	1.55	1.30	0.95	0.95	0.95
<b>Public Safety</b>	<u>3.10</u>	<u>3.35</u>	<u>2.55</u>	<u>2.05</u>	<u>2.05</u>
Streets and Roadways	3.20	3.21	3.05	3.05	3.05
<b>Public Works</b>	<u>3.20</u>	<u>3.21</u>	<u>3.05</u>	<u>3.05</u>	<u>3.05</u>
Parks	3.30	2.74	2.52	2.52	2.52
<b>Parks and Recreation</b>	<u>3.30</u>	<u>2.74</u>	<u>2.52</u>	<u>2.52</u>	<u>2.52</u>
Community Development	0.35	0.40	0.15	0.15	0.15
	0.35	0.40	0.15	0.15	0.15
<b>Total Governmental Activities</b>	<u>17.45</u>	<u>17.45</u>	<u>13.47</u>	<u>12.97</u>	<u>12.97</u>
Water Utility	2.60	2.10	1.85	1.85	1.85
Sewer Utility	0.70	0.70	0.30	0.30	0.30
<b>Total Business Activities</b>	<u>3.30</u>	<u>2.80</u>	<u>2.15</u>	<u>2.15</u>	<u>2.15</u>
<b>Totals for Organization</b>	<u><u>20.75</u></u>	<u><u>20.25</u></u>	<u><u>15.62</u></u>	<u><u>15.12</u></u>	<u><u>15.12</u></u>

Source: City's Adopted Budgets

**Schedule 17**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3.18	3.75	2.40	2.44	2.52
0.50	1.00	1.29	1.30	1.16
1.75	1.75	2.15	1.95	1.12
<u>5.43</u>	<u>6.50</u>	<u>5.84</u>	<u>5.69</u>	<u>4.80</u>
1.10	1.10	1.26	0.23	0.40
1.95	1.20	2.68	2.18	2.25
<u>3.05</u>	<u>2.30</u>	<u>3.94</u>	<u>2.41</u>	<u>2.65</u>
3.05	3.05	2.78	3.08	2.60
<u>3.05</u>	<u>3.05</u>	<u>2.78</u>	<u>3.08</u>	<u>2.60</u>
3.10	2.72	3.40	3.00	1.29
<u>3.10</u>	<u>2.72</u>	<u>3.40</u>	<u>3.00</u>	<u>1.29</u>
0.19	0.00	0.00	0.00	0.00
<u>0.19</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>14.82</u>	<u>14.57</u>	<u>15.96</u>	<u>14.18</u>	<u>11.34</u>
1.85	2.30	2.02	2.02	1.56
0.30	0.35	0.22	0.20	0.18
<u>2.15</u>	<u>2.65</u>	<u>2.24</u>	<u>2.22</u>	<u>1.74</u>
<u>16.97</u>	<u>17.22</u>	<u>18.20</u>	<u>16.40</u>	<u>13.08</u>

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

<b>Function/Program</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Planning and Zoning</b>					
Conditional use permits	4	2	3	0	0
Interim use permits	1	1	0	3	1
Minor subdivisions	0	2	1	0	0
Plats/Planned unit developments	17	1	0	0	0
Rezoning	11	2	7	0	0
Site plans	0	2	1	0	1
Variances	2	5	4	6	2
<b>Fire</b>					
Total emergency responses	358	448	399	315	361
EMS responses	237	280	262	195	211
Fire responses	21	28	28	24	14
<b>Building Inspections</b>					
Residential permit valuations (thousands of dollars)	23,032	19,979	20,320	16,133	15,889
Commercial permit valuations (thousands of dollars)	7,309	966	2,351	2,590	2,013
New residential units	41	32	31	24	26
New commercial units	3	0	0	0	1
<b>Water Utility</b>					
Number of customers	1,073	1,051	1,016	998	967
Average daily consumption (thousands of gallons)	19	21	15	14	18
<b>Sanitary Sewer Utility</b>					
Number of customers	45	29	29	29	29
Average daily flow (thousands of gallons)	77	77	75	71	72

Sources: Various City Department's annual budget workload measurements

**Schedule 18**

<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
2	1	3	3	6
0	1	1	0	0
2	1	1	0	4
0	0	0	3	2
1	1	1	0	5
1	0	1	12	7
5	6	8	9	5
319	294	369	313	340
205	204	244	202	222
24	20	46	26	31
12,903	16,525	22,739	18,727	17,019
1,617	1,370	3,600	25,744	5,532
29	23	29	30	21
1	0	1	6	3
941	935	918	735	712
24	28	26	24	27
28	28	26	18	14
68	73	66	49	29

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

<b>Function/Program</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Bituminous streets (miles)	65	63	63	63	62	62	62	62	57	54
Gravel streets (miles)	2	2	2	2	2	3	3	3	3	3
Street lights	144	142	137	137	137	137	137	137	137	137
Storm sewer (miles)	25	25	25	25	25	25	23	23	22	20
Park & Recreation										
Acres of parkland	451	451	451	451	451	451	451	451	451	443
Number of parks	17	17	17	17	17	17	17	17	17	16
Water Utility										
Water towers	3	2	2	2	2	2	2	1	1	1
Miles of watermain	40	39	37	37	37	37	34	26	20	20
Number of fire hydrants	351	293	280	280	280	280	280	233	225	221
Sanitary Sewer Utility										
Miles of sanitary sewer	3	3	3	3	3	3	3	3	3	3
Lift stations	4	3	3	3	3	3	3	3	3	3

Sources: Various City Department's annual financial report statistics

**CITY OF LAKE ELMO, MINNESOTA**

**OTHER REPORT SECTION**

**December 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2015.

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

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

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

*Smith, Schaffer and Associates, Ltd.*

Maplewood, Minnesota  
May 19, 2015

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