

**CITY OF LAKE ELMO, MINNESOTA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2013**

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

**CITY OF LAKE ELMO, MINNESOTA  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2013**

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

**INTRODUCTORY SECTION**

**DECEMBER 31, 2013**

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

June 13, 2014

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

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Government Accounting Standard Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2013.

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

The City of Lake Elmo's financial statements have been audited by Smith, Schafer and Associates, Ltd, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2013 are free from material misstatement. The independent audit involved examining, on an approved test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City of Lake Elmo's financial statements for fiscal year ended December 31, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

A "Single Audit" designed to meet the special needs of a federal grantor agency was not performed for the year ended December 31, 2013 as the City did not participate in any programs that required this additional independent audit.

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

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

### **PROFILE OF THE GOVERNMENT**

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota six miles east of St. Paul Minnesota. Located in Washington County, it covers 25 square miles and has an estimated population of 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 both the city's administrator and attorney. The City Administrator is responsible for carrying out the policies and ordinances of the governing council and overseeing the day-to-day operations of the city. The Council is elected on a non-partisan basis. The Mayor serves a four-year term and council members serve a four-year staggered term, with two of these positions elected every two years. The Mayor and the Council are elected at-large.

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

The annual budget serves as the foundation for the City of Lake Elmo's financial management and fiscal stewardship. Using performance based budgeting, all departments and agencies of the city submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary budget for submission to the Finance Committee for their consideration. The Finance Committee then meets with the Department Heads to better understand their proposed budgets to later submit a budget to the City Council. Two workshops are held in August each year to determine priorities, set a preliminary levy and schedule public hearings on the proposed budget that will be adopted no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and department. Department Managers, after review by the City Administrator may make transfers of appropriations within the department. Transfers of appropriations between funds, however, require the special approval of the Finance Committee and the City Council. Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

## CITY OF LAKE ELMO, MINNESOTA

### FACTORS AFFECTING FINANCIAL CONDITION

To put the financial statements contained in this report in context, a cursory analysis of the current environment within which Lake Elmo operates is warranted.

**Economic condition and outlook:** Although the city's tax base, as measured by total capacity has remained relatively flat for the past three years, Lake Elmo property values have maintained the highest value in Washington County since the 2008 recession, with home valuation recovering to highest and best value in 2013. The installation of two major sewer lines have spurred (8) new developments equaling over 1400 new homes and the City's highway infrastructure has made Lake Elmo a desired residential location for white collar commuters working in St. Paul or Minneapolis. Rapid growth is further reflected in 2013 population estimates of 8,773, or an increase of 9% since the 2010 census.

New housing starts in 2013 numbered 37 with a total value of \$17,410,169 and an average value of \$470,545 – one of the highest average values in Washington County. The city's tax base is comprised of mainly residential homesteads (82.7%) and commercial/industrial property (11%). The balance consists of agricultural property (6.3%) and personal property (.1%) The median household income is \$106,985 or 181% of the state median.

**Long-term financial planning:** The City Council has taken an active role in establishing financial policies that require 100% security from developers looking to build in Lake Elmo. This includes requiring letters of credit at 125% of the development costs, full recovery escrow agreements, and 100% developer paid infrastructure development agreements for utility extensions in previously unserved areas of Lake Elmo. In addition, The City of Lake Elmo has recently adopted several policies that affect its long term financial future. A partial list follows:

**2030 Comprehensive Plan** – The City recently adopted a comprehensive plan, adding 2,850 acres to two distinct Metropolitan Urban Service Areas: The I-94 corridor and the Old Village. This expansion allows for the development of 6,600 residential equivalent utility units designed to serve a population of 20,500 by the year 2040, as forecasted by the Metropolitan Council.

**Transportation Planning** – The City is an active participant with the State of Minnesota and Washington County in the development of highway and mass transit corridors that will improve transportation flow in the community. Planned improvements include a remodeling of four country truck highways that serve 80%+ of the general population and probable construction of a federally-subsidized bus rapid transit route that will serve the City's business district adjacent to a 100,000 average daily transit interstate highway.

**Downtown Redevelopment** – The City is in the process of redeveloping a classic traditional downtown center with the help of the University of Minnesota Extension and a newly formed Economic Development Authority that will study financial investment, market analysis, efficient utility construction and functional parking. The city owns several key downtown lots to be used as a catalyst in redevelopment that is expected to be financed through the use of tax increment financing, a business improvement district and private investment.



## CITY OF LAKE ELMO, MINNESOTA

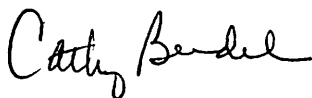
### Long-term financial planning (continued)

**Emerging Medical & Business Service Industry** – The City is experiencing growth in its Eagle Point Business Park from both the medical and business service industry. In 2013, one hundred additional jobs were created by a transportation logistics company and in 2014 a major neurological clinic will be constructed in the park. In 2015, a new \$13 million specialty school will be constructed that serves exceptional children.

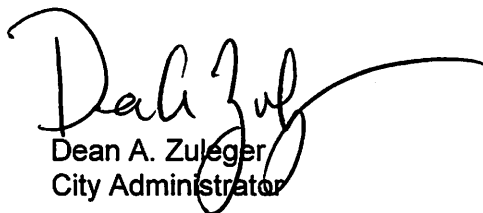
### ACKNOWLEDGEMENTS

The City of Lake Elmo is pleased to present its first financial statement to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting for its financial reports for the fiscal year ended December 31, 2013. This submittal culminates a two-year process of extensive financial review and policy development by the City of Lake Elmo City Council, Finance Committee, Northland Strategies and professional staff. Lake Elmo wishes to thank the staff of Smith, Schafer and Associates, Ltd. for their assistance and review of the document.

Respectfully,



Cathy Bendel  
Finance Director



Dean A. Zuleger  
City Administrator

**CITY OF LAKE ELMO, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2013**

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

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



**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2013**

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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, 2013, 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, 2013, 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**

*Change in Accounting Standards*

As described in Note 5 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. Adoption of the provisions of this statement resulted in significant changes to the classifications of certain components of the financial statements.

*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 81 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, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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, Schepke and Associates, Ltd.*

Maplewood, Minnesota  
June 13, 2014

## **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, 2013.

**New Accounting Pronouncement.** As described in Note 5 to the financial statements, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. This standard established accounting and financial reporting standards that retroactively reclassify, as deferred inflows of resources, certain items previously reported as liabilities. In addition, debt issuance costs are no longer reported in the Statement of Net Position under the new Standard.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Lake Elmo, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$26,190,722 (*net position*). Of this amount, \$6,440,144 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$4,594,026. The increase is attributed to both business-type and governmental 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 \$5,288,929, a decrease of \$1,683,292 from the prior year. This decrease was due primarily to capital project expenditures for which bonds were issued in 2012 and to debt service expenditures made to refund the 2004A G.O. CIP bonds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,318,310, or 66.1% of total general fund expenditures. The nonspendable portion of the general fund balance as of December 31, 2013 (\$859,072) related to the interfund loan to the Village Project fund and prepaid expenses.
- The City's total noncurrent liabilities increased by \$2,210,743 or 13% during the current fiscal year. The increase was primarily related to this issuance of the 2013A 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, ten of which are debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the village project 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 and 96 to 99) 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 32-39 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 40 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 43-78 of this report.

***Other Information.*** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds can be found on pages 84-94 and pages 100-104 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 \$26,190,722 at the close of the most recent fiscal year.

The largest portion of the City of Lake Elmo, Minnesota's net position, \$15,912,160 (61%) 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,568,146	\$ 8,276,848	\$ 9,515,965	\$ 5,861,208	\$ 16,084,111	\$ 14,138,056
Capital assets	15,595,829	14,656,197	15,323,660	10,870,749	30,919,489	25,526,946
<b>Total assets</b>	<b>22,163,975</b>	<b>22,933,045</b>	<b>24,839,625</b>	<b>16,731,957</b>	<b>47,003,600</b>	<b>39,665,002</b>
Long-term liabilities outstanding	6,693,551	8,411,173	12,507,622	8,714,727	19,201,173	17,125,900
Other liabilities	594,759	614,789	1,016,946	83,853	1,611,705	698,642
<b>Total liabilities</b>	<b>7,288,310</b>	<b>9,025,962</b>	<b>13,524,568</b>	<b>8,798,580</b>	<b>20,812,878</b>	<b>17,824,542</b>
Net position:						
Net investment in capital assets	9,056,353	8,782,840	6,855,807	6,788,377	15,912,160	15,571,217
Restricted	1,225,849	4,205,247	2,612,569	39,153	3,838,418	4,244,400
Unrestricted	4,593,463	918,996	1,846,681	1,105,847	6,440,144	2,024,843
<b>Total net position</b>	<b>\$ 14,875,665</b>	<b>\$ 13,907,083</b>	<b>\$ 11,315,057</b>	<b>\$ 7,933,377</b>	<b>\$ 26,190,722</b>	<b>\$ 21,840,460</b>

An additional portion of the City of Lake Elmo, Minnesota's net position (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6,440,144) 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 account for 57% of the City of Lake Elmo, Minnesota's net position. The total increase in net position for governmental activities was \$1,106,731, accounting for 24% of the total increase in the net position of the City of Lake Elmo, Minnesota. Key elements of this increase include:

- Capital grants increased by \$1,204,178 from the prior year due primarily to construction aid received from the State of Minnesota.
- Property tax revenue increased by \$48,530 from the prior year due primarily to increased collection of delinquent amounts.

**Business-type activities.** Business-type activities increased the City of Lake Elmo, Minnesota's net position by \$3,487,295 accounting for 76% of the total increase in the net position of the City of Lake Elmo, Minnesota. This increase is due primarily to an increase in charges for services and capital grants received in the enterprise funds.

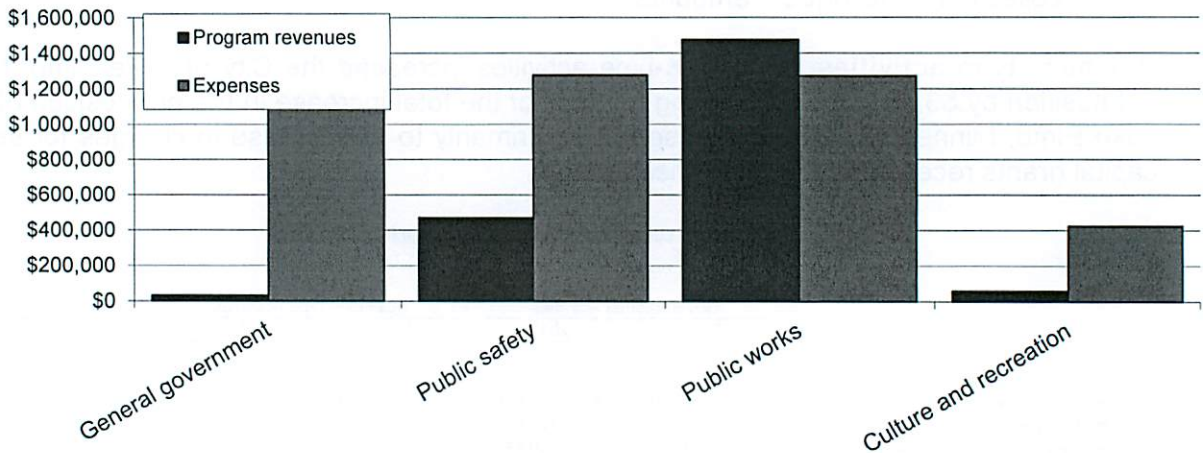
**City of Lake Elmo, Minnesota's Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 466,897	\$ 440,630	\$ 840,650	\$ 936,125	\$ 1,307,547	\$ 1,376,755
Operating grants and contributions	208,276	160,060			208,276	160,060
Capital grants and contributions	1,364,622	160,444	3,781,528	115,127	5,146,150	275,571
<b>General revenues:</b>						
Property taxes	3,231,609	3,183,078			3,231,609	3,183,078
Other	48,820	154,304	30,346	10,282	79,166	164,586
<b>Total revenues</b>	<b>5,320,224</b>	<b>4,098,516</b>	<b>4,652,524</b>	<b>1,061,534</b>	<b>9,972,748</b>	<b>5,160,050</b>
<b>Expenses:</b>						
General government	1,103,337	1,093,204			1,103,337	1,093,204
Public safety	1,277,798	1,302,857			1,277,798	1,302,857
Public works	1,273,977	891,169			1,273,977	891,169
Culture and recreation	424,687	362,432			424,687	362,432
Interest on long-term debt	133,694	316,039			133,694	316,039
Water			958,870	872,786	958,870	872,786
Sewer			119,370	53,903	119,370	53,903
Storm sewer			86,989	73,590	86,989	73,590
<b>Total expenses</b>	<b>4,213,493</b>	<b>3,965,701</b>	<b>1,165,229</b>	<b>1,000,279</b>	<b>5,378,722</b>	<b>4,965,980</b>
<b>Change in net position</b>	<b>1,106,731</b>	<b>132,815</b>	<b>3,487,295</b>	<b>61,255</b>	<b>4,594,026</b>	<b>194,070</b>
<b>Net position as restated - beginning of year</b>	<b>13,768,934</b>	<b>13,774,268</b>	<b>7,827,762</b>	<b>7,872,122</b>	<b>21,596,696</b>	<b>21,646,390</b>
<b>Net position - end of year</b>	<b>\$ 14,875,665</b>	<b>\$ 13,907,083</b>	<b>\$ 11,315,057</b>	<b>\$ 7,933,377</b>	<b>\$ 26,190,722</b>	<b>\$ 21,840,460</b>

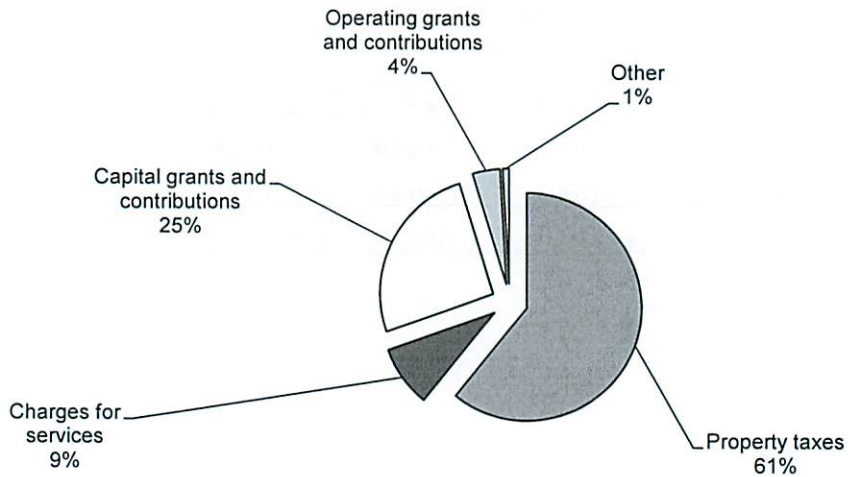
## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Expenses and Program Revenues - Governmental Activities**



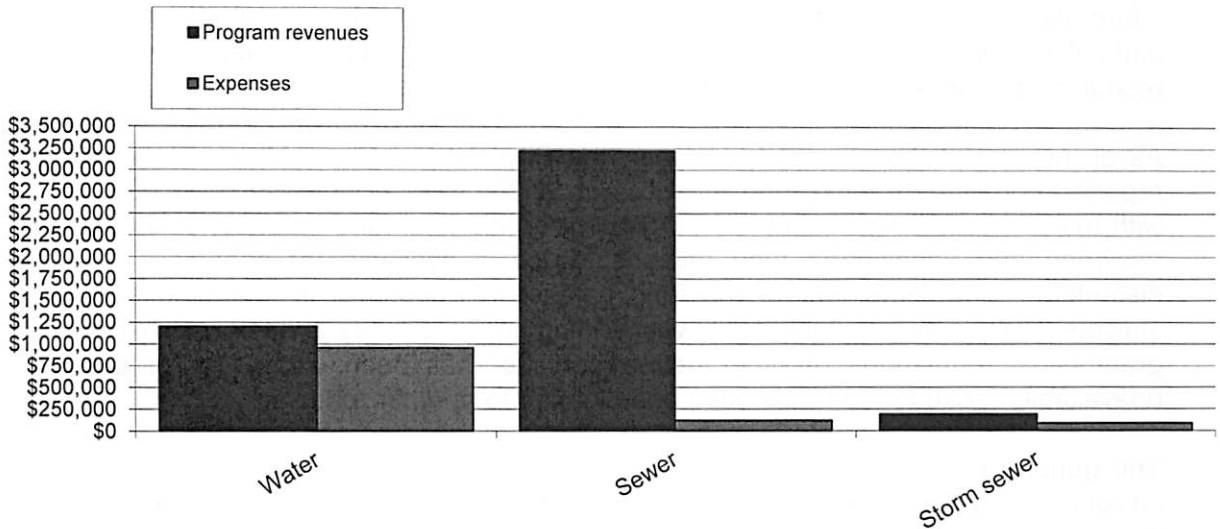
**Revenues by Source - Governmental Activities**



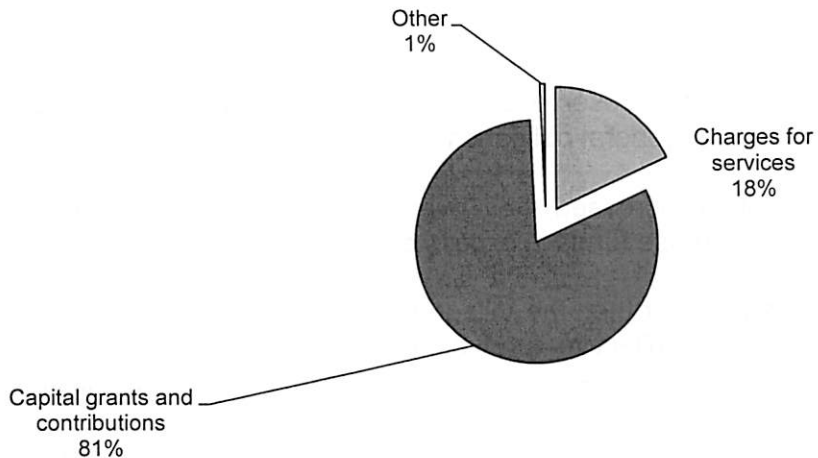
**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$5,288,929, a decrease of \$1,683,292 in comparison with the prior year. Approximately 70 percent of this total fund balance, or \$3,685,881, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$1,603,048) 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 or 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 \$2,318,310. 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 66% of total 2013 general fund expenditures. The general fund's total fund balance decreased by \$261,743 during the current fiscal year due primarily to transfers to the Village Project capital project fund to fund the internal loan repayments for 2012 and 2013.

The debt service fund decreased its fund balance by \$2,774,044 due primarily to debt service expenditures in excess of property taxes, special assessments and intergovernmental revenues allocated to this fund.

The Village Project fund increased its fund balance by \$395,950 as a result of transfers from the general fund. The infrastructure reserve fund increased its fund balance by \$853,009 due primarily to the issuance of the 2013A general obligation improvement bonds.

The special revenue funds increased their overall fund balances by \$162,575 due primarily to property taxes allocated to those funds in excess of capital outlay expenditures.

The capital projects funds, other than the Village Project and infrastructure reserve funds described previously, decreased their collective fund balance by \$59,039 due primarily to capital outlay expenditures in excess of special assessments and investment earnings allocated to the funds.

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

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

Unrestricted net position for water operations, sewer operations and storm sewer operations at the end of the year amounted to \$860,324, \$498,972 and \$487,385, respectively. The water fund, sewer fund and storm sewer fund increased their net position by \$266,245, \$3,115,854 and \$105,196, respectively, for the year ended December 31, 2013. 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 a \$99,296 decrease in General Fund balance. The actual net change to the General Fund balance was a decrease of \$261,743. Revenues exceeded budget by \$626,864 for the year ended December 31, 2013 due primarily to intergovernmental revenue for which the City had not budgeted. This intergovernmental revenue was from the Minnesota Investment Fund who awarded \$500,000 in financing to the City of Lake Elmo to be utilized to entice Valley Cartage to expand into Minnesota. The program required Valley Cartage to privately finance a matching amount as well as to bring 50 new jobs to the City of Lake Elmo within two years. As of December 31, 2013, this threshold had been surpassed.

Total expenditures exceeded budget by \$754,111 for the year. Two departments had expenditures in excess of budget: general government expenditures exceeded budget by \$661,868 and public works expenditures exceeded budget by \$133,702. The over expenditures in the general government department were primarily related to the intergovernmental funds discussed in the previous paragraph that were subsequently loaned (expended) to Valley Cartage who relocated their corporate headquarters to the City. The 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.

**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, 2013, amounted to \$30,919,489 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Total capital assets increased by \$5,392,543, or 21%, for the year ended December 31, 2013, 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,453,979	\$ 3,453,979	\$ 54,675	\$ 54,675	\$ 3,508,654	\$ 3,508,654
Construction in progress	2,279,552	2,290,314	3,361,742	569,738	5,641,294	2,860,052
Buildings	2,842,852	2,925,354			2,842,852	2,925,354
Improvements other than buildings	428,727	493,529			428,727	493,529
Machinery and equipment	739,507	785,684	113,597	127,433	853,104	913,117
Infrastructure	5,851,212	4,707,337	11,793,646	10,118,903	17,644,858	14,826,240
<b>Total</b>	<b>\$ 15,595,829</b>	<b>\$ 14,656,197</b>	<b>\$ 15,323,660</b>	<b>\$ 10,870,749</b>	<b>\$ 30,919,489</b>	<b>\$ 25,526,946</b>



**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 3E beginning on page 59 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Lake Elmo, Minnesota had \$19,007,000 in bonds and certificates outstanding. The entire \$19,007,000 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 6,420,000	\$ 8,120,000	\$ 12,485,000	\$ 8,635,000	\$ 18,905,000	\$ 16,755,000
General obligation certificates	102,000	150,000			102,000	150,000
Total	<u>\$ 6,522,000</u>	<u>\$ 8,270,000</u>	<u>\$ 12,485,000</u>	<u>\$ 8,635,000</u>	<u>\$ 19,007,000</u>	<u>\$ 16,905,000</u>

The City of Lake Elmo, Minnesota's total bonds and certificates payable increased by \$2,102,000 during the current fiscal year. The increase was due primarily to the issuance of the City's 2013A 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 1.2 percent from 2012 to 2013 and 1.8 percent from 2013 to 2014.
- There was no change to total property taxes levied in 2014 from total property taxes levied for 2013. 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 component of the levy.
- Plans are well underway for extensive development in the following areas:
  - The I-94 Corridor where a mixed use development featuring commercial/retail business as well as residential. Some developers are entering the final plat stages of this project.
  - The Old Village re-development project of commercial and residential expansion (expected completion in 2018). With the near completion of the sanitary sewer to the Old Village/Downtown area, a number of interested parties have come forward with concept plans for this area of the City as well.
  - The Highway 36 Corridor residential expansion due to the completion of the new federally funded bridge linking Minnesota and Wisconsin (targeted completion in 2017).

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

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

- Improvements to the City's water distribution system including the Lake Elmo Avenue line.
- Improvements to the Old Village sewer line
- The City recently secured \$3,500,000 in state bonding funds in the 2014 State Bonding Bill. These funds will directly pay for water infrastructure costs to support development.

**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, 2013**

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**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 5,717,207	\$ 1,405,987	\$ 7,123,194
Cash with fiscal agent		3,920,217	3,920,217
Receivables, net of allowance	566,008	3,140,750	3,706,758
Due from other governmental units	231,257	1,049,011	1,280,268
Prepaid expenses	53,674		53,674
Capital assets:			
Nondepreciable	5,733,531	3,416,417	9,149,948
Depreciable, net	<u>9,862,298</u>	<u>11,907,243</u>	<u>21,769,541</u>
Total Assets	<u>22,163,975</u>	<u>24,839,625</u>	<u>47,003,600</u>
<b>LIABILITIES</b>			
Accounts payable	428,556	962,785	1,391,341
Accrued expenses	40,465	5,069	45,534
Accrued interest	50,738	48,560	99,298
Escrow deposits	75,000		75,000
Due to other governmental units		532	532
Noncurrent liabilities:			
Due within one year	620,184	368,914	989,098
Due in more than one year	<u>6,073,367</u>	<u>12,138,708</u>	<u>18,212,075</u>
Total Liabilities	<u>7,288,310</u>	<u>13,524,568</u>	<u>20,812,878</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,056,353	6,855,807	15,912,160
Restricted			
Debt service	1,225,849	2,612,569	3,838,418
Unrestricted	<u>4,593,463</u>	<u>1,846,681</u>	<u>6,440,144</u>
Total Net Position	<u>\$ 14,875,665</u>	<u>\$ 11,315,057</u>	<u>\$ 26,190,722</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2013

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 1,103,337	\$ 32,778	\$	\$
Public safety	1,277,798	414,472	57,257	
Public works	1,273,977	2,647	113,610	1,360,557
Culture and recreation	424,687	17,000	37,409	4,065
Interest on long-term debt	133,694			
<b>Total governmental activities</b>	<b>4,213,493</b>	<b>466,897</b>	<b>208,276</b>	<b>1,364,622</b>
<b>Business-Type activities:</b>				
Water	958,870	596,421		608,841
Sewer	119,370	53,142		3,172,687
Storm sewer	86,989	191,087		
<b>Total business-type activities</b>	<b>1,165,229</b>	<b>840,650</b>		<b>3,781,528</b>
<b>Total</b>	<b>\$ 5,378,722</b>	<b>\$ 1,307,547</b>	<b>\$ 208,276</b>	<b>\$ 5,146,150</b>

**General revenues:**

- General property taxes
- Grants and contributions not restricted to specific programs
- Interest earnings
- Gain on sale of assets
- Miscellaneous
- Total general revenues

Change in net position

Net position as restated - beginning (Note 5)

Net position - ending

**See Notes to Financial Statements**

FORM A-2

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,070,559)		\$ (1,070,559)
(806,069)		(806,069)
202,837		202,837
(366,213)		(366,213)
<u>(133,694)</u>		<u>(133,694)</u>
<u>(2,173,698)</u>		<u>(2,173,698)</u>
	\$ 246,392	246,392
	3,106,459	3,106,459
	<u>104,098</u>	<u>104,098</u>
	<u>3,456,949</u>	<u>3,456,949</u>
<u>(2,173,698)</u>	<u>3,456,949</u>	<u>1,283,251</u>
3,231,609		3,231,609
2,749		2,749
35,259	30,346	65,605
8,979		8,979
<u>1,833</u>		<u>1,833</u>
<u>3,280,429</u>	<u>30,346</u>	<u>3,310,775</u>
1,106,731	3,487,295	4,594,026
<u>13,768,934</u>	<u>7,827,762</u>	<u>21,596,696</u>
<u>\$ 14,875,665</u>	<u>\$ 11,315,057</u>	<u>\$ 26,190,722</u>



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**CITY OF LAKE ELMO, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**CITY OF LAKE ELMO, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2013**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Village Project</u>	<u>Infrastructure Reserve</u>
<b>ASSETS</b>				
Cash and investments	\$ 2,535,995	\$ 757,476	\$	\$ 831,109
Receivables (Net of allowance for uncollectibles)				
Accounts	5,114			
Delinquent taxes	64,105			
Special assessments		176,828		305,045
Accrued interest	14,916			
Loan receivable, net of allowance of \$500,000				
Due from other funds	128,716			
Advances to other funds	805,398			
Due from other governmental units	21,257	210,000		
Prepaid expenses	53,674			
<b>TOTAL ASSETS</b>	<u>\$ 3,629,175</u>	<u>\$ 1,144,304</u>	<u>\$</u>	<u>\$ 1,136,154</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 348,432	\$ 13,545	\$	\$ 61,212
Escrow deposits payable				
Accrued liabilities	39,256			
Due to other funds		17,176	56,760	7,032
Advances from other funds			805,398	
Total liabilities	<u>387,688</u>	<u>30,721</u>	<u>862,158</u>	<u>68,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes	64,105			
Special assessments		176,828		305,045
Intergovernmental revenue		210,000		
Total deferred inflows of resources	<u>64,105</u>	<u>386,828</u>		<u>305,045</u>
<b>FUND BALANCE</b>				
Nonspendable	859,072			
Restricted		743,976		
Assigned				762,865
Unassigned	2,318,310	(17,221)	(862,158)	
Total Fund Balance	<u>3,177,382</u>	<u>726,755</u>	<u>(862,158)</u>	<u>762,865</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 3,629,175</u>	<u>\$ 1,144,304</u>	<u>\$</u>	<u>\$ 1,136,154</u>

**See Notes to Financial Statements**

FORM B-1

Other Governmental Funds	Total
\$ 1,565,661	\$ 5,690,241
	5,114
	64,105
	481,873
	14,916
	128,716
	805,398
	231,257
	53,674
<u>\$ 1,565,661</u>	<u>\$ 7,475,294</u>
\$ 5,460	\$ 428,649
75,000	75,000
1,116	40,372
	80,968
	805,398
<u>81,576</u>	<u>1,430,387</u>
	64,105
	481,873
	<u>210,000</u>
	<u>755,978</u>
	859,072
	743,976
1,490,066	2,252,931
(5,981)	1,432,950
<u>1,484,085</u>	<u>5,288,929</u>
<u>\$ 1,565,661</u>	<u>\$ 7,475,294</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, 2013**

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

Total governmental fund balances (pages 22-23)		\$ 5,288,929
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$ 20,330,630	
Accumulated depreciation	<u>(4,891,871)</u>	15,438,759
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$ 64,105	
Special assessments	481,873	
Due from other governmental units	<u>210,000</u>	755,978
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (6,522,000)	
Compensated absences	(76,551)	
Post employment benefit obligation	(136,898)	
Accrued interest	(50,738)	
Unamortized bond premiums	(17,476)	
Unamortized bond discounts	<u>59,374</u>	(6,744,289)
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>136,288</u>
Net position of governmental activities (page 17)		<u><u>\$ 14,875,665</u></u>

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

For the Year Ended December 31, 2013

	<u>General Fund</u>	<u>Debt Service</u>	<u>Village Project</u>	<u>Infrastructure Reserve</u>
<b>REVENUES</b>				
Taxes	\$ 2,489,837	\$ 484,815	\$	\$
Licenses and permits	374,974			
Intergovernmental	690,316	73,600		936,197
Charges for services	6,113			
Fines and forfeitures	52,110			
Special assessments		143,279		36,744
Investment earnings (loss)	11,631	17,122	(1,002)	(2,318)
Miscellaneous revenue	16,775			
<b>TOTAL REVENUES</b>	<u>3,641,756</u>	<u>718,816</u>	<u>(1,002)</u>	<u>970,623</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	1,527,732			
Public safety	1,174,145			
Public works	614,270			
Culture and recreation	187,152			
<b>Capital Outlay</b>				
General government				
Public safety				
Public works			3,048	1,570,537
Culture and recreation				
<b>Debt Service</b>				
Principal		3,348,000		
Interest and other charges		171,148		
Bond issuance costs				7,870
<b>TOTAL EXPENDITURES</b>	<u>3,503,299</u>	<u>3,519,148</u>	<u>3,048</u>	<u>1,578,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>138,457</u>	<u>(2,800,332)</u>	<u>(4,050)</u>	<u>(607,784)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(400,200)	26,288	400,000	(144,004)
Issuance of debt				1,604,797
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(400,200)</u>	<u>26,288</u>	<u>400,000</u>	<u>1,460,793</u>
Net change in fund balances	(261,743)	(2,774,044)	395,950	853,009
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>3,439,125</u>	<u>3,500,799</u>	<u>(1,258,108)</u>	<u>(90,144)</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 3,177,382</u>	<u>\$ 726,755</u>	<u>\$ (862,158)</u>	<u>\$ 762,865</u>

**See Notes to Financial Statements**

FORM B-3

Other Governmental Funds	Total
\$ 256,957	\$ 3,231,609
	374,974
4,065	1,704,178
	6,113
	52,110
	180,023
9,694	35,127
40,485	57,260
<u>311,201</u>	<u>5,641,394</u>
	1,527,732
	1,174,145
	614,270
114,252	301,404
9,175	9,175
80,503	80,503
58,126	1,631,711
63,525	63,525
	3,348,000
	171,148
	7,870
<u>325,581</u>	<u>8,929,483</u>
<u>(14,380)</u>	<u>(3,288,089)</u>
117,916	
	1,604,797
<u>117,916</u>	<u>1,604,797</u>
103,536	(1,683,292)
<u>1,380,549</u>	<u>6,972,221</u>
<u>\$ 1,484,085</u>	<u>\$ 5,288,929</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, 2013

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

Net change in fund balances - total governmental funds (pages 26-27)	\$	(1,683,292)	
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	\$	1,565,276	
Depreciation expense		<u>(591,707)</u>	973,569
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets			
			8,979
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
Special assessments	\$	235,737	
Intergovernmental revenue		<u>(65,000)</u>	170,737
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	\$	(76,551)	
Compensated absences, beginning of year		60,675	
Post employment benefit obligation, end of year		(136,898)	
Post employment benefit obligation, beginning of year		<u>66,505</u>	(86,269)
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	\$	3,348,000	
Issuance of long-term debt		(1,600,000)	
Change in accrued interest, bond premiums and bond discounts		<u>34,025</u>	1,782,025
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>(59,018)</u>
Change in net position of governmental activities (page 19)	\$		<u><u>1,106,731</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, 2013

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,466,762	\$ 2,466,762	\$ 2,489,837	\$ 23,075
Licenses and permits	278,910	278,910	374,974	96,064
Intergovernmental	156,271	156,271	690,316	534,045
Charges for services	5,849	5,849	6,113	264
Fines and forfeits	60,000	60,000	52,110	(7,890)
Investment earnings	20,000	20,000	11,631	(8,369)
Miscellaneous Revenue	27,100	27,100	16,775	(10,325)
<b>TOTAL REVENUES</b>	<b>3,014,892</b>	<b>3,014,892</b>	<b>3,641,756</b>	<b>626,864</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	865,864	865,864	1,527,732	(661,868)
Public safety	1,212,997	1,212,997	1,174,145	38,852
Public works	480,568	480,568	614,270	(133,702)
Culture and recreation	189,759	189,759	187,152	2,607
<b>TOTAL EXPENDITURES</b>	<b>2,749,188</b>	<b>2,749,188</b>	<b>3,503,299</b>	<b>(754,111)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(365,000)	(365,000)	(400,200)	(35,200)
Net change in fund balance	(99,296)	(99,296)	(261,743)	(162,447)
<b>FUND BALANCE, beginning</b>	<b>3,439,125</b>	<b>3,439,125</b>	<b>3,439,125</b>	
<b>FUND BALANCE, ending</b>	<b>\$ 3,339,829</b>	<b>\$ 3,339,829</b>	<b>\$ 3,177,382</b>	<b>\$ (162,447)</b>

**See Notes to Financial Statements**

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**CITY OF LAKE ELMO, MINNESOTA  
 PROPRIETARY FUNDS  
 Combining Statement of Net Position  
 December 31, 2013**

	Water	Sewer	Storm Sewer
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 608,638	\$ 566,631	\$ 230,718
Cash with fiscal agent	3,920,217		
Receivables			
Accounts	211,451	32,049	231,149
Special assessments	85,618	2,562,179	18,304
Due from other governments	427,830	621,181	
Due from other funds	1,918		23,915
 Total Current Assets	 5,255,672	 3,782,040	 504,086
<b>Noncurrent Assets</b>			
Property and Equipment			
Land	54,675		
Machinery and equipment	282,860		
Infrastructure	13,709,228	370,057	611,337
Construction in progress	125,656	3,153,316	82,770
Total Property and Equipment	14,172,419	3,523,373	694,107
 Less: Accumulated depreciation	 2,800,306	 195,409	 70,524
 Net Property and Equipment	 11,372,113	 3,327,964	 623,583
 <b>TOTAL ASSETS</b>	 \$ 16,627,785	 \$ 7,110,004	 \$ 1,127,669

**See Notes to Financial Statements**

**FORM C-1**

<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,405,987	\$ 26,966
3,920,217	
474,649	
2,666,101	
1,049,011	
25,833	
<u>9,541,798</u>	<u>26,966</u>
54,675	
282,860	558,621
14,690,622	
3,361,742	
<u>18,389,899</u>	<u>558,621</u>
<u>3,066,239</u>	<u>401,551</u>
<u>15,323,660</u>	<u>157,070</u>
<u>\$ 24,865,458</u>	<u>\$ 184,036</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position (Continued)**  
December 31, 2013

	Water	Sewer	Storm Sewer
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 243,528	\$ 711,678	\$ 7,579
Accrued salaries payable	2,819	1,120	1,130
Accrued interest payable	48,560		
Due to other funds	24,583	1,250	
Due to other governments	532		
Current portion of compensated absences	2,225	1,202	487
Current portion of bonds payable	230,000	135,000	
Total Current Liabilities	552,247	850,250	9,196
<b>Long-term Liabilities</b>			
Other postemployment benefits payable	11,304	3,801	5,698
Compensated absences payable	3,403	1,838	744
Bonds payable and unamortized premium on bonds, net of unamortized discount on bonds	9,227,978	2,883,942	
Total Long-term Liabilities	9,242,685	2,889,581	6,442
Total Liabilities	9,794,932	3,739,831	15,638
<b>Net Position</b>			
Net investment in capital assets	5,923,202	309,022	623,583
Restricted	49,327	2,562,179	1,063
Unrestricted	860,324	498,972	487,385
Total Net Position	6,832,853	3,370,173	1,112,031
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 16,627,785</b>	<b>\$ 7,110,004</b>	<b>\$ 1,127,669</b>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
\$ 962,785	\$
5,069	
48,560	
25,833	47,748
532	
3,914	
<u>365,000</u>	
<u>1,411,693</u>	<u>47,748</u>
20,803	
5,985	
<u>12,111,920</u>	
<u>12,138,708</u>	
<u>13,550,401</u>	<u>47,748</u>
6,855,807	157,070
2,612,569	
<u>1,846,681</u>	<u>(20,782)</u>
<u>11,315,057</u>	<u>136,288</u>
<u><u>\$ 24,865,458</u></u>	<u><u>\$ 184,036</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, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
<b>Operating Revenues</b>	<u>\$ 549,915</u>	<u>\$ 53,142</u>	<u>\$ 191,087</u>
<b>Operating Expenses</b>			
Personnel services	110,391	48,937	50,801
Supplies	42,822	943	2,663
Professional services	35,519	15,459	22,927
Repairs and maintenance	14,999	13,018	119
Insurance	6,408		
Utilities	122,070	17,572	
Depreciation	317,759	8,740	15,187
Total Operating Expenses	<u>649,968</u>	<u>104,669</u>	<u>91,697</u>
<b>Operating Income (Loss)</b>	<u>(100,053)</u>	<u>(51,527)</u>	<u>99,390</u>
<b>Other Revenue (Expense)</b>			
Investment earnings	19,853	9,395	1,098
Rents	46,506		
Capital contributions - special assessments	74,111	2,551,506	4,708
Amortization of deferred charges	(3,194)	54	
Bond issuance costs	(4,919)	(14,755)	
Intergovernmental revenue	427,830	621,181	
Interest and fiscal expense	(300,789)		
Total Other Revenue (Expense)	<u>259,398</u>	<u>3,167,381</u>	<u>5,806</u>
Income (Loss) Before Noncash Contributions	159,345	3,115,854	105,196
Noncash capital contributions	<u>106,900</u>		
Net Income (Loss)	266,245	3,115,854	105,196
<b>Net Position As Restated, Beginning of Year (Note 5)</b>	<u>6,566,608</u>	<u>254,319</u>	<u>1,006,835</u>
<b>Net Position, End of Year</b>	<u>\$ 6,832,853</u>	<u>\$ 3,370,173</u>	<u>\$ 1,112,031</u>

**See Notes to Financial Statements**

**FORM C-2**

<u>Total</u>	<u>Internal Service Funds</u>
<u>\$ 794,144</u>	<u>\$</u>
210,129	
46,428	
73,905	
28,136	16,236
6,408	
139,642	
<u>341,686</u>	<u>42,914</u>
<u>846,334</u>	<u>59,150</u>
<u>(52,190)</u>	<u>(59,150)</u>
30,346	132
46,506	
2,630,325	
(3,140)	
(19,674)	
1,049,011	
<u>(300,789)</u>	
<u>3,432,585</u>	<u>132</u>
3,380,395	(59,018)
106,900	
<u>3,487,295</u>	<u>(59,018)</u>
7,827,762	195,306
<u>\$ 11,315,057</u>	<u>\$ 136,288</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended December 31, 2013**

	Water	Sewer	Storm Sewer	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 558,024	\$ 47,417	\$ 185,160	\$ 790,601	\$
Cash payments to suppliers	(4,430)	(39,260)	(20,003)	(63,693)	(16,236)
Cash payments to employees	(104,277)	(46,049)	(47,449)	(197,775)	
Net Cash Provided By (Used In) Operating Activities	<u>449,317</u>	<u>(37,892)</u>	<u>117,708</u>	<u>529,133</u>	<u>(16,236)</u>
<b>Cash Flows From Investing Activities</b>					
Interest earnings received	<u>19,853</u>	<u>9,395</u>	<u>1,098</u>	<u>30,346</u>	<u>132</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Rents received	46,506			46,506	
(Increase) decrease in due from other funds	(1,250)			(1,250)	
Increase (decrease) in due to other funds		1,250		1,250	
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>45,256</u>	<u>1,250</u>		<u>46,506</u>	
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(1,602,452)	(2,464,222)	(27,893)	(4,094,567)	
Connection fees received	106,900			106,900	
Special assessments	32,828	870	20,352	54,050	
Proceeds from issuance of long-term debt	1,005,000	3,010,000		4,015,000	
Bond issuance costs	(4,919)	(14,755)		(19,674)	
Increase in unamortized bond premiums	2,998	8,996		11,994	
Principal paid on long-term debt	(165,000)			(165,000)	
Interest paid on long-term debt	(303,855)			(303,855)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(928,500)</u>	<u>540,889</u>	<u>(7,541)</u>	<u>(395,152)</u>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(414,074)	513,642	111,265	210,833	(16,104)
<b>Cash and Cash Equivalents, January 1</b>	<u>4,942,929</u>	<u>52,989</u>	<u>119,453</u>	<u>5,115,371</u>	<u>43,070</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 4,528,855</u>	<u>\$ 566,631</u>	<u>\$ 230,718</u>	<u>\$ 5,326,204</u>	<u>\$ 26,966</u>
Classified as:					
Cash and investments	\$ 608,638	\$ 566,631	\$ 230,718	\$ 1,405,987	\$ 26,966
Cash with fiscal agent	3,920,217			3,920,217	
Total Cash and Cash Equivalents, December 31	<u>\$ 4,528,855</u>	<u>\$ 566,631</u>	<u>\$ 230,718</u>	<u>\$ 5,326,204</u>	<u>\$ 26,966</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, 2013**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED**

**BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (100,053)	\$ (51,527)	\$ 99,390	\$ (52,190)	\$ (59,150)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	317,759	8,740	15,187	341,686	42,914
(Increase) decrease in:					
Accounts receivable	8,109	(5,725)	(5,927)	(3,543)	
Increase (decrease) in:					
Accounts payable	219,707	7,732	5,706	233,145	
Accrued salaries payable	1,412	509	332	2,253	
Due to other governments	(2,319)			(2,319)	
Other postemployment benefits payable	3,927	1,949	2,929	8,805	
Compensated absences payable	775	430	91	1,296	
Net Cash Provided By (Used In) Operating Activities	<u>\$ 449,317</u>	<u>\$ (37,892)</u>	<u>\$ 117,708</u>	<u>\$ 529,133</u>	<u>\$ (16,236)</u>
 Noncash Capital and Related Financing Activities					
Amortization of deferred charges	\$ 3,194	\$	\$	\$ 3,194	\$
Amortization of bond premiums	3,050	54		3,104	

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 December 31, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 557,062
Accounts receivable	128
	128
<b>TOTAL ASSETS</b>	<b>\$ 557,190</b>
<b>LIABILITIES</b>	
Deposits payable	\$ 557,190
<b>TOTAL LIABILITIES</b>	<b>\$ 557,190</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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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)

---

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.

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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 *village project fund* accounts for engineering, planning and financing of the village area developments and redevelopments.

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 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.

	<u>Useful Life 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 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 debt service 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 Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments and loans receivable 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.”

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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)

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action (resolution), which is the City's highest level of decision-making authority. Committed amounts remain binding unless removed by the City Council by subsequent formal action.

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 City's finance committee also has financial oversight responsibility for assignment of fund balances.

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.

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.

**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)**

**8. Interfund transactions**

Quasi-external transactions 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 quasi-external transactions and reimbursements, 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.

**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. Formal budgetary integration is employed as a management control device during the year for the General Fund.

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.
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 in the accompanying supplementary information reflect the original budget and the final budget (which were the same for the year ended December 31, 2013).

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, 2013, the General Fund total expenditures were \$766,174 more than budget. The following General Fund departments had expenditures exceeding the latest amended budget:

	<u>2013 Budgeted Expenditures</u>	<u>2013 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General government	\$ 865,864	\$ 1,527,732	\$ 661,868
Public works	480,568	614,270	133,702

The above listed over expenditures in the general government department were due primarily to funds received from the State of Minnesota that were subsequently loaned (expended) to a business who relocated their corporate headquarters to the City. This expenditure was not included in the 2013 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.

All overexpenditures were approved by the City Council.

**C. Fund Balance Deficits**

As of December 31, 2013, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Major:	
Village Project Capital Project	\$ 862,158
Nonmajor:	
Manning Avenue/Highway 36 Capital Project	5,981

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, 2013.

##### 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	\$ 3,616,220
Certificates of Deposit	12/18	N/A	1,970,948
Municipal Bonds	12/18	A, AA3	667,883
U.S. Government Agencies and State and Local Government Securities	3/23	AA+	<u>5,345,422</u>
Total cash and investments			<u><u>\$ 11,600,473</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	\$ 3,616,220
Investments	<u>7,984,253</u>
Total	<u><u>\$ 11,600,473</u></u>
Government-wide	
Cash and investments	\$ 7,123,194
Cash with fiscal agent	3,920,217
Fiduciary	
Cash and investments	<u>557,062</u>
Total	<u><u>\$ 11,600,473</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, 2013 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
State and Local Governments	State and Local Government Securities	\$ 3,811,542

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, 2013, 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, 2013 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>Minnesota Department of Transportation</u>	<u>Minnesota Department of Employment and Economic Development</u>
General Fund	\$ 21,257	\$	\$
Debt Service Fund		210,000	
Water Fund			427,830
Sewer Fund			621,181

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**C. Accounts Receivable**

Accounts receivable as of December 31, 2013 (\$479,763) 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.

**D. Loan Receivable**

The City has recorded a \$500,000 loan receivable related to passthrough grant funds that were loaned to a business as an incentive for that business to relocate its corporate headquarters within the City. The loan will be forgiven after two years if the business meets certain employment milestones. Additionally, payments received on the loan, if any, will be remitted to the original grantor. Therefore, the City has recorded an allowance for uncollectible loans to reserve the entire balance of the loan receivable.

**E. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2013 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,453,979	\$	\$	\$ 3,453,979
Construction in progress	2,290,314	1,474,180	1,484,942	2,279,552
Total capital assets, not being depreciated	5,744,293	1,474,180	1,484,942	5,733,531
Capital assets, being depreciated:				
Buildings	3,634,483			3,634,483
Improvements other than buildings	1,199,541			1,199,541
Machinery and equipment	2,673,887	111,095	48,547	2,736,435
Infrastructure	6,100,319	1,484,942		7,585,261
Total capital assets, being depreciated	13,608,230	1,596,037	48,547	15,155,720
Less accumulated depreciation for:				
Building	709,129	82,502		791,631
Improvements other than buildings	706,012	64,802		770,814
Machinery and equipment	1,888,203	146,251	37,526	1,996,928
Infrastructure	1,392,982	341,067		1,734,049
Total accumulated depreciation	4,696,326	634,622	37,526	5,293,422
Total capital assets, being depreciated, net	8,911,904	961,415	11,021	9,862,298
Governmental activities capital assets, net	\$ 14,656,197	\$ 2,435,595	\$ 1,495,963	\$ 15,595,829



**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**E. 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	<u>569,738</u>	<u>4,771,147</u>	<u>1,979,143</u>	<u>3,361,742</u>
Total capital assets, not being depreciated	<u>624,413</u>	<u>4,771,147</u>	<u>1,979,143</u>	<u>3,416,417</u>
Capital assets, being depreciated:				
Machinery and equipment	282,860			282,860
Infrastructure	<u>12,688,029</u>	<u>2,002,593</u>		<u>14,690,622</u>
Total capital assets, being depreciated	<u>12,970,889</u>	<u>2,002,593</u>		<u>14,973,482</u>
Less accumulated depreciation for:				
Machinery and equipment	155,427	13,836		169,263
Infrastructure	<u>2,569,126</u>	<u>327,850</u>		<u>2,896,976</u>
Total accumulated depreciation	<u>2,724,553</u>	<u>341,686</u>		<u>3,066,239</u>
Total capital assets, being depreciated, net	<u>10,246,336</u>	<u>1,660,907</u>		<u>11,907,243</u>
Business-type activities capital assets, net	<u>\$ 10,870,749</u>	<u>\$ 6,432,054</u>	<u>\$ 1,979,143</u>	<u>\$ 15,323,660</u>

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, 2013 was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General government	\$ 21,334
Public safety	90,586
Public works	461,399
Culture and recreation	61,303
Total	<u>\$ 634,622</u>

<b>Business-Type Activities</b>	
Water	\$ 317,759
Sewer	8,740
Storm sewer	15,187
Total	<u>\$ 341,686</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**F. 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, 2013 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/13</u>
General obligation bonds:				
2009A Refunding Bonds	5/1/2009	3.00% - 3.85%	2017	\$ 210,000
2009B Improvement Bonds	10/1/2009	2.00% - 3.05%	2020	430,000
2010A Improvement Bonds	11/15/2010	1.30% - 2.80%	2021	575,000
2010B CIP Crossover Refunding Bonds	11/15/2010	1.00% - 3.20%	2025	1,970,000
2011A Improvement Bonds	10/1/2011	0.50% - 2.30%	2022	770,000
2012B Improvement Bonds	8/16/2012	0.50% - 1.90%	2023	865,000
2013A Improvement Bonds	10/1/2013	2.00% - 4.00%	2028	1,600,000
General obligation certificates:				
2006A Equipment Certificates	3/8/2006	4.00%	2015	102,000
General obligation revenue bonds:				
2005A Water Revenue Bonds	8/10/2005	3.60% - 4.375%	2030	4,075,000
2009A Refunding Bonds	5/1/2009	3.00% - 3.85%	2021	360,000
2012A Refunding Bonds	8/13/2012	2.00 - 2.50%	2030	4,035,000
2013A Revenue Bonds	10/1/2013	2.00% - 4.00%	2033	4,015,000
Other Liabilities:				
Compensated Absences				86,450
Post Employment Benefit Obligation				157,701
Unamortized premium				85,492
Less: Unamortized discount				<u>(135,470)</u>
<b>Total Long-Term Debt</b>				<b><u>\$ 19,201,173</u></b>

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, 2013, the City had not utilized \$30,575,693 of its net legal debt margin.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2004 CIP Bonds	\$ 3,030,000	\$	\$ 3,030,000	\$	\$
2009A Refunding Bonds	275,000		65,000	210,000	70,000
2009B Improvement Bonds	490,000		60,000	430,000	60,000
2010A Improvement Bonds	645,000		70,000	575,000	70,000
2010B CIP Crossover Refunding Bonds	1,970,000			1,970,000	135,000
2011A Improvement Bonds	845,000		75,000	770,000	80,000
2012B Improvement Bonds	865,000			865,000	75,000
2013A Improvement Bonds		1,600,000		1,600,000	45,000
General obligation certificates:					
2006A Equipment Certificates	150,000		48,000	102,000	50,000
Other Liabilities:					
Compensated Absences	60,675	80,985	65,109	76,551	35,184
Post Employment Benefit Obligation	66,505	70,393		136,898	
Unamortized premium	13,993	4,797	1,314	17,476	
Less: Unamortized (discount)	<u>(64,748)</u>		<u>(5,374)</u>	<u>(59,374)</u>	
Governmental Activities					
Long-Term Liabilities	<u>8,346,425</u>	<u>1,756,175</u>	<u>3,409,049</u>	<u>6,693,551</u>	<u>620,184</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation revenue bonds:					
2005A Water Revenue Bonds	4,200,000		125,000	4,075,000	150,000
2009A Refunding Bonds	400,000		40,000	360,000	40,000
2012A Refunding Bonds	4,035,000			4,035,000	
2013A Improvement Bonds		4,015,000		4,015,000	175,000
Other Liabilities:					
Compensated Absences	8,603	7,768	6,472	9,899	3,914
Post Employment Benefit Obligation	11,998	8,805		20,803	
Unamortized premium	59,126	11,994	3,104	68,016	
Less: Unamortized (discount)	<u>(79,289)</u>		<u>(3,193)</u>	<u>(76,096)</u>	
Business-Type Activities					
Long-Term Liabilities	<u>8,635,438</u>	<u>4,043,567</u>	<u>171,383</u>	<u>12,507,622</u>	<u>368,914</u>
<b>Total</b>	<u>\$ 16,981,863</u>	<u>\$ 5,799,742</u>	<u>\$ 3,580,432</u>	<u>\$ 19,201,173</u>	<u>\$ 989,098</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**F. 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 seventeen 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, 2013 were as follows:

Year	General Obligation Improvement Bonds		Equipment Certificates		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 535,000	\$ 129,821	\$ 50,000	\$ 4,080	\$ 365,000	\$ 360,500
2015	615,000	130,576	52,000	2,080	4,165,000	374,839
2016	625,000	120,073			440,000	204,189
2017	560,000	108,777			440,000	194,989
2018	565,000	98,280			475,000	185,537
2019-2023	2,565,000	307,777			2,400,000	772,581
2024-2028	955,000	71,461			2,520,000	489,542
2029-2033					1,680,000	149,026
<b>Totals</b>	<b>\$ 6,420,000</b>	<b>\$ 966,764</b>	<b>\$ 102,000</b>	<b>\$ 6,160</b>	<b>\$ 12,485,000</b>	<b>\$ 2,731,202</b>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

3. Detailed Notes on All Funds (Continued)

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G. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2013:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 128,716	\$
Debt Service		17,176
Village Project		56,760
Infrastructure Reserve		7,032
Subtotal	<u>128,716</u>	<u>80,968</u>
Proprietary Funds:		
Water	1,918	24,583
Sewer		1,250
Storm Sewer	23,915	
Subtotal	<u>25,833</u>	<u>25,833</u>
Internal Service Funds:		
FFE Replacement		<u>47,748</u>
Total All Funds	<u>\$ 154,549</u>	<u>\$ 154,549</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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G. Interfund Receivables and Payables (continued)

The City established an interfund loan from the General Fund to the Village Project fund. At December 31, 2013, the outstanding balance was \$805,398. The loan carries an interest rate of 4 percent.

H. Interfund Transfers

The following schedule reports the interfund transfers within the City's funds as of December 31, 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$	\$ 400,200
Debt Service	26,288	
Village Project	400,000	
Infrastructure Reserve		144,004
Non-Major Governmental Funds	<u>302,048</u>	<u>184,132</u>
 Total All Funds	 <u>\$ 728,336</u>	 <u>\$ 728,336</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.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**I. Fund Equity**

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2013:

	<u>General</u>	<u>Debt Service</u>	<u>Village Project</u>	<u>Infrastructure Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>						
Prepaid items	\$ 53,674	\$	\$	\$	\$	\$ 53,674
Advance to other funds	<u>805,398</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>805,398</u>
<b>Total Nonspendable</b>	<u>859,072</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>859,072</u>
<b>Restricted</b>						
Debt service	<u>          </u>	<u>743,976</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>743,976</u>
<b>Assigned</b>						
Fall festival					7,373	7,373
Library					82,265	82,265
City facilities					268,707	268,707
Infrastructure reserve				762,865		762,865
Park improvements					891,059	891,059
Vehicle acquisition					<u>240,662</u>	<u>240,662</u>
<b>Total Assigned</b>				<u>762,865</u>	<u>1,490,066</u>	<u>2,252,931</u>
<b>Unassigned</b>	<u>2,318,310</u>	<u>(17,221)</u>	<u>(862,158)</u>		<u>(5,981)</u>	<u>1,432,950</u>
<b>Total Fund Balance</b>	<u>\$ 3,177,382</u>	<u>\$ 726,755</u>	<u>\$ (862,158)</u>	<u>\$ 762,865</u>	<u>\$ 1,484,085</u>	<u>\$ 5,288,929</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 year.

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**

**Insurance:**

The City has outstanding claims subject to its insurance deductible. Although the outcome of these actions are not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**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, 2013. 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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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 20 active 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 2013, the City did not contribute anything to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

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.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligations (Continued)

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	\$ 59,848
Interest on net OPEB obligations	3,047
Adjustment to ARC	<u>16,303</u>
Annual OPEB cost	79,198
Contributions during the year	<u>                    </u>
Increase in net OPEB obligation	79,198
Net OPEB, beginning of year	<u>78,503</u>
Net OPEB, ending of year	<u>\$ 157,701</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, 2013, 2012 and 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$ 17,336	0%	\$ 51,396
12/31/2012	27,107	0%	78,503
12/31/2013	79,198	0%	157,701

**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, 2013, the actuarial accrued liability for benefits was \$293,220, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$913,884, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.1 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 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 an 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* - 2013 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, 2013 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 was established and is 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. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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, 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)**

---

**4. Other Information (Continued)**

---

**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 2013. In 2013, 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, 2013, 2012 and 2011 were \$81,475, \$64,694 and \$56,576, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**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 seven 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)

---

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, 2013, 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, 2013. 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 \$54,778 (including the 10% supplemental reimbursement) for the year ended December 31, 2013.



**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, 2012:

Annual pension cost - total	\$ 54,778
Contributions made:	
City	
State Aid - pass-through	54,778
Actuarial valuation date	12/31/13
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 City's net pension obligation for the Association for the years ended December 31, 2013, 2012 and 2011 are as follows:

<u>Disclosure</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Pension Cost (APC)	\$ 54,778	\$ 39,324	\$ 47,867
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	N/A	N/A	N/A

Membership of the Association at December 31, 2013 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	<u>27</u>

E. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Assets in Excess of (Unfunded) Accrued Liability</u>	<u>Funded Ratio</u>	<u>Pension Benefit Per Year of Service</u>
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
12/31/2011	887,064	752,729	134,335	117.8%	3,100

F. Related Party Investments

As of December 31, 2013, 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. Change in Accounting Standards and Prior Period Adjustment**

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During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standards required retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2013 financial statements.

The following schedule reconciles the previously reported December 31, 2012 balances to the amounts reported in the December 31, 2013 financial statements:

	<u>Net Position December 31, 2012 as Previously Reported</u>	<u>Restatement for Write- off of Unamortized Bond Issuance Costs</u>	<u>Net Position December 31, 2012 as Restated</u>
Governmental Activities	<u>\$ 13,907,083</u>	<u>\$ (138,149)</u>	<u>\$ 13,768,934</u>
Business-Type Activities	<u>\$ 7,933,377</u>	<u>\$ (105,615)</u>	<u>\$ 7,827,762</u>
Proprietary Funds:			
Water Fund	\$ 6,672,223	\$ (105,615)	\$ 6,566,608
Sewer Fund	254,319		254,319
Storm Sewer Fund	<u>1,006,835</u>		<u>1,006,835</u>
Total Proprietary Funds	<u>\$ 7,933,377</u>	<u>\$ (105,615)</u>	<u>\$ 7,827,762</u>

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**6. 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, 2013**

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**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**For the Year Ended December 31, 2013**

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%

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, 2013**



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2013

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and investments	\$ 95,978	\$ 1,469,683	\$ 1,565,661
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 5,224	\$ 236	\$ 5,460
Accrued liabilities	1,116		1,116
Escrow deposits payable		75,000	75,000
Total liabilities	6,340	75,236	81,576
<b>FUND BALANCE (DEFICIT)</b>			
Restricted			
Assigned	89,638	1,400,428	1,490,066
Unassigned		(5,981)	(5,981)
Total Fund Balance (Deficit)	89,638	1,394,447	1,484,085
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 95,978</b>	<b>\$ 1,469,683</b>	<b>\$ 1,565,661</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, 2013

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 256,957	\$	\$ 256,957
Intergovernmental revenue		4,065	4,065
Investment earnings	417	9,277	9,694
Miscellaneous revenue	40,485		40,485
<b>TOTAL REVENUES</b>	<u>297,859</u>	<u>13,342</u>	<u>311,201</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	114,252		114,252
<b>Capital Outlay</b>			
General government		9,175	9,175
Public safety		80,503	80,503
Public works		58,126	58,126
Culture and recreation	21,232	42,293	63,525
<b>TOTAL EXPENDITURES</b>	<u>135,484</u>	<u>190,097</u>	<u>325,581</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	200	117,716	117,916
Net change in fund balances	162,575	(59,039)	103,536
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>(72,937)</u>	<u>1,453,486</u>	<u>1,380,549</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 89,638</u>	<u>\$ 1,394,447</u>	<u>\$ 1,484,085</u>

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
December 31, 2013**

	<u>Development</u>	<u>Fall Festival</u>	<u>Library</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	<u>\$      735</u>	<u>\$     7,373</u>	<u>\$    87,870</u>	<u>\$    95,978</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$      735	\$	\$     4,489	\$     5,224
Accrued liabilities			<u>     1,116</u>	<u>     1,116</u>
Total liabilities	<u>      735</u>		<u>     5,605</u>	<u>     6,340</u>
<b>FUND BALANCE</b>				
Assigned		<u>     7,373</u>	<u>    82,265</u>	<u>    89,638</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$      735</u>	<u>\$     7,373</u>	<u>\$    87,870</u>	<u>\$    95,978</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended December 31, 2013

	<u>Development</u>	<u>Fall Festival</u>	<u>Library</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$	\$	\$ 256,957	\$ 256,957
Investment earnings			417	417
Miscellaneous revenue		22,004	18,481	40,485
<b>TOTAL REVENUES</b>		<u>22,004</u>	<u>275,855</u>	<u>297,859</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation		14,572	99,680	114,252
<b>Capital Outlay</b>				
Culture and recreation			21,232	21,232
<b>TOTAL EXPENDITURES</b>		<u>14,572</u>	<u>120,912</u>	<u>135,484</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	200			200
Net change in fund balances	200	7,432	154,943	162,575
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>(200)</u>	<u>(59)</u>	<u>(72,678)</u>	<u>(72,937)</u>
<b>FUND BALANCES, Ending</b>	<u>\$</u>	<u>\$ 7,373</u>	<u>\$ 82,265</u>	<u>\$ 89,638</u>

**CITY OF LAKE ELMO, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 December 31, 2013**

	Park Dedication	Vehicle Acquisition	City Facilities
<b>ASSETS</b>			
Cash and investments	\$ 891,295	\$ 240,662	\$ 268,707
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 236	\$	\$
Escrow deposits payable			
Total liabilities	236		
<b>FUND BALANCE (DEFICIT)</b>			
Assigned	891,059	240,662	268,707
Unassigned			
Total Fund Balance (Deficit)	891,059	240,662	268,707
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$ 891,295	\$ 240,662	\$ 268,707

<u>Manning Avenue/Hwy 36</u>	<u>2011 Street Improvements</u>	<u>2012 Street Improvements</u>	<u>South of 10th Street</u>	<u>Total</u>
<u>\$ 69,019</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,469,683</u>
<u>\$ 75,000</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 236</u>
<u>75,000</u>				<u>75,000</u>
				<u>75,236</u>
<u>(5,981)</u>				<u>1,400,428</u>
<u>(5,981)</u>				<u>(5,981)</u>
				<u>1,394,447</u>
<u>\$ 69,019</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,469,683</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, 2013

	<u>Park Dedication</u>	<u>Vehicle Acquisition</u>	<u>City Facilities</u>
<b>REVENUES</b>			
Intergovernmental revenue	\$ 4,065	\$	\$
Investment earnings (loss)	4,371	1,181	2,799
<b>TOTAL REVENUES</b>	<u>8,436</u>	<u>1,181</u>	<u>2,799</u>
<b>EXPENDITURES</b>			
<b>Capital Outlay</b>			
General government			9,175
Public safety		80,503	
Public works			
Culture and recreation	42,293		
<b>TOTAL EXPENDITURES</b>	<u>42,293</u>	<u>80,503</u>	<u>9,175</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers			
Net change in fund balances	(33,857)	(79,322)	(6,376)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>924,916</u>	<u>319,984</u>	<u>275,083</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 891,059</u>	<u>\$ 240,662</u>	<u>\$ 268,707</u>

<u>Manning Avenue/Hwy 36</u>	<u>2011 Street Improvements</u>	<u>2012 Street Improvements</u>	<u>South of 10th Street</u>	<u>Total</u>
\$	\$	\$	\$	\$
338	903	(280)	(35)	4,065
<u>338</u>	<u>903</u>	<u>(280)</u>	<u>(35)</u>	<u>9,277</u>
				9,175
				80,503
		51,188	6,938	58,126
				<u>42,293</u>
		<u>51,188</u>	<u>6,938</u>	<u>190,097</u>
	(184,132)	157,844	144,004	117,716
338	(183,229)	106,376	137,031	(59,039)
(6,319)	183,229	(106,376)	(137,031)	1,453,486
<u>\$ (5,981)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,394,447</u>



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
December 31, 2013

	<u>Radio Replacement</u>	<u>IT Replacement</u>	<u>FFE Replacement</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 26,966	\$	\$	\$ 26,966
<b>Noncurrent Assets</b>				
Property and Equipment				
Machinery and equipment	99,851	95,617	363,153	558,621
Less: Accumulated depreciation	<u>53,393</u>	<u>63,395</u>	<u>284,763</u>	<u>401,551</u>
Net Property and Equipment	<u>46,458</u>	<u>32,222</u>	<u>78,390</u>	<u>157,070</u>
<b>TOTAL ASSETS</b>	<u>\$ 73,424</u>	<u>\$ 32,222</u>	<u>\$ 78,390</u>	<u>\$ 184,036</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Due to other funds	\$	\$	\$ 47,748	\$ 47,748
<b>Net Position</b>				
Net investment in capital assets	46,458	32,222	78,390	157,070
Unrestricted	<u>26,966</u>	<u></u>	<u>(47,748)</u>	<u>(20,782)</u>
Total Net Position	<u>73,424</u>	<u>32,222</u>	<u>30,642</u>	<u>136,288</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 73,424</u>	<u>\$ 32,222</u>	<u>\$ 78,390</u>	<u>\$ 184,036</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2013

	<u>Radio Replacement</u>	<u>IT Replacement</u>	<u>FFE Replacement</u>	<u>Total</u>
<b>Operating Expenses</b>				
Repairs and maintenance	\$	\$ 16,236	\$	\$ 16,236
Depreciation	8,321	5,319	29,274	42,914
Total Operating Expenses	<u>8,321</u>	<u>21,555</u>	<u>29,274</u>	<u>59,150</u>
<b>Other Revenue (Expense)</b>				
Investment earnings	<u>132</u>			<u>132</u>
Net (Loss)	(8,189)	(21,555)	(29,274)	(59,018)
<b>Net Position, Beginning of Year</b>	<u>81,613</u>	<u>53,777</u>	<u>59,916</u>	<u>195,306</u>
<b>Net Position, End of Year</b>	<u>\$ 73,424</u>	<u>\$ 32,222</u>	<u>\$ 30,642</u>	<u>\$ 136,288</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2013

	<u>Radio Replacement</u>	<u>IT Replacement</u>	<u>FFE Replacement</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Cash payments to suppliers	\$	\$ (16,236)	\$	\$ (16,236)
<b>Cash Flows From Investing Activities</b>				
Interest earnings received	132			132
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	132	(16,236)		(16,104)
<b>Cash and Cash Equivalents, Beginning of Year</b>	26,834	16,236		43,070
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 26,966</u>	<u>\$</u>	<u>\$</u>	<u>\$ 26,966</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (8,321)	\$ (21,555)	\$ (29,274)	\$ (59,150)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	8,321	5,319	29,274	42,914
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$</u>	<u>\$ (16,236)</u>	<u>\$</u>	<u>\$ (16,236)</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		2013 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 2,422,277	\$ 2,422,277	\$ 2,449,985	\$ 27,708
Franchise	44,485	44,485	39,852	(4,633)
Total Taxes	<u>2,466,762</u>	<u>2,466,762</u>	<u>2,489,837</u>	<u>23,075</u>
Licenses and Permits				
Business	4,800	4,800	15,215	10,415
Nonbusiness	274,110	274,110	359,759	85,649
Total Licenses and Permits	<u>278,910</u>	<u>278,910</u>	<u>374,974</u>	<u>96,064</u>
Intergovernmental				
MSA - maintenance	98,022	98,022	98,022	
Fire state aid	2,749	2,749	53,778	51,029
Other	40,000	40,000	506,228	466,228
County and local	15,500	15,500	32,288	16,788
Total Intergovernmental	<u>156,271</u>	<u>156,271</u>	<u>690,316</u>	<u>534,045</u>
Charges for Services	<u>5,849</u>	<u>5,849</u>	<u>6,113</u>	<u>264</u>
Fines and forfeits	<u>60,000</u>	<u>60,000</u>	<u>52,110</u>	<u>(7,890)</u>
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>11,631</u>	<u>(8,369)</u>
Miscellaneous Revenue	<u>27,100</u>	<u>27,100</u>	<u>16,775</u>	<u>(10,325)</u>
<b>TOTAL REVENUES</b>	<u>\$ 3,014,892</u>	<u>\$ 3,014,892</u>	<u>\$ 3,641,756</u>	<u>\$ 626,864</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2013

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	\$ 27,692	\$ 27,692	\$ 25,833	\$ 1,859
Other services and charges	12,111	12,111	26,360	(14,249)
Total Mayor and Council	39,803	39,803	52,193	(12,390)
Election				
Other services and charges	11,950	11,950	1,003	10,947
Administration				
Personnel services	317,407	317,407	355,514	(38,107)
Supplies	6,499	6,499	6,988	(489)
Other services and charges	52,504	52,504	65,561	(13,057)
Total Administration	376,410	376,410	428,063	(51,653)
Communications				
Personnel services	40,272	40,272	24,976	15,296
Other services and charges	44,961	44,961	42,525	2,436
Total Communications	85,233	85,233	67,501	17,732
Building				
Supplies	1,500	1,500	44	1,456
Other services and charges	34,900	34,900	29,613	5,287
Total Building	36,400	36,400	29,657	6,743
Professional Services				
Assessor	25,500	25,500	49,142	(23,642)
Accounting and auditing	30,500	30,500	41,004	(10,504)
Legal	48,000	48,000	59,097	(11,097)
Engineering	60,000	60,000	37,241	22,759
Total Professional Services	164,000	164,000	186,484	(22,484)
Economic Development	\$	\$	\$ 500,000	\$ (500,000)

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2013

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Planning and Zoning				
Personnel services	\$ 129,968	\$ 129,968	\$ 210,249	\$ (80,281)
Supplies	600	600	5,094	(4,494)
Other services and charges	21,500	21,500	47,488	(25,988)
Total Planning and Zoning	152,068	152,068	262,831	(110,763)
Total General Government	865,864	865,864	1,527,732	(661,868)
<b>Public Safety</b>				
Police				
Contracted services	560,000	560,000	497,001	62,999
Fire Protection				
Personnel services	265,707	265,707	223,668	42,039
2% fire aid	40,000	40,000	53,778	(13,778)
Supplies	50,490	50,490	43,354	7,136
Other services and charges	128,579	128,579	121,125	7,454
Total Fire Protection	484,776	484,776	441,925	42,851
Building Inspector				
Personnel services	95,860	95,860	118,222	(22,362)
Supplies			1,495	(1,495)
Other services and charges	8,361	8,361	45,072	(36,711)
Total Building Inspector	104,221	104,221	164,789	(60,568)
Animal Control				
Other services and charges	7,000	7,000	14,677	(7,677)
Criminal Legal	51,000	51,000	51,953	(953)
Emergency Communications	6,000	6,000	3,800	2,200
Total Public Safety	\$ 1,212,997	\$ 1,212,997	\$ 1,174,145	\$ 38,852

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2013

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Works</b>				
General				
Personnel services	\$ 198,594	\$ 198,594	\$ 241,002	\$ (42,408)
Supplies	135,300	135,300	210,493	(75,193)
Other services and charges	116,474	116,474	124,721	(8,247)
Total General	450,368	450,368	576,216	(125,848)
Trees	5,000	5,000	11,325	(6,325)
Street Lighting	25,200	25,200	26,729	(1,529)
Total Public Works	480,568	480,568	614,270	(133,702)
<b>Culture and Recreation</b>				
Parks				
Personnel services	159,465	159,465	150,939	8,526
Supplies	5,700	5,700	9,945	(4,245)
Other services and charges	24,594	24,594	26,268	(1,674)
Total Culture and Recreation	189,759	189,759	187,152	2,607
Total Expenditures	2,749,188	2,749,188	3,503,299	(754,111)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(365,000)	(365,000)	(400,200)	(35,200)
NET CHANGE IN FUND BALANCE	(464,296)	(464,296)	(261,743)	202,553
FUND BALANCE, January 1	3,439,125	3,439,125	3,439,125	
FUND BALANCE, December 31	\$ 2,974,829	\$ 2,974,829	\$ 3,177,382	\$ 202,553



**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
December 31, 2013**

	2002 GO Improvement Bonds	2004 GO CIP Bonds	2006A GO Equipment Certificates	2009A GO Refunding Bonds
<b>ASSETS</b>				
Cash and investments	\$ 466	\$	\$ 23,698	\$ 2,378
Receivables (Net of allowance for uncollectibles)				
Special assessments				
Due from other governmental units				210,000
<b>TOTAL ASSETS</b>	<b>\$ 466</b>	<b>\$</b>	<b>\$ 23,698</b>	<b>\$ 212,378</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Total liabilities				
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Special assessments				
Intergovernmental revenue				210,000
Total deferred inflows of resources				210,000
<b>FUND BALANCE (DEFICIT)</b>				
Restricted	466		23,698	2,378
Unassigned				
Total fund balance (deficit)	466		23,698	2,378
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 466</b>	<b>\$</b>	<b>\$ 23,698</b>	<b>\$ 212,378</b>

2009B GO Improvement Bonds	2010A GO Improvement Bonds	2010B GO CIP Bonds	2011A GO Improvement Bonds	2012B GO Improvement Bonds	2013A GO Improvement Bonds	Total
\$ 156,813	\$ 135,992	\$ 79,490	\$ 326,983	\$	\$ 31,656	\$ 757,476
44,501	72,660		59,667			176,828
<u>44,501</u>	<u>72,660</u>		<u>59,667</u>			<u>210,000</u>
<u>\$ 201,314</u>	<u>\$ 208,652</u>	<u>\$ 79,490</u>	<u>\$ 386,650</u>	<u>\$</u>	<u>\$ 31,656</u>	<u>\$ 1,144,304</u>
\$	\$	\$	\$ 13,500	\$ 45	\$	\$ 13,545
				17,176		17,176
			<u>13,500</u>	<u>17,221</u>		<u>30,721</u>
44,501	72,660		59,667			176,828
<u>44,501</u>	<u>72,660</u>		<u>59,667</u>			<u>210,000</u>
<u>44,501</u>	<u>72,660</u>		<u>59,667</u>			<u>386,828</u>
156,813	135,992	79,490	313,483		31,656	743,976
				(17,221)		(17,221)
<u>156,813</u>	<u>135,992</u>	<u>79,490</u>	<u>313,483</u>	<u>(17,221)</u>	<u>31,656</u>	<u>726,755</u>
<u>\$ 201,314</u>	<u>\$ 208,652</u>	<u>\$ 79,490</u>	<u>\$ 386,650</u>	<u>\$</u>	<u>\$ 31,656</u>	<u>\$ 1,144,304</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended December 31, 2013

	2002 GO Improvement Bonds	2004 GO CIP Bonds	2006A GO Equipment Certificates	2009A GO Refunding Bonds
<b>REVENUES</b>				
Taxes	\$	\$	\$ 56,700	\$
Intergovernmental				73,600
Special assessments	302			
Investment earnings	3	13,163	367	11
<b>TOTAL REVENUES</b>	<u>305</u>	<u>13,163</u>	<u>57,067</u>	<u>73,611</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal		2,845,000	48,000	65,000
Interest and other charges			6,000	8,600
<b>TOTAL EXPENDITURES</b>		<u>2,845,000</u>	<u>54,000</u>	<u>73,600</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers		(192,900)		
Net change in fund balances	305	(3,024,737)	3,067	11
<b>FUND BALANCES, Beginning</b>	<u>161</u>	<u>3,024,737</u>	<u>20,631</u>	<u>2,367</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 466</u>	<u>\$</u>	<u>\$ 23,698</u>	<u>\$ 2,378</u>

2009B GO Improvement Bonds	2010A GO Improvement Bonds	2010B GO CIP Bonds	2011A GO Improvement Bonds	2012B GO Improvement Bonds	2013A GO Improvement Bonds	Total
\$ 53,379	\$ 62,314	\$ 180,000	\$ 75,412	\$ 57,010	\$	\$ 484,815
10,249	12,572		656	88,000	31,500	73,600
763	697	504	731	727	156	143,279
<u>64,391</u>	<u>75,583</u>	<u>180,504</u>	<u>76,799</u>	<u>145,737</u>	<u>31,656</u>	<u>718,816</u>
60,000	70,000	185,000	75,000			3,348,000
<u>11,783</u>	<u>12,435</u>	<u>108,914</u>	<u>12,571</u>	<u>10,845</u>		<u>171,148</u>
<u>71,783</u>	<u>82,435</u>	<u>293,914</u>	<u>87,571</u>	<u>10,845</u>		<u>3,519,148</u>
		<u>192,900</u>	<u>184,132</u>	<u>(157,844)</u>		<u>26,288</u>
(7,392)	(6,852)	79,490	173,360	(22,952)	31,656	(2,774,044)
<u>164,205</u>	<u>142,844</u>		<u>140,123</u>	<u>5,731</u>		<u>3,500,799</u>
<u>\$ 156,813</u>	<u>\$ 135,992</u>	<u>\$ 79,490</u>	<u>\$ 313,483</u>	<u>\$ (17,221)</u>	<u>\$ 31,656</u>	<u>\$ 726,755</u>

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

For the Year Ended December 31, 2013

	Balance January 1	Additions	Deletions	Balance December 31
<b>ESCROW</b>				
<b>ASSETS</b>				
Cash and investments	\$ 427,583	\$ 414,025	\$ 284,418	\$ 557,190
<b>LIABILITIES</b>				
Accounts payable	\$ 8,000	\$ 236,371	\$ 244,371	\$
Deposits payable	419,583	425,125	287,518	557,190
<b>TOTAL LIABILITIES</b>	<b>\$ 427,583</b>	<b>\$ 661,496</b>	<b>\$ 531,889</b>	<b>\$ 557,190</b>
<b>YELLOW RIBBON</b>				
<b>ASSETS</b>				
Cash and investments	\$ (128)	\$	\$	\$ (128)
Accounts receivable	128			128
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 427,455	\$ 414,025	\$ 284,418	\$ 557,062
Accounts receivable	128			128
<b>TOTAL ASSETS</b>	<b>\$ 427,583</b>	<b>\$ 414,025</b>	<b>\$ 284,418</b>	<b>\$ 557,190</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,000	\$ 236,371	\$ 244,371	\$
Deposits payable	419,583	425,125	287,518	557,190
<b>TOTAL LIABILITIES</b>	<b>\$ 427,583</b>	<b>\$ 661,496</b>	<b>\$ 531,889</b>	<b>\$ 557,190</b>

**CITY OF LAKE ELMO, MINNESOTA  
REDEVELOPMENT GRANT PROGRAM  
Supplemental Schedule of Sources and Uses  
For the Year Ended December 31, 2013**

	<u>Water (1)</u>	<u>Sewer (2)</u>	<u>Total</u>
<b>SOURCES *</b>	<u>\$ 427,830</u>	<u>\$ 621,181</u>	<u>\$ 1,049,011</u>
<b>USES **</b>			
Keats Avenue watermain construction	\$ 292,327		\$ 292,327
Keats Avenue watermain engineering	33,343		33,343
Well #4 pumphouse construction	85,940		85,940
Well #4 pumphouse engineering	16,220		16,220
Design and engineering		50,000	50,000
Forcemain construction		441,302	441,302
Gravity sanitary sewer construction		45,000	45,000
Lift station construction		84,879	84,879
<b>TOTAL USES</b>	<u>\$ 427,830</u>	<u>\$ 621,181</u>	<u>\$ 1,049,011</u>

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

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

\* Reimbursement was not received by the City until 2014. However, these amounts were recorded under the full accrual method in the proprietary funds and therefore were recorded as revenue in 2013, the period during which the funds were expended.

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

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

**December 31, 2013**

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			
	2013	2012	2011	2010
<b>Governmental activities</b>				
Net investment in capital assets	\$ 9,056,353	\$ 8,782,840	\$ 8,553,984	\$ 8,368,479
Restricted	1,225,849	4,205,247	2,664,689	2,057,467
Unrestricted	4,593,463	918,996	2,555,596	3,439,106
<b>Total governmental activities net position</b>	<b>\$ 14,875,665</b>	<b>\$ 13,907,083</b>	<b>\$ 13,774,269</b>	<b>\$ 13,865,052</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 6,855,807	\$ 6,788,377	\$ 6,422,782	\$ 6,713,292
Restricted	2,612,569	39,153		
Unrestricted	1,846,681	1,105,847	1,449,340	1,193,509
<b>Total business-type activities net position</b>	<b>\$ 11,315,057</b>	<b>\$ 7,933,377</b>	<b>\$ 7,872,122</b>	<b>\$ 7,906,801</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 15,912,160	\$ 15,571,217	\$ 14,976,766	\$ 15,081,771
Restricted	3,838,418	4,244,400	2,664,689	2,057,467
Unrestricted	6,440,144	2,024,843	4,004,936	4,632,615
<b>Total primary government net position</b>	<b>\$ 26,190,722</b>	<b>\$ 21,840,460</b>	<b>\$ 21,646,391</b>	<b>\$ 21,771,853</b>

Schedule 1

2009	2008	2007	2006	2005	2004
\$ 7,983,822	\$ 7,151,543	\$ 5,648,702	\$ 3,535,882	\$ 1,002,073	\$ 2,227,645
1,399,968	718,617	711,966	1,071,105	1,020,372	566,886
<u>3,824,156</u>	<u>4,698,858</u>	<u>5,139,270</u>	<u>4,620,785</u>	<u>6,969,165</u>	<u>3,891,861</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>	<u>\$ 6,686,392</u>
\$ 6,644,334	\$ 6,181,055	\$ 5,617,960	\$ 5,961,996	\$ 2,324,276	\$ 1,284,121
1,056,968	951,793	1,080,666	706,170	(529,295)	560,598
<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>	<u>\$ 1,844,719</u>
\$ 14,628,156	\$ 13,332,598	\$ 11,266,662	\$ 9,497,878	\$ 3,326,349	\$ 3,511,766
1,399,968	718,617	711,966	1,071,105	1,020,372	566,886
4,881,124	5,650,651	6,219,936	5,326,955	6,439,870	4,452,459
<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>	<u>\$ 8,531,111</u>

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

	Fiscal Year			
	2013	2012	2011	2010
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 1,103,337	\$ 1,093,204	\$ 1,036,038	\$ 980,456
Public safety	1,277,798	1,302,857	1,107,050	1,171,158
Public works	1,273,977	891,169	1,008,686	1,135,351
Culture and recreation	424,687	362,432	247,845	239,389
Interest on long-term debt	133,694	316,039	266,730	222,404
<b>Total governmental activities expenses</b>	<b>4,213,493</b>	<b>3,965,701</b>	<b>3,666,349</b>	<b>3,748,758</b>
<b>Business-Type activities:</b>				
Water	958,870	872,786	845,474	898,319
Sewer	119,370	53,903	73,797	61,513
Storm sewer	86,989	73,590	142,517	151,384
<b>Total business-type activities expenses</b>	<b>1,165,229</b>	<b>1,000,279</b>	<b>1,061,788</b>	<b>1,111,216</b>
<b>Total primary government expenses</b>	<b>\$ 5,378,722</b>	<b>\$ 4,965,980</b>	<b>\$ 4,728,137</b>	<b>\$ 4,859,974</b>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 32,778	\$ 48,476	\$ 22,058	\$ 18,296
Public safety	414,472	379,557	283,813	320,242
Public works	2,647	3,256	3,058	3,425
Culture and recreation	17,000	9,341		10,800
Operating grants and contributions	208,276	160,060	184,476	168,491
Capital grants and contributions	1,364,622	160,444	222,488	1,090,419
<b>Total governmental activities program revenues</b>	<b>2,039,795</b>	<b>761,134</b>	<b>715,893</b>	<b>1,611,673</b>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Water	596,421	699,159	575,534	562,585
Sewer	53,142	65,737	53,012	48,508
Storm sewer	191,087	171,229	235,252	185,425
Operating grants and contributions			17,000	32,721
Capital grants and contributions	3,781,528	115,127	75,885	418,400
<b>Total business-type activities program revenues</b>	<b>4,622,178</b>	<b>1,051,252</b>	<b>956,683</b>	<b>1,247,639</b>
<b>Total primary government program revenues</b>	<b>\$ 6,661,973</b>	<b>\$ 1,812,386</b>	<b>\$ 1,672,576</b>	<b>\$ 2,859,312</b>

Schedule 2

2009	2008	2007	2006	2005	2004
\$ 971,677	\$ 1,168,625	\$ 914,212	\$ 900,278	\$ 876,056	\$ 781,229
1,125,464	1,002,408	956,649	1,009,494	931,155	919,139
872,045	868,804	1,247,398	1,358,801	349,111	341,134
248,856	228,393	333,164	232,878	169,495	215,785
218,319	237,753	207,648	215,381	211,475	74,210
<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>	<u>2,331,497</u>
857,014	849,018	735,499	764,282	432,810	364,575
59,243	63,400	125,773	55,827	44,503	49,079
140,365	123,902	78,807	129,946	12,148	71,760
<u>1,056,622</u>	<u>1,036,320</u>	<u>940,079</u>	<u>950,055</u>	<u>489,461</u>	<u>485,414</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>	<u>\$ 2,816,911</u>
\$ 15,631	\$ 19,430	\$ 28,890	\$ 29,612	\$ 40,536	\$ 97,448
270,653	295,353	365,327	594,779	365,703	270,159
6,584	3,833	18,573	4,035	5,591	4,984
		61,274	31,828	211,571	17,400
174,433	140,176	94,185	163,421	86,082	251,271
<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>345,942</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>	<u>987,204</u>
479,430	467,336	471,226	351,733	281,835	244,693
45,146	44,568	99,581	139,057	32,381	23,158
149,407	134,674	138,092	45	72,000	85,513
30,100					
<u>776,473</u>	<u>684,400</u>	<u>298,928</u>	<u>1,112,374</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>353,364</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>	<u>\$ 1,340,568</u>

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

	Fiscal Year			
	2013	2012	2011	2010
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (2,173,698)	\$ (3,204,567)	\$ (2,950,456)	\$ (2,137,085)
Business-type activities	3,456,949	50,973	(105,105)	136,423
Total primary government net revenue	<u>\$ 1,283,251</u>	<u>\$ (3,153,594)</u>	<u>\$ (3,055,561)</u>	<u>\$ (2,000,662)</u>
<b>General Revenues and Other Changes</b>				
<b>In Net Position</b>				
Governmental activities:				
General property taxes	\$ 3,231,609	\$ 3,183,078	\$ 2,793,776	\$ 2,711,067
Grants and contributions not restricted to specific programs	2,749		10,628	9,771
Interest income	35,259	111,705	94,501	113,989
Miscellaneous	1,833	42,599	20,405	17,311
Gain on sale of capital assets	8,979			
Transfers			(59,637)	(57,947)
Total governmental activities	<u>3,280,429</u>	<u>3,337,382</u>	<u>2,859,673</u>	<u>2,794,191</u>
Business-type activities:				
Interest income	30,346	10,282	10,789	11,129
Transfers			59,637	57,947
Total business-type activities	<u>30,346</u>	<u>10,282</u>	<u>70,426</u>	<u>69,076</u>
Total primary government	<u>\$ 3,310,775</u>	<u>\$ 3,347,664</u>	<u>\$ 2,930,099</u>	<u>\$ 2,863,267</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,106,731	\$ 132,815	\$ (90,783)	\$ 657,106
Business-type activities	3,487,295	61,255	(34,679)	205,499
Total primary government	<u>\$ 4,594,026</u>	<u>\$ 194,070</u>	<u>\$ (125,462)</u>	<u>\$ 862,605</u>

Schedule 2  
(continued)

2009	2008	2007	2006	2005	2004
\$ (2,170,373)	\$ (1,701,388)	\$ (1,719,333)	\$ 1,771,660	\$ 43,787	\$ (1,344,293)
423,934	294,658	67,748	653,154	(103,245)	(132,050)
<u>\$ (1,746,439)</u>	<u>\$ (1,406,730)</u>	<u>\$ (1,651,585)</u>	<u>\$ 2,424,814</u>	<u>\$ (59,458)</u>	<u>\$ (1,476,343)</u>
\$ 2,718,691	\$ 2,568,705	\$ 2,424,782	\$ 2,174,377	\$ 1,916,352	\$ 1,695,648
8,764	57,390	46,154	38,342	107,080	60,694
160,679	209,539	335,578	317,896	195,715	93,801
41,827	50,865	33,204			
8,517				42,284	269,375
(129,177)	(116,031)	(424,940)	(4,066,113)		
<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>	<u>2,119,518</u>
15,343	23,533	94,325	153,918	53,507	23,107
129,177	116,031	424,940	4,066,113		
<u>144,520</u>	<u>139,564</u>	<u>519,265</u>	<u>4,220,031</u>	<u>53,507</u>	<u>23,107</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>	<u>\$ 2,142,625</u>
\$ 638,928	\$ 1,069,080	\$ 695,445	\$ 236,162	\$ 2,305,218	\$ 775,225
568,454	434,222	587,013	4,873,185	(49,738)	(108,943)
<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>	<u>\$ 666,282</u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General fund					
Reserved	\$	\$	\$	\$ 1,068,950	\$ 1,032,570
Unreserved				1,617,211	1,403,240
Nonspendable	859,072	1,024,433	1,206,209		
Unassigned	<u>2,318,310</u>	<u>2,414,692</u>	<u>1,707,711</u>		
Total general fund	<u>3,177,382</u>	<u>3,439,125</u>	<u>2,913,920</u>	<u>2,686,161</u>	<u>2,435,810</u>
All other governmental funds					
Reserved				3,605,250	1,422,049
Unreserved				504,106	1,077,659
Restricted	743,976	3,959,111	4,691,748		
Committed			7,114		
Assigned	2,252,931	1,244,900	654,358		
Unassigned	<u>(885,360)</u>	<u>(1,670,915)</u>	<u>(1,353,754)</u>		
Total all other governmental funds	<u>2,111,547</u>	<u>3,533,096</u>	<u>3,999,466</u>	<u>4,109,356</u>	<u>2,499,708</u>
Total governmental funds	<u>\$ 5,288,929</u>	<u>\$ 6,972,221</u>	<u>\$ 6,913,386</u>	<u>\$ 6,795,517</u>	<u>\$ 4,935,518</u>

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

Schedule 3

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$ 1,015,753	\$ 1,003,823	\$ 503,823	\$ 500,000	\$ 500,000
	1,395,088	1,251,127	1,768,505	1,745,735	1,873,923
	<u>2,410,841</u>	<u>2,254,950</u>	<u>2,272,328</u>	<u>2,245,735</u>	<u>2,373,923</u>
	727,673	698,683	725,337	562,883	188,509
	1,976,379	2,554,808	2,419,112	4,795,939	5,425,439
	<u>2,704,052</u>	<u>3,253,491</u>	<u>3,144,449</u>	<u>5,358,822</u>	<u>5,613,948</u>
	<u>\$ 5,114,893</u>	<u>\$ 5,508,441</u>	<u>\$ 5,416,777</u>	<u>\$ 7,604,557</u>	<u>\$ 7,987,871</u>



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

	2013	2012	2011	2010	2009
<b>Revenues</b>					
Taxes	\$ 3,231,609	\$ 3,221,733	\$ 2,790,773	\$ 2,737,225	\$ 2,685,894
Licenses and permits	374,974	330,819	230,419	261,450	225,166
Intergovernmental	1,704,178	237,254	276,638	239,244	288,881
Charges for services	6,113	5,726	14,691	22,416	11,433
Fines and forfeitures	52,110	58,385	63,819	68,897	54,052
Special assessments	180,023	136,150	153,536	134,257	73,013
Investment earnings	35,127	111,737	94,066	113,033	160,679
Miscellaneous revenue	57,260	87,562	48,217	84,860	61,533
<b>Total Revenues</b>	<b>5,641,394</b>	<b>4,189,366</b>	<b>3,672,159</b>	<b>3,661,382</b>	<b>3,560,651</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,527,732	1,034,712	1,016,898	921,590	929,960
Public safety	1,174,145	1,109,937	996,733	1,064,176	988,082
Public works	614,270	446,541	447,629	473,293	459,703
Culture and recreation	301,404	260,404	168,747	168,971	180,965
<b>Debt service</b>					
Principal	3,348,000	406,000	344,000	313,000	361,000
Interest and other charges	171,148	267,253	251,385	216,820	229,175
Bond issuance costs	7,870	41,828	34,327	74,580	45,056
<b>Capital outlay</b>	<b>1,784,914</b>	<b>1,428,856</b>	<b>1,029,183</b>	<b>1,203,309</b>	<b>998,031</b>
<b>Total Expenditures</b>	<b>8,929,483</b>	<b>4,995,531</b>	<b>4,288,902</b>	<b>4,435,739</b>	<b>4,191,972</b>
Excess (deficiency) of revenues over (under) expenditures	(3,288,089)	(806,165)	(616,743)	(774,357)	(631,321)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	1,604,797	865,000	845,000	2,680,000	1,110,000
Premium (Discount) on issuance of debt				4,356	17,756
Payment to bond escrow agent					(525,000)
Sale of property					9,190
Transfers in			204,972	314,698	1,466,041
Transfers out			(315,360)	(364,698)	(1,626,041)
<b>Total other financing sources (uses)</b>	<b>1,604,797</b>	<b>865,000</b>	<b>734,612</b>	<b>2,634,356</b>	<b>451,946</b>
<b>Net change in fund balances</b>	<b>\$ (1,683,292)</b>	<b>\$ 58,835</b>	<b>\$ 117,869</b>	<b>\$ 1,859,999</b>	<b>\$ (179,375)</b>
Debt service as a percentage of noncapital expenditures	49.26%	18.88%	18.26%	16.39%	18.48%

Schedule 4

	2008	2007	2006	2005	2004
\$	2,523,332	\$ 2,416,861	\$ 2,164,117	\$ 1,908,357	\$ 1,697,236
	242,074	315,975	406,225	245,252	181,069
	261,743	384,160	255,018	94,511	401,901
	15,623	39,163	152,472	108,137	139,507
	60,919	57,652	69,729	58,441	52,015
	102,929	75,993	147,368	179,219	190,837
	209,539	335,578	317,896	195,715	93,801
	177,599	1,094,478	4,622,737	576,555	47,292
	<u>3,593,758</u>	<u>4,719,860</u>	<u>8,135,562</u>	<u>3,366,187</u>	<u>2,803,658</u>
	1,108,737	942,131	879,167	851,645	766,841
	882,135	984,090	950,669	881,905	848,439
	438,591	459,478	523,938	286,756	261,144
	154,011	160,940	129,806	109,153	108,213
	280,000	334,000	265,000	130,000	130,000
	235,450	206,020	220,115	165,985	144,720
	<u>888,382</u>	<u>2,281,938</u>	<u>7,797,647</u>	<u>1,334,583</u>	<u>1,012,366</u>
	<u>3,987,306</u>	<u>5,368,597</u>	<u>10,766,342</u>	<u>3,760,027</u>	<u>3,271,723</u>
	<u>(393,548)</u>	<u>(648,737)</u>	<u>(2,630,780)</u>	<u>(393,840)</u>	<u>(468,065)</u>
			443,000		4,090,000
				10,526	430,000
	8,500	778,074	162,129	206,598	149,000
	<u>(8,500)</u>	<u>(778,074)</u>	<u>(162,129)</u>	<u>(206,598)</u>	<u>(149,000)</u>
			443,000	10,526	4,520,000
\$	<u>(393,548)</u>	<u>(648,737)</u>	<u>(2,187,780)</u>	<u>(383,314)</u>	<u>4,051,935</u>
	16.63%	17.50%	16.34%	12.20%	12.16%

**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				
2004	\$ 791,585,500	\$ 8,490,773	\$ 180,991	\$ 8,671,764	\$ 8,671,764	19.315	% 0.01
2005	910,438,700	9,790,389	180,625	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

(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
2004	19.315 %		19.315 %	20.829 -	27.116 %	31.201 %	1.206 -	6.382 %	3.058 %	75.609 - 87.072 %
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

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)	2013			2004		
	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	1.77 %			
Xcel Energy	204,686	2	1.76	156,870	2	1.81 %
Bremer Financial Services Inc	197,474	3	1.70	197,768	1	2.28
MHC Cimarron LLC	134,090	4	1.15	133,703	4	1.54
United Land LLC	121,976	5	1.05	111,708	5	1.29
Tartan Park LLC	100,643	6	0.87			
HOA Hotels	89,880	7	0.77			
Danate Proper Inv I LLC	76,762	8	0.66			
Eagle Point II LLC	71,064	9	0.61			
Davis Estates LTD	64,912	10	0.56			
United Properties Inv LLC				66,644	7	0.77
Machine Shed LLC				63,154	8	0.73
E. Metro Medical Bldg, LLC				141,670	3	1.63
Lake Elmo Foundation				80,519	6	0.93
State Bank of Lake Elmo				32,124	9	0.37
Individuals				28,242	10	0.33
<b>TOTAL</b>	<b>\$ 1,266,829</b>		<b>10.89 %</b>	<b>\$ 1,012,402</b>		<b>11.67 %</b>

(1) Source: Washington County Taxation Division

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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2004	\$ 1,717,820	\$ 1,658,159	\$ 1,641,720	99.01	\$ 15,941
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	73,618
2009	2,708,155	2,672,623	2,624,026	98.18	46,854
2010	2,743,346	2,705,782	2,645,536	97.77	57,206
2011	2,789,559	2,745,785	2,692,423	98.06	50,143
2012	3,113,017	3,110,478	3,071,202	98.74	31,279
2013	3,163,359	3,160,524	3,133,764	99.15	

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

**Schedule 8**

<u>Total Collections to Date</u>		<u>Total Delinquent Taxes</u>	<u>Delinquent Taxes As A % Of Total Net Tax Levy</u>
<u>Amount</u>	<u>Percentage of Net Levy</u>		
\$ 1,657,661	99.97	\$ 498	0.03
1,874,911	99.97	577	0.03
2,110,613	99.98	343	0.02
2,394,822	100.00		0.00
2,559,015	99.99	212	0.01
2,670,880	99.93	1,743	0.07
2,702,742	99.89	3,040	0.11
2,742,566	99.88	3,219	0.12
3,102,481	99.74	7,997	0.26
3,133,764	99.15	26,760	0.85



**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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010 *</u>	<u>2009</u>
Residential	120.676	154.747	105.290	95.704	122.461
Commercial Service	<u>8.253</u>	<u>10.405</u>	<u>6.872</u>	<u>7.261</u>	<u>7.989</u>
Total gallons	128.929	165.152	112.162	102.965	130.450
Total direct rate per 1,000 gallons - residential	\$ 2.140	\$ 2.140	\$ 2.140	\$ 2.100	\$ 2.15
Total direct rate per 1,000 gallons - commercial	\$ 3.110	\$ 3.110	\$ 3.110	\$ 3.050	\$ 3.10

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

<u>Type of Customer</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010 *</u>	<u>2009</u>
Residential	0.000	0.000	0.000	0.000	0.000
Commercial Service	<u>6.149</u>	<u>6.172</u>	<u>6.961</u>	<u>7.086</u>	<u>5.381</u>
Total gallons	6.149	6.172	6.961	7.086	5.381
Total direct rate per 1,000 gallons	\$ 4.500	\$ 4.500	\$ 4.500	\$ 4.350	\$ 4.080

\* City converted to a tiered rate structure effective January 1, 2010; lowest tier rate listed for 2010-2013

(a) City did not have city-owned sewer system until 2005

**Schedule 9**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
120.986	108.649	70.255	45.724	49.163
7.851	8.746	6.126	6.064	6.076
<u>128.837</u>	<u>117.395</u>	<u>76.381</u>	<u>51.788</u>	<u>55.239</u>

\$ 2.05	\$ 2.05	\$ 1.75	\$ 1.75	\$ 1.70
\$ 3.00	\$ 3.00	\$ 2.60	\$ 2.60	\$ 2.44

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
0.000	0.000	0.000	0.000	0.000
5.130	4.409	8.107	8.564	(a)
<u>5.130</u>	<u>4.409</u>	<u>8.107</u>	<u>8.564</u>	<u>0.000</u>

\$ 3.710	\$ 2.750	\$ 2.500	\$ 2.500	(a)
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**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

**Other Governmental Activities Debt**

Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Total Governmental Activities Debt
2004	\$ 1,195,000	\$	\$ 4,090,000	\$ 5,285,000
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	3,120,000	150,000	5,000,000	8,270,000
2013	4,450,000	102,000	1,970,000	6,522,000

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

**Schedule 10**

**Business-Type Activities**

<u>Utility Revenue Bonds</u>	<u>Total Business Activities Debt</u>	<u>Total Primary Government Debt</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 640,000	\$ 640,000	\$ 5,925,000	0.02	\$ 863
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
8,635,000	8,635,000	16,905,000	0.04	2,095
12,485,000	12,485,000	19,007,000	N/A	2,356

**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
2004	\$ 1,195,000	\$	\$ 4,090,000	\$ 640,000	\$ 5,925,000
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	3,120,000	150,000	5,000,000	8,635,000	16,905,000
2013	4,450,000	102,000	1,970,000	12,485,000	19,007,000

**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
\$ 188,509	\$ 5,736,491	0.72	\$ 836
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	13,404,201	1.29	1,661
726,753	19,733,753	1.92	2,446

**CITY OF LAKE ELMO, MINNESOTA**  
**COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT**  
**AND LEGAL DEBT MARGIN**  
December 31, 2013

<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	\$ 150,550,000	3.10%	\$ 4,667,050
Independent School District #832	63,230,000	4.70%	2,971,810
Independent School District #834	43,730,000	14.10%	6,165,930
<b>Other debt</b>			
Washington County	139,195,000	4.50%	6,263,775
Metropolitan Council	219,230,000	1.10%	<u>2,411,530</u>
Subtotal, overlapping debt			22,480,095
City direct debt	5,795,713	100.00%	<u>5,795,713</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 28,275,808</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>				
	2013	2012	2011	2010	2009
Debt limit	\$32,470,203	\$32,054,064	\$31,126,713	\$34,288,095	\$36,036,402
Total net debt applicable to limit	<u>1,894,510</u>	<u>2,099,369</u>	<u>2,148,203</u>	<u>2,195,153</u>	<u>271,142</u>
Legal debt margin	\$30,575,693	\$29,954,695	\$28,978,510	\$32,092,942	\$35,765,260
Total net debt applicable to the limit as a percentage of debt limit	5.83%	6.55%	6.90%	6.40%	0.75%

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 2013**

Taxable Market Value	\$1,082,340,100
Debt Limit (3% of market value)	32,470,203
Debt applicable to limit:	
General obligation bonds	2,072,000
Less: Amount set aside for repayment of general obligation debt	<u>177,490</u>
Total net debt applicable to limit	1,894,510
Legal debt margin	<u><u>\$ 30,575,693</u></u>

2008	2007	2006	2005	2004
\$36,242,169	\$22,620,202	\$20,351,938	\$18,208,774	\$ 15,831,710
<u>315,169</u>	<u>358,220</u>	<u>400,384</u>	<u>                    </u>	<u>                    </u>
\$35,927,000	\$22,261,982	\$19,951,554	\$18,208,774	\$ 15,831,710
0.87%	1.58%	1.97%	0.00%	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	
2004	\$ 376,471	\$ 370,066	\$ 6,405	\$ 25,000	\$ 29,465	0.12
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

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

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

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

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

<b>YEAR</b>	<b>POPULATION (1)</b>	<b>PERSONAL INCOME (thousands of dollars)</b>	<b>PER CAPITA PERSONAL INCOME (2)</b>	<b>STATE UNEMPLOYMENT RATE (3)</b>	<b>CITY UNEMPLOYMENT RATE (3)</b>
2004	6,863	\$ 292,172	\$ 42,572	4.3	3.4
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	N/A	N/A	4.6	4.0

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>2013</u>			<u>2004</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)	9,500	1	48.7%	12,774	1	54.3%
Andersen Corp (Bayport)	1,850	2	9.5%			
Washington County (Stillwater)	1,138	3	5.8%			
Woodwinds Health (Woodbury)	1,070	4	5.5%			
ISD 834 (Stillwater)	1,037	5	5.3%	2,050	2	8.7%
MN Correctional Facility (Oak Park Hts)	725	6	3.7%			
Ecowater Systems, Inc. (Woodbury)	440	7	2.3%	450	6	1.9%
Bremer Bank Operations Ctr (Lake Elmo)	400	8	2.1%	400	7	1.7%
Imation Corp (Oakdale)	380	9	1.9%	500	5	2.1%
SunAmerica Financial Group (Woodbury)	310	10	1.6%			
Fortis Company (Woodbury)				1,300	3	5.5%
3M Company (Woodbury)				940	4	4.0%
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**

<b>Function</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Administration	3.55	3.15	3.15	3.15	3.18
Finance	1.25	0.50	0.50	0.50	0.50
Planning and Zoning	2.95	1.55	1.55	1.55	1.75
<b>General Government</b>	<u>7.75</u>	<u>5.20</u>	<u>5.20</u>	<u>5.20</u>	<u>5.43</u>
Fire	2.05	1.60	1.10	1.10	1.10
Building Inspections	1.30	0.95	0.95	0.95	1.95
<b>Public Safety</b>	<u>3.35</u>	<u>2.55</u>	<u>2.05</u>	<u>2.05</u>	<u>3.05</u>
Streets and Roadways	3.21	3.05	3.05	3.05	3.05
<b>Public Works</b>	<u>3.21</u>	<u>3.05</u>	<u>3.05</u>	<u>3.05</u>	<u>3.05</u>
Parks	2.74	2.52	2.52	2.52	3.10
<b>Parks and Recreation</b>	<u>2.74</u>	<u>2.52</u>	<u>2.52</u>	<u>2.52</u>	<u>3.10</u>
Community Development	0.40	0.15	0.15	0.15	0.19
	0.40	0.15	0.15	0.15	0.19
<b>Total Governmental Activities</b>	<u>17.45</u>	<u>13.47</u>	<u>12.97</u>	<u>12.97</u>	<u>14.82</u>
Water Utility	2.10	1.85	1.85	1.85	1.85
Sewer Utility	0.70	0.30	0.30	0.30	0.30
<b>Total Business Activities</b>	<u>2.80</u>	<u>2.15</u>	<u>2.15</u>	<u>2.15</u>	<u>2.15</u>
<b>Totals for Organization</b>	<u><u>20.25</u></u>	<u><u>15.62</u></u>	<u><u>15.12</u></u>	<u><u>15.12</u></u>	<u><u>16.97</u></u>

Source: City's Adopted Budgets

**Schedule 17**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
3.75	2.40	2.44	2.52	2.21
1.00	1.29	1.30	1.16	0.83
<u>1.75</u>	<u>2.15</u>	<u>1.95</u>	<u>1.12</u>	<u>1.49</u>
6.50	5.84	5.69	4.80	4.53
1.10	1.26	0.23	0.40	0.39
<u>1.20</u>	<u>2.68</u>	<u>2.18</u>	<u>2.25</u>	<u>2.19</u>
2.30	3.94	2.41	2.65	2.58
<u>3.05</u>	<u>2.78</u>	<u>3.08</u>	<u>2.60</u>	<u>2.40</u>
3.05	2.78	3.08	2.60	2.40
<u>2.72</u>	<u>3.40</u>	<u>3.00</u>	<u>1.29</u>	<u>1.21</u>
2.72	3.40	3.00	1.29	1.21
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
0.00	0.00	0.00	0.00	0.00
<u>14.57</u>	<u>15.96</u>	<u>14.18</u>	<u>11.34</u>	<u>10.72</u>
2.30	2.02	2.02	1.56	1.88
<u>0.35</u>	<u>0.22</u>	<u>0.20</u>	<u>0.18</u>	<u>0.40</u>
2.65	2.24	2.22	1.74	2.28
<u>17.22</u>	<u>18.20</u>	<u>16.40</u>	<u>13.08</u>	<u>13.00</u>



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

<b>Function/Program</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Planning and Zoning</b>					
Conditional use permits	2	3	0	0	2
Interim use permits	1	0	3	1	0
Minor subdivisions	2	1	0	0	2
Plats/Planned unit developments	1	0	0	0	0
Rezoning	2	7	0	0	1
Site plans	2	1	0	1	1
Variances	5	4	6	2	5
<b>Fire</b>					
Total emergency responses	448	399	315	361	319
EMS responses	280	262	195	211	205
Fire responses	28	28	24	14	24
<b>Building Inspections</b>					
Residential permit valuations (thousands of dollars)	19,979	20,320	16,133	15,889	12,903
Commercial permit valuations (thousands of dollars)	966	2,351	2,590	2,013	1,617
New residential units	32	31	24	26	29
New commercial units	0	0	0	1	1
<b>Water Utility</b>					
Number of customers	1,051	1,016	998	967	941
Average daily consumption (thousands of gallons)	21	15	14	18	24
<b>Sanitary Sewer Utility</b>					
Number of customers	29	29	29	29	28
Average daily flow (thousands of gallons)	77	75	71	72	68

(a) City did not have city-owned sewer system until 2005

Sources: Various City Department's annual budget workload measurements

**Schedule 18**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1	3	3	6	4
1	1	0	0	0
1	1	0	4	3
0	0	3	2	1
1	1	0	5	0
0	1	12	7	2
6	8	9	5	10
294	369	313	340	328
204	244	202	222	211
20	46	26	31	28
16,525	22,739	18,727	17,019	12,885
1,370	3,600	25,744	5,532	3,218
23	29	30	21	13
0	1	6	3	0
935	918	735	712	683
28	26	24	27	25
28	26	18	14	0
73	66	49	29	(a)

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

<b>Function/Program</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>	<b>2004</b>
<b>Fire</b>										
Stations	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
Bituminous streets (miles)	63	63	63	62	62	62	62	57	54	54
Gravel streets (miles)	2	2	2	2	3	3	3	3	3	3
Street lights	142	137	137	137	137	137	137	137	137	137
Storm sewer (miles)	25	25	25	25	25	23	23	22	20	20
<b>Park &amp; Recreation</b>										
Acres of parkland	451	451	451	451	451	451	451	451	443	443
Number of parks	17	17	17	17	17	17	17	17	16	16
<b>Water Utility</b>										
Water towers	2	2	2	2	2	2	1	1	1	1
Miles of watermain	39	37	37	37	37	34	26	20	20	20
Number of fire hydrants	293	280	280	280	280	280	233	225	221	221
<b>Sanitary Sewer Utility</b>										
Miles of sanitary sewer	3	3	3	3	3	3	3	3	3	3
Life stations	3	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, 2013**

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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, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2014.

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  
June 13, 2014

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