

PROVIDING TAILOR MADE CLIENT SOLUTIONS



CITY OF LAKE ELMO

Financial Summary - 2012



Audit

- **Audit Opinion**

- Provides reasonable, but not absolute, assurance that financials are free of material misstatement
- Audit procedures include: outside confirmation of certain balances and transactions, sample tests of documentary evidence, inquiries of employees and management, analytical procedures applied to balances and certain other testing procedures
- Unqualified opinion – Financial Statements fairly stated in all material respects

- **Minnesota Legal Compliance**

- Seven areas required to be tested by the State of Minnesota: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. The items required to be tested for each area are listed in the Office of the State Auditor's Minnesota Legal Compliance Guide for Political Subdivisions
- Testing covered all of the listed areas except for tax increment financing and consisted of inquiries, sighting of documents and testing on a sample basis
- No exceptions noted



Fund Types

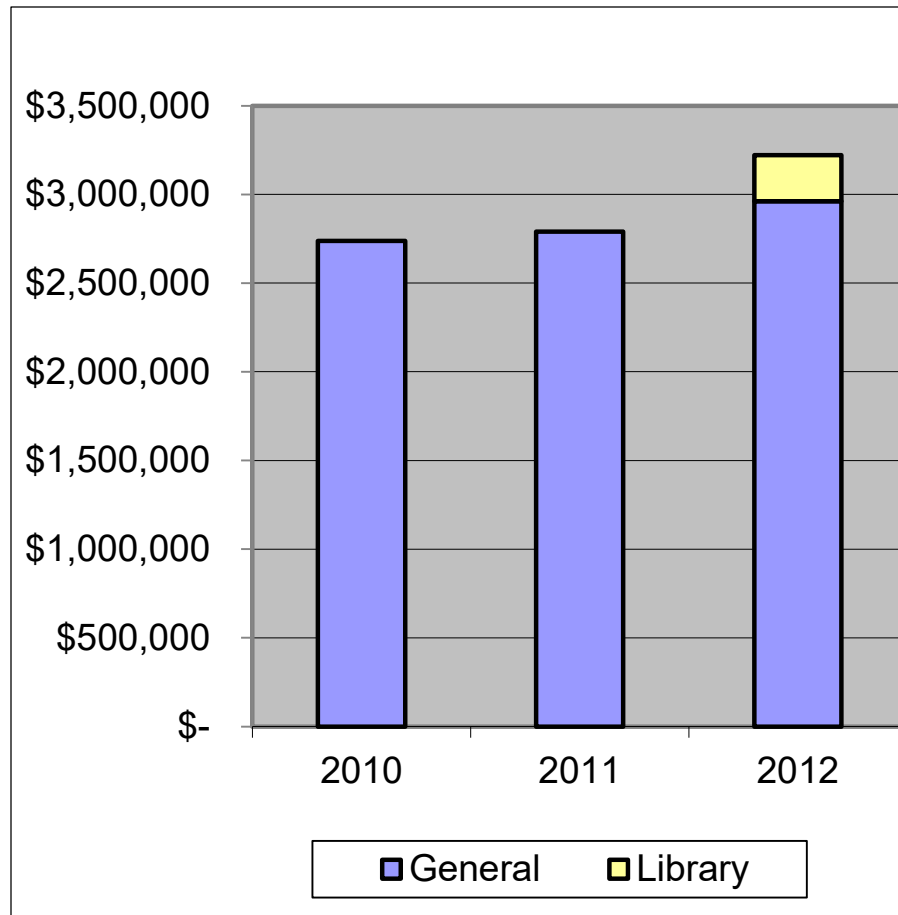
- **Governmental**
 - General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Capital Projects Funds
 - Internal Service Funds
 - Fiduciary Fund
- **Enterprise**
 - Water
 - Sewer
 - Storm sewer



Governmental Funds

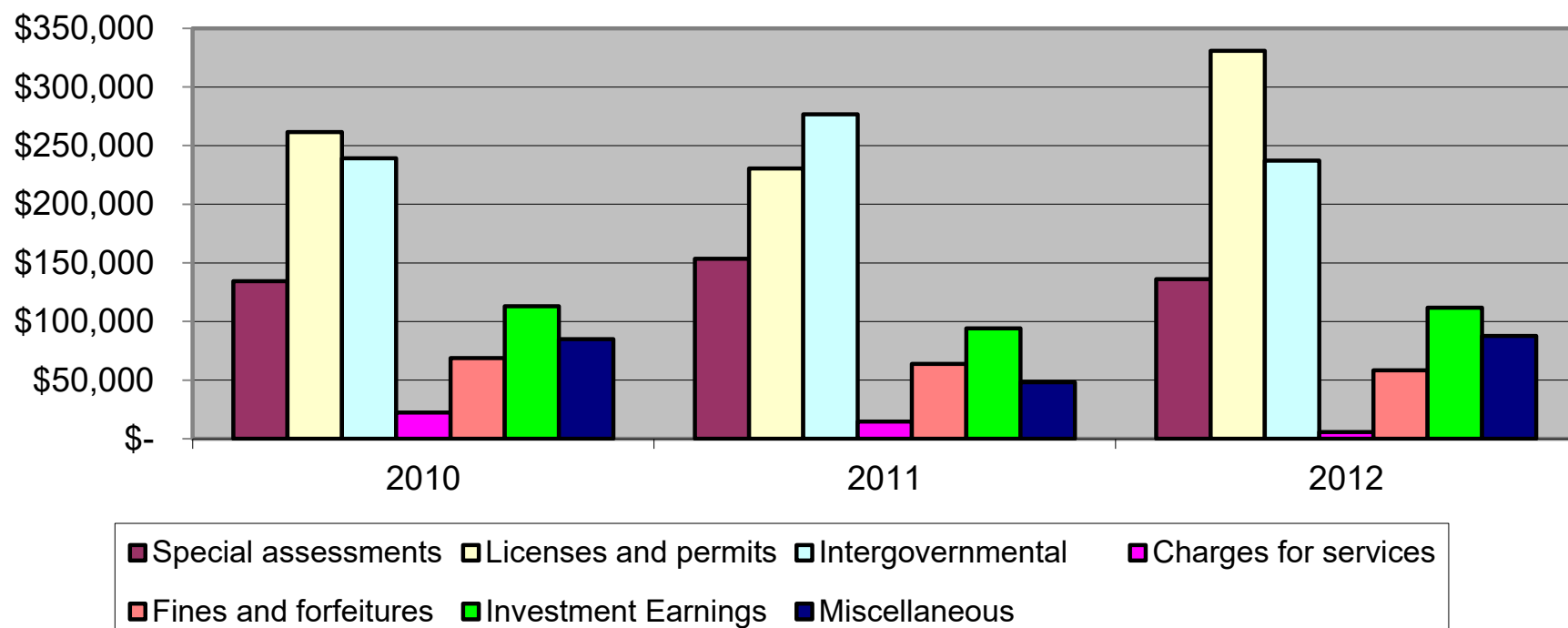
Revenues

Property Tax Revenues

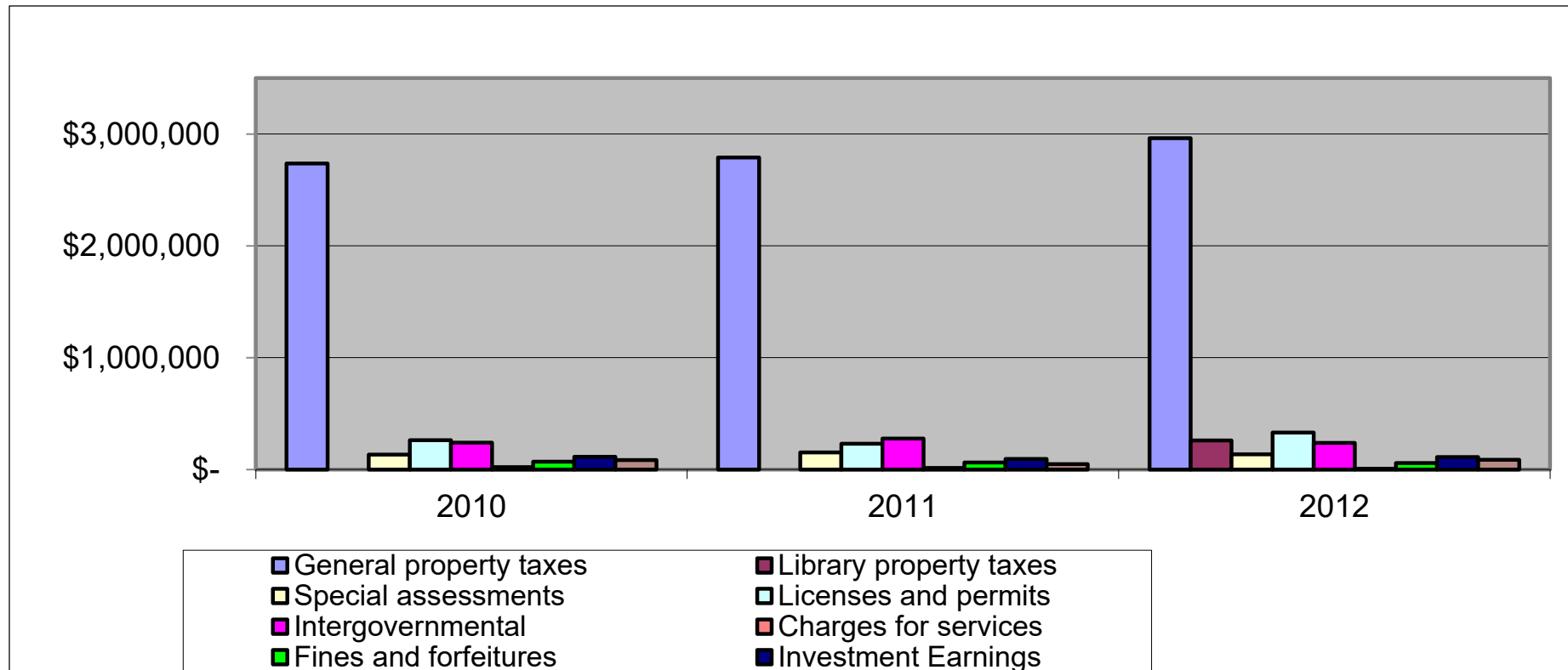


- Property tax revenues in total increased by 15% in 2012 and 2% in 2011. The majority of the increase in 2012 was due to the shift of library levy dollars from Washington County to the City.
- In 2012, property tax revenues represented 77% of governmental revenues excluding transfers and bond proceeds
- Property tax revenues have grown from \$2,737,225 in 2010 to \$3,221,733 in 2012 due to increases in levied taxes and increased collections of delinquent taxes

Other Governmental Fund Revenues



Governmental Fund Revenues



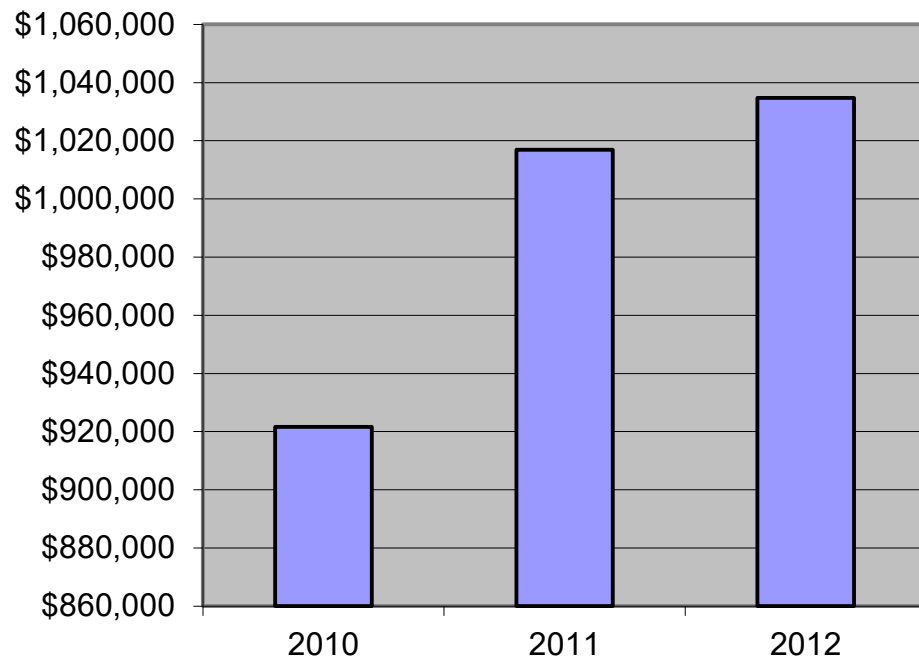
A close-up photograph of a white calculator with a silver pen resting on it. The calculator has buttons for numbers, a plus sign, a percent sign, and a memory function. The pen is silver and has a black nib. The image is partially obscured by a dark grey horizontal bar.

Governmental Funds

Expenditures

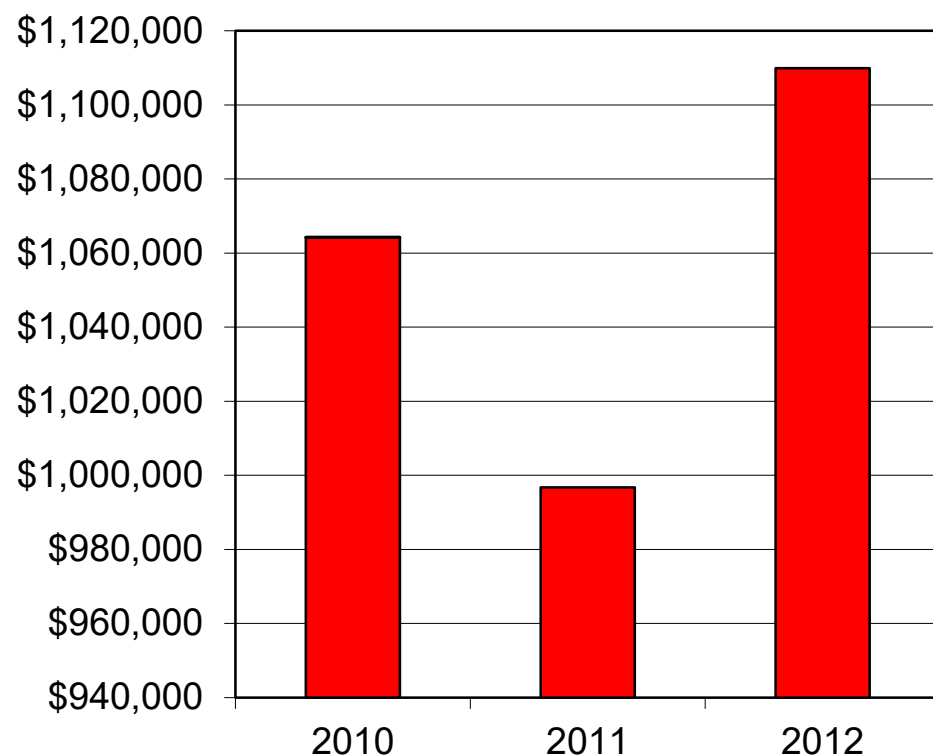


General Governmental Expenditures



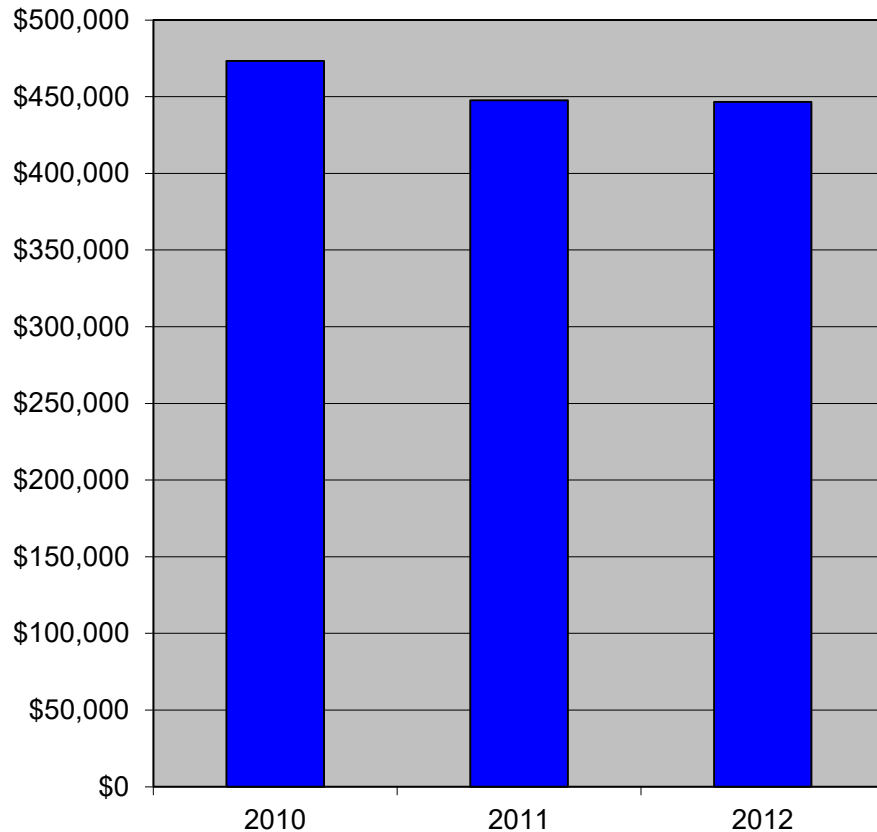
- Includes mayor and council, elections, administration, communications, building, professional services and planning and zoning
- Represented 36% of governmental expenditures (excluding capital projects and debt service) in 2012
- Totaled \$1,034,712 in 2012, an increase of \$17,814 from 2011 due primarily to the addition of planning department personnel in order to support the City expansion projects

Public Safety Expenditures



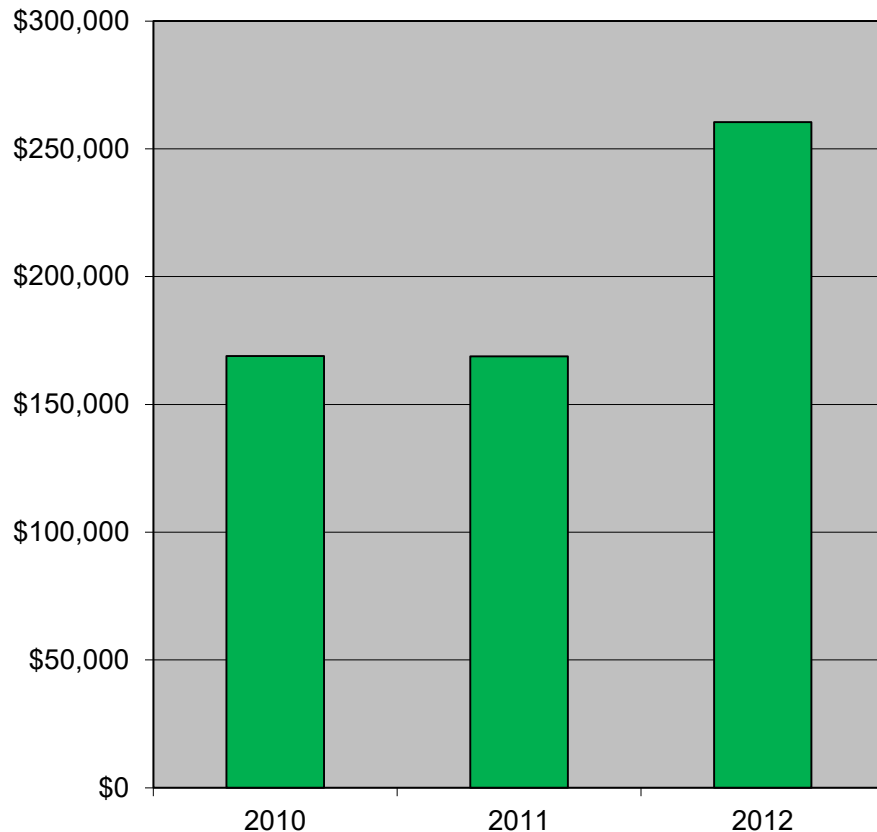
- Includes police, fire protection, building inspector, animal control, criminal legal and emergency communications
- Public Safety represented about 39% of total governmental expenditures (excluding capital projects and debt service) in 2012
- Totaled \$1,109,937 in 2012, an increase of \$113,204 (11%) from 2011
- Increase in public safety expenditures in 2012 is due primarily to an increase in contract services for law enforcement and building inspection services

Public Works Expenditures



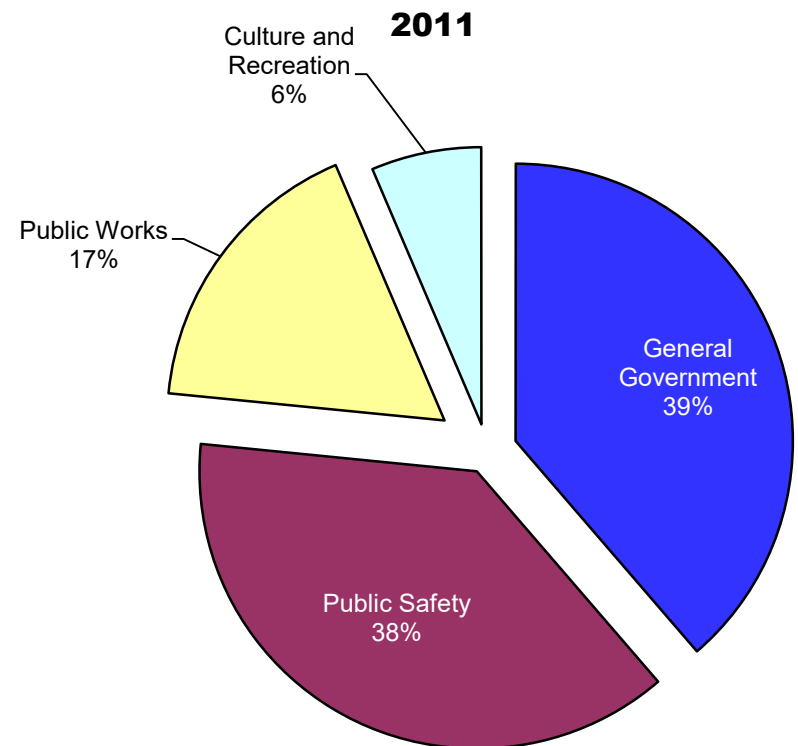
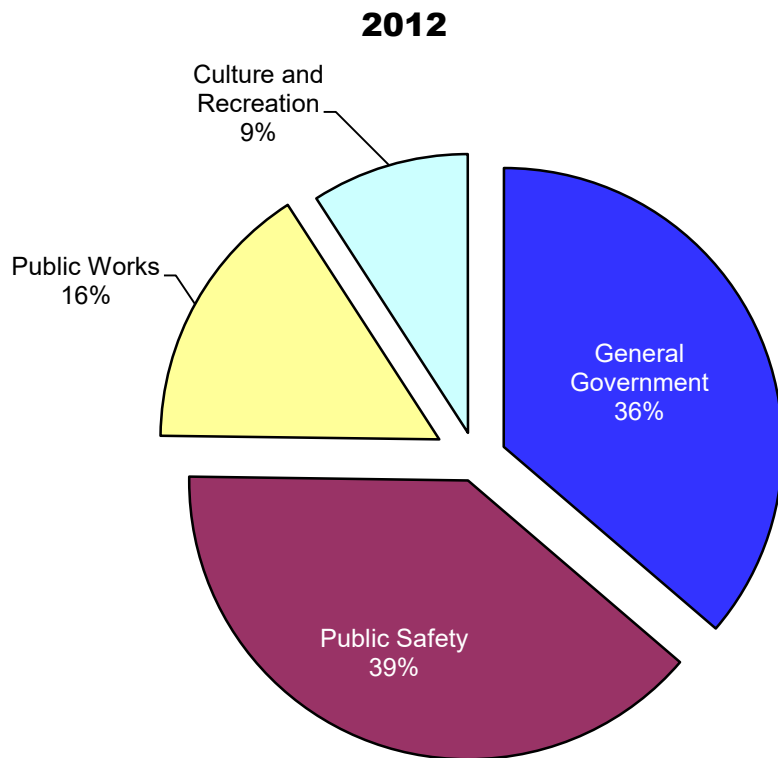
- Includes personnel services, outside services, supplies, trees and street lighting
- Totaled \$446,541 in 2012 and \$447,629 in 2011 – a decrease of less than 1%

Culture and Recreation Expenditures



- Includes parks, Fall Festival and library services
- Primarily salaries and related benefits, supplies and contract services
- Totaled \$260,404 in 2012 and \$168,747 in 2011 – an increase of 54% due primarily to increased expenditures for the library that is now run by the City rather than Washington County

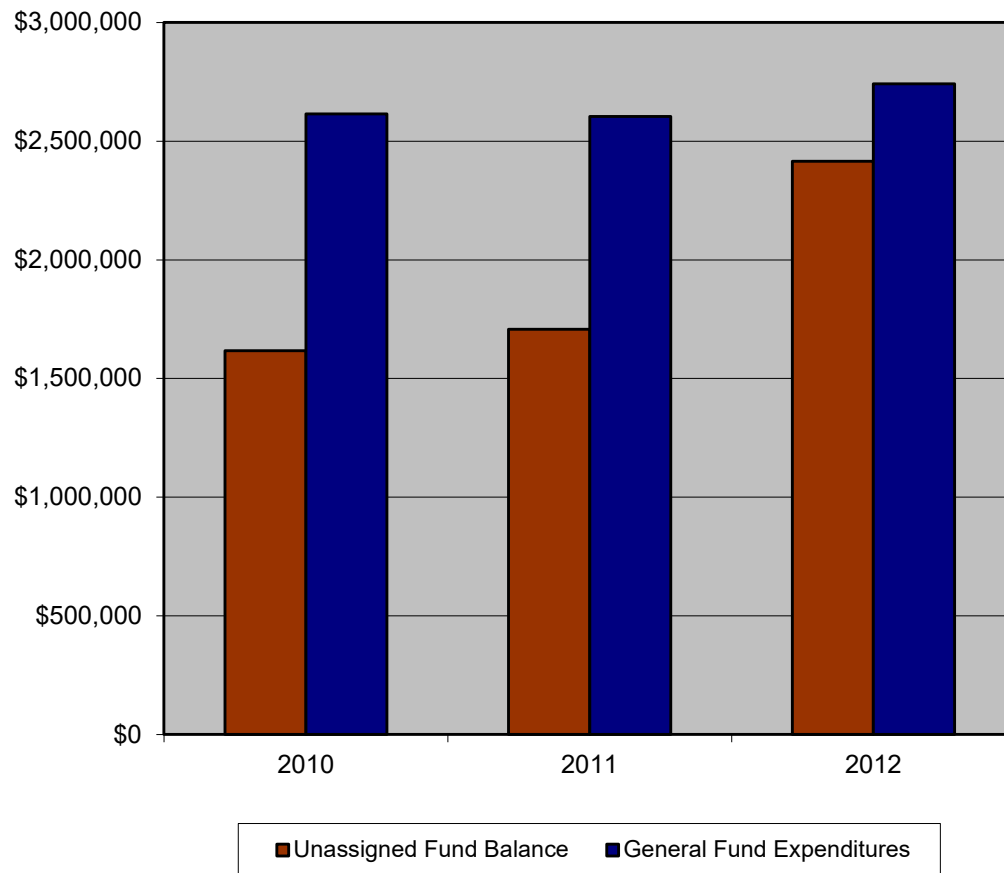
Governmental Fund Expenditures





General Fund Reserves

General Fund - Reserves



- Unassigned General Fund balance as a % of General Fund expenditures
 - 2012 88%
 - 2011 66%
 - 2010 62%
- Unassigned fund balance is 90% of 2013 budgeted expenditures
- State Auditor recommendation is 35 to 50% in unassigned fund balance
- Unassigned fund balance in 2012 and 2011 is comparable to unreserved fund balance in prior years



Purposes & Benefits of Reserves

Purpose of Reserves

- ☞ Cash flow timing differences
- ☞ Intergovernmental revenue cutbacks
- ☞ Capital outlay replacement
- ☞ Emergency or unanticipated expenditures
- ☞ Special City Council projects
- ☞ Unfunded mandates

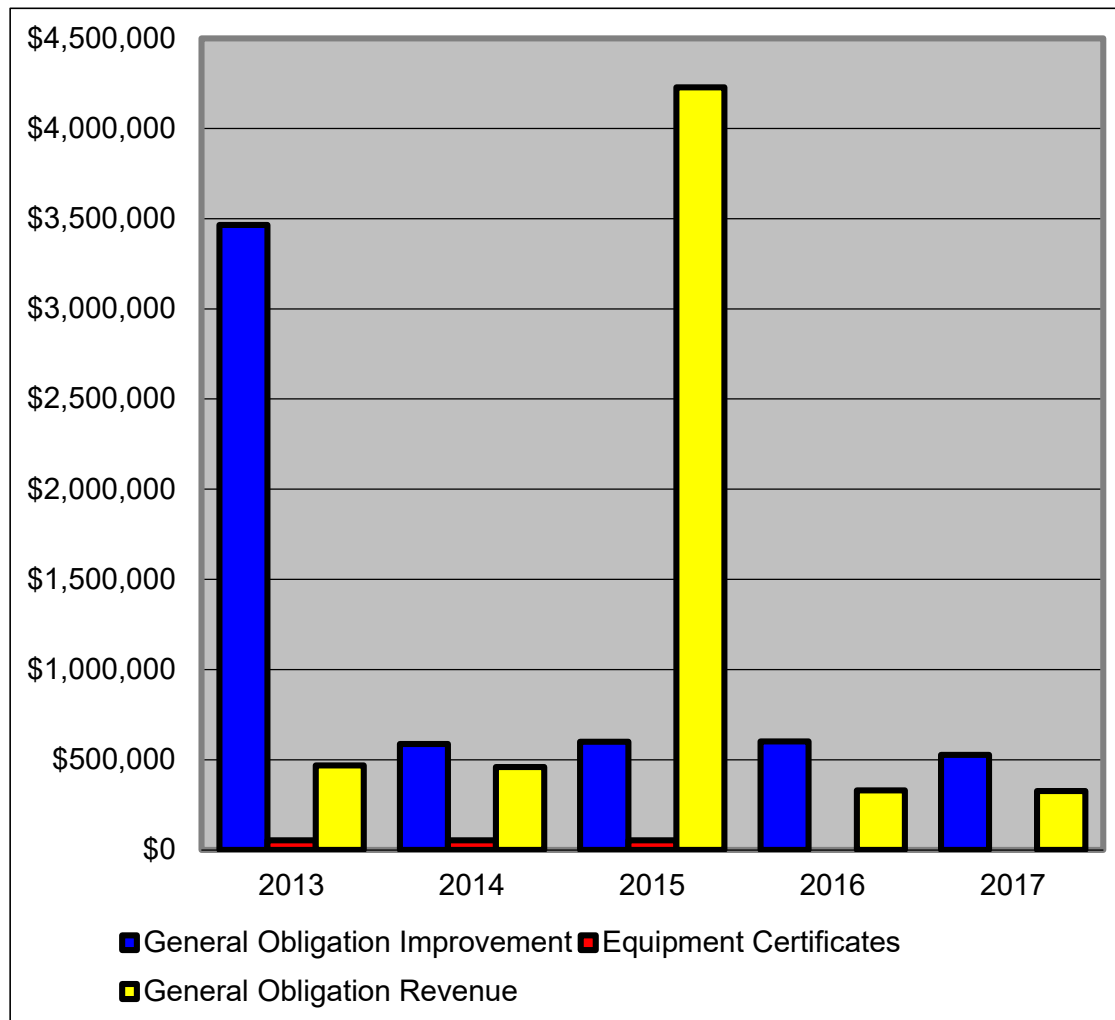
Benefits of Reserves

- ☞ Favorable bond rating
- ☞ Higher investment earnings
- ☞ Provides resources for minor projects or feasibility reports
- ☞ Avoids temporary overdrafts prior to major receipts
- ☞ Allows time to study effects of revenue cuts
- ☞ Avoids overburdening of annual budgets for certain capital outlay
- ☞ Provides the City greater options to deal with unexpected events



Debt Service

5 Year Debt Service Requirements

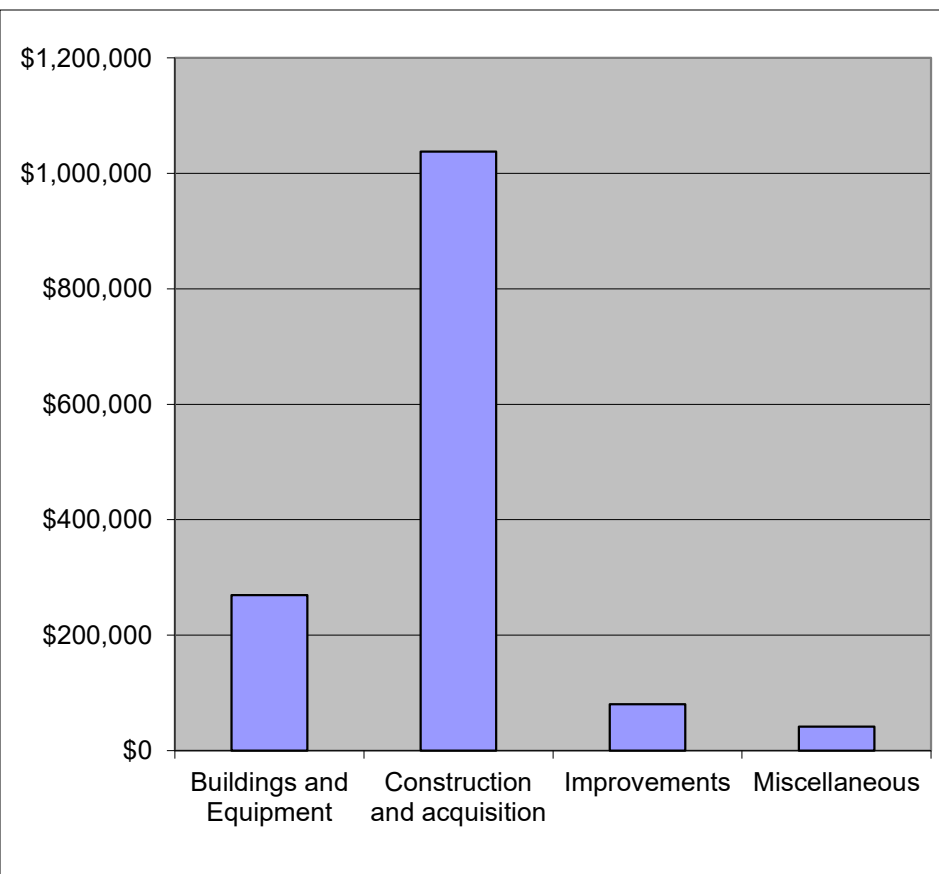


- All bond payments are being paid on a timely basis
- Includes principal and interest
- Large debt service requirement in 2013 and 2015 is due to the refunding of the 2004 CIP bonds and the 2005A water revenue bonds, respectively



Capital Projects

Capital Outlay Expenditures



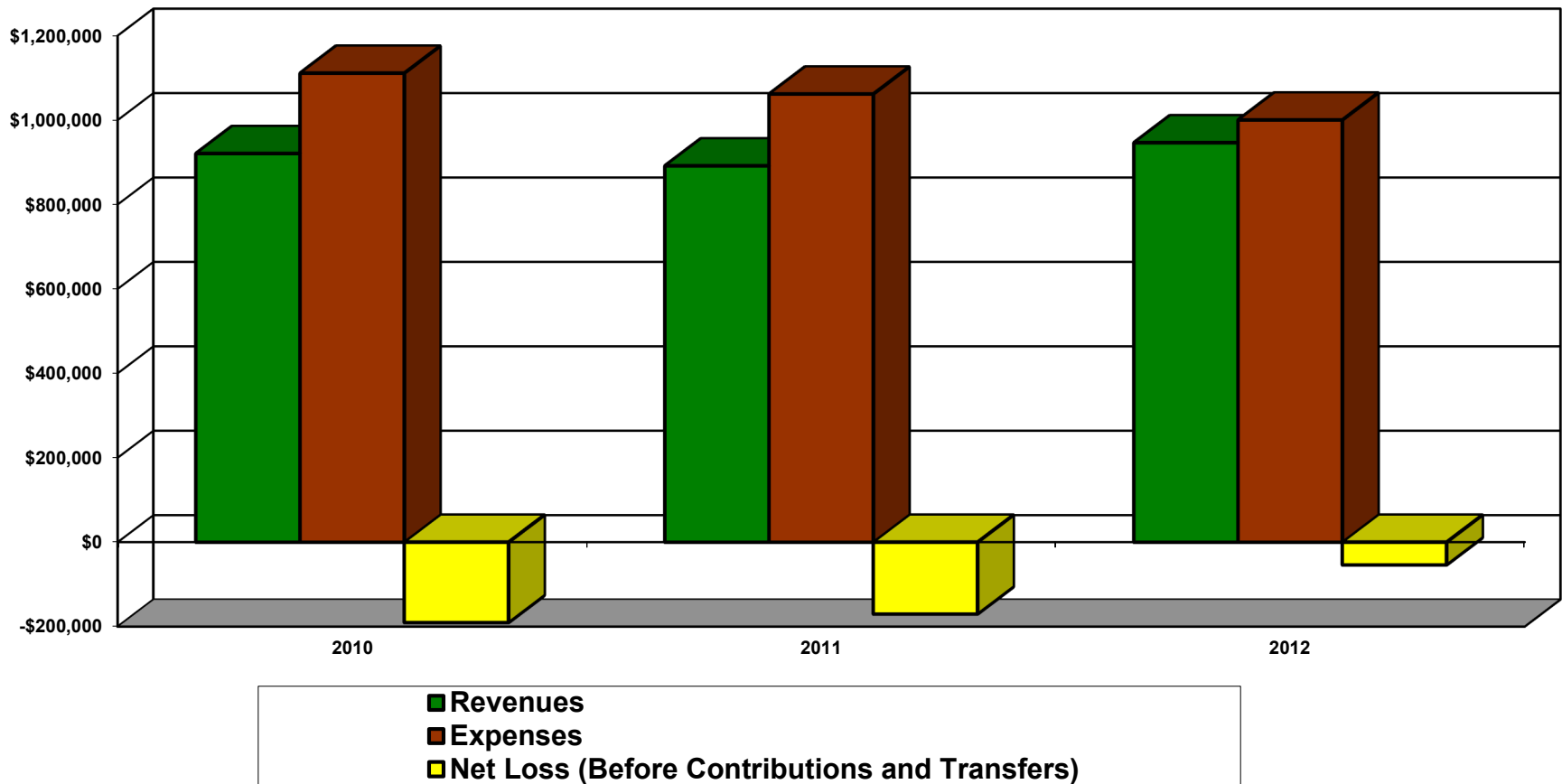
- Major capital outlay expenditures in 2012 were for:
 - 2012 street improvements project
 - Purchase of the library building
- Major capital outlay expenditures in 2011 were for:
 - 2011 street improvements project and completion of 2010 street improvements project
 - South of 10th Street improvements project
 - Improvements including field lights and roof repair in Lions Park

A close-up photograph of a white calculator with a silver pen resting on it. The calculator has buttons for numbers, a plus sign, a minus sign, a percent sign, and a memory function. The pen is silver and has a black nib. The background is a solid dark grey.

Enterprise Funds

Operational Trends

Enterprise Funds






Enterprise Funds (Cont'd)

- Water, sewer and storm sewer services supported by ratepayers
- Population and commercial industrial growth has been fairly stagnant in the past three years, resulting in relatively stable operating revenues, operating expenses, other income and other expense
- Revenues include charges for services, rental income and investment earnings
- Expenses include operating expenses, amortization of deferred charges related to revenue bonds and interest expense



Summary

-  **Unqualified audit opinion**
-  **No Minnesota Legal Compliance exceptions in 2012**
-  **Unassigned general fund balance of \$2,414,692 (88% of 2012 expenditures)**
-  **Bonds and certificates outstanding of \$16,905,000 at 12/31/12**