



## **STAFF REPORT**

DATE: August 1, 2017

**REGULAR**

**TO:** City Council  
**FROM:** Brian A. Swanson – Finance Director  
**AGENDA ITEM:** Presentation of 2016 Comprehensive Annual Financial Report (CAFR)  
**REVIEWED BY:** Kristina Handt – City Administrator

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### **BACKGROUND:**

Annually, the City engages the services of an independent outside audit firm to audit and assist with the preparation of the financial statements. The auditors are asked to assure that the financial statements are free from material misstatement in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The firm also performs testing and makes inquiries to help ensure that proper internal controls are in place. This is the fourth year that the City of Lake Elmo has presented the report in the Comprehensive Annual Financial Report (CAFR) layout.

As such, the City has retained the services of Smith Schafer & Associates, Ltd., to perform the City of Lake Elmo's audit for 2016. The 2016 Comprehensive Annual Financial Report and Management Report will be presented to the City Council by Mr. Jason Miller – Principal, from Smith Schafer and Associates, Ltd. with the opportunity to ask questions of both Mr. Miller and City Staff.

An overview summary of the 2016 CAFR and results were presented to the Finance Committee on July 27, 2017. Copies of the report were provided to the Finance Committee and it was unanimously agreed to recommend that the report be presented to the City Council.

### **QUESTION BEFORE THE CITY COUNCIL:**

- 1) Does the City Council have any questions regarding the 2016 CAFR?

### **DISCUSSION:**

Mr. Jason Miller – Principal, from Smith Schafer and Associates, Ltd., will present information regarding the 2016 Audit, answer any questions the City Council may have, with staff also present to answer any questions pertaining to the 2016 Audit and 2016 CAFR.

### **FISCAL IMPACT:**

Overall sound policies, fiscal management, effective operational, capital, and long range planning are all integral parts of City business leading up to the audit and completion of the CAFR. As such, continued investment in the aforementioned items will help position the City to continue to provide quality, efficient, timely and cost effective services to the constituents of the community.

### **RECOMMENDATION:**

- 1) No formal recommendation is required, but the City Council at its discretion may accept the results of the 2016 Audit and 2016 CAFR.

### **ATTACHMENT:**

- 1) 2016 Comprehensive Annual Financial Report

**CITY OF LAKE ELMO, MINNESOTA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2016**

**PREPARED BY:  
FINANCE DEPARTMENT  
CITY OF LAKE ELMO, MINNESOTA**



**CITY OF LAKE ELMO, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2016**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
Elected and Appointed Officials	vi
Organizational Chart	vii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Combining Statement of Net Position - Proprietary Funds	27
Combining Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	31
Combining Statement of Cash Flows - Proprietary Funds	33
Statement of Fiduciary Net Position - Fiduciary Funds	35
Notes to Financial Statements	36
Required Supplemental Information	
Schedule of City Contributions	
General Employees Retirement Plan	84
Public Employees Police and Fire Plan	84
Schedule of Proportionate Share of Net Pension Liability	
General Employees Retirement Plan	85
Public Employees Police and Fire Plan	85
City of Lake Elmo Fire Relief Association	
Schedule of Funding Progress for the Fire Relief Association	86
Schedule of Employer Contributions for the Fire Relief Association	86
Schedule of Funding Progress - Other Post Employment Benefits	87
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	89
Combining Balance Sheet - Nonmajor Special Revenue Funds	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	91

**CITY OF LAKE ELMO, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2016**

**TABLE OF CONTENTS (CONTINUED)**

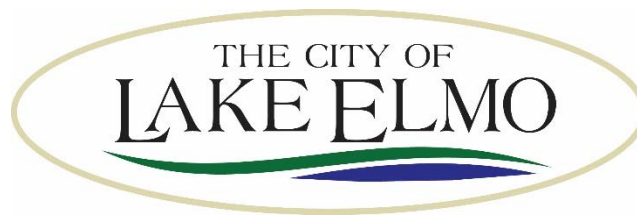
	<u>PAGE</u>
<b>FINANCIAL SECTION (CONTINUED)</b>	
Combining Balance Sheet - Nonmajor Capital Projects Funds	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	94
Combining Statement of Net Position - Internal Service Funds	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	97
Combining Statement of Cash Flows - Internal Service Funds	98
Combining Balance Sheet - Debt Service Funds	99
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	101
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - City Events Special Revenue Fund	103
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Library Special Revenue Fund	104
Combining Schedule of Changes in Assets and Liabilities - Agency Funds	105
Supplemental Schedule of Sources and Uses - Redevelopment Grant Program	106
<b>STATISTICAL SECTION (UNAUDITED)</b>	
	<u>REFERENCE</u>
Net Position by Component	Schedule 1 107
Changes in Net Position	Schedule 2 109
Fund Balances, Governmental Funds	Schedule 3 113
Changes in Fund Balances, Governmental Funds	Schedule 4 115
Tax Capacity and Estimated Actual Value of Taxable Property	Schedule 5 117
Property Tax Rates and Tax Levies - Direct and Overlapping Property Tax Rates	Schedule 6 118
Principal Property Taxpayers	Schedule 7 119
Schedule of Property Tax Levies and Collections	Schedule 8 120
Water and Sanitary Sewer Charges by Customer	Schedule 9 122
Ratios of Outstanding Debt by Type	Schedule 10 124
Ratios of General Bonded Debt Outstanding	Schedule 11 126
Computation of Direct and Indirect General Obligation Bonded Debt and Legal Debt Margin	Schedule 12 128
Legal Debt Margin Information	Schedule 13 129
Pledged Revenue Coverage	Schedule 14 131
Demographic and Economic Statistics	Schedule 15 132
Principal Employers	Schedule 16 133
Full-Time Equivalent Employees by Function	Schedule 17 134
Operating Indicators by Function/Program	Schedule 18 136
Capital Assets Statistics by Function/Program	Schedule 19 138
<b>OTHER REPORT SECTION</b>	
Independent Auditor's Report on Minnesota Legal Compliance	139

**CITY OF LAKE ELMO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2016**

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**3800 Laverne Avenue North  
Lake Elmo, MN 55042  
651-747-3900 [www.lakeelmo.org](http://www.lakeelmo.org)**

June 29, 2017

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

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Government Accounting Standard Board (GASB), and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2016.

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, 2016 are free from material misstatement. The independent audit involved examining, on an approved test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the City of Lake Elmo's financial statements for fiscal year ended December 31, 2016 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, 2016 as the City did not participate in any programs that required this additional independent audit.

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

## **PROFILE OF THE GOVERNMENT**

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota six miles east of St. Paul Minnesota. Located in Washington County, it covers 25 square miles and has an estimated population of 9,000 which represents 3,100 households.

Policy-making and legislative authority are vested in a governing council consisting of an elected Mayor and four council members. Per Minnesota State Statute, the governing council is responsible for passing ordinances, adopting an annual budget, appointing committees and hiring both the city’s administrator and attorney. The City Administrator is responsible for carrying out the policies and ordinances of the governing council and overseeing the day-to-day operations of the city. The Council is elected on a non-partisan basis. The Mayor serves a four-year term and council members serve a four-year staggered term, with two of these positions elected every two years. The Mayor and the Council are elected at-large.

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

The annual budget serves as the foundation for the City of Lake Elmo’s financial management and fiscal stewardship. City departments and agencies of the City submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary 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. The preliminary balanced budget is presented to the City Council in September each year so that the preliminary property tax levy can be submitted to Washington County by the annual due date. The preliminary property tax levy may be decreased but not increased. The 2016 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 28, 2015. Included in the City annual budget process is the compilation of a Capital Improvement Plan which allows for strategic planning of City infrastructure and equipment needs while maintaining a reasonable level of debt and a strong unassigned fund balance. Monthly budget to actual comparison reports are provided to the Finance Committee and the City Council to keep them apprised of the financial performance of the City.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lake Elmo operates.

### **LOCAL ECONOMY**

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New residential developments platted since 2014 number approximately 2,200 have been approved. The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2016 population estimates of 9,000 or an increase of 10% since the 2010 census.

New housing starts in 2016 numbered 252 with a total value of \$79,884,649 and an average value of \$317,003. Commercial new construction numbered 4 with a total value of \$32,058,022 and an average value of \$8,014,505. All these new start have been built in 2016 or will be finished in 2017, which will greatly strengthen the existing tax base of the City.

### **LONG TERM FINANCIAL PLANNING**

Total unassigned General Fund balance as of December 31, 2016 was 89% of the total 2016 General Fund expenditures. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

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

During 2016, Moody's Investors Service maintained the City's long term debt rating of Aa2. In their assessment of the City, Moody's noted the following:

- Strong financial operations supported by healthy reserves and liquidity
- Healthy unassigned fund balance
- Affluent tax base favorably located in Twin Cities metropolitan area

Projections for the next 5 years indicate that property tax contributions, user fees and investment income will continue to grow based on planned development and expansion within the City.

### **RELEVANT FINANCIAL POLICIES**

During 2015, the Metropolitan Council issued the 2015 System Statement for the City of Lake Elmo which outlines the updated forecasts for the City as a result of the termination in 2014 of the Memorandum of Understanding (MOU). The previous forecasted population number for 2040 was reduced from 20,500 to 18,200. Receipt of the system statement plans triggers a community obligation to review and amend its comprehensive plan as necessary, which began late in 2016 and will continue into 2017.

## MAJOR INITIATIVES

2016 was an extremely robust year for the City due to continuation of on-going infrastructure upgrades, projects, as well as oversight of the on-going residential and commercial development activity.

Some of the 2016 infrastructure projects included the following:

- Joint project with Washington County on CSAH 17. This project included the replacement of old water main and installation of sanitary sewer and storm sewer while reconstructing the streets.
- Continued work with the Union Pacific Railroad regarding the downtown project and a new development impacting the Railroad at various locations.
- Construction of a lift station, pump house, well and water tower
- 2016 seal coating and crack filling project
- Use of Parkland dedication fees to continue to make improvements to existing parks and providing oversight to the new City parks being constructed by developers.
- 2016 street reconstruction in the Stonegate, Kirkwood and Kelvin Avenue neighborhoods including the extension of water service to Kelvin Avenue homes.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to the City again for the fiscal year ending December 31, 2015. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation for state and local government financial reports.

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

The City of Lake Elmo is pleased to present its Comprehensive Annual Financial Report, which will be submitted to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting for its financial reports for the fiscal year ended December 31, 2016. The preparation of this report would not have been possible without the efficient and dedicated services of the personnel of the City of Lake Elmo. Further, we would like to express our appreciation to all members of the organization who assisted in contributing to the preparation of the report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of management of the City of Lake Elmo's finances.

Respectfully submitted,



Kristina Handt  
City Administrator



Brian A. Swanson  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Lake Elmo  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2016**

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	Julie Fliflet	December 31, 2018
Council Member	Jill Lundgren	December 31, 2018
Council Member	Anne Smith	December 31, 2016

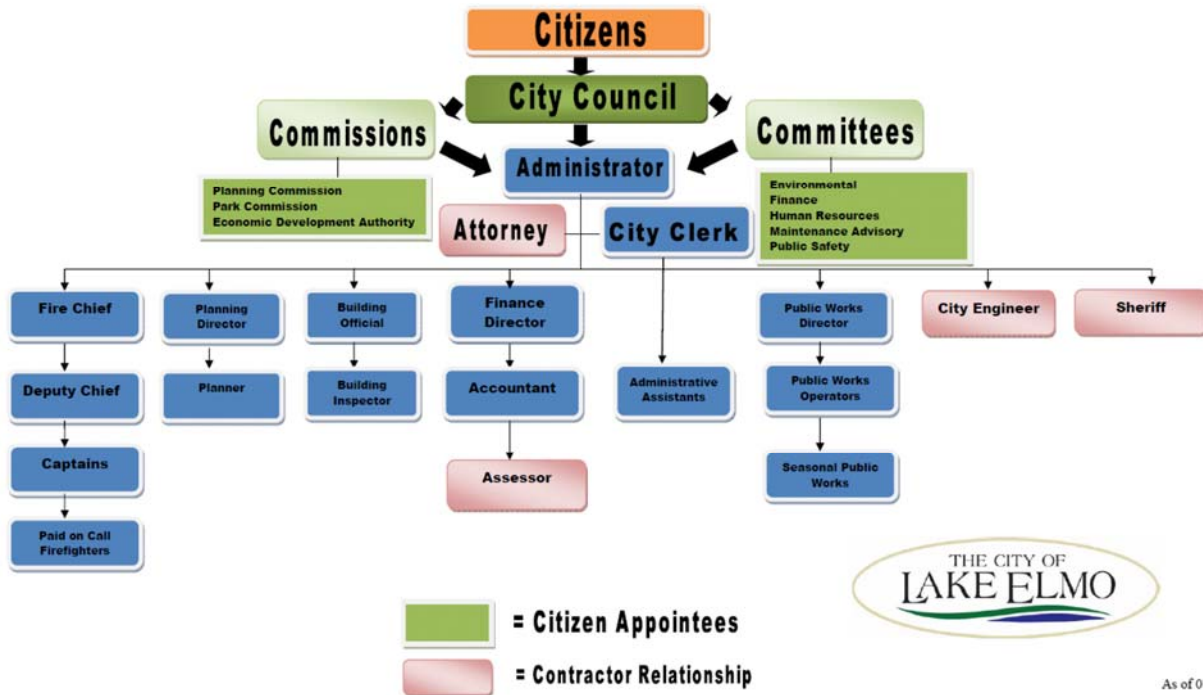
**APPOINTED OFFICIALS**

City Administrator	Kristina Handt	Continuous
Finance Director	Cathy Bendel	Continuous
City Clerk	Julie Johnson	Continuous

**FINANCE COMMITTEE**

Julie Fliflet, Committee Chair and City Council  
Anne Smith, City Council  
Terry Forrest, Retired CFO

## CITY OF LAKE ELMO ORGANIZATIONAL CHART 2017



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As of 07/12/2016

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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2016**



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

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, 2016, 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 from 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 purpose 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 and the required supplemental information as listed in the Table of Contents 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's 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Smith, Schaff and Associates, Ltd.*

Minneapolis, Minnesota  
June 29, 2017

## **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, 2016.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Lake Elmo, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$38,252,973 (*net position*). Of this amount, \$10,536,667 (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 \$6,517,098 during 2016.
- As of the close of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$8,223,754, an increase of \$1,217,847 from the prior year. This increase was due primarily to licenses and permit revenue related to construction within the City.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,279,815, or 89% of total general fund expenditures. The nonspendable portion of the general fund balance as of December 31, 2016 (\$409,222) related to the interfund loan to the Village Project fund and prepaid items. The committed portion of the general fund balance as of December 31, 2016 (\$200,000) was a reserve for future insurance and legal fees.
- The City's total noncurrent liabilities increased by \$9,033,112 or 38% during the current fiscal year due to the issuance of the 2016A General Obligation bonds.
- The City was recognized by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting for the City's 2015 Comprehensive Annual Financial Report.

### **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 14-16 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-two individual governmental funds, twelve 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 infrastructure reserve fund and the vehicle acquisition 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 23 to 26) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-22 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 27-34 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 35 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 36-83 of this report.

***Other Information.*** The combining schedules referred to earlier in connection with non-major governmental funds, debt service funds, internal service funds and the fiduciary fund can be found on pages 88-105 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 \$38,252,973 at the close of the most recent fiscal year.

The largest portion of the City of Lake Elmo, Minnesota's net position, \$21,539,009 (56%) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,893,806	\$ 9,687,510	\$ 10,098,093	\$ 6,221,558	\$ 20,991,899	\$ 15,909,068
Capital assets	20,755,034	18,527,639	30,240,029	22,792,835	50,995,063	41,320,474
Total assets	31,648,840	28,215,149	40,338,122	29,014,393	71,986,962	57,229,542
Deferred outflows of resources	856,676	171,032	128,684	67,075	985,360	238,107
Long-term liabilities outstanding	13,471,388	10,889,186	19,244,126	12,793,216	32,715,514	23,682,402
Other liabilities	955,137	1,265,752	812,316	645,372	1,767,453	1,911,124
Total liabilities	14,426,525	12,154,938	20,056,442	13,438,588	34,482,967	25,593,526
Deferred inflows of resources	206,031	119,126	30,351	19,125	236,382	138,251
Net position:						
Net investment in capital assets	9,032,535	8,723,329	12,506,474	10,170,351	21,539,009	18,893,680
Restricted	4,704,133	3,446,142	1,473,164	1,876,119	6,177,297	5,322,261
Unrestricted	4,136,292	3,942,646	6,400,375	3,577,285	10,536,667	7,519,931
Total net position	<u>\$ 17,872,960</u>	<u>\$ 16,112,117</u>	<u>\$ 20,380,013</u>	<u>\$ 15,623,755</u>	<u>\$ 38,252,973</u>	<u>\$ 31,735,872</u>

An additional portion of the City of Lake Elmo, Minnesota's net position (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$10,536,667) 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 increased the City of Lake Elmo, Minnesota's net position by \$1,760,840 during 2016. Key elements of this increase include:

- Charges for services increased by \$864,288 from the prior year due primarily to an increase in the amount of building permits issued by the City.
- Special assessments revenue for 2015 projects increase by \$239,804.

**Business-type activities.** Business-type activities increased the City of Lake Elmo, Minnesota's net position by \$4,756,258. This increase is due primarily to a construction grant received from the State of Minnesota.

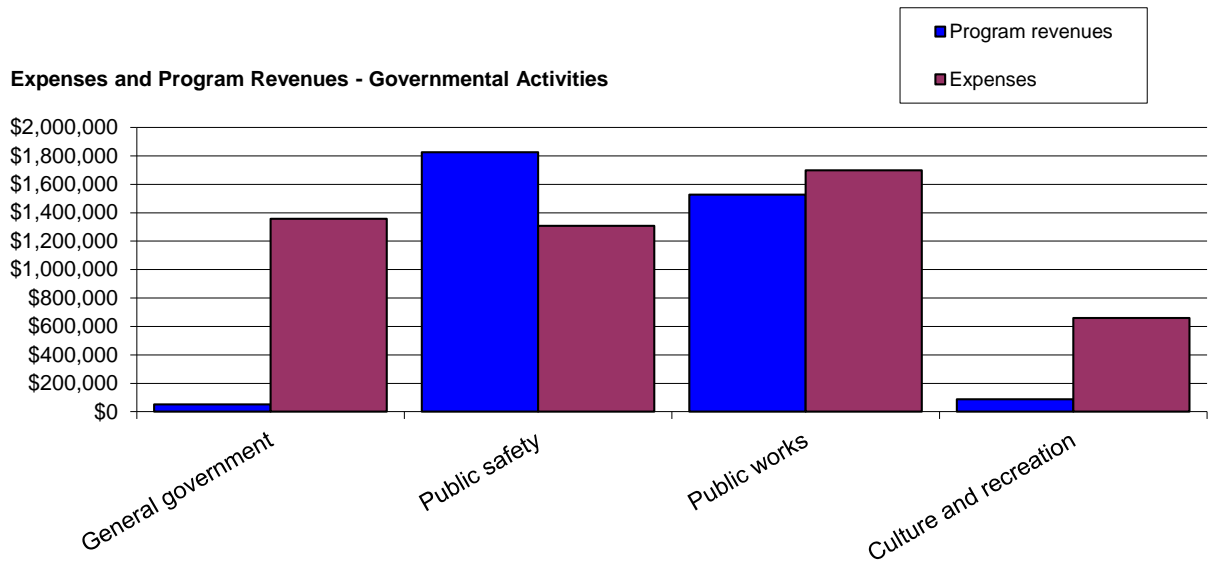
A condensed version of the Statement of Activities follows:

City of Lake Elmo, Minnesota's Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,803,531	\$ 939,243	\$ 3,330,409	\$ 3,602,559	\$ 5,133,940	\$ 4,541,802
Operating grants and contributions	235,214	249,094			235,214	249,094
Capital grants and contributions	1,452,469	2,038,940	3,464,567		4,917,036	2,038,940
General revenues:						
Property taxes	3,226,739	3,204,119			3,226,739	3,204,119
Other	104,291	123,076	45,171	39,757	149,462	162,833
Total revenues	<u>6,822,244</u>	<u>6,554,472</u>	<u>6,840,147</u>	<u>3,642,316</u>	<u>13,662,391</u>	<u>10,196,788</u>
Expenses:						
General government	1,358,370	1,134,132			1,358,370	1,134,132
Public safety	1,308,360	1,344,282			1,308,360	1,344,282
Public works	1,698,566	1,377,969			1,698,566	1,377,969
Culture and recreation	660,947	639,006			660,947	639,006
Interest on long-term debt	178,266	215,611			178,266	215,611
Water			1,409,832	1,363,043	1,409,832	1,363,043
Sewer			380,650	250,866	380,650	250,866
Storm sewer			150,302	103,536	150,302	103,536
Total expenses	<u>5,204,509</u>	<u>4,711,000</u>	<u>1,940,784</u>	<u>1,717,445</u>	<u>7,145,293</u>	<u>6,428,445</u>
Increase in net position before transfers	1,617,735	1,843,472	4,899,363	1,924,871	6,517,098	3,768,343
Transfers	143,105	220,842	(143,105)	(220,842)		
Change in net position	1,760,840	2,064,314	4,756,258	1,704,029	6,517,098	3,768,343
Net position - beginning of year	16,112,120	14,047,803	15,623,755	13,919,726	31,735,875	27,967,529
Net position - end of year	<u>\$ 17,872,960</u>	<u>\$ 16,112,117</u>	<u>\$ 20,380,013</u>	<u>\$ 15,623,755</u>	<u>\$ 38,252,973</u>	<u>\$ 31,735,872</u>

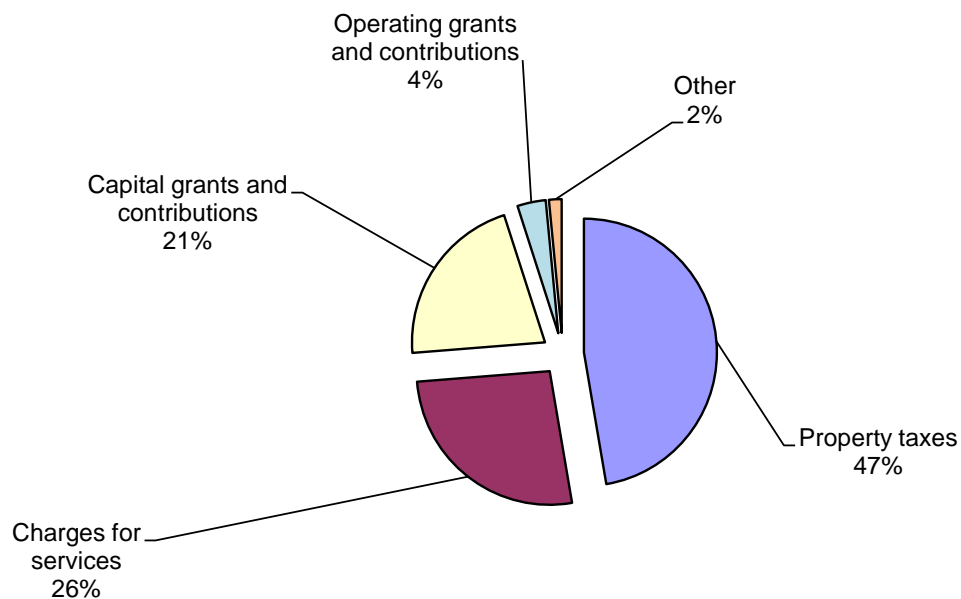


## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

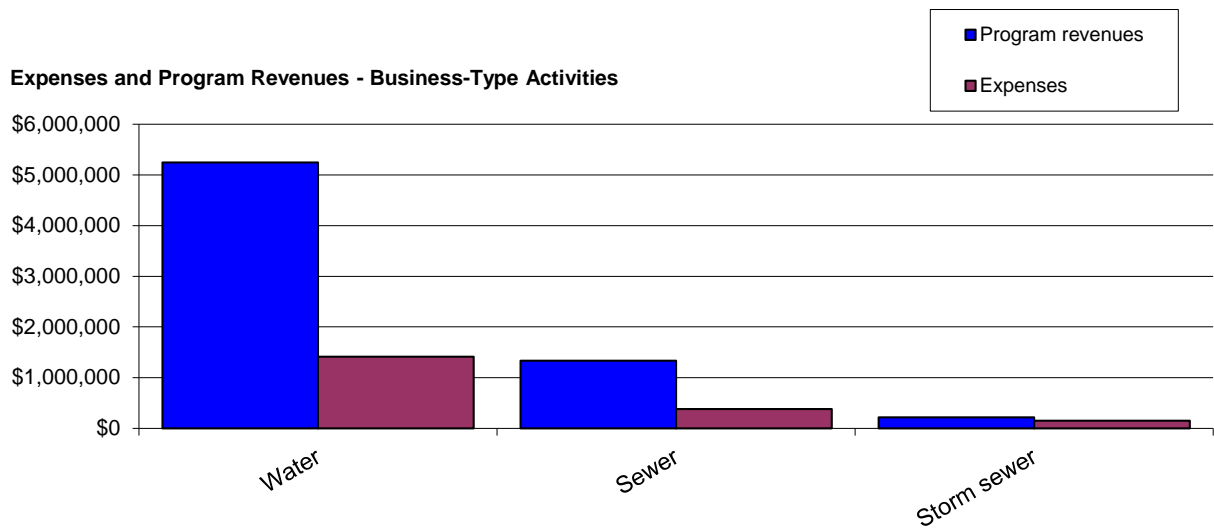


### Revenues by Source - Governmental Activities

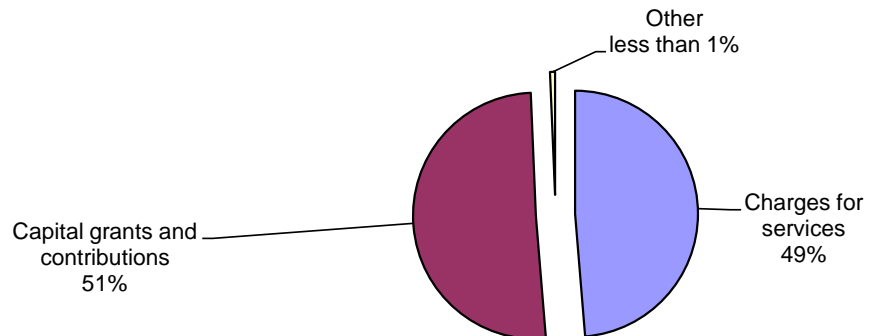


## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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.



### 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 \$8,223,754, an increase of \$1,217,847 in comparison with the prior year. Approximately \$4,366,302 of this total fund balance, or 53%, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$3,857,452) is *restricted, committed and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments, has been committed to a specific purpose by the City Council, 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 \$3,279,815. 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 89% of total 2016 general fund expenditures. The general fund's total fund balance increased by \$701,755 during the current fiscal year due primarily to an increase in building permits and related revenue during the year.

The debt service fund increased its fund balance by \$761,605 due to property taxes, special assessments and intergovernmental revenues allocated to this fund in excess of debt service expenditures.

The infrastructure reserve fund decreased its fund balance by \$210,621 due primarily to capital outlay expenditures in excess of bond proceeds allocated to this fund.

The vehicle acquisition fund decreased its fund balance by \$27,493 due primarily to capital outlay expenditures in excess of revenue allocated to this fund. This fund will no longer be used in 2017.

The special revenue funds decreased their overall fund balances by \$60,414 due primarily to current expenditures for culture and recreation in excess of property taxes allocated to those funds.

The capital projects funds, other than the infrastructure reserve fund and vehicle acquisition fund described previously, increased their collective fund balance by \$53,015 due primarily to park dedication fees in excess of capital outlay expenditures in those 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 \$3,071,906, \$2,406,958 and \$921,511, respectively. The water fund, sewer fund and storm sewer fund increased their net position by \$3,809,117, \$868,277 and \$78,864, respectively, for the year ended December 31, 2016. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Lake Elmo, Minnesota's business-type activities.

### General Fund Budgetary Highlights

The City's General Fund budget was not amended during the year. The budget called for no change in the General Fund balance. The actual net change to the General Fund balance was an increase of \$701,755. Revenues were more than budget by \$899,019 for the year ended December 31, 2016 due primarily to licenses and permits in excess of budget as result of increased building within the City.

Total expenditures were more than budget by \$197,264 for the year. One department had expenditures in excess of budget: general government expenditures exceeded budget by \$324,086. The over expenditures in the general government department were primarily related to legal expenses incurred over the amounts budgeted.

### 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, 2016, amounted to \$50,995,063 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Total capital assets increased by \$9,674,589, or 23%, for the year ended December 31, 2016, 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,453,979	\$ 3,453,979	\$ 248,869	\$ 248,869	\$ 3,702,848	\$ 3,702,848
Construction in progress	4,418,554	2,857,416	7,025,526	4,193,729	11,444,080	7,051,145
Buildings	2,576,941	2,649,349			2,576,941	2,649,349
Improvements other than buildings	438,996	439,669			438,996	439,669
Machinery and equipment	1,556,170	1,609,507	84,461	100,512	1,640,631	1,710,019
Infrastructure	8,310,394	7,517,719	22,881,173	18,249,725	31,191,567	25,767,444
Total	<u>\$ 20,755,034</u>	<u>\$ 18,527,639</u>	<u>\$ 30,240,029</u>	<u>\$ 22,792,835</u>	<u>\$ 50,995,063</u>	<u>\$ 41,320,474</u>

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

Additional information on the City of Lake Elmo, Minnesota's capital assets can be found in Note 3D beginning on page 55 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Lake Elmo, Minnesota had \$30,400,000 in bonds, certificates and notes outstanding. The entire \$30,400,000 outstanding comprises debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 11,625,000	\$ 9,740,000	\$ 18,775,000	\$ 12,535,000	\$ 30,400,000	\$ 22,275,000
General obligation certificates						
General obligation notes payable		21,219				21,219
Total	<u>\$ 11,625,000</u>	<u>\$ 9,761,219</u>	<u>\$ 18,775,000</u>	<u>\$ 12,535,000</u>	<u>\$ 30,400,000</u>	<u>\$ 22,296,219</u>

The City of Lake Elmo, Minnesota's total bonds and certificates payable increased by \$8,103,781 during the current fiscal year. The increase was due primarily to the issuance of the 2016A General Obligation bonds. A more detailed breakdown of these obligations can be found in Note 3E beginning on page 57 of this report.

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 planned a new minor collector road to be built (5<sup>th</sup> Street) in the I-94 Corridor and many segments were completed in 2015 and 2016. A new minor collector road (Village Parkway) in the Old Village has been planned out by the City with initial sections having been built out in 2015 and 2016.
- Plans continue with subsequent phases of the multi-phased developments which were approved by the City.
- The Cities taxable market value increased 13% from 2014 to 2015 and 8% from 2015 to 2016.

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

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

- There was a slight reduction in the amount of total property taxes levied in 2017. This was based on increases in charges for services revenues for building-related activities and the planned use of fund balance, which helped to offset increases to the debt service components of the tax levy.
- Development continues to be strong in the new development areas. The 2017 budget anticipates the building of 250 new homes and the continuation of commercial expansion.
- The Lake Elmo Avenue Downtown project with Washington County is well underway and Phase I was completed in 2015. Phase II of the project was completed in 2016 and Phase III will be completed in 2017. The project covers full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
- The Inwood Avenue segment of the water line (for which the \$3.5M in State Bonding proceeds were secured) has moved into construction. This includes the construction of a new water tower, booster station and the truck water main improvements anticipated to be on-line in 2017.

**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, 2016**



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**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,879,954	\$ 4,686,929	\$ 13,566,883
Receivables, net of allowance	1,584,601	1,899,537	3,484,138
Due from other governmental units	44,108	3,434,202	3,478,310
Internal balances	(77,425)	77,425	
Prepaid expenses	5,653		5,653
Net pension asset	456,915		456,915
Capital assets:			
Nondepreciable	7,872,531	7,274,395	15,146,926
Depreciable, net	12,882,503	22,965,634	35,848,137
Total Assets	<u>31,648,840</u>	<u>40,338,122</u>	<u>71,986,962</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized deferred amount on refunding	25,070	46,474	71,544
Deferred outflows from pension activity	<u>831,606</u>	<u>82,210</u>	<u>913,816</u>
Total Deferred Outflows of Resources	<u>856,676</u>	<u>128,684</u>	<u>985,360</u>
<b>LIABILITIES</b>			
Accounts payable	670,456	79,110	749,566
Accrued expenses	66,038	8,512	74,550
Accrued interest	124,170	184,114	308,284
Escrow deposits	75,000		75,000
Due to other governmental units	11,173	161,580	172,753
Unearned revenue	8,300	379,000	387,300
Noncurrent liabilities:			
Due within one year	958,467	722,625	1,681,092
Due in more than one year	11,060,143	18,322,092	29,382,235
Net pension liability	<u>1,452,778</u>	<u>199,409</u>	<u>1,652,187</u>
Total Liabilities	<u>14,426,525</u>	<u>20,056,442</u>	<u>34,482,967</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	<u>206,031</u>	<u>30,351</u>	<u>236,382</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,032,535	12,506,474	21,539,009
Restricted			
Debt service	4,704,133	1,473,164	6,177,297
Unrestricted	<u>4,136,292</u>	<u>6,400,375</u>	<u>10,536,667</u>
Total Net Position	<u>\$ 17,872,960</u>	<u>\$ 20,380,013</u>	<u>\$ 38,252,973</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2016

<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>
Governmental activities:				
General government	\$ 1,358,370	\$ 51,009	\$	\$
Public safety	1,308,360	1,752,522	72,591	
Public works	1,698,566		139,121	1,388,315
Culture and recreation	660,947		23,502	64,154
Interest on long-term debt	178,266			
Total governmental activities	<u>5,204,509</u>	<u>1,803,531</u>	<u>235,214</u>	<u>1,452,469</u>
Business-Type activities:				
Water	1,409,832	1,801,228		3,443,636
Sewer	380,650	1,315,948		20,931
Storm sewer	150,302	213,233		
Total business-type activities	<u>1,940,784</u>	<u>3,330,409</u>		<u>3,464,567</u>
Total	<u>\$ 7,145,293</u>	<u>\$ 5,133,940</u>	<u>\$ 235,214</u>	<u>\$ 4,917,036</u>

General revenues:

    General property taxes

    Grants and contributions not restricted to specific programs

    Interest earnings

    Miscellaneous

Transfers

    Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,307,361)		\$ (1,307,361)
516,753		516,753
(171,130)		(171,130)
(573,291)		(573,291)
<u>(178,266)</u>		<u>(178,266)</u>
 <u>(1,713,295)</u>		 <u>(1,713,295)</u>
	\$ 3,835,032	3,835,032
	956,229	956,229
	<u>62,931</u>	<u>62,931</u>
	 4,854,192	 4,854,192
 <u>(1,713,295)</u>	 4,854,192	 3,140,897
 3,226,739		3,226,739
8,584	748	9,332
43,228	44,423	87,651
52,479		52,479
<u>143,105</u>	<u>(143,105)</u>	<u></u>
<u>3,474,135</u>	<u>(97,934)</u>	<u>3,376,201</u>
1,760,840	4,756,258	6,517,098
<u>16,112,120</u>	<u>15,623,755</u>	<u>31,735,875</u>
<u>\$ 17,872,960</u>	<u>\$ 20,380,013</u>	<u>\$ 38,252,973</u>

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**CITY OF LAKE ELMO, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**CITY OF LAKE ELMO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2016

	General Fund (101)	Debt Service (300s)	Infrastructure Reserve (409)
<b>ASSETS</b>			
Cash and investments	\$ 3,727,367	\$ 3,326,884	\$ 143,963
Receivables (Net of allowance for uncollectibles)			
Accounts	2,168		65,511
Delinquent taxes	44,088		
Special assessments		1,189,170	266,733
Accrued interest	16,931		
Due from other funds	200,937		
Advances to other funds	405,398		
Due from other governmental units	39,274	4,834	
Prepaid items	3,824		
<b>TOTAL ASSETS</b>	<u><u>\$ 4,439,987</u></u>	<u><u>\$ 4,520,888</u></u>	<u><u>\$ 476,207</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 438,008	\$	\$ 172,571
Escrow deposits payable			
Accrued liabilities	60,554		
Due to other funds		95,605	7,032
Unearned revenue	8,300		
Advances from other funds			
Total liabilities	<u><u>506,862</u></u>	<u><u>95,605</u></u>	<u><u>179,603</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Property taxes	44,088		
Special assessments		1,189,170	266,733
Total deferred inflows of resources	<u><u>44,088</u></u>	<u><u>1,189,170</u></u>	<u><u>266,733</u></u>
<b>FUND BALANCE</b>			
Nonspendable	409,222		
Restricted		3,248,230	
Committed	200,000		
Assigned			29,871
Unassigned	3,279,815	(12,117)	
Total Fund Balance	<u><u>3,889,037</u></u>	<u><u>3,236,113</u></u>	<u><u>29,871</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 4,439,987</u></u>	<u><u>\$ 4,520,888</u></u>	<u><u>\$ 476,207</u></u>

**See Notes to Financial Statements**

Vehicle Acquisition (410)	Other Governmental Funds	Total
\$ 39,191	\$ 1,642,549	\$ 8,879,954
		67,679
		44,088
		1,455,903
		16,931
		200,937
		405,398
		44,108
		3,824
<u>\$ 39,191</u>	<u>\$ 1,642,549</u>	<u>\$ 11,118,822</u>
\$	\$ 71,225	\$ 681,804
	75,000	75,000
	3,480	64,034
	57,904	160,541
		8,300
	405,398	405,398
<u></u>	<u>613,007</u>	<u>1,395,077</u>
		44,088
<u></u>	<u></u>	<u>1,455,903</u>
<u></u>	<u></u>	<u>1,499,991</u>
		409,222
		3,248,230
		200,000
39,191	1,435,594	1,504,656
	(406,052)	2,861,646
<u>39,191</u>	<u>1,029,542</u>	<u>8,223,754</u>
<u>\$ 39,191</u>	<u>\$ 1,642,549</u>	<u>\$ 11,118,822</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, 2016

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

Total governmental fund balances (pages 17-18)		\$ 8,223,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$ 27,619,139	
Accumulated depreciation	<u>(7,036,476)</u>	
		20,582,663
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$ 44,088	
Special assessments	<u>1,455,903</u>	
		1,499,991
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds and notes payable	\$ (11,625,000)	
Net pension liability (asset), deferred outflows and inflows from pension activity	(370,288)	
Compensated absences	(64,623)	
Post employment benefit obligation	(206,419)	
Accrued interest	(124,170)	
Unamortized deferred amount on refunding	25,070	
Unamortized bond premiums	(181,792)	
Unamortized bond discounts	<u>59,224</u>	
		(12,487,998)
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>54,550</u>
Net position of governmental activities (page 14)		<u><u>\$ 17,872,960</u></u>

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

For the Year Ended December 31, 2016

	General Fund (101)	Debt Service (300s)	Infrastructure Reserve (409)
<b>REVENUES</b>			
Taxes	\$ 2,310,177	\$ 664,540	\$
Licenses and permits	1,713,918		
Intergovernmental	209,373	72,100	1,401
Charges for services	38,608		
Fines and forfeitures	49,505		
Special assessments		897,323	
Dedication fees			
Refunds and reimbursements			
Investment earnings	20,437	15,309	
Miscellaneous revenue	42,515		
<b>TOTAL REVENUES</b>	<u>4,384,533</u>	<u>1,649,272</u>	<u>1,401</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,280,259		
Public safety	1,262,040		
Public works	893,644		
Culture and recreation	168,788		
Unallocated	78,047		
<b>Capital Outlay</b>			
Public safety			
Public works			2,974,274
Culture and recreation			
<b>Debt Service</b>			
Principal		805,000	
Interest and other charges		225,772	
Bond issuance costs			16,233
<b>TOTAL EXPENDITURES</b>	<u>3,682,778</u>	<u>1,030,772</u>	<u>2,990,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>701,755</u>	<u>618,500</u>	<u>(2,989,106)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt			2,690,000
Premium on issuance of debt			102,877
(Discount) on issuance of debt			(14,392)
Transfers		143,105	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>143,105</u>	<u>2,778,485</u>
Net change in fund balances	701,755	761,605	(210,621)
<b>FUND BALANCES, Beginning</b>	<u>3,187,282</u>	<u>2,474,508</u>	<u>240,492</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 3,889,037</u>	<u>\$ 3,236,113</u>	<u>\$ 29,871</u>

Vehicle Acquisition (410)	Other Governmental Funds	Total
\$	\$ 256,957	\$ 3,231,674
		1,713,918
		282,874
		38,608
		49,505
		897,323
	171,708	171,708
	21,390	21,390
180	7,302	43,228
	13,586	56,101
180	470,943	6,506,329
		1,280,259
		1,262,040
		893,644
	331,901	500,689
		78,047
6,067		6,067
		2,974,274
	146,441	146,441
21,219		826,219
387		226,159
		16,233
27,673	478,342	8,210,072
(27,493)	(7,399)	(1,703,743)
		2,690,000
		102,877
		(14,392)
		143,105
		2,921,590
(27,493)	(7,399)	1,217,847
66,684	1,036,941	7,005,907
\$ 39,191	\$ 1,029,542	\$ 8,223,754

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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, 2016

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	1,217,847	
Governmental funds report capital outlay as expenditures.			
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Capital outlay capitalized	\$	3,100,540	
Depreciation expense		<u>(917,521)</u>	
			2,183,019
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
Special assessments	\$	487,491	
Property taxes		900	
Intergovernmental revenue		(70,000)	
Park dedication fees		<u>(107,554)</u>	
			310,837
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	\$	(64,623)	
Compensated absences, beginning of year		70,161	
Post employment benefit obligation, end of year		(206,419)	
Post employment benefit obligation, beginning of year		<u>174,282</u>	
			(26,599)
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	\$	826,219	
Issuance of long-term debt		(2,690,000)	
Change in net pension liability (asset)		70,909	
Change in deferred amount on refunding		(2,539)	
Change in accrued interest, bond premiums and bond discounts		<u>(104,223)</u>	
			(1,899,634)
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>(24,630)</u>
Change in net position of governmental activities (page 16)	\$	<u><u>1,760,840</u></u>	

**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, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 2,218,406	\$ 2,218,406	\$ 2,210,359	\$ (8,047)
Franchise	49,000	49,000	99,818	50,818
Total Taxes	2,267,406	2,267,406	2,310,177	42,771
Licenses and Permits				
Business	15,180	15,180	12,185	(2,995)
Nonbusiness	901,529	901,529	1,701,733	800,204
Total Licenses and Permits	916,709	916,709	1,713,918	797,209
Intergovernmental				
MSA - maintenance	101,696	101,696	123,433	21,737
Fire state aid	41,500	41,500	59,136	17,636
Other	7,813	7,813	11,116	3,303
County and local	15,500	15,500	15,688	188
Total Intergovernmental	166,509	166,509	209,373	42,864
Charges for Services	30,890	30,890	38,608	7,718
Fines and Forfeits	45,000	45,000	49,505	4,505
Investment Earnings	55,000	55,000	20,437	(34,563)
Miscellaneous Revenue	4,000	4,000	42,515	38,515
<b>TOTAL REVENUES</b>	<b>\$ 3,485,514</b>	<b>\$ 3,485,514</b>	<b>\$ 4,384,533</b>	<b>\$ 899,019</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	\$ 27,956	\$ 27,956	\$ 27,656	\$ 300
Other services and charges	18,000	18,000	28,257	(10,257)
Total Mayor and Council	45,956	45,956	55,913	(9,957)
Election				
Other services and charges	15,800	15,800	9,092	6,708
Finance and Administration				
Personnel services	304,906	304,906	361,223	(56,317)
Supplies	7,457	7,457	7,349	108
Other services and charges	60,040	60,040	84,590	(24,550)
Total Finance and Administration	372,403	372,403	453,162	(80,759)
Communications				
Other services and charges			3,955	(3,955)
Total Communications			3,955	(3,955)
City Facilities				
Supplies	350	350	4	346
Other services and charges	55,632	55,632	70,437	(14,805)
Total City Facilities	55,982	55,982	70,441	(14,459)
Professional Services				
Assessor	38,000	38,000	52,049	(14,049)
Accounting and auditing	35,350	35,350	29,459	5,891
Legal	60,000	60,000	322,842	(262,842)
Engineering	48,000	48,000	34,229	13,771
Total Professional Services	181,350	181,350	438,579	(257,229)

**See Notes to Financial Statements**



**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Planning and Zoning				
Personnel services	\$ 198,282	\$ 198,282	\$ 201,367	\$ (3,085)
Supplies	2,550	2,550	810	1,740
Other services and charges	83,850	83,850	46,940	36,910
Total Planning and Zoning	284,682	284,682	249,117	35,565
 Total General Government	 956,173	 956,173	 1,280,259	 (324,086)
<b>Public Safety</b>				
Police				
Contracted services	527,060	527,060	536,330	(9,270)
 Fire Protection				
Personnel services	235,170	235,170	218,234	16,936
2% fire aid	37,323	37,323	59,136	(21,813)
Supplies	32,250	32,250	21,237	11,013
Other services and charges	109,812	109,812	132,336	(22,524)
Total Fire Protection	414,555	414,555	430,943	(16,388)
 Building Inspector				
Personnel services	228,341	228,341	217,829	10,512
Supplies	9,300	9,300	2,123	7,177
Other services and charges	23,125	23,125	15,080	8,045
Total Building Inspector	260,766	260,766	235,032	25,734
 Animal Control				
Other services and charges	7,550	7,550	10,646	(3,096)
 Criminal Legal	54,700	54,700	44,144	10,556
 Emergency Communications	7,400	7,400	4,945	2,455
 Total Public Safety	 \$ 1,272,031	 \$ 1,272,031	 \$ 1,262,040	 \$ 9,991

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Works</b>				
General				
Personnel services	\$ 265,259	\$ 265,259	\$ 347,070	\$ (81,811)
Supplies	525,950	525,950	367,657	158,293
Other services and charges	126,225	126,225	155,817	(29,592)
Total General	917,434	917,434	870,544	46,890
Trees	1,000	1,000	615	385
Street Lighting	26,400	26,400	22,485	3,915
Total Public Works	944,834	944,834	893,644	51,190
<b>Culture and Recreation</b>				
Parks				
Personnel services	192,420	192,420	136,617	55,803
Supplies	10,000	10,000	9,884	116
Other services and charges	28,900	28,900	22,287	6,613
Total Culture and Recreation	231,320	231,320	168,788	62,532
<b>Other Unallocated</b>				
Compensation adjustments	20,000	20,000		20,000
IT and telephone expense	61,156	61,156	78,047	(16,891)
Total Other Unallocated	81,156	81,156	78,047	3,109
Total Expenditures	3,485,514	3,485,514	3,682,778	(197,264)
Excess (deficiency) of revenues over (under) expenditures			701,755	701,755
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers				
NET CHANGE IN FUND BALANCE			701,755	701,755
FUND BALANCE, January 1	3,187,282	3,187,282	3,187,282	
FUND BALANCE, December 31	\$ 3,187,282	\$ 3,187,282	\$ 3,889,037	\$ 701,755

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position**  
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water (601)	Sewer (602)	Storm Sewer (603)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 135,048	\$ 2,606,515	\$ 1,945,366
Receivables			
Accounts	130,481	40,774	221,693
Special assessments	360,690	1,131,468	14,431
Due from other governments	3,432,485	1,466	251
Due from other funds		54,305	23,915
Total Current Assets	4,058,704	3,834,528	2,205,656
<b>Noncurrent Assets</b>			
Property and Equipment			
Land	248,869		
Machinery and equipment	300,587		
Infrastructure	20,536,904	6,404,080	611,337
Construction in progress	4,861,511	550,564	1,613,451
Total Property and Equipment	25,947,871	6,954,644	2,224,788
Less: Accumulated depreciation	4,387,149	381,713	118,412
Net Property and Equipment	21,560,722	6,572,931	2,106,376
<b>Total Assets</b>	25,619,426	10,407,459	4,312,032
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	46,474		
Deferred outflows from pension activity	55,931	16,581	9,698
<b>Total Deferred Outflows of Resources</b>	\$ 102,405	\$ 16,581	\$ 9,698

**See Notes to Financial Statements**

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,686,929	\$
392,948	
1,506,589	
3,434,202	
78,220	
<u>10,098,888</u>	
248,869	
300,587	654,692
27,552,321	
7,025,526	
<u>35,127,303</u>	<u>654,692</u>
<u>4,887,274</u>	<u>482,321</u>
<u>30,240,029</u>	<u>172,371</u>
<u>40,338,917</u>	<u>172,371</u>
46,474	
82,210	
<u>\$ 128,684</u>	<u>\$</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position (Continued)**  
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water (601)	Sewer (602)	Storm Sewer (603)
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 35,640	\$ 41,664	\$ 1,806
Accrued salaries payable	5,816	1,834	862
Accrued interest payable	96,963	57,604	29,547
Due to other funds	795		
Due to other governments	7,511	145,493	8,576
Unearned revenue	379,000		
Current portion of compensated absences	8,844	6,604	2,177
Current portion of bonds payable	485,000	220,000	
Total Current Liabilities	1,019,569	473,199	42,968
<b>Long-term Liabilities</b>			
Other postemployment benefits payable	17,499	5,405	7,918
Compensated absences payable	2,948	2,201	726
Net pension liability	126,574	45,108	27,727
Bonds payable and unamortized premium on bonds, net of unamortized discount on bonds	11,141,149	4,320,429	2,823,817
Total Long-term Liabilities	11,288,170	4,373,143	2,860,188
<b>Total Liabilities</b>	12,307,739	4,846,342	2,903,156
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	19,443	6,770	4,138
<b>NET POSITION</b>			
Net investment in capital assets	9,981,047	2,032,502	492,925
Restricted			
Debt service	341,696	1,131,468	
Unrestricted	3,071,906	2,406,958	921,511
Total Net Position	\$ 13,394,649	\$ 5,570,928	\$ 1,414,436

**See Notes to Financial Statements**

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 79,110	\$
8,512	
184,114	
795	117,821
161,580	
379,000	
17,625	
705,000	
<u>1,535,736</u>	<u>117,821</u>
30,822	
5,875	
199,409	
<u>18,285,395</u>	
<u>18,521,501</u>	
<u>20,057,237</u>	<u>117,821</u>
<u>30,351</u>	
12,506,474	172,371
1,473,164	
<u>6,400,375</u>	<u>(117,821)</u>
<u>\$ 20,380,013</u>	<u>\$ 54,550</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water (601)	Sewer (602)	Storm Sewer (603)
<b>Operating Revenues</b>	<u>\$ 1,504,202</u>	<u>\$ 932,448</u>	<u>\$ 213,233</u>
<b>Operating Expenses</b>			
Personnel services	184,129	55,740	30,248
Supplies	140,861	8,730	6,272
Professional services	15,442	13,311	31,111
Repairs and maintenance	10,800	27,428	21,944
Insurance	8,975		
Utilities	180,117	22,754	
Depreciation	612,352	132,265	15,962
Total Operating Expenses	<u>1,152,676</u>	<u>260,228</u>	<u>105,537</u>
<b>Operating Income (Loss)</b>	<u>351,526</u>	<u>672,220</u>	<u>107,696</u>
<b>Other Revenue (Expense)</b>			
Investment earnings	13,987	14,584	15,852
Rents	52,526		
Future infrastructure charges	244,500	383,500	
Bond issuance costs	(19,465)	(5,191)	(16,718)
Intergovernmental revenue	525	142	81
Interest and fiscal expense	(237,691)	(115,231)	(28,047)
Total Other Revenue (Expense)	<u>54,382</u>	<u>277,804</u>	<u>(28,832)</u>
Income (Loss) Before Transfers and Contributions	405,908	950,024	78,864
Capital contributions	3,443,636	20,931	
Transfers out	(40,427)	(102,678)	
Change in net position	3,809,117	868,277	78,864
<b>Net Position, Beginning</b>	<u>9,585,532</u>	<u>4,702,651</u>	<u>1,335,572</u>
<b>Net Position, End of Year</b>	<u><u>\$ 13,394,649</u></u>	<u><u>\$ 5,570,928</u></u>	<u><u>\$ 1,414,436</u></u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 2,649,883	\$
270,117	
155,863	
59,864	
60,172	
8,975	
202,871	
760,579	24,630
<u>1,518,441</u>	<u>24,630</u>
1,131,442	(24,630)
44,423	
52,526	
628,000	
(41,374)	
748	
<u>(380,969)</u>	
<u>303,354</u>	
1,434,796	(24,630)
3,464,567	
<u>(143,105)</u>	
4,756,258	(24,630)
<u>15,623,755</u>	<u>79,180</u>
<u>\$ 20,380,013</u>	<u>\$ 54,550</u>

**See Notes to Financial Statements**



**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows**  
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Sewer (603)	Total	
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 2,191,512	\$ 1,570,518	\$ 235,763	\$ 3,997,793	\$
Cash payments to suppliers	(558,431)	1,904	(56,666)	(613,193)	
Cash payments to employees	(164,894)	(44,897)	(26,303)	(236,094)	
Net Cash Provided By (Used In) Operating Activities	1,468,187	1,527,525	152,794	3,148,506	
<b>Cash Flows From Investing Activities</b>					
Interest earnings received	13,987	14,584	15,852	44,423	
<b>Cash Flows from Noncapital Financing Activities</b>					
Rents received	52,526			52,526	
Increase in due to other funds					41,740
Transfers to other funds	(40,427)	(102,678)		(143,105)	
Net Cash Provided By (Used In) Noncapital Financing Activities	12,099	(102,678)		(90,579)	41,740
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(6,187,932)	(538,590)	(1,481,249)	(8,207,771)	(69,003)
Special assessments received	137,938	292,432	2,487	432,857	
Proceeds from issuance of long-term debt	3,225,000	860,000	2,770,000	6,855,000	
Bond issuance costs	(19,465)	(5,191)	(16,718)	(41,374)	
Increase in unamortized bond premiums	58,434	15,660	55,315	129,409	
Principal paid on long-term debt	(415,000)	(200,000)		(615,000)	
Interest paid on long-term debt	(197,021)	(107,425)		(304,446)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	(3,398,046)	316,886	1,329,835	(1,751,325)	(69,003)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,903,773)	1,756,317	1,498,481	1,351,025	(27,263)
<b>Cash and Cash Equivalents, January 1</b>	2,038,821	850,198	446,885	3,335,904	27,263
<b>Cash and Cash Equivalents, December 31</b>	\$ 135,048	\$ 2,606,515	\$ 1,945,366	\$ 4,686,929	\$

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows (Continued)**  
For the Year Ended December 31, 2016

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Sewer (603)	Total	
Operating income (loss)	\$ 351,526	\$ 672,220	\$ 107,696	\$ 1,131,442	\$ (24,630)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	612,352	132,265	15,962	760,579	24,630
Change in net pension liability	6,821	1,847	1,050	9,718	
Future infrastructure charges, included in nonoperating revenue	244,500	383,500		628,000	
(Increase) decrease in:					
Accounts receivable	227,290	256,036	22,781	506,107	
Due from other governments	520	(1,466)	(251)	(1,197)	
Prepaid expenses		1,290		1,290	
Increase (decrease) in:					
Accounts payable	(207,454)	(61,701)	(1,279)	(270,434)	
Accrued salaries payable	2,418	568	57	3,043	
Due to other governments	5,218	134,538	3,940	143,696	
Unearned revenue	215,000			215,000	
Other postemployment benefits payable	3,494	1,520	1,112	6,126	
Compensated absences payable	6,502	6,908	1,726	15,136	
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,468,187</u>	<u>\$ 1,527,525</u>	<u>\$ 152,794</u>	<u>\$ 3,148,506</u>	<u>\$</u>
Noncash Capital and Related Financing Activities					
Amortization of deferred charges	\$ 5,333	\$ 547	\$ 402	\$ 6,282	\$
Amortization of bond premiums	8,966	2,032	1,902	12,900	
Receipt of contributed capital	11,334	20,931		32,265	
Capital asset grant included in receivables	3,432,302			3,432,302	

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
December 31, 2016

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,394,526
Accounts receivable	<u>128</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,394,654</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 64,812
Deposits payable	<u>2,329,842</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,394,654</u></u>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

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

##### *Related Organizations*

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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##### B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measureable 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 which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

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

The City reports the following major governmental funds:

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



## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The *infrastructure reserve fund* accounts for the accumulation of funds for the current and future road and street infrastructure projects.

The *vehicle acquisition fund* accounts for the accumulation of funds for the purchase of vehicles to be used by various City departments. Although this fund did not meet the requirements to be considered a major fund, management has elected to include this fund as a major fund as of and for the year ended December 31, 2016. This fund will be closed during 2017.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

###### 1. Cash and investments (including cash equivalents)

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

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### 2. Receivables and payables

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

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

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

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

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### 2. Receivables and payables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from ten to twenty years with interest charged at 1% over the City's 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, if material, is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### 3. Capital assets (continued)

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

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

##### 4. Postemployment benefits other than pensions

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

##### 5. Long-term obligations

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### 5. Long-term obligations (continued)

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

##### 6. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### 7. Net Position and Fund Balance

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

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

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

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### 7. Net Position and Fund Balance (continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

###### 7. Net Position and Fund Balance (continued)

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

###### 8. Interfund transactions

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

##### E. Concentration of Credit Risk

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

##### F. Use of Estimates

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



## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Stewardship, Compliance and Accountability

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##### A. Budgetary Information

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

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

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

All budget amounts presented as a basic financial statement or in the accompanying supplementary information reflect the original budget and the final budget (which were the same for the year ended December 31, 2016).

The City does not use encumbrance accounting.

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Stewardship, Compliance, and Accountability

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##### B. Expenditures Exceeding Appropriations

For the year ended December 31, 2016, the General Fund total expenditures were \$197,264 more than budget. The following funds and General Fund departments had expenditures exceeding the latest amended budget:

	<u>2016 Budgeted Expenditures</u>	<u>2016 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General Fund:			
General government	\$ 956,173	\$ 1,280,259	\$ 324,086
Library Fund	256,957	331,901	74,944

The above listed over expenditures in the general government department were due primarily to legal expenses incurred over the amounts budgeted. The expenditures in excess of budget for the Library fund were related to repairs to the library building during the year.

All overexpenditures were approved by the City Council.

##### C. Fund Balance Deficits

As of December 31, 2016, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
City Events Special Revenue	\$ 609
Village Project Capital Project	400,546
Manning Avenue/Highway 36 Capital Project	4,897

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, 2016.

##### 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.

## 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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##### 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	\$ 11,127,493
Certificates of Deposit	10/22	N/A	2,933,500
Municipal Bonds	12/18	A	363,667
U.S. Government Agencies	10/23	AAA	<u>1,536,750</u>
Total cash and investments			<u><u>\$ 15,961,410</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	\$ 11,127,493
Investments	<u>4,833,917</u>
Total	<u><u>\$ 15,961,410</u></u>
Government-wide	
Cash and investments	\$ 13,566,883
Fiduciary	
Cash and investments	<u>2,394,526</u>
Total	<u><u>\$ 15,961,409</u></u>

## 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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##### 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, 2016 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
Lake Elmo Bank	Money Market Savings	\$ 10,608,299

The City routinely reviews its deposits to determine that pledged securities are adequate to cover any uninsured deposits.

###### 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, 2016, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

###### Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

Fair Value Measurements (continued)

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Fair Value Measurements (continued)

The City's investments within the fair value hierarchy at December 31, 2016 and 2015 were as follows:

	As of December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Government Securities	\$ 1,536,750	\$	\$ 1,536,750	\$
Certificates of Deposit	2,933,500	2,933,500		
Municipal Bonds	363,667		363,667	
Total	<u>\$ 4,833,917</u>	<u>\$ 2,933,500</u>	<u>\$ 1,900,417</u>	<u>\$</u>
	As of December 31, 2015			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Government Securities	\$ 1,133,809	\$	\$ 1,133,809	\$
Certificates of Deposit	4,932,107	4,932,107		
Municipal Bonds	365,072		365,072	
Total	<u>\$ 6,430,988</u>	<u>\$ 4,932,107</u>	<u>\$ 1,498,881</u>	<u>\$</u>

**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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**B. Due from Other Governmental Units**

Amounts due from other governmental units as of December 31, 2016 were as follows:

<u>Fund Type</u>	<u>State of Minnesota</u>	<u>Washington County</u>	<u>Total</u>
General Fund	\$	\$ 39,274	\$ 39,274
Debt Service Fund		4,834	4,834
Water Fund	3,432,302	183	3,432,485
Sewer Fund		1,466	1,466
Storm Sewer Fund		251	251
Total	<u>\$ 3,432,302</u>	<u>\$ 46,008</u>	<u>\$ 3,478,310</u>

**C. Accounts and Loans Receivable**

Accounts and loans receivable as of December 31, 2016 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.



**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**D. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2016 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	2,857,416	2,971,529	1,410,393	4,418,552
Total capital assets, not being depreciated	6,311,395	2,971,529	1,410,393	7,872,531
Capital assets, being depreciated:				
Buildings	3,533,542			3,533,542
Improvements other than buildings	1,347,650	67,747		1,415,397
Machinery and equipment	3,737,075	130,270		3,867,345
Infrastructure	10,174,623	1,410,393		11,585,016
Total capital assets, being depreciated	18,792,890	1,608,410		20,401,300
Less accumulated depreciation for:				
Building	884,193	72,408		956,601
Improvements other than buildings	907,981	68,420		976,401
Machinery and equipment	2,127,568	183,605		2,311,173
Infrastructure	2,656,904	617,718		3,274,622
Total accumulated depreciation	6,576,646	942,151		7,518,797
Total capital assets, being depreciated, net	12,216,244	666,259		12,882,503
Governmental activities capital assets, net	\$ 18,527,639	\$ 3,637,788	\$ 1,410,393	\$ 20,755,034

# CITY OF LAKE ELMO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

#### D. Capital Assets (Continued)

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 248,869	\$	\$	\$ 248,869
Construction in progress	4,193,729	8,207,773	5,375,976	7,025,526
Total capital assets, not being depreciated	4,442,598	8,207,773	5,375,976	7,274,395
Capital assets, being depreciated:				
Machinery and equipment	300,587			300,587
Infrastructure	22,176,345	5,375,976		27,552,321
Total capital assets, being depreciated	22,476,932	5,375,976		27,852,908
Less accumulated depreciation for:				
Machinery and equipment	200,075	16,051		216,126
Infrastructure	3,926,620	744,528		4,671,148
Total accumulated depreciation	4,126,695	760,579		4,887,274
Total capital assets, being depreciated, net	18,350,237	4,615,397		22,965,634
Business-type activities capital assets, net	\$ 22,792,835	\$ 12,823,170	\$ 5,375,976	\$ 30,240,029

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, 2016 was charged to functions/programs as follows:

#### Governmental Activities

General government	\$ 11,471
Public safety	119,657
Public works	729,004
Culture and recreation	82,019
Total	<u>\$ 942,151</u>

#### Business-Type Activities

Water	\$ 612,352
Sewer	132,265
Storm sewer	15,962
Total	<u>\$ 760,579</u>

# CITY OF LAKE ELMO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

#### E. Long-Term Debt

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital assets including infrastructure. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued to provide funds for business-type activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation improvement bonds are expected to be repaid, in part, from assessments to the benefited properties. A summary of long-term debt outstanding at December 31, 2016 is as follows:

	Issue Date	Range of Interest Rates	Final Maturity	Balance 12/31/16
General obligation bonds:				
2009B Improvement Bonds	10/1/2009	3.00% - 3.05%	2020	\$ 250,000
2010A Improvement Bonds	11/15/2010	1.85% - 2.80%	2021	365,000
2010B CIP Crossover Refunding Bonds	11/15/2010	2.00% - 3.20%	2025	1,535,000
2011A Improvement Bonds	10/1/2011	1.25% - 2.30%	2022	525,000
2012B Improvement Bonds	8/16/2012	0.75% - 1.90%	2023	625,000
2013A Improvement Bonds	10/1/2013	2.00% - 3.75%	2028	1,345,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	2,670,000
2015A Improvement Bonds	8/13/2015	2.00% - 3.00%	2031	1,620,000
2016A Improvement Bonds	6/1/2016	2.00%	2027	2,690,000
General obligation revenue bonds:				
2009A Refunding Bonds	5/1/2009	3.45% - 3.85%	2021	240,000
2012A Refunding Bonds	8/13/2012	2.00% - 2.50%	2030	3,840,000
2013A Improvement Bonds	10/1/2013	2.00% - 4.00%	2033	3,435,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	3,210,000
2015A Improvement Bonds	8/13/2015	2.00% - 3.00%	2031	1,195,000
2016A Improvement Bonds	6/1/2016	2.00%	2032	6,855,000
Other Liabilities:				
Compensated Absences				88,123
Post Employment Benefit Obligation				237,241
Unamortized premium				480,485
Less: Unamortized discount				(142,522)
Total Long-Term Debt				<u>\$ 31,063,327</u>

Liquidation of the compensated absences liability occurs within the department and fund for which the corresponding employees are assigned. The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2016, the City had not utilized approximately \$35,930,000 of its net legal debt margin.

# CITY OF LAKE ELMO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2009A Refunding Bonds	\$ 70,000	\$	\$ 70,000	\$	\$
2009B Improvement Bonds	310,000		60,000	250,000	60,000
2010A Improvement Bonds	435,000		70,000	365,000	70,000
2010B CIP Crossover Refunding Bonds	1,685,000		150,000	1,535,000	155,000
2011A Improvement Bonds	610,000		85,000	525,000	85,000
2012B Improvement Bonds	710,000		85,000	625,000	85,000
2013A Improvement Bonds	1,450,000		105,000	1,345,000	105,000
2014A Improvement Bonds	2,850,000		180,000	2,670,000	210,000
2015A Improvement Bonds	1,620,000			1,620,000	140,000
2016A Improvement Bonds		2,690,000		2,690,000	
General obligation note payable:					
Note Payable - Lake Elmo Bank	21,219		21,219		
Other Liabilities:					
Compensated Absences	70,161	90,110	95,648	64,623	48,467
Post Employment Benefit Obligation	174,282	32,137		206,419	
Unamortized premium	93,353	102,877	14,438	181,792	
Less: Unamortized (discount)	(50,262)	(14,392)	(5,430)	(59,224)	
Governmental Activities					
Long-Term Liabilities	10,048,753	2,900,732	930,875	12,018,610	958,467
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation revenue bonds:					
2009A Refunding Bonds	280,000		40,000	240,000	45,000
2012A Refunding Bonds	4,035,000		195,000	3,840,000	190,000
2013A Improvement Bonds	3,640,000		205,000	3,435,000	205,000
2014A Improvement Bonds	3,385,000		175,000	3,210,000	205,000
2015A Improvement Bonds	1,195,000			1,195,000	60,000
2016A Improvement Bonds		6,855,000		6,855,000	
Other Liabilities:					
Compensated Absences	8,364	44,973	29,837	23,500	17,625
Post Employment Benefit Obligation	24,696	6,126		30,822	
Unamortized premium	138,007	173,586	12,900	298,693	
Less: Unamortized (discount)	(50,523)	(36,674)	(3,899)	(83,298)	
Business-Type Activities					
Long-Term Liabilities	12,655,544	7,043,011	653,838	19,044,717	722,625
Total	\$ 22,704,297	\$ 9,943,743	\$ 1,584,713	\$ 31,063,327	\$ 1,681,092

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

Debt service requirements to maturity for long-term debt, excluding compensated absences and post employment benefit obligation, as of December 31, 2016 were as follows:

Year	General Obligation Improvement Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 910,000	\$ 267,528	\$ 705,000	\$ 457,498
2018	1,175,000	240,855	1,145,000	422,505
2019	1,205,000	216,853	1,165,000	399,256
2020	1,230,000	191,308	1,175,000	375,525
2021	1,185,000	165,371	1,185,000	351,212
2022-2026	4,760,000	456,118	6,215,000	1,355,536
2027-2031	1,160,000	60,001	6,240,000	562,101
2032-2033			945,000	30,800
Totals	<u>\$ 11,625,000</u>	<u>\$ 1,598,031</u>	<u>\$ 18,775,000</u>	<u>\$ 3,954,431</u>

**F. Tax Abatement Agreements**

The City enters into property tax abatement agreements through the use of tax increment financing districts with local businesses under various Minnesota Statutes. Under these statutes, the City annually abates taxes collected above the districts' base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing. The City uses Minnesota Statutes 469.001 to 469.047 and 469.174 to 469.179 (the Tax Increment Act) to create these districts.

During the year ended December 31, 2016, the City had one agreement established under Minnesota Statute 469.001 to 469.047 which resulted in property taxes totaling \$3,629 being abated.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2016:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 200,937	\$
Debt Service		95,605
Infrastructure Reserve		7,032
Subtotal	<u>200,937</u>	<u>102,637</u>
Nonmajor Governmental Funds:		
City Events		1,144
Village Project		56,760
Subtotal		<u>57,904</u>
Proprietary Funds:		
Water		795
Sewer	54,305	
Storm Sewer	23,915	
Subtotal	<u>78,220</u>	<u>795</u>
Internal Service Funds:		
Radio Replacement		41,740
FFE Replacement		76,081
Subtotal		<u>117,821</u>
Total All Funds	<u>\$ 279,157</u>	<u>\$ 279,157</u>

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Receivables and Payables (continued)

The City established an interfund loan from the General Fund to the Village Project fund. At December 31, 2016, the outstanding balance was \$405,398. The loan carries an interest rate of 4 percent.

G. Interfund Transfers

The following schedule reports the interfund transfers within the City's funds as of December 31, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
Debt Service	\$ 143,105	\$
Proprietary Funds:		
Water		40,427
Sewer		<u>102,678</u>
Total All Funds	<u>\$ 143,105</u>	<u>\$ 143,105</u>

Transfers are used to move unassigned 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)

H. Fund Equity

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2016:

	General	Debt Service	Infrastructure Reserve	Vehicle Acquisition	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid items	\$ 3,824	\$	\$	\$	\$	\$ 3,824
Advance to other funds	405,398					405,398
Total Nonspendable	409,222					409,222
Restricted						
Debt service		3,248,230				3,248,230
Committed						
Legal reserve	200,000					200,000
Assigned						
Library					174,540	174,540
City facilities					272,924	272,924
Infrastructure improvements			29,871		8,089	37,960
Park improvements					980,041	980,041
Vehicle acquisition				39,191		39,191
Total Assigned			29,871	39,191	1,435,594	1,504,656
Unassigned	3,279,815	(12,117)			(406,052)	2,861,646
Total Fund Balance	\$ 3,889,037	\$ 3,236,113	\$ 29,871	\$ 39,191	\$ 1,029,542	\$ 8,223,754



## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information

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##### A. Risk Management

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

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

##### B. Commitments and Contingencies

###### 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, 2016. It is the opinion of management that any potential claim regarding any lawsuits against the City would be covered by the liability insurance of the City and that any potential claim against the City would not affect the financial statements.

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information (Continued)

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##### B. Commitments and Contingencies (Continued)

###### Operating Lease:

The City is obligated under a lease agreement for office space accounted for as an operating lease. Expenditures under this operating lease for the year ended December 31, 2016 totaled \$30,147. The following is a schedule by year of future minimum rental payments required under the lease as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 31,992
2018	32,301
2019	<u>24,921</u>
Total	<u><u>\$ 89,214</u></u>

##### C. Other Post Employment Benefits

###### Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. During 2016, there were 20 active participants and no retiree participants. Benefit provisions are established by the Council. The Retiree Health Plan does not issue a publicly available financial report.

###### Funding Policy

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

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)

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligations

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

Annual required contribution	\$ 46,247
Interest on net OPEB obligations	1,347
Adjustment to ARC	<u>(9,331)</u>
Annual OPEB cost	38,263
Contributions during the year	<u>                    </u>
Increase in net OPEB obligation	38,263
Net OPEB, beginning of year	<u>198,978</u>
Net OPEB, ending of year	<u><u>\$ 237,241</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended December 31, 2016, 2015 and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 2,484	0%	\$ 160,187
12/31/2015	38,791	0%	198,978
12/31/2016	38,263	0%	237,241

## 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, 2016, the actuarial accrued liability for benefits was \$188,502, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,417,483, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.30 percent.

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

###### Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Methods and Assumptions (Continued)

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

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

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

*Health insurance premiums* - 2016 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 3.0 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, 2016 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

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

###### A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)) – All full-time and certain part-time employees of the City of Lake Elmo are covered by the General Employees Retirement Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
2. Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)) – The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

###### Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraph 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.

## 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)

##### 1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

##### 2. PEPFF Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

##### B. Contributions

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

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information (Continued)

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##### D. Pension Plans (Continued)

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

##### B. Contributions (continued)

##### 1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016 were \$85,649. The City's contributions were equal to the required contributions as set by state statute.

##### 2. Police and Fire Fund Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016 were \$13,967. The City's contributions were equal to the required contributions as set by state statute.

##### C. Pension Costs

##### 1. General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$1,291,001 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$16,853. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was .0159% which was a decrease of .001% from its proportion measured as of June 30, 2015.



# 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)

###### C. Pensions Costs (continued)

###### 1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2016, the City recognized pension expense of \$178,937 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$5,025 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 106,617
Changes in actuarial assumptions	252,779	
Difference between projected and actual investment earnings	248,717	
Changes in proportion		90,542
Contributions paid to PERA subsequent to the measurement date	44,719	
Total	\$ 546,215	\$ 197,159

## 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)

##### C. Pensions Costs (continued)

##### 1. General Employees Fund Pension Costs (continued)

\$44,719 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 72,383
2018	72,383
2019	112,938
2020	46,633

##### 2. Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$361,186 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .009%, which is unchanged from its proportion measured as of June 30, 2015. The City also recognized \$810 for the year ended December 31, 2016 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$61,416 for its proportionate share of the Police and Fire Plan's pension expense.

**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)**

**C. Pensions Costs (continued)**

**2. Police and Fire Fund Pension Costs (continued)**

At December 31, 2016, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 39,223
Changes in actuarial assumptions	198,776	
Difference between projected and actual investment earnings	55,119	
Contributions paid to PERA subsequent to the measurement date	<u>7,561</u>	
Total	<u>\$ 261,456</u>	<u>\$ 39,223</u>

\$7,561 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 43,487
2018	43,487
2019	49,015
2020	44,561
2021	34,122

## 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)

##### D. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actual assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the result of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

##### General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

## 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)

##### D. Actuarial Assumptions (continued)

##### Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	<hr/> 100%	

## 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)

##### E. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

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)

F. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	General Employees Fund		Police and Fire Fund	
1% Higher	6.50%	\$ 1,833,604	4.60%	\$ 505,612
Current Discount Rate	7.50%	1,291,001	5.60%	361,186
1% Lower	8.50%	844,044	6.60%	243,178

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

## 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 Firefighter's Relief Association

###### A. Plan Description

The Lake Elmo Firefighter's Relief Association administers a single-employer defined benefit pension plan (FRA plan) available to volunteer firefighters. As of December 31, 2016, the plan covered 19 active firefighters and 5 vested terminated firefighters whose pension benefits are deferred. The plan was established and is administered in accordance with Minnesota Statutes, Chapters 69 and 424A. The December 31, 2016 information is the latest reported for this Plan.

###### B. Benefits Provided

Volunteer firefighters for the City are members of the Lake Elmo Firefighter's Relief Association. Association members are eligible to receive a lump sum benefit after 20 years of service with a minimum retirement age of 50. Currently retirees receive a benefit of \$3,400 for every year of service. These benefit provisions and all other requirements are consistent with State statutes. Volunteers of the fire department are not required to contribute to the relief association. Members with 10 years of service receive partial vesting at 60% of the 20-year rate and 4% added for every one year of service beyond ten years up to 20 years.

###### C. Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes, and voluntary City contributions. The State of Minnesota contributed \$59,136 in state aid to the plan on behalf of the Association for the year ended December 31, 2016. This contribution was recorded as a revenue and an expenditure in the City's general fund. The City levies property taxes for the benefit of the Association and passes through state aids allocated to the plan, all in accordance with State statutes. During 2016, at the Association's direction, the City did not levy any property taxes to be paid to the Association.



**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 Firefighter's Relief Association (Continued)****D. Pension Costs**

At December 31, 2016, the City reported a net pension asset of \$456,915 for the plan. The net pension asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2016. The following table presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/15	\$ 588,689	\$ 963,628	\$ (374,939)
Changes for the Year			
Service cost	27,579		27,579
Interest on pension liability	36,976		36,976
Assumption changes	11,690		11,690
Net investment income	(46,403)	70,101	(116,504)
Contributions (employer)			
Contributions (state)		59,136	(59,136)
Benefit payouts			
Administrative expenses		(17,419)	17,419
Net Changes	29,842	111,818	(81,976)
Balance End of Year 12/31/16	\$ 618,531	\$ 1,075,446	\$ (456,915)

For the year ended December 31, 2016, the City did not recognize pension expense related to the FRA plan.

## 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 Firefighter's Relief Association (Continued)

##### D. Pension Costs (continued)

At December 31, 2016, the Association reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 106,145	\$
Total	<u>\$ 106,145</u>	<u>\$</u>

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

Year ending June 30:	Pension Expense Amount
2017	\$ 27,831
2018	27,831
2019	27,830
2020	22,653

##### E. Actuarial Assumptions

The total pension liability at December 31, 2016 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 5.50%
- Inflation rate 4.0%

During 2016, the investment rate of return decreased from 6.00% to 5.50%.

## 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 Firefighter's Relief Association (Continued)

###### F. Discount Rate

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions to the FRA plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

###### G. Pension Liability Sensitivity

The following presents the City's net pension asset for the Association's plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	1% Decrease in Discount Rate (4.50%)	Discount Rate (5.50%)	1% Increase in Discount Rate (6.50%)
Net pension liability (asset)	\$ (432,549)	\$ (456,915)	\$ (479,967)

###### H. Plan Investments

###### 1. Investment Policy

All investments undertaken by the plan are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A. Within the requirements defined by state law, the Plan establishes investment policy for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the ongoing management of the funds and are updated periodically.

## 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 Firefighter's Relief Association (Continued)

##### 2. Asset Allocation

The long-term target asset allocation and long-term expected real rate of return of the Plan's assets is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	17.00%	2.25%
Fixed income	28.00%	3.30%
Equities	54.00%	7.50%
Other	<u>1.00%</u>	<u>6.00%</u>
Total	100%	5.50%

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

##### 3. Description of significant investment policy changes during the year

The Plan made no significant changes to their investment policy during the year.

##### I. Pension Plan Fiduciary Net Position

Detailed information about the Lake Elmo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2016 is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the Finance Director for the City of Lake Elmo.

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

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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#### **5. Implementation of New Accounting Principles**

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The City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investments to be measured at fair value and requires disclosures to be made about fair value measurements including the level of hierarchy and the valuation techniques utilized by the City.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles of the State and Local Governments*. This statement established the order and priority of pronouncements and other sources of accounting and financial reporting guidance that governments should apply. This statement did not impact the preparation of these financial statements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. This statement requires the disclosure of information related to tax abatement agreements entered into by the City, such as the financial statement impact, amount of taxes the City has promised to forego, and commitments made under the agreements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, No. 73*. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during implementation of the three standards listed above. One of the significant changes included in this statement clarifies the presentation of covered payroll in the required supplementary information to reflect the amount of payroll on which contributions made to the pension plan are based.

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#### **6. Subsequent Event**

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In June 2017, the City issued 2017A General Obligation Bonds in the amount of \$9,045,000. The proceeds of the bonds will be used to finance an improvement project, the purchase of equipment, a sewer project, a water project, a storm water project, and to pay costs associated with issuance of the bonds.

**CITY OF LAKE ELMO, MINNESOTA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**December 31, 2016**

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**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of City Contributions**  
**PERA General Employees Retirement Plan**  
**December 31, 2016**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 73,182	\$ 73,182	\$	\$ 1,009,407	7.2%
2015	70,582	70,582		941,092	7.5%
2016	85,649	85,649		1,141,987	7.5%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of City Contributions**  
**PERA Public Employees Police and Fire Plan**  
**December 31, 2016**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 13,035	\$ 13,035	\$	\$ 85,195	15.3%
2015	14,257	14,257		88,005	16.2%
2016	13,967	13,967		86,216	16.2%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.



**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Plan**  
**December 31, 2016**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0191%	\$ 897,222	\$ 1,009,407	88.9%	78.7%
2015	0.0169%	875,846	941,092	93.1%	78.2%
2016	0.0159%	1,291,001	1,141,987	113.0%	68.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Plan**  
**December 31, 2016**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0090%	\$ 97,204	\$ 85,195	114.1%	87.1%
2015	0.0090%	102,261	88,005	116.2%	86.6%
2016	0.0090%	361,186	86,216	418.9%	63.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Funding Progress for the Fire Relief Association**  
**December 31, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Valuation of Plan Assets (a)</u>	<u>Actuarial Valuation of Plan Assets (b)</u>	<u>Net Pension Liability (Asset) (a-b)</u>
12/31/16	\$ 618,531	\$ 1,075,446	\$ (456,915)
12/31/15	588,689	963,628	(374,939)

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Employer Contributions for the Fire Relief Association**  
**December 31, 2016**

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$	\$
Actual contributions paid	<u>                    </u>	<u>                    </u>
Contributions deficiency (excess)	<u><u>\$</u></u>	<u><u>\$</u></u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**For the Year Ended December 31, 2016**

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.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	\$	\$ 112,761	\$ 112,761	0%	\$ 892,528	12.63%
1/1/2012		101,981	101,981	0%	932,540	10.94%
1/1/2013		293,220	293,220	0%	913,884	32.09%
1/1/2014		204,437	204,437	0%	1,022,592	19.99%
1/1/2015		186,284	186,284	0%	1,041,665	17.88%
1/1/2016		188,502	188,502	0%	1,417,483	13.30%

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING AND INDIVIDUAL**  
**FUND STATEMENTS AND SCHEDULES**  
**December 31, 2016**

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2016

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and investments	\$ 249,780	\$ 1,392,769	\$ 1,642,549
<b>TOTAL ASSETS</b>	<u>\$ 249,780</u>	<u>\$ 1,392,769</u>	<u>\$ 1,642,549</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 71,225	\$	\$ 71,225
Accrued liabilities	3,480		3,480
Due to other funds	1,144	56,760	57,904
Advances from other funds		405,398	405,398
Escrow deposits payable		75,000	75,000
Total liabilities	<u>75,849</u>	<u>537,158</u>	<u>613,007</u>
 <b>FUND BALANCE (DEFICIT)</b>			
Nonspendable			
Assigned	174,540	1,261,054	1,435,594
Unassigned	(609)	(405,443)	(406,052)
Total Fund Balance (Deficit)	<u>173,931</u>	<u>855,611</u>	<u>1,029,542</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 249,780</u>	<u>\$ 1,392,769</u>	<u>\$ 1,642,549</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 256,957	\$	\$ 256,957
Dedication fees		171,708	171,708
Refunds and reimbursements		21,390	21,390
Investment earnings	944	6,358	7,302
Miscellaneous revenue	13,586		13,586
<b>TOTAL REVENUES</b>	<u>271,487</u>	<u>199,456</u>	<u>470,943</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	331,901		331,901
<b>Capital Outlay</b>			
Culture and recreation		146,441	146,441
<b>TOTAL EXPENDITURES</b>	<u>331,901</u>	<u>146,441</u>	<u>478,342</u>
Net change in fund balances	(60,414)	53,015	(7,399)
<b>FUND BALANCES, Beginning</b>	<u>234,345</u>	<u>802,596</u>	<u>1,036,941</u>
<b>FUND BALANCES, Ending</b>	<u><u>\$ 173,931</u></u>	<u><u>\$ 855,611</u></u>	<u><u>\$ 1,029,542</u></u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
December 31, 2016

	City Events (204)	Library (206)	Total
<b>ASSETS</b>			
Cash and investments	\$ 535	\$ 249,245	\$ 249,780
<b>TOTAL ASSETS</b>	<u>\$ 535</u>	<u>\$ 249,245</u>	<u>\$ 249,780</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$ 71,225	\$ 71,225
Due to other funds	1,144		1,144
Accrued liabilities		3,480	3,480
Total liabilities	<u>1,144</u>	<u>74,705</u>	<u>75,849</u>
<b>FUND BALANCE (DEFICIT)</b>			
Assigned		174,540	174,540
Unassigned	(609)		(609)
Total fund balance (deficit)	<u>(609)</u>	<u>174,540</u>	<u>173,931</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<u>\$ 535</u>	<u>\$ 249,245</u>	<u>\$ 249,780</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, 2016

	City Events (204)	Library (206)	Total
<b>REVENUES</b>			
Taxes	\$	\$ 256,957	\$ 256,957
Investment earnings	3	941	944
Miscellaneous revenue	532	13,054	13,586
<b>TOTAL REVENUES</b>	535	270,952	271,487
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation		331,901	331,901
Net change in fund balances	535	(60,949)	(60,414)
<b>FUND BALANCES, Beginning</b>	(1,144)	235,489	234,345
<b>FUND BALANCES (DEFICIT), Ending</b>	\$ (609)	\$ 174,540	\$ 173,931



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
December 31, 2016

	Park Dedication (404)	City Facilities (411)	Village Project (413)
<b>ASSETS</b>			
Cash and investments	\$ 980,041	\$ 272,924	\$ 61,612
<b>TOTAL ASSETS</b>	<u>\$ 980,041</u>	<u>\$ 272,924</u>	<u>\$ 61,612</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Due to other funds	\$	\$	\$ 56,760
Advances from other funds			405,398
Escrow deposits payable			
Total liabilities			<u>462,158</u>
<b>FUND BALANCE (DEFICIT)</b>			
Assigned	980,041	272,924	
Unassigned			(400,546)
Total fund balance (deficit)	<u>980,041</u>	<u>272,924</u>	<u>(400,546)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 980,041</u>	<u>\$ 272,924</u>	<u>\$ 61,612</u>

Manning Avenue/Hwy 36 (414)	Washington County Downtown Project (422)	Total
<u>\$ 70,103</u>	<u>\$ 8,089</u>	<u>\$ 1,392,769</u>
<u><u>\$ 70,103</u></u>	<u><u>\$ 8,089</u></u>	<u><u>\$ 1,392,769</u></u>
\$	\$	\$ 56,760
		405,398
75,000		75,000
<u>75,000</u>		<u>537,158</u>
	8,089	1,261,054
(4,897)		(405,443)
<u>(4,897)</u>	<u>8,089</u>	<u>855,611</u>
<u><u>\$ 70,103</u></u>	<u><u>\$ 8,089</u></u>	<u><u>\$ 1,392,769</u></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, 2016

	Park Dedication (404)	City Facilities (411)	Village Project (413)
<b>REVENUES</b>			
Dedication fees	\$ 171,708	\$	\$
Refunds and reimbursements			21,390
Investment earnings (loss)	4,509	1,255	233
<b>TOTAL REVENUES</b>	176,217	1,255	21,623
<b>EXPENDITURES</b>			
<b>Capital Outlay</b>			
Culture and recreation	146,441		
Net change in fund balances	29,776	1,255	21,623
<b>FUND BALANCES (DEFICIT), Beginning</b>	950,265	271,669	(422,169)
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 980,041</u>	<u>\$ 272,924</u>	<u>\$ (400,546)</u>

Manning Avenue/Hwy 36 (414)	Washington County Downtown Project (422)	Total
\$	\$	\$ 171,708
		21,390
323	38	6,358
323	38	199,456
		146,441
323	38	53,015
(5,220)	8,051	802,596
\$ (4,897)	\$ 8,089	\$ 855,611

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
December 31, 2016

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
<b>ASSETS</b>				
<b>Noncurrent Assets</b>				
Property and Equipment				
Machinery and equipment	\$ 168,854	\$ 95,355	\$ 390,483	\$ 654,692
Less: Accumulated depreciation	79,506	77,095	325,720	482,321
	<u>89,348</u>	<u>18,260</u>	<u>64,763</u>	<u>172,371</u>
Net Property and Equipment				
	<u>89,348</u>	<u>18,260</u>	<u>64,763</u>	<u>172,371</u>
<b>TOTAL ASSETS</b>	<u>\$ 89,348</u>	<u>\$ 18,260</u>	<u>\$ 64,763</u>	<u>\$ 172,371</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Due to other funds	\$ 41,740	\$	\$ 76,081	\$ 117,821
	<u>41,740</u>	<u></u>	<u>76,081</u>	<u>117,821</u>
<b>Net Position</b>				
Net investment in capital assets	89,348	18,260	64,763	172,371
Unrestricted	(41,740)		(76,081)	(117,821)
	<u>47,608</u>	<u>18,260</u>	<u>(11,318)</u>	<u>54,550</u>
Total Net Position				
	<u>47,608</u>	<u>18,260</u>	<u>(11,318)</u>	<u>54,550</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 89,348</u>	<u>\$ 18,260</u>	<u>\$ 64,763</u>	<u>\$ 172,371</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, 2016

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
<b>Operating Expenses</b>				
Depreciation	\$ 9,471	\$ 4,654	\$ 10,505	\$ 24,630
Net (Loss)	(9,471)	(4,654)	(10,505)	(24,630)
<b>Net Position, Beginning of Year</b>	57,079	22,914	(813)	79,180
<b>Net Position, End of Year</b>	\$ 47,608	\$ 18,260	\$ (11,318)	\$ 54,550

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2016

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
<b>Cash Flows From Noncapital Financing Activities</b>				
Increase in due to other funds	\$ 41,740	\$	\$	\$ 41,740
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition of capital assets	(69,003)			(69,003)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(27,263)			(27,263)
<b>Cash and Cash Equivalents, Beginning of Year</b>	27,263			27,263
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (9,471)	\$ (4,654)	\$ (10,505)	\$ (24,630)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	9,471	4,654	10,505	24,630
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
December 31, 2016

	2002 GO Improvement Bonds (312)	2006A GO Equipment Certificates (314)	2009A GO Refunding Bonds (315)	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)
<b>ASSETS</b>					
Cash and investments	\$ 475	\$ 29,544	\$	\$ 106,002	\$ 114,650
Receivables (Net of allowance for uncollectibles)					
Special assessments				23,665	40,400
Due from other governmental units				121	
<b>TOTAL ASSETS</b>	<u>\$ 475</u>	<u>\$ 29,544</u>	<u>\$</u>	<u>\$ 129,788</u>	<u>\$ 155,050</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds			1,002		
Total liabilities			<u>1,002</u>		
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Special assessments				23,665	40,400
Total deferred inflows of resources				<u>23,665</u>	<u>40,400</u>
<b>FUND BALANCE (DEFICIT)</b>					
Restricted	475	29,544		106,123	114,650
Unassigned			(1,002)		
Total fund balance (deficit)	<u>475</u>	<u>29,544</u>	<u>(1,002)</u>	<u>106,123</u>	<u>114,650</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 475</u>	<u>\$ 29,544</u>	<u>\$</u>	<u>\$ 129,788</u>	<u>\$ 155,050</u>

2010B GO CIP Bonds (318)	2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	Total
\$ 126,551	\$ 301,350	\$ 6,061	\$ 1,597,733	\$ 762,457	\$ 41,149	\$ 240,912	\$ 3,326,884
	39,920	119,700	28,560	565,065 4,713		371,860	1,189,170 4,834
<u>\$ 126,551</u>	<u>\$ 341,270</u>	<u>\$ 125,761</u>	<u>\$ 1,626,293</u>	<u>\$ 1,332,235</u>	<u>\$ 41,149</u>	<u>\$ 612,772</u>	<u>\$ 4,520,888</u>
\$	\$	\$	\$	\$	\$	\$	\$
		17,176	77,427				95,605
		<u>17,176</u>	<u>77,427</u>				<u>95,605</u>
	39,920	119,700	28,560	565,065		371,860	1,189,170
	<u>39,920</u>	<u>119,700</u>	<u>28,560</u>	<u>565,065</u>		<u>371,860</u>	<u>1,189,170</u>
126,551	301,350		1,520,306	767,170	41,149	240,912	3,248,230
		(11,115)					(12,117)
<u>126,551</u>	<u>301,350</u>	<u>(11,115)</u>	<u>1,520,306</u>	<u>767,170</u>	<u>41,149</u>	<u>240,912</u>	<u>3,236,113</u>
<u>\$ 126,551</u>	<u>\$ 341,270</u>	<u>\$ 125,761</u>	<u>\$ 1,626,293</u>	<u>\$ 1,332,235</u>	<u>\$ 41,149</u>	<u>\$ 612,772</u>	<u>\$ 4,520,888</u>

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

For the Year Ended December 31, 2016

	2002 GO Improvement Bonds (312)	2006A GO Equipment Certificates (314)	2009A GO Refunding Bonds (315)	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)
<b>REVENUES</b>					
Taxes	\$	\$	\$	\$ 49,598	\$ 59,043
Intergovernmental			72,100		
Special assessments				7,463	10,507
Investment earnings	2	136		489	528
<b>TOTAL REVENUES</b>	2	136	72,100	57,550	70,078
<b>EXPENDITURES</b>					
<b>Debt Service</b>					
Principal			70,000	60,000	70,000
Interest and other charges			5,177	8,163	9,550
<b>TOTAL EXPENDITURES</b>			75,177	68,163	79,550
Excess (deficiency) of revenues over (under) expenditures	2	136	(3,077)	(10,613)	(9,472)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers					
Net change in fund balances	2	136	(3,077)	(10,613)	(9,472)
<b>FUND BALANCES (DEFICIT), Beginning</b>	473	29,408	2,075	116,736	124,122
<b>FUND BALANCES (DEFICIT), Ending</b>	\$ 475	\$ 29,544	\$ (1,002)	\$ 106,123	\$ 114,650

2010B GO CIP Bonds (318)	2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	Total
\$ 205,860	\$ 75,485	\$ 62,926	\$	\$ 211,628	\$	\$	\$ 664,540
	8,175	23,904	483,548	123,922		239,804	72,100
583	1,386	28	7,351	3,509	189	1,108	897,323
206,443	85,046	86,858	490,899	339,059	189	240,912	15,309
							1,649,272
150,000	85,000	85,000	105,000	180,000			805,000
42,603	10,296	9,751	38,105	68,838	33,289		225,772
192,603	95,296	94,751	143,105	248,838	33,289		1,030,772
13,840	(10,250)	(7,893)	347,794	90,221	(33,100)	240,912	618,500
			143,105				143,105
13,840	(10,250)	(7,893)	490,899	90,221	(33,100)	240,912	761,605
112,711	311,600	(3,222)	1,029,407	676,949	74,249		2,474,508
\$ 126,551	\$ 301,350	\$ (11,115)	\$ 1,520,306	\$ 767,170	\$ 41,149	\$ 240,912	\$ 3,236,113

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**CITY EVENTS SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$	\$	\$ 3	\$ 3
Miscellaneous revenue			532	532
<b>TOTAL REVENUES</b>			535	535
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation				
Net change in fund balances			535	535
<b>FUND BALANCES, Beginning</b>	(1,144)	(1,144)	(1,144)	
<b>FUND BALANCES, Ending</b>	<u>\$ (1,144)</u>	<u>\$ (1,144)</u>	<u>\$ (609)</u>	<u>\$ 535</u>

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2016.

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**LIBRARY SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 256,957	\$ 256,957	\$ 256,957	\$
Investment earnings			941	941
Miscellaneous revenue			13,054	13,054
<b>TOTAL REVENUES</b>	256,957	256,957	270,952	13,995
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation	256,957	256,957	331,901	(74,944)
Net change in fund balances			(60,949)	(60,949)
<b>FUND BALANCES, Beginning</b>	235,489	235,489	235,489	
<b>FUND BALANCES, Ending</b>	\$ 235,489	\$ 235,489	\$ 174,540	\$ (60,949)

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

For the Year Ended December 31, 2016

	Balance January 1	Additions	Deletions	Balance December 31
<b>ESCROW</b>				
ASSETS				
Cash and investments	\$ 1,827,298	\$ 2,062,165	\$ 1,494,809	\$ 2,394,654
LIABILITIES				
Accounts payable	\$ 99,952	\$ 1,403,507	\$ 1,438,647	\$ 64,812
Deposits payable	1,727,346	2,155,295	1,552,799	2,329,842
TOTAL LIABILITIES	<u>\$ 1,827,298</u>	<u>\$ 3,558,802</u>	<u>\$ 2,991,446</u>	<u>\$ 2,394,654</u>
<b>YELLOW RIBBON</b>				
ASSETS				
Cash and investments	\$ (128)	\$	\$	\$ (128)
Accounts receivable	128			128
TOTAL ASSETS	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>TOTAL AGENCY FUNDS</b>				
ASSETS				
Cash and investments	\$ 1,827,170	\$ 2,062,165	\$ 1,494,809	\$ 2,394,526
Accounts receivable	128			128
TOTAL ASSETS	<u>\$ 1,827,298</u>	<u>\$ 2,062,165</u>	<u>\$ 1,494,809</u>	<u>\$ 2,394,654</u>
LIABILITIES				
Accounts payable	\$ 99,952	\$ 1,403,507	\$ 1,438,647	\$ 64,812
Deposits payable	1,727,346	2,155,295	1,552,799	2,329,842
TOTAL LIABILITIES	<u>\$ 1,827,298</u>	<u>\$ 3,558,802</u>	<u>\$ 2,991,446</u>	<u>\$ 2,394,654</u>

**CITY OF LAKE ELMO, MINNESOTA  
REDEVELOPMENT GRANT PROGRAM  
Supplemental Schedule of Sources and Uses  
For the Year Ended December 31, 2016**

	<u>Total (1)</u>
<b>SOURCES</b>	<u><u>\$ 3,432,302</u></u>
<b>USES**</b>	
Inwood Avenue trunk watermain construction	\$ 953,584
Inwood Avenue booster station construction	775,000
Inwood Avenue water tower construction	<u>1,703,718</u>
<b>TOTAL USES</b>	<u><u>\$ 3,432,302</u></u>

(1) Redevelopment Grant Program SPAP-14-0007-P-FY14

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



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**CITY OF LAKE ELMO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**December 31, 2016**

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.	107
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	117
<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.	124
<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.	132
<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.	134

**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			
	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	\$ 9,032,535	\$ 8,723,329	\$ 7,957,840	\$ 9,056,353
Restricted	4,704,133	3,446,142	1,106,200	1,225,849
Unrestricted	4,136,292	3,942,646	5,405,920	4,593,463
Total governmental activities net position	<u>\$ 17,872,960</u>	<u>\$ 16,112,117</u>	<u>\$ 14,469,960</u>	<u>\$ 14,875,665</u>
Business-type activities				
Net investment in capital assets	\$ 12,506,474	\$ 10,170,351	\$ 10,567,418	\$ 6,855,807
Restricted	1,473,164	1,876,119	2,387,312	\$ 2,612,569
Unrestricted	6,400,375	3,577,285	1,100,422	1,846,681
Total business-type activities net position	<u>\$ 20,380,013</u>	<u>\$ 15,623,755</u>	<u>\$ 14,055,152</u>	<u>\$ 11,315,057</u>
Primary government				
Net investment in capital assets	\$ 21,539,009	\$ 18,893,680	\$ 18,525,258	\$ 15,912,160
Restricted	6,177,297	5,322,261	3,493,512	3,838,418
Unrestricted	10,536,667	7,519,931	6,506,342	6,440,144
Total primary government net position	<u>\$ 38,252,973</u>	<u>\$ 31,735,872</u>	<u>\$ 28,525,112</u>	<u>\$ 26,190,722</u>

NOTE: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2012 have not been restated for GASB Statement No. 65.

The City adopted GASB Statements No. 68 and 71 in 2015. Amounts in this schedule prior to 2015 have not been restated for GASB Statements No. 68 and 71.

## Schedule 1

2012	2011	2010	2009	2008	2007
\$ 8,782,840	\$ 8,553,984	\$ 8,368,479	\$ 7,983,822	\$ 7,151,543	\$ 5,648,702
4,205,247	2,664,689	2,057,467	1,399,968	718,617	711,966
918,996	2,555,596	3,439,106	3,824,156	4,698,858	5,139,270
<u>\$ 13,907,083</u>	<u>\$ 13,774,269</u>	<u>\$ 13,865,052</u>	<u>\$ 13,207,946</u>	<u>\$ 12,569,018</u>	<u>\$ 11,499,938</u>
\$ 6,788,377	\$ 6,422,782	\$ 6,713,292	\$ 6,644,334	\$ 6,181,055	\$ 5,617,960
\$ 39,153					
1,105,847	1,449,340	1,193,509	1,056,968	951,793	1,080,666
<u>\$ 7,933,377</u>	<u>\$ 7,872,122</u>	<u>\$ 7,906,801</u>	<u>\$ 7,701,302</u>	<u>\$ 7,132,848</u>	<u>\$ 6,698,626</u>
\$ 15,571,217	\$ 14,976,766	\$ 15,081,771	\$ 14,628,156	\$ 13,332,598	\$ 11,266,662
4,244,400	2,664,689	2,057,467	1,399,968	718,617	711,966
2,024,843	4,004,936	4,632,615	4,881,124	5,650,651	6,219,936
<u>\$ 21,840,460</u>	<u>\$ 21,646,391</u>	<u>\$ 21,771,853</u>	<u>\$ 20,909,248</u>	<u>\$ 19,701,866</u>	<u>\$ 18,198,564</u>

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

	Fiscal Year			
	2016	2015	2014	2013
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,358,370	\$ 1,134,132	\$ 1,072,888	\$ 1,103,337
Public safety	1,308,360	1,344,282	1,530,609	1,277,798
Public works	1,698,566	1,377,969	1,032,426	1,273,977
Culture and recreation	660,947	639,006	448,361	424,687
Interest on long-term debt	178,266	215,611	165,028	133,694
Total governmental activities expenses	<u>5,204,509</u>	<u>4,711,000</u>	<u>4,249,312</u>	<u>4,213,493</u>
Business-Type activities:				
Water	1,409,832	1,363,043	1,069,511	958,870
Sewer	380,650	250,866	353,438	119,370
Storm sewer	150,302	103,536	149,887	86,989
Total business-type activities expenses	<u>1,940,784</u>	<u>1,717,445</u>	<u>1,572,836</u>	<u>1,165,229</u>
Total primary government expenses	<u>\$ 7,145,293</u>	<u>\$ 6,428,445</u>	<u>\$ 5,822,148</u>	<u>\$ 5,378,722</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 51,009	\$ 42,706	\$ 45,161	\$ 32,778
Public safety	1,752,522	866,708	496,916	414,472
Public works		3,615		2,647
Culture and recreation		26,214	10,753	17,000
Operating grants and contributions	235,214	249,094	204,462	208,276
Capital grants and contributions	<u>1,452,469</u>	<u>2,038,940</u>	<u>557,601</u>	<u>1,364,622</u>
Total governmental activities program revenues	<u>3,491,214</u>	<u>3,227,277</u>	<u>1,314,893</u>	<u>2,039,795</u>
Business-type activities:				
Charges for services:				
Water	1,801,228	1,850,240	1,291,091	596,421
Sewer	1,315,948	1,523,067	741,054	53,142
Storm sewer	213,233	229,252	214,915	191,087
Operating grants and contributions				
Capital grants and contributions	<u>3,464,567</u>		<u>1,159,222</u>	<u>3,781,528</u>
Total business-type activities program revenues	<u>6,794,976</u>	<u>3,602,559</u>	<u>3,406,282</u>	<u>4,622,178</u>
Total primary government program revenues	<u>\$ 10,286,190</u>	<u>\$ 6,829,836</u>	<u>\$ 4,721,175</u>	<u>\$ 6,661,973</u>

Schedule 2

2012	2011	2010	2009	2008	2007
\$ 1,093,204	\$ 1,036,038	\$ 980,456	\$ 971,677	\$ 1,168,625	\$ 914,212
1,302,857	1,107,050	1,171,158	1,125,464	1,002,408	956,649
891,169	1,008,686	1,135,351	872,045	868,804	1,247,398
362,432	247,845	239,389	248,856	228,393	333,164
316,039	266,730	222,404	218,319	237,753	207,648
3,965,701	3,666,349	3,748,758	3,436,361	3,505,983	3,659,071
872,786	845,474	898,319	857,014	849,018	735,499
53,903	73,797	61,513	59,243	63,400	125,773
73,590	142,517	151,384	140,365	123,902	78,807
1,000,279	1,061,788	1,111,216	1,056,622	1,036,320	940,079
\$ 4,965,980	\$ 4,728,137	\$ 4,859,974	\$ 4,492,983	\$ 4,542,303	\$ 4,599,150
\$ 48,476	\$ 22,058	\$ 18,296	\$ 15,631	\$ 19,430	\$ 28,890
379,557	283,813	320,242	270,653	295,353	365,327
3,256	3,058	3,425	6,584	3,833	18,573
9,341		10,800			61,274
160,060	184,476	168,491	174,433	140,176	94,185
160,444	222,488	1,090,419	798,687	1,345,803	1,371,489
761,134	715,893	1,611,673	1,265,988	1,804,595	1,939,738
699,159	575,534	562,585	479,430	467,336	471,226
65,737	53,012	48,508	45,146	44,568	99,581
171,229	235,252	185,425	149,407	134,674	138,092
	17,000	32,721	30,100		
115,127	75,885	418,400	776,473	684,400	298,928
1,051,252	956,683	1,247,639	1,480,556	1,330,978	1,007,827
\$ 1,812,386	\$ 1,672,576	\$ 2,859,312	\$ 2,746,544	\$ 3,135,573	\$ 2,947,565

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

	Fiscal Year			
	2016	2015	2014	2013
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (1,713,295)	\$ (1,483,723)	\$ (2,934,419)	\$ (2,173,698)
Business-type activities	4,854,192	1,885,114	1,833,446	3,456,949
Total primary government net revenue	<u>\$ 3,140,897</u>	<u>\$ 401,391</u>	<u>\$ (1,100,973)</u>	<u>\$ 1,283,251</u>
<b>General Revenues and Other Changes In Net Position</b>				
Governmental activities:				
General property taxes	\$ 3,226,739	\$ 3,204,119	\$ 3,200,291	\$ 3,231,609
Grants and contributions not restricted to specific programs	8,584	2,749	2,749	2,749
Interest income	43,228	46,589	87,586	35,259
Miscellaneous	52,479	73,738	125,400	1,833
Gain on sale of capital assets				8,979
Transfers	143,105	220,842	(887,312)	
Total governmental activities	<u>3,474,135</u>	<u>3,548,037</u>	<u>2,528,714</u>	<u>3,280,429</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	748			
Interest income	44,423	39,757	19,337	30,346
Transfers	(143,105)	(220,842)	887,312	
Total business-type activities	<u>(97,934)</u>	<u>(181,085)</u>	<u>906,649</u>	<u>30,346</u>
Total primary government	<u>\$ 3,376,201</u>	<u>\$ 3,366,952</u>	<u>\$ 3,435,363</u>	<u>\$ 3,310,775</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,760,840	\$ 2,064,314	\$ (405,705)	\$ 1,106,731
Business-type activities	4,756,258	1,704,029	2,740,095	3,487,295
Total primary government	<u>\$ 6,517,098</u>	<u>\$ 3,768,343</u>	<u>\$ 2,334,390</u>	<u>\$ 4,594,026</u>

**Schedule 2  
(continued)**

2012	2011	2010	2009	2008	2007
\$ (3,204,567)	\$ (2,950,456)	\$ (2,137,085)	\$ (2,170,373)	\$ (1,701,388)	\$ (1,719,333)
50,973	(105,105)	136,423	423,934	294,658	67,748
<u>\$ (3,153,594)</u>	<u>\$ (3,055,561)</u>	<u>\$ (2,000,662)</u>	<u>\$ (1,746,439)</u>	<u>\$ (1,406,730)</u>	<u>\$ (1,651,585)</u>
\$ 3,183,078	\$ 2,793,776	\$ 2,711,067	\$ 2,718,691	\$ 2,568,705	\$ 2,424,782
	10,628	9,771	8,764	57,390	46,154
111,705	94,501	113,989	160,679	209,539	335,578
42,599	20,405	17,311	41,827	50,865	33,204
			8,517		
	(59,637)	(57,947)	(129,177)	(116,031)	(424,940)
<u>3,337,382</u>	<u>2,859,673</u>	<u>2,794,191</u>	<u>2,809,301</u>	<u>2,770,468</u>	<u>2,414,778</u>
10,282	10,789	11,129	15,343	23,533	94,325
	59,637	57,947	129,177	116,031	424,940
<u>10,282</u>	<u>70,426</u>	<u>69,076</u>	<u>144,520</u>	<u>139,564</u>	<u>519,265</u>
<u>\$ 3,347,664</u>	<u>\$ 2,930,099</u>	<u>\$ 2,863,267</u>	<u>\$ 2,953,821</u>	<u>\$ 2,910,032</u>	<u>\$ 2,934,043</u>
\$ 132,815	\$ (90,783)	\$ 657,106	\$ 638,928	\$ 1,069,080	\$ 695,445
61,255	(34,679)	205,499	568,454	434,222	587,013
<u>\$ 194,070</u>	<u>\$ (125,462)</u>	<u>\$ 862,605</u>	<u>\$ 1,207,382</u>	<u>\$ 1,503,302</u>	<u>\$ 1,282,458</u>



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General fund					
Reserved	\$	\$	\$	\$	\$
Unreserved					
Nonspendable	409,222	432,306	638,963	859,072	1,024,433
Committed	200,000				
Unassigned	<u>3,279,815</u>	<u>2,754,976</u>	<u>2,542,038</u>	<u>2,318,310</u>	<u>2,414,692</u>
Total general fund	<u>3,889,037</u>	<u>3,187,282</u>	<u>3,181,001</u>	<u>3,177,382</u>	<u>3,439,125</u>
All other					
governmental funds					
Reserved					
Unreserved					
Nonspendable		3,908			
Restricted	3,248,230	2,477,730	717,781	743,976	3,959,111
Committed					-
Assigned	1,504,656	1,768,742	2,943,525	2,252,931	1,244,900
Unassigned	<u>(418,169)</u>	<u>(431,755)</u>	<u>(693,904)</u>	<u>(885,360)</u>	<u>(1,670,915)</u>
Total all other					
governmental funds	<u>4,334,717</u>	<u>3,818,625</u>	<u>2,967,402</u>	<u>2,111,547</u>	<u>3,533,096</u>
Total governmental funds	<u>\$ 8,223,754</u>	<u>\$ 7,005,907</u>	<u>\$ 6,148,403</u>	<u>\$ 5,288,929</u>	<u>\$ 6,972,221</u>

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

Schedule 3

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	\$ 1,068,950	\$ 1,032,570	\$ 1,015,753	\$ 1,003,823
1,206,209	1,617,211	1,403,240	1,395,088	1,251,127
1,707,711				
<u>2,913,920</u>	<u>2,686,161</u>	<u>2,435,810</u>	<u>2,410,841</u>	<u>2,254,950</u>
	3,605,250	1,422,049	727,673	698,683
	504,106	1,077,659	1,976,379	2,554,808
4,691,748				
7,114				
654,358				
<u>(1,353,754)</u>				
<u>3,999,466</u>	<u>4,109,356</u>	<u>2,499,708</u>	<u>2,704,052</u>	<u>3,253,491</u>
<u>\$ 6,913,386</u>	<u>\$ 6,795,517</u>	<u>\$ 4,935,518</u>	<u>\$ 5,114,893</u>	<u>\$ 5,508,441</u>

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

	2016	2015	2014	2013	2012
<b>Revenues</b>					
Taxes	\$ 3,231,674	\$ 3,222,216	\$ 3,203,111	\$ 3,231,609	\$ 3,221,733
Licenses and permits	1,713,918	828,494	451,953	374,974	330,819
Intergovernmental	282,874	296,902	413,968	1,704,178	237,254
Charges for services	38,608	35,796	30,192	6,113	5,726
Fines and forfeitures	49,505	48,739	48,647	52,110	58,385
Special assessments	897,323	1,316,239	115,424	180,023	136,150
Dedication fees	171,708	138,158	274,257		
Refunds and reimbursements	21,390				
Investment earnings	43,228	46,415	87,467	35,127	111,737
Miscellaneous revenue	56,101	99,055	165,319	57,260	87,562
Total Revenues	6,506,329	6,032,014	4,790,338	5,641,394	4,189,366
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,280,259	1,025,320	1,046,906	1,527,732	1,034,712
Public safety	1,262,040	1,203,765	1,198,546	1,174,145	1,109,937
Public works	893,644	686,401	585,071	614,270	446,541
Culture and recreation	500,689	457,749	368,276	301,404	260,404
Unallocated	78,047	69,403			
<b>Debt service</b>					
Principal	826,219	667,342	585,000	3,348,000	406,000
Interest and other charges	226,159	203,738	135,382	171,148	267,253
Bond issuance costs	16,233	22,873	22,267	7,870	41,828
<b>Capital outlay</b>	3,126,782	2,729,512	2,881,437	1,784,914	1,428,856
Total Expenditures	8,210,072	7,066,103	6,822,885	8,929,483	4,995,531
Excess (deficiency) of revenues over (under) expenditures	(1,703,743)	(1,034,089)	(2,032,547)	(3,288,089)	(806,165)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	2,690,000	1,620,000	2,850,000	1,604,797	865,000
Premium on issuance of debt	102,877	32,137	31,520		
(Discount) on issuance of debt	(14,392)	(11,386)			
Payment to bond escrow agent					
Sale of property		30,000			
Transfers in	143,105	220,842	10,501		
Transfers out					
Total other financing sources (uses)	2,921,590	1,891,593	2,892,021	1,604,797	865,000
Net change in fund balances	\$ 1,217,847	\$ 857,504	\$ 859,474	\$ (1,683,292)	\$ 58,835
Debt service as a percentage of noncapital expenditures	20.60%	19.48%	17.67%	47.79%	18.66%

Schedule 4

2011	2010	2009	2008	2007
\$ 2,790,773	\$ 2,737,225	\$ 2,685,894	\$ 2,523,332	\$ 2,416,861
230,419	261,450	225,166	242,074	315,975
276,638	239,244	288,881	261,743	384,160
14,691	22,416	11,433	15,623	39,163
63,819	68,897	54,052	60,919	57,652
153,536	134,257	73,013	102,929	75,993
94,066	113,033	160,679	209,539	335,578
48,217	84,860	61,533	177,599	1,094,478
3,672,159	3,661,382	3,560,651	3,593,758	4,719,860
1,016,898	921,590	929,960	1,108,737	942,131
996,733	1,064,176	988,082	882,135	984,090
447,629	473,293	459,703	438,591	459,478
168,747	168,971	180,965	154,011	160,940
344,000	313,000	361,000	280,000	334,000
251,385	216,820	229,175	235,450	206,020
34,327	74,580	45,056		
1,029,183	1,203,309	998,031	888,382	2,281,938
4,288,902	4,435,739	4,191,972	3,987,306	5,368,597
(616,743)	(774,357)	(631,321)	(393,548)	(648,737)
845,000	2,680,000	1,110,000		
	4,356	17,756		
		(525,000)		
		9,190		
204,972	314,698	1,466,041	8,500	778,074
(315,360)	(364,698)	(1,626,041)	(8,500)	(778,074)
734,612	2,634,356	451,946		
\$ 117,869	\$ 1,859,999	\$ (179,375)	\$ (393,548)	\$ (648,737)
17.43%	15.11%	17.81%	15.42%	14.69%

**SCHEDULE 5**

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

Payable Year	Taxable Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2007	\$ 1,131,010,100	\$ 12,506,910	\$ 207,913	\$ 12,714,823	\$ 12,714,823	19.274	% 0.01
2008	1,146,659,500	12,750,173	203,610	12,953,783	12,953,783	20.553	0.01
2009	1,208,072,300	13,490,182	201,896	13,692,078	13,692,078	19.810	0.01
2010	1,201,213,400	13,394,423	202,299	13,596,722	13,596,722	20.479	0.01
2011	1,142,936,500	12,678,177	221,613	12,899,790	12,899,790	21.832	0.01
2012	1,037,557,100	11,525,623	229,157	11,754,780	11,754,780	27.271	0.01
2013	1,028,011,400	11,392,876	237,584	11,630,460	11,630,460	29.259	0.01
2014	1,046,031,000	11,504,611	238,764	11,743,375	11,743,375	27.761	0.01
2015	1,184,578,800	12,938,515	243,104	13,181,619	13,181,619	23.798	0.01
2016	1,267,841,100	13,386,725	266,218	13,652,943	13,652,943	23.121	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	
2007	19.274 %		19.274 %	17.698 -	22.628 %	25.673 %	1.315 -	4.580 %	2.331 %	66.291 -	74.486 %
2008	20.553		20.553	17.404 -	22.691	25.936	1.608 -	4.532	2.367	67.868 -	76.079
2009	17.059	2.751	19.810	17.714 -	24.480	26.371	1.545 -	4.002	2.351	67.791 -	77.014
2010	18.033	2.446	20.479	19.734 -	26.389	27.775	1.511 -	4.153	2.558	72.057 -	81.354
2011	19.448	2.384	21.832	20.300 -	34.330	29.772	1.725 -	4.275	2.664	76.293 -	92.873
2012	23.679 (1)	3.592	27.271	22.333 -	38.360	31.939	2.340 -	4.906	2.909	86.792 -	105.385
2013	23.555	5.704	29.259	22.017 -	37.104	31.548	0.779 -	5.306	4.857	88.460 -	108.074
2014	23.472	4.289	27.761	23.150 -	39.770	30.243	0.761 -	5.066	4.641	86.556 -	107.481
2015	20.121	3.677	23.798	21.120 -	35.860	27.691	0.692 -	4.769	4.183	77.484 -	96.301
2016	18.184	4.937	23.121	19.849 -	35.569	27.860	0.075 -	5.111	4.568	75.473 -	96.229

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)	2016			2007		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Xcel Energy	\$ 223,288	1	1.64 %	\$ 177,104	3	1.39 %
IRET Properties	205,342	2	1.50	239,610	1	1.88
Dakota Upreit LP	179,262	3	1.31			
Bremer Financial Services Inc	169,652	4	1.24	195,538	2	1.53
MHC Cimarron LLC	136,610	5	1.02	134,090	7	1.05
Heart of America	108,150	6	0.79			
Tartan Park LLC	100,704	7	0.74			
Norman James LLC	64,976	8	0.48			
Davis Estates LTD	64,912	9	0.48			
Danate Proper Inv I LLC	59,250	10	0.43	61,276	9	0.48
Moline Plow				139,208	5	1.09
United Land LLC				155,494	4	1.22
Lake Elmo Foundation				139,073	6	1.09
United Properties Inv, LLC				58,624	10	0.46
Bri-mar Co In. Etal.				63,518	8	0.50
TOTAL	<u>\$ 1,312,146</u>		<u>9.63 %</u>	<u>\$ 1,363,535</u>		<u>10.69 %</u>

(1) Source: Washington County Taxation Division

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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year		Net Tax Levy for the Fiscal Year (1)		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
					Amount	Percentage of Net Levy	
2007	\$	2,428,644	\$	2,394,822	\$ 2,357,634	98.45	\$ 37,188
2008		2,597,983		2,559,227	2,485,397	97.12	73,830
2009		2,708,155		2,672,623	2,624,026	98.18	48,591
2010		2,743,346		2,705,782	2,645,536	97.77	59,627
2011		2,789,559		2,745,785	2,692,423	98.06	52,284
2012		3,113,017		3,110,478	3,071,202	98.74	36,721
2013		3,163,359		3,160,524	3,133,764	99.15	23,735
2014		3,163,359		3,160,285	3,128,695	99.00	15,415
2015		3,113,017		3,133,137	3,112,989	99.36	12,713
2016		3,112,204		3,112,204	3,068,116	98.58	

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

## 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>		
\$ 2,394,822	100.00	\$	0.00
2,559,227	100.00		0.00
2,672,617	100.00	6	0.00
2,705,163	99.98	619	0.02
2,744,707	99.96	1,078	0.04
3,107,923	99.92	2,555	0.08
3,157,499	99.90	3,025	0.10
3,144,110	99.49	16,175	0.51
3,125,702	99.76	7,435	0.24
3,068,116	98.58	44,088	1.42

**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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Residential	98.044	84.007	98.573	120.676	154.747
Commercial Service	29.379	21.653	12.156	8.253	10.405
Total gallons	127.423	105.660	110.729	128.929	165.152

Total direct rate per 1,000 gallons - residential	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14
Total direct rate per 1,000 gallons - commercial	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.11

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

<u>Type of Customer</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Residential (1)	6.812	3.794	0.000	0.000	0.000
Commercial Service	9.125	8.179	6.532	6.149	6.172
Total gallons	15.937	11.973	6.532	6.149	6.172

Total direct rate per 1,000 gallons	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
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(1) City did not have any residential sanitary sewer customers in 2014 and prior

\* City converted to a tiered rate structure effective January 1, 2010; lowest tier rate listed for 2010-2015

## Schedule 9

<u>2011</u>	<u>2010*</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
105.290	95.704	122.461	120.986	108.649
6.872	7.261	7.989	7.851	8.746
<u>112.162</u>	<u>102.965</u>	<u>130.450</u>	<u>128.837</u>	<u>117.395</u>

\$	2.14	\$	2.10	\$	2.15	\$	2.05	\$	2.05
\$	3.11	\$	3.05	\$	3.10	\$	3.00	\$	3.00

<u>2011</u>	<u>2010*</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
0.000	0.000	0.000	0.000	0.000
6.961	7.086	5.381	5.130	4.409
<u>6.961</u>	<u>7.086</u>	<u>5.381</u>	<u>5.130</u>	<u>4.409</u>

\$	4.50	\$	4.35	\$	4.08	\$	3.71	\$	2.75
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**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<b>Other Governmental Activities Debt</b>					
<b>Fiscal Year</b>	<b>Special Assessment Bonds</b>	<b>Certificates of Indebtedness</b>	<b>Capital Improvement Bonds</b>	<b>Note Payable</b>	<b>Total Governmental Activities Debt</b>
2007	\$ 780,000	\$ 364,000	\$ 3,855,000	\$	\$ 4,999,000
2008	695,000	324,000	3,700,000		4,719,000
2009	1,120,000	283,000	3,540,000		4,943,000
2010	1,725,000	240,000	5,345,000		7,310,000
2011	2,440,000	196,000	5,175,000		7,811,000
2012	3,100,092	150,000	4,969,153		8,219,245
2013	4,436,967	102,000	1,941,135		6,480,102
2014	6,919,568	52,000	1,808,024		8,779,592
2015	8,095,288		1,687,803	21,219	9,804,310
2016	10,210,038		1,537,530		11,747,568

**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>
\$ 4,810,000	\$ 4,810,000	\$ 9,809,000	0.03	\$ 1,429
4,730,000	4,730,000	9,449,000	0.03	1,377
4,715,000	4,715,000	9,658,000	0.03	1,407
4,680,000	4,680,000	11,990,000	0.03	1,486
4,640,000	4,640,000	12,451,000	0.03	1,543
8,314,837	8,314,837	16,534,082	0.04	2,049
12,476,920	12,476,920	18,957,022	0.05	2,349
15,530,642	15,530,642	24,310,234	0.07	3,013
12,622,484	12,622,484	22,426,794	0.06	2,779
18,990,395	18,990,395	30,737,963	N/A	3,809

**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
2007	\$ 780,000	\$ 364,000	\$ 3,855,000	\$ 4,810,000	\$ 9,809,000
2008	695,000	324,000	3,700,000	4,730,000	9,449,000
2009	1,120,000	283,000	3,540,000	4,715,000	9,658,000
2010	1,725,000	240,000	5,345,000	4,680,000	11,990,000
2011	2,440,000	196,000	5,175,000	4,640,000	12,451,000
2012	3,100,092	150,000	4,969,153	8,314,837	16,534,082
2013	4,436,967	102,000	1,941,135	12,476,920	18,957,022
2014	6,919,568	52,000	1,808,024	15,530,642	24,310,234
2015	8,095,288		1,687,803	12,622,484	22,405,575
2016	10,210,038		1,537,530	18,990,395	30,737,963

**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
<u>\$</u>	<u>\$</u>	<u></u>	<u>\$</u>
698,683	9,110,317	0.81	1,327
727,673	8,721,327	0.76	1,271
1,422,049	8,235,951	0.68	1,200
3,605,250	8,384,750	0.70	1,039
3,534,742	8,916,258	0.78	1,105
3,500,799	13,033,283	1.26	1,615
726,753	18,230,269	1.77	2,259
691,700	23,618,534	2.26	2,927
2,477,730	19,927,845	1.68	2,470
3,215,590	27,522,373	2.17	3,411



**CITY OF LAKE ELMO, MINNESOTA**  
**COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT**  
**AND LEGAL DEBT MARGIN**  
December 31, 2016

<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	\$ 138,410,000	3.10%	\$ 4,290,710
Independent School District #832	53,720,033	4.70%	2,524,842
Independent School District #834	113,990,000	14.10%	16,072,590
<b>Other debt</b>			
Washington County	177,010,000	4.15%	7,345,915
Metropolitan Council	1,442,296,908	1.10%	<u>15,865,266</u>
Subtotal, overlapping debt			46,099,323
<b>City direct debt</b>	11,747,568	100.00%	<u>11,747,568</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 57,846,891</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**

	<b>Fiscal Year</b>				
	2016	2015	2014	2013	2012
Debt limit	\$38,035,233	\$36,733,899	\$35,537,364	\$32,470,203	\$32,054,064
Total net debt applicable to limit	<u>2,102,343</u>	<u>1,572,289</u>	<u>1,757,421</u>	<u>1,894,510</u>	<u>2,099,369</u>
Legal debt margin	\$35,932,890	\$35,161,610	\$33,779,943	\$30,575,693	\$29,954,695
Total net debt applicable to the limit as a percentage of debt limit	5.53%	4.28%	4.95%	5.83%	6.55%

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 2016**

Taxable Market Value	\$1,267,841,100
Debt Limit (3% of market value)	38,035,233
Debt applicable to limit:	
General obligation bonds	2,320,000
Less: Amount set aside for repayment of general obligation debt	<u>217,657</u>
Total net debt applicable to limit	<u>2,102,343</u>
Legal debt margin	<u><u>\$ 35,932,890</u></u>

2011	2010	2009	2008	2007
\$31,126,713	\$34,288,095	\$36,036,402	\$36,242,169	\$ 22,620,202
<u>2,148,203</u>	<u>2,195,153</u>	<u>271,142</u>	<u>315,169</u>	<u>358,220</u>
\$28,978,510	\$32,092,942	\$35,765,260	\$35,927,000	\$ 22,261,982
6.90%	6.40%	0.75%	0.87%	1.58%

**Schedule 14**

**CITY OF LAKE ELMO, MINNESOTA  
PLEDGED 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	
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	208,803	0.36
2010	920,768	563,896	356,872	35,000	191,156	1.58
2011	891,587	516,157	375,430	40,000	190,094	1.63
2012	946,407	426,118	520,289	40,000	221,129	1.99
2013	3,501,321	504,648	2,996,673	165,000	300,789	6.43
2014	2,266,397	678,394	1,588,003	365,000	424,080	2.01
2015	3,642,316	627,977	3,014,339	4,165,000	456,782	0.65
2016	3,407,097	757,862	2,649,235	615,000	380,969	2.66

**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>
2007	6,863	\$ 323,426	\$ 47,126	5.0	4.2
2008	6,863	329,774	48,051	6.3	5.8
2009	6,863	317,997	46,335	7.6	7.1
2010	8,069	383,834	47,569	7.0	6.4
2011	8,069	409,203	50,713	5.8	5.2
2012	8,069	420,242	52,081	5.4	4.9
2013	8,069	420,879	52,160	4.6	4.0
2014	8,069	357,723	44,333	3.8	3.7
2015	8,069	371,602	46,053	3.2	2.9
2016	8,069	374,345	46,393	3.8	3.3

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

**SCHEDULE 16**

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

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total City Employment (1)</b>	<b>Employees (1)</b>	<b>Rank</b>	<b>Percentage of Total City Employment (1)</b>
3M Company (Maplewood)	9,100	1	39.0%	10,100	1	56.4%
Andersen Corp (Bayport)	2,400	2	10.3%			
Washington County (Stillwater)	1,600	3	6.9%			
Healtheast Care/St. Johns Hospital (Maplewood)	1,200	4	5.1%			
Woodwinds Health (Woodbury)	1,100	5	4.7%	485	5	2.7%
Fortis Company (Woodbury)				1,021	2	5.5%
ISD 834 (Stillwater)	1,050	6	4.5%	1,000	3	5.6%
3M Company (Woodbury)						
Ecowater Systems, Inc. (Woodbury)	440	7	1.9%	400	7	2.2%
Bremer Bank Operations Ctr (Lake Elmo)	425	8	1.8%	401	6	2.2%
MN Correctional Facility (Oak Park Hts)	355	9	1.5%			
SunAmerica Financial Group (Woodbury)	310	10	1.3%			
Imation (Oakdale)				500	4	2.8%
High Pointe Health Campus (Lake Elmo)				180	8	1.0%
Lake Elmo Inn Inc.				125	9	0.7%
Machine Shed/Wildwood Inn (Lake Elmo)				110	10	0.6%

(1) City staff estimate

(2) Number of current year employees for each employer was taken from information prepared for the 2016A bond issuance. Bond was issued in April 2016 and therefore this information was updated prior to issuance of the 2015 CAFR and information has not changed since that date.

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

<b>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Administration	2.45	3.20	3.55	3.55	3.15
Finance	1.20	0.80	1.25	1.25	0.50
Planning and Zoning	2.21	2.75	2.70	2.95	1.55
<b>General Government</b>	<b>5.86</b>	<b>6.75</b>	<b>7.50</b>	<b>7.75</b>	<b>5.20</b>
Fire	3.80	1.50	1.55	2.05	1.60
Building Inspections	4.21	3.15	1.55	1.30	0.95
<b>Public Safety</b>	<b>8.01</b>	<b>4.65</b>	<b>3.10</b>	<b>3.35</b>	<b>2.55</b>
Streets and Roadways	4.55	3.90	3.20	3.21	3.05
<b>Public Works</b>	<b>4.55</b>	<b>3.90</b>	<b>3.20</b>	<b>3.21</b>	<b>3.05</b>
Parks	3.00	1.85	3.30	2.74	2.52
<b>Parks and Recreation</b>	<b>3.00</b>	<b>1.85</b>	<b>3.30</b>	<b>2.74</b>	<b>2.52</b>
Communications	0.00	0.70	0.35	0.40	0.15
	0.00	0.70	0.35	0.40	0.15
<b>Total Governmental Activities</b>	<b>21.42</b>	<b>17.85</b>	<b>17.45</b>	<b>17.45</b>	<b>13.47</b>
Water Utility	2.00	2.45	2.60	2.10	1.85
Sewer Utility	1.66	1.30	0.70	0.70	0.30
<b>Total Business Activities</b>	<b>3.66</b>	<b>3.75</b>	<b>3.30</b>	<b>2.80</b>	<b>2.15</b>
<b>Totals for Organization</b>	<b>25.08</b>	<b>21.60</b>	<b>20.75</b>	<b>20.25</b>	<b>15.62</b>

Source: City's Adopted Budgets

# Schedule 17

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<u>3.15</u>	<u>3.15</u>	<u>3.18</u>	<u>3.75</u>	<u>2.40</u>
0.50	0.50	0.50	1.00	1.29
<u>1.55</u>	<u>1.55</u>	<u>1.75</u>	<u>1.75</u>	<u>2.15</u>
5.20	5.20	5.43	6.50	5.84
1.10	1.10	1.10	1.10	1.26
<u>0.95</u>	<u>0.95</u>	<u>1.95</u>	<u>1.20</u>	<u>2.68</u>
2.05	2.05	3.05	2.30	3.94
<u>3.05</u>	<u>3.05</u>	<u>3.05</u>	<u>3.05</u>	<u>2.78</u>
3.05	3.05	3.05	3.05	2.78
<u>2.52</u>	<u>2.52</u>	<u>3.10</u>	<u>2.72</u>	<u>3.40</u>
2.52	2.52	3.10	2.72	3.40
<u>0.15</u>	<u>0.15</u>	<u>0.19</u>	<u>0.00</u>	<u>0.00</u>
0.15	0.15	0.19	0.00	0.00
<u>12.97</u>	<u>12.97</u>	<u>14.82</u>	<u>14.57</u>	<u>15.96</u>
1.85	1.85	1.85	2.30	2.02
<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.35</u>	<u>0.22</u>
2.15	2.15	2.15	2.65	2.24
<u>15.12</u>	<u>15.12</u>	<u>16.97</u>	<u>17.22</u>	<u>18.20</u>

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

<b>Function/Program</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Planning and Zoning					
Conditional use permits	3	2	4	2	3
Interim use permits	2	1	1	1	0
Minor subdivisions	2	2	0	2	1
Plats/Planned unit developments	11	9	17	1	0
Rezoning	3	2	11	2	7
Site plans	1	0	0	2	1
Variances	4	2	2	5	4
Fire					
Total emergency responses	430	429	358	448	399
EMS responses	268	274	237	280	262
Fire responses	162	32	21	28	28
Building Inspections					
Residential permit valuations (thousands of dollars)	119,301	50,401	23,032	19,979	20,320
Commercial permit valuations (thousands of dollars)	2,003	1,952	7,309	966	2,351
New residential units (1)	240	140	41	32	31
New commercial units	1	1	3	0	0
Water Utility					
Number of customers	1,538	1,234	1,073	1,051	1,016
Average daily consumption (2) (thousands of gallons)	18	18	19	21	15
Sanitary Sewer Utility					
Number of customers	321	82	45	29	29
Average daily flow (3) (thousands of gallons)	14	74	77	77	75

Sources: Various City Department's annual budget workload measurements

(1) Excludes fire/demolition rebuilds

(2) Residential and Commercial; rate increase effective 1/1/2010 to encourage conservation

(3) Billed and measured based on water usage; new developer homes built in 2014 but not yet sold or occupied so no impact to flows

# Schedule 18

2011	2010	2009	2008	2007
0	0	2	1	3
3	1	0	1	1
0	0	2	1	1
0	0	0	0	0
0	0	1	1	0
0	1	1	0	1
6	2	5	6	8
315	361	319	294	369
195	211	205	204	244
24	14	24	20	46
16,133	15,889	12,903	16,525	22,739
2,590	2,013	1,617	1,370	3,600
24	26	29	23	29
0	1	1	0	1
998	967	941	935	918
14	18	24	28	26
29	29	28	28	26
71	72	68	73	66

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

<b>Function/Program</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Bituminous streets (miles)	103	65	65	63	63	63	62	62	62	62
Gravel streets (miles)	2	2	2	2	2	2	2	3	3	3
Street lights	150	144	144	142	137	137	137	137	137	137
Storm sewer (miles)	30	25	25	25	25	25	25	25	23	23
Park & Recreation										
Acres of parkland	451	451	451	451	451	451	451	451	451	451
Number of parks	17	17	17	17	17	17	17	17	17	17
Water Utility										
Water towers	3	3	3	2	2	2	2	2	2	1
Miles of watermain	50	43	40	39	37	37	37	37	34	26
Number of fire hydrants	415	378	351	293	280	280	280	280	280	233
Sanitary Sewer Utility										
Miles of sanitary sewer	8	4	3	3	3	3	3	3	3	3
Lift stations	4	4	4	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, 2016**

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*, except as described below. 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.

As of December 31, 2016, the City's records showed uncashed checks held for more than three years. These checks were not reported and paid to the State Commission of Commerce pursuant to Minn. Stat. Sections 345.41 and 345.43.

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.



Minneapolis, Minnesota  
June 29, 2017



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