

Mayor:
Dean Johnston
Council members:
Rita Conlin
Steve DeLapp
Liz Johnson
Anne Smith

Lake Elmo City Council

Tuesday

May 3, 2005

3800 Laverne Avenue No.
Lake Elmo, MN 55042
777-5510 777-9615 (fax)

Please read:

Since the City Council does not have time to discuss every point presented, it may appear that decisions are preconceived. However, staff provides background information to the City Council on each agenda item in advance; and decisions are based on this information and experience. In addition, some items may have been discussed at previous council meetings.

If you are aware of information that has not been discussed, please fill out a "Request to Appear Before the City Council" form; or, if you came late, raise your hand to be recognized. Comments that are pertinent are appreciated. Items may be continued to a future meeting if additional time is needed before a decision can be made.

Agenda

City Council Meeting Convenes 7:00 PM

Pledge of Allegiance

1. Agenda

2. Minutes:

April 15, 2005

3. PUBLIC INQUIRIES/INFORMATIONAL:

A. PUBLIC INQUIRIES:

B. PUBLIC INFORMATIONAL:

Public Inquiries/Informational is an opportunity for citizens to bring the Council's attention any items not currently on the agenda. In addressing the Council, please state your name and address for the record, and a brief summary of the specific item being addressed to the Council. To allow adequate time for each person wishing to address the Council, we ask that individuals limit their comments to three (3) minutes. Written documents may be distributed to the Council prior to the meeting or as bench copies, to allow a more timely presentation.

4. CONSENT AGENDA

A. Resolution No. 2005-044: Approving Claims

Those items listed under the Consent Calendar are considered to be routine by the City Council and will be enacted by one motion under a Consent Calendar format. There will be no separate discussion of these items unless a Council member so requests, in which event, the item will be removed from the general order of business and considered separately in its normal sequence on the agenda.

5. FINANCE

A. Audit Report

B. SAC & WAC Charges *NEW HANDOUT*

~~C. Water Project Notification~~ *DELETE*

6. NEW BUSINESS

A. Community Improvement Commission Appointment

B. Parks Commission Appointment

K. Schaffel

<p>C. Appointment of Rod Sessing to the Planning Commission</p> <p>D. Records Retention Schedule</p>	<p>S. Lumby</p>	
<p>7. <u>MAINTENANCE/PARK/FIRE/BUILDING:</u></p> <p>A.</p>		
<p>8. <u>CITY ENGINEER'S REPORT:</u></p> <p>A. Escrow Reduction - Tapestry</p> <p>B. 2005 Street Repairs – Hilltop Avenue</p>	<p>Tom Prew</p>	
<p>9. <u>PLANNING, LAND USE & ZONING:</u></p> <p>A. Comprehensive Plan Update - Verbal</p>	<p>C. Dillerud</p>	
<p>10. <u>CITY ATTORNEY'S REPORT:</u></p> <p>A.</p>		
<p>11. <u>CITY ADMINISTRATOR'S REPORT:</u></p> <p>A.</p>		
<p>12. <u>CITY COUNCIL REPORTS:</u></p> <p>A. Mayor Johnston</p> <p>B. Council Member Conlin</p> <p>C. Council Member DeLapp</p> <p>D. Council Member Johnson</p> <p>E. Council Member Smith</p>		
	<p>CLEAN UP DAY: <u>May 21st, 8-Noon</u></p>	

LAKE ELMO CITY COUNCIL MINUTES
APRIL 19, 2005

1. AGENDA
2. MINUTES: April 5, 2005
3. PUBLIC INQUIRIES/INFORMATIONAL:
 - A. Public Informational: Citizen Award by Commander Tuthill
 - B. Jim Kelly, Dept. of Health, Tablyn Park Area Water. Update of proposed public meeting.
 - C. Lakewood Evangelical Free Church
4. CONSENT AGENDA:
 - A.(1) Resolution No. 2005-040 -- Approving Claims
 - (2) Resolution No. 2005-041 -- Approving Claims
 - B. Clean Up Day Rates
 - C. Plow Truck Purchase
5. FINANCE:
 - A. Monthly Operating Report
6. NEW BUSINESS:
7. MAINTENANCE/PARK/FIRE/BUILDING:
 - A. Update on Building Department Activities: Jim McNamara
 - B. Accept Fire Study Report: Chief Malmquist
8. CITY ENGINEER'S REPORT:
 - A. Approved Stop Sign at the Intersection of Highlands Trail and Hilltop Avenue
 - B. Update on Water Tower Sites
 - C. Phase II Watermain: Authorize for bids, Resolution No. 2005-042
9. PLANNING, LAND USE & ZONING:
 - A. Preliminary Plat, Comprehensive Plan Amendment Rezoning, Conditional Use Permit and OP Concept Plan -- Deer Glen, Lakewood Evangelical Free Church (Continuation)
 - B. Resolution No. 2005-043 Approving Placement of a garage structure in front of the primary structure: Gleason, 8211 Lake Jane Trail
 - C. Zoning Ordinance Test Amendments -- Fence Regulation/Standards, Ordinance No. 97-155
 - D. Comprehensive Plan Amendments -- Planning Commission Recommendations
 - E. Comprehensive Plan -- Consulting Services
10. CITY ATTORNEY'S REPORT:
11. CITY ADMINISTRATOR'S REPORT:
 - A. Parks Commission Update
12. CITY COUNCIL REPORTS:
 - A. Mayor Johnston:
 - (1) Proposal by Jim Briemeyer: Objectives for City Administrator
 - (2) Ground rules for Public Meetings

Mayor Johnston called the Council meeting to order at 7:00 p.m. in the Council chambers. PRESENT: Conlin, Johnston, Johnson, DeLapp, City Engineer Prew, City Attorney Filla, Building Official Jim McNamara, City Planner Dillerud, Finance Director Tom Bouthilet and Administrator Rafferty. ABSENT: Council member Smith

1. **AGENDA**

ADD: 11A. Update on Parks Commission

M/SP Johnson/DeLapp - to approve the April 19, 2005 City Council Agenda, as amended. (Motion passed 4-0).

2. **MINUTES:** April 5, 2005

M/S/P Johnson/Conlin - to approve the April 5, 2005 City Council minutes, as amended. (Motion passed 3-0-1 Abstain:DeLapp).

3. **PUBLIC INQUIRIES/INFORMATIONAL:**

A. Public Informational: Citizen Award by Commander Tuthill

Sheriff Steve Pott presented Vernon Shakleton, an Afton resident, the Life Saving Award and Medal of Valor, one of only three awards given out by the Sheriff's Office in 10 years. Mr. Shakleton saved two people from a flame-engulfed car last September on Manning Avenue in Lake Elmo.

Susan Kane, 4372 Little Bluestem Trail, introduced her daughter, Hanna, who is developmentally delayed and asked the Council to take into consideration, while they are working on the City's Comprehensive Plan, housing for the developmentally delayed.

B. Jim Kelly, Dept. of Health, Tablyn Park Area Water. Update of proposed public meeting.

Jim Kelly, MN Dept. of Health, will hold a Community Open House at the Lake Elmo Elementary School on Tuesday, April 26, 5-9 p.m. to provide public information on the Tablyn Park Area Water and to answer questions.

C. Lakewood Evangelical Free Church

Kirby Spike, Lake Elmo resident and Chairman of the Leadership Board at Lakewood Church read a statement that is made part of these minutes.

Since there was not a full Council in attendance, Chuck Palmer, Lakewood Evangelical Free Church, asked for an extension of its agenda item to April 28th, 6 p.m, based on the availability of their attorney.

M/S/P Johnson/Conlin - to delay consideration of the Lakewood Evangelical Free Church applications until a special meeting of the Council on April 28th, 6 p.m., if the applicant's attorney is available or May 3rd Council meeting. (Motion 4-0).

Attorney Filla noted by the City saying nothing, the City doesn't agree with everything Mr. Spike is stating. Filla said he would be glad to sit down to discuss items with their attorney.

M/S/P DeLapp/Johnson – to approve the city attorney meeting with the applicant's attorney to come up with a mutual agreement. (Motion passed 4-0).

Mr. Palmer said the church location and size is non-negotiable, but would be willing to discuss OP development, the 40 acres undesignated, and how the OP might layout. Council member Conlin stated that the council has directed staff to look at PF zoning in the City and where it is appropriate.

4. CONSENT AGENDA:

A.(1) Resolution No. 2005-040 – Approving Claims

M/S/P Conlin/Johnston - to adopt Resolution No. 2005-040, approving claim numbers 253, 254, DD396 through DD408, 27153 through 27184 which were used for staff payroll dated April 14, 2005, claims 27185 through 27229 in the total amount of \$85,828.67. (Motion passed 4-0).

(2) Resolution No. 2005-041 – Approving Claims

M/S/P Conlin/Johnston - to adopt Resolution No. 2005-041, approving claim number 27230, in the total amount of \$360.00. (Motion passed 3-0-1:Abstain:Johnson).

B. Clean Up Day Rates

The 2005 Annual Lake Elmo Spring Clean-Up Day is set for Saturday May 21st, 8 a.m. to Noon at the Washington County Fairgrounds. The Finance Director provided a proposed rate schedule. He explained that the rates charged to our residents are designed to offset the cost of disposal. The city does not profit from the rate charged. This event is a service provided to the community and will discourage illegal dumping on the roadways.

M/S/P Conlin/Johnston - to approve the 2005 Clean-Up Day Rates as proposed by the Finance Director. (Motion passed 4-0).

C. Plow Truck Purchase

The Finance Director reported the 2005 Capital Improvement Plan (CIP) has scheduled the 1986 Snow/Dump Truck for replacement. The City's Fixed Asset Management Program (FAMP) guidelines suggest trucks in this category be replaced in the 8-10 year range. The Maintenance Advisory Committee has reviewed the specifications for the new truck and approved this request. Due to the low trade-in cost for the 1986 truck, the MAC recommended the City sell the vehicle on the open market through the bidding process with a \$10,000 minimum. If the minimum bid amount is not received, consideration should be given to keeping the truck as a back-up for light use/sanding.

The City has received a quote through the State Cooperative Purchase Venture Program in the amount of \$120,054 for the truck and plow. Not included in the above quote was vehicle registration, decals and radio installation. The estimate for additional expenses is

approximately \$4,218.05. All other items included in quote. Total cost for the truck replacement should be no more than \$124,272.05. The CIP has set aside \$130,000 for this acquisition.

M/S/P Conlin/Johnston - to approve the purchase of a 2005 Fund Plow/Dump Truck not to exceed \$124,272.05. (Motion passed 4-0).

5. FINANCE:

A. Monthly Operating Report

The Finance Director reported the electric utility account may be in the future an amendment to the budget. Council member DeLapp said the installation of lights addressed for benefit of residents will be completed by the end of the year.

6. NEW BUSINESS:

7. MAINTENANCE/PARK/FIRE/BUILDING:

A. Update on Building Department Activities:Jim McNamara

The Building Official reported there were one new residential building permit and two commercial building permits issued for March, 2005 and attended an informational meeting on radon at the University of MN. He advised that the municipal code states small farm animals should not be kept on small lots. The Council responded they will talk about this after the Comprehensive Plan has been completed.

B. Accept Fire Study Report:Chief Malmquist

Fire Chief Malmquist gave a summary of the Fire Protection Needs Study report completed by DSU Research and asked the Council to accept this report. Administrator Rafferty pointed out this fire study report is a professional study conducted that will guide us into the future.

M/S/P Conlin/DeLapp – to accept and file the fire study report, March 2005 by DSU Research, Fire Protection Needs Study. (Motion passed 4-0.)

8. CITY ENGINEER'S REPORT:

A. Approved Stop Sign at the Intersection of Highlands Trail and Hilltop Avenue

The City received a request from Michael Maas to reconsider the new stop sign at Hilltop Avenue and Highlands Trail. The City Engineer and Public Works Supervisor recommended that a stop sign be installed on the westbound leg of this "T" intersection. This was based on the lack of sight distance at the intersection and the increase in traffic that has occurred.

The City Engineer explained that although the resident presents arguments against this stop sign and looks at other method of traffic control, he still believes this is the best location for a stop sign. The City Engineer recommended the City not make any traffic control changes to this intersection at this time. The City is scheduled to overlay Hilltop Avenue in 2005 and will look at traffic calming methods as part of that project. The

consensus of the Council concurred with the City Engineer's recommendation that this is the best location for the stop sign at Hilltop Avenue and Highland Trail.

B. Update on Water Tower Sites

In his memo dated April 14, 2005, the City Engineer reported on the estimated costs and revised water tower locations. Other sites considered for the water tower include two locations near the public works building and one on the 3M property.

Administrator Rafferty indicated he would hear in three weeks whether or not the 3M site could potentially be available to us.

An informational meeting for the residents will be held by the Council on the selected site before a decision is made by the Council.

C. Phase II Watermain: Authorize for bids, Resolution No. 2005-042

In his letter dated April 14, 2005, the City Engineer reported plans and specifications are completed on the second phase of the Water Systems Interconnect Project. This phase of the project installs 16-inch water main from the intersection of Tapestry Drive and 45th Street to the existing Public Works building. This project will allow the City to disconnect from the City of Oakdale's water system in the Lake Jane area.

The City Engineer recommended approval of the plans and authorizing the advertisement for bids.

M/S/P DeLapp/Johnson - to adopt Resolution No. 2005-042, A Resolution Approving Plans and Specifications and Ordering Advertisement for bids for the Water Systems Interconnect Phase II Project. (Motion passed 4-0).

Tom Prew will be contacting the people and let them know what the connection fee would be.

9. PLANNING, LAND USE & ZONING:

A. Preliminary Plat, Comprehensive Plan Amendment Rezoning, Conditional Use Permit and OP Concept Plan – Deer Glen, Lakewood Evangelical Free Church
(Continuation) – See Agenda Item 3C.

The Council tabled these applications on April 5 to enable the City Attorney time to review a 12-page letter that has been presented to the City by the applicant's attorney late afternoon of April 5, (the day of the Council meeting). The applicant went on record agreeing to extend the City's review period to August 19, and the Council tabled the application pending a report from the City Attorney regarding the applicant's letter of April 5.

B. Resolution No. 2005-043 Approving Placement of a Garage Structure In Front of the Primary Structure: Gleason, 8211 Lake Jane Trail

Harvey Gleason, 8211 Lake Jane Trail, is requesting Council approval to allow relocation of an existing 24' x 26' accessory structure from one side of the lot to the other. The accessory structure (formerly the only garage on the site) is now located close to the street than the house, and would continue to be in front of the house in the proposed location. The City Code prohibits detached garages or accessory buildings located nearer the front lot line than the principal building. The Council may waive this provision by adoption of a Resolution.

The City Planner explained that the proposed garage location will be no more intrusive than the present location. It also appears that the garage in the proposed location will comply with R-1 structure set back standards. The applicant does not propose driveway access to the accessory structure at the proposed location.

M/S/P DeLapp/Johnson - to adopt Resolution No. 2005-043 approving relocation of a 24' x 26' accessory structure, per plans staff dated April 14, 2005, Harvey Gleason, 8211 Lake Jane Trail. (Motion passed 4-0).

C. Zoning Ordinance Test Amendments – Fence Regulation/Standards, Ordinance No. 97-155

The City Planner reported the Planning Commission held a public hearing at its April 11, 2005 meeting and adopted a motion to transmit certain amendments to the fence regulation/standards of the Zoning Ordinance to the City Council without a recommendation. Those amendments had been initiated by the Finance, Legal, and Legislative Council Committee.

The proposed amendment address fences as screening, both adding standards to the traditional screening fence provisions, and introducing the new concept of "Extended Living Area" fencing. The Council amended the Fence Ordinance 97-155 as follows: 1. The area enclosed by outdoor extended living area fencing shall not exceed an enclosed area of 500 square feet.; and 2. Fence utilized to enclose an outdoor extended living area shall be extended to a point not more than 6 inches from the principal structure at one fence termination point.

M/S/P Johnson/DeLapp - to adopt Ordinance No. 97-155, as amended 4-19-05, amending the text of the Zoning Ordinance regarding regulations and standards for fencing. (Motion passed 4-0).

D. Comprehensive Plan Amendments – Planning Commission Recommendations

The City Planner reported the Planning Commission conducted a public hearing regarding amendment to the Comprehensive Plan responsive to the City/METC Memorandum of Agreement (MOA). The hearing addressed the Planning Policy, Land

Use Text, Land Use Plan, and Development Staging elements of the required Comprehensive Plan amendments.

The drafts of the Plan elements now completed (including the April 11 revision) were, on April 11, recommended to the City Council for adoption on a Planning Commission vote of 9-0.

M/S/P Johnson/DeLapp -- to accept the Comprehensive Plan Amendments now completed and to file the Planning Commission's Recommendations. (Motion passed 4-0).

E. Comprehensive Plan – Consulting Services

The City Planner reported TKDA had presented a proposal and cost estimate for providing anticipated consulting services related to the Comprehensive Plan modifications required per the Memo of Understanding with the Metropolitan Council. The proposal/estimate is broken down as follows:

- | | |
|-------------------------------|---------------|
| 1. Transportation/Traffic | \$29,052 |
| 2. Water System Plan | 9,100 |
| 3. Sanitary Sewer System Plan | 5,000 |
| 4. Graphics/Land Use Plan | <u>28,000</u> |
| | \$71,152 |

M/S/P Johnson/Conlin -- to approve the Authorization for Professional Services with TKDA dated March 18, 2005 for the Comprehensive Plan update in an amount not to exceed \$70,000. Funding shall be: \$10,000 from the 2005 General Fund Budget (Planning & Zoning); and up to \$60,000 from the 2005 General Fund Surplus. (Motion passed 4-0).

10. CITY ATTORNEY'S REPORT:

11. CITY ADMINISTRATOR'S REPORT:

A. Parks Commission Update:

Administrator Rafferty reported the Parks Commission decided what type of amenities and activities the Commission would like for the future. They picked several parks and the Commission will be coming back with a final report sometime in 2005. The City will not be looking at any parks for future public facilities.

Council member DeLapp recommended the Parks Commission be given the easement for Ridge Park.

12. CITY COUNCIL REPORTS:

A. Mayor Johnston:

(1) Proposal by Jim Briemeyer: Objectives for City Administrator

At the April 12th Council Committee, the members reviewed the Briemeyer proposal at a cost of approximately \$750 plus up to \$200 in expenses. The Council will proceed with this item after the Comprehensive plan has been completed.

M/S/P Johnson/ DeLapp -- to accept the proposal by Jim Briemeyer for consulting at a fee of \$750 and up to \$200 in expenses. (Motion passed 4-0). Council member Council asked that Mr. Briemeyer provide all the materials at no additional cost so the City could own them for the future.

(2) Ground rules for Public Meetings

Mayor Johnston provided ground rules that will be attached to the Request to Appear in front of the City Council or Planning Commission meetings. The Council asked that in #3 that "no personal attacks, no innuendoes" be deleted.

Council member DeLapp added that constructive comments are welcome.

Council member Johnson congratulated Lake Elmo resident, Sheriff Steve Pott on his new appointment as Washington County Sheriff.

Adjourned meeting at 8:45 p.m.

Respectfully Submitted by Sharon Lumby, City Clerk

Resolution No. 2005-040 Claims

Resolution No. 2005-041 Claims

Resolution No. 2005-042 Phase II Watermain: Authorize for Bids

Resolution No. 2005-043 Approve Placement of a garage structure, Gleason 8211 Lake Jane Trail

Ordinance No. 97-155 Fence Regulations/Standards

**CITY OF LAKE ELMO
WASHINGTON COUNTY, MINNESOTA**

**RESOLUTION NO. 2005-044
RESOLUTION APPROVING CLAIMS**

BE IT RESOLVED THAT Claim Numbers 255, 256, 257, DD409 through DD418, 27230 through 27241, were used for Staff Payroll dated April 28th, 2005; claims 27242 through 27290, in the total amount of \$143,391.79 are hereby approved.

ADOPTED, by the Lake Elmo City Council on the 3rd day of May, 2005.

Dean A. Johnston
Mayor

ATTEST:

Martin J. Rafferty
City Administrator

Accounts Payable Computer Check Proof List

User: administrator

Printed: 04/28/2005 - 3:45 PM

SPRINGBROOK SOFTWARE

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
Vendor: ALEXAIR 9085	Alex Air Apparatus, Inc Drager Jumper Hoses - Fire Dept. Check Total:	62.86 62.86	05/03/2005	Check Sequence: 1 101-420-2220-42210	ACH Enabled: No
Vendor: ALLBLAC 8067	Allied Blacktop Co. Street Sweeping - Spring 2005 Check Total:	14,152.00 14,152.00	05/03/2005	Check Sequence: 2 101-430-3100-43150	ACH Enabled: No
Vendor: ARAM 629-5704175	Aramark Linen - City Hall Check Total:	56.58 56.58	05/03/2005	Check Sequence: 3 101-410-1940-44010	ACH Enabled: No
Vendor: ARAMAU 56835092-1	ARAMARK Uniforms - Public Works Check Total:	67.14 67.14	05/03/2005	Check Sequence: 4 101-430-3100-44170	ACH Enabled: No
Vendor: ATTWI 023-2750230	CINGULAR WIRELESS Floater Phones - Fire Dept. Check Total:	20.51 20.51	05/03/2005	Check Sequence: 5 101-420-2220-43210	ACH Enabled: No
Vendor: AVAYA 2721018754	AVAYA Inc. Monthly Telephone Maint. Check Total:	150.36 150.36	05/03/2005	Check Sequence: 6 101-410-1940-44040	ACH Enabled: No
Vendor: BATTYPL 32-98428	Batteries Plus Woodbury Parts - Roller - Public Works Check Total:	28.22 28.22	05/03/2005	Check Sequence: 7 101-430-3100-42210	ACH Enabled: No

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
Vendor:BIFFS W251718	Biff's Inc. Portable Rental - Sunfish Lake Park Check Total:	74.26 74.26	05/03/2005	Check Sequence: 8 101-450-5200-44120	ACH Enabled: No
Vendor:BOUTHM Travel Claim	MichaelBouthilet Hotel Fare - Water Op. Cert. - 2 emp. Check Total:	657.90 657.90	05/03/2005	Check Sequence: 9 601-494-9400-43310	ACH Enabled: No
Vendor:BURGESS 25011	Daniel Burgess Duplicate Assessment Payment Refund Check Total:	338.66 338.66	05/03/2005	Check Sequence: 10 409-000-0000-20200	ACH Enabled: No
Vendor:CARQUEST D377914 D379722	Car Quest Oil Filters, Beams - Parks Oil Filters - Public Works Check Total:	26.15 72.30 98.45	05/03/2005 05/03/2005	Check Sequence: 11 101-450-5200-42210 101-430-3100-42210	ACH Enabled: No
Vendor:CENTPOW 311737	Century Power Equipment Stud - for tractor - Parks Check Total:	19.75 19.75	05/03/2005	Check Sequence: 12 101-450-5200-42210	ACH Enabled: No
Vendor:DAHLG 25754	Dahlgren Shardlow and Uban Fire Services Analysis Check Total:	989.24 989.24	05/03/2005	Check Sequence: 13 101-420-2220-44300	ACH Enabled: No
Vendor:DAVISSUN TI00994	Davis Sun Turf Air and Oil Filters - Parks Check Total:	39.15 39.15	05/03/2005	Check Sequence: 14 101-450-5200-42210	ACH Enabled: No
Vendor:FOUR 23-039411	Four Seasons Service Supplies - City Hall Check Total:	51.34 51.34	05/03/2005	Check Sequence: 15 101-410-1940-44300	ACH Enabled: No
Vendor:FXL May 2005	FXL, Inc. Assessing Services - May 2005 Check Total:	1,700.00 1,700.00	05/03/2005	Check Sequence: 16 101-410-1550-43100	ACH Enabled: No

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
Vendor: GENESIS IVC00513 IVC00513	Next Genesis Productions Monthly Software Support Website development Check Total:	900.00 768.75 1,668.75	05/03/2005 05/03/2005	Check Sequence: 17 101-410-1520-43180 409-480-8000-45300	ACH Enabled: No
Vendor: HAWK 145489	Hawk Labeling Systems Labeling Tape - Fire Dept. Check Total:	43.90 43.90	05/03/2005	Check Sequence: 18 101-420-2220-42000	ACH Enabled: No
Vendor: HUMANE 01/01/05-03/31	Humane Society Companion Animal Impounding - Q1 Check Total:	540.70 540.70	05/03/2005	Check Sequence: 19 101-420-2700-43160	ACH Enabled: No
Vendor: ICC McNamara 05	International Code Council, Inc Certification Renewal - Jim McNamara Check Total:	40.00 40.00	05/03/2005	Check Sequence: 20 101-420-2400-44330	ACH Enabled: No
Vendor: LEAGUE 1-000021551	League of Minnesota Cities Codification Contract - Final Print Check Total:	5,017.00 5,017.00	05/03/2005	Check Sequence: 21 101-410-1320-44300	ACH Enabled: No
Vendor: Leaguel2 11046807	League of Minnesota Cities Insurance Trust Sachs Jr. claim Check Total:	315.75 315.75	05/03/2005	Check Sequence: 22 101-410-1320-43610	ACH Enabled: No
Vendor: MALMQ Claim V. Claim Voucher Claim Voucher	Greg Malmquist Drinks - Fire Dept. Burning Permits Air Fare - Greg Malmquist - Int'l Fire C Check Total:	62.09 110.00 249.50 421.59	05/03/2005 05/03/2005 05/03/2005	Check Sequence: 23 101-420-2220-44300 101-420-2220-44300 101-420-2220-43310	ACH Enabled: No
Vendor: MAMA 1190	Metropolitan Area Manager Association Luncheon 04/21 - AMM Leg. Update Check Total:	18.00 18.00	05/03/2005	Check Sequence: 24 101-410-1320-44370	ACH Enabled: No
Vendor: MENARDSO 96789 97895 98529	Menards - Oakdale Drill Bits - Public Works Paper Towels - City Hall Door Stop - Public Works	39.22 16.87 8.51	05/03/2005 05/03/2005 05/03/2005	Check Sequence: 25 101-430-3100-42400 101-410-1940-42110 101-430-3100-42230	ACH Enabled: No

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
99310	Concrete Mix for sign repair Check Total:	11.24 75.84	05/03/2005	101-430-3100-42260	
Vendor:MENARDST 63230	Menards - Stillwater Hose Adapter, couplers - Fire Dept. Check Total:	7.06 7.06	05/03/2005	Check Sequence: 26 101-420-2220-42210	ACH Enabled: No
Vendor:METCOU SAC	Metropolitan Council SAC Charge Check Total:	1,450.00 1,450.00	05/03/2005	Check Sequence: 27 602-000-0000-37250	ACH Enabled: No
Vendor:METROCA 02215370	Metrocall Inc. Pagers - Fire Dept. Check Total:	83.21 83.21	05/03/2005	Check Sequence: 28 101-420-2220-43210	ACH Enabled: No
Vendor:MNDOH Cert. Gustafson Cert. Horning Cert. Magnuson	MN Department of Health Certification Fee - Rick Gustafson Certification Fee - Karl Horning Certification Fee - Gerald Magnuson Check Total:	23.00 23.00 23.00 69.00	05/03/2005 05/03/2005 05/03/2005	Check Sequence: 29 601-494-9400-44370 601-494-9400-44370 601-494-9400-44370	ACH Enabled: No
Vendor:NEXTEL 761950227-025 761950227-025 761950227-025 761950227-025 761950227-025	Nextel Communications Monthly Cellular Service - Admin Monthly Cellular Service - Fire Dept Monthly Cellular Service - Public Works Monthly Cellular Service - Bldg Dept. Monthly Cellular Service - Parks Check Total:	77.25 459.33 102.23 32.66 16.69 688.16	05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005	Check Sequence: 30 101-410-1940-43210 101-420-2220-43210 101-430-3100-43210 101-420-2400-43210 101-450-5200-43210	ACH Enabled: No
Vendor:NORTHTOO 0561016934	HSBC Business Solutions Copper pins - Public Works Check Total:	10.64 10.64	05/03/2005	Check Sequence: 31 101-430-3100-42150	ACH Enabled: No
Vendor:OAKDALE WAC	City of Oakdale WAC Charge to City of Oakdale Check Total:	500.00 500.00	05/03/2005	Check Sequence: 32 601-494-9400-43820	ACH Enabled: No
Vendor:PETERSO 11135M	Peterson Fram & Bergman Admin	3,375.41	05/03/2005	Check Sequence: 33 101-410-1610-43040	ACH Enabled: No

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
11140M	Criminal Pros	3,562.62	05/03/2005	101-410-1610-43045	
11150M	Community Dev	1,956.61	05/03/2005	803-490-9070-43040	
11155M	Civil Litigation	99.00	05/03/2005	101-410-1610-43040	
11161M	Auto Forfeiture	318.50	05/03/2005	101-410-1610-43045	
	Check Total:	9,312.14			
Vendor:POSTOFF	POSTMASTER				ACH Enabled: No
	For Newsletter mailings	300.00	05/03/2005	Check Sequence: 34	
	Check Total:	300.00		101-410-1320-43220	
Vendor:PRESS	StevenPress				ACH Enabled: No
04/16 - 04/25	Cable Operator - Planning Meetings	276.75	05/03/2005	Check Sequence: 35	
04/19	Cable Operator - City Council Meeting	67.50	05/03/2005	101-410-1940-43620	
	Check Total:	344.25		101-410-1320-43620	
Vendor:QUALAIR	Quality Air				ACH Enabled: No
8211	Gas Leak Repair	96.00	05/03/2005	Check Sequence: 36	
	Check Total:	96.00		101-410-1940-44010	
Vendor:RIVERLAN	Riverland Community College				ACH Enabled: No
002005SFS-51	State Fire School - Yarusso	60.00	05/03/2005	Check Sequence: 37	
	Check Total:	60.00		101-420-2220-44370	
Vendor:ROGERS	Rogers Printing Services				ACH Enabled: No
12520	Business Cards - M. Rafferty	30.88	05/03/2005	Check Sequence: 38	
12520	Business Cards - J. McNamara	30.89	05/03/2005	101-410-1320-42000	
	Check Total:	61.77		101-420-2400-42000	
Vendor:RUD	DianePrince-Rud				ACH Enabled: No
04/18-04/27	Cleaning - City Hall	240.00	05/03/2005	Check Sequence: 39	
04/19-04/28	Cleaning - Fire Hall	240.00	05/03/2005	101-410-1940-44010	
7179800452	Cleaning Supplies - Sponge Refill	4.25	05/03/2005	101-420-2220-44010	
	Check Total:	484.25		101-410-1940-42110	
Vendor:S&T	S&T Office Products, Inc.				ACH Enabled: No
01JW0595	Return - Binders	-24.65	05/03/2005	Check Sequence: 40	
01JW4412	Printer Cartridges - Fire Dept	56.69	05/03/2005	101-410-1320-42000	
01JW5088	Paper, Post-it pads, paper clips	225.32	05/03/2005	101-420-2220-42000	
01JW5204	Printer Cartridge - Bldg Dept	25.34	05/03/2005	101-410-1320-42000	
				101-420-2400-42000	

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
01JW7889	Fax Cartridges - Fire Dept Check Total:	27.58 310.28	05/03/2005	101-420-2220-42000	
Vendor: SCHWAAB S24709 S24709	Schwaab, Inc. Pre-Ink Stamp Sign. Stamps - DJ Check Total:	44.14 52.19 96.33	05/03/2005 05/03/2005	Check Sequence: 41 101-410-1320-42000 101-410-1110-44300	ACH Enabled: No
Vendor: SEH 0128742	Short Elliott Hendrickson, Inc Comp Trail Plan Check Total:	1,448.00 1,448.00	05/03/2005	Check Sequence: 42 404-480-8000-43050	ACH Enabled: No
Vendor: Sherm Claim	Robert Sherman Misc Errands - Fire Dept. Check Total:	120.21 120.21	05/03/2005	Check Sequence: 43 101-420-2220-44300	ACH Enabled: No
Vendor: SPRINT 0526076028-3	Sprint Data Card - Fire Dept. Check Total:	51.05 51.05	05/03/2005	Check Sequence: 44 101-420-2220-43210	ACH Enabled: No
Vendor: STJOSEPH SR13704	St Joseph Equipment, Inc. Rental - Bachhoe Check Total:	213.00 213.00	05/03/2005	Check Sequence: 45 101-430-3100-43150	ACH Enabled: No
Vendor: TKDA 000200501399 000200501481 000200501486 000200501487 000200501488 000200501488 000200501488 000200501488 000200501488 000200501488 000200501488 000200501488 000200501488 000200501488 000200501488	TKDA, Inc. Water Main Break Locate SW Mgmt Plan & MS4 - NPDES II Water Sys Interconnection Water Tank Prelim Comp Plan The Farm - Concept Plan Review Utility Permits Tapestry 36th Street Drainage Problem Review Water System Storm Water System NPDES Permitting Staff Meetings Public Works Building Misc Meetings	214.18 40.04 11,792.62 217.00 10,055.51 418.22 104.56 209.11 60.38 346.50 156.83 842.52 482.65 594.14 2,887.87	05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005 05/03/2005	Check Sequence: 46 601-494-9400-42270 603-496-9500-43030 601-494-9400-43030 601-494-9400-43030 101-410-1910-43030 803-490-9070-43030 101-410-1930-43030 803-490-9070-43030 409-480-8000-43030 601-494-9400-43030 603-496-9500-43030 603-496-9500-43030 101-410-1930-43030 410-480-8000-46200 101-410-1930-43030	ACH Enabled: No

Invoice No	Description	Amount	Payment Date	Acct Number	Reference
000200501488	Deer Glen - planning, traffic, grading	418.22	05/03/2005	803-490-9070-43030	
000200501489	Council Meetings Attendance - March	200.00	05/03/2005	101-410-1910-43030	
000200501502	Public Works @ Sunfish Lake - Design	31,688.17	05/03/2005	101-410-1910-43030	
	Check Total:	60,728.52			
Vendor: TREMM	Michael Tremain				ACH Enabled: No
Travel Exp. Clm	Tremain - Air Fare, Car Rental - FDIC	868.65	05/03/2005	Check Sequence: 47 101-420-2220-43310	
	Check Total:	868.65			
Vendor: WASHTAX	Washington County				ACH Enabled: No
24221	Property Taxes - 3585 Laverne	760.00	05/03/2005	Check Sequence: 48 101-450-5200-44300	
83536	Property Taxes - Heritage Farm	4.00	05/03/2005	101-410-1320-44300	
	Check Total:	764.00			
Vendor: YOCUM	Yocum Oil Company, Inc.				ACH Enabled: No
120713	Bulk Oil - Public Works	701.42	05/03/2005	Check Sequence: 49 101-430-3100-42120	
	Check Total:	701.42			
	Total for Check Run:	105,415.89			
	Total Number of Checks:	49			

Accounts Payable
Computer Check Register



User: administrator

Printed: 04/28/2005 - 15:44

Bank Account: APPR

Check	Vendor No Vendor Name	Date	Invoice No	Amount
257	MNREVEN MN Department of Revenue	05/03/2005		
			Use & Sales Tax	105.00
			Use & Sales Tax	4.00
				<hr/>
		Check 257 Total:		109.00
				<hr/>
		Report Total:		109.00
				<hr/>
				<hr/>

CITY OF LAKE ELMO

2005 BILLING SUMMARY

MONTH	11135 Administration	11140 Criminal Pros	11145 Public Imp. Proj	11150 Community Dev	11155 Civil Litigation	11161 Auto Forfeiture	TOTAL
Jan	\$4,443.11	\$3,456.17	\$66.00	\$673.71	\$210.00	\$464.00	\$9,312.99
Feb	\$2,439.99	\$2,868.68	\$544.36	\$198.00		\$94.50	\$6,145.53
March	\$3,375.41	\$3,562.62		\$1,956.61	\$99.00	\$318.50	\$9,312.14
April							\$0.00
May							\$0.00
June							\$0.00
July							\$0.00
Aug							\$0.00
Sept							\$0.00
Oct							\$0.00
Nov							\$0.00
Dec							\$0.00
Totals	\$10,258.51	\$9,887.47	\$610.36	\$2,828.32	\$309.00	\$877.00	\$24,770.66

Suite 300
50 East Fifth Street
St. Paul, MN 55101-1197

PETERSON
FRAMBERGMAN
PROFESSIONAL ASSOCIATION

(651) 291-8955
(651) 228-1753 facsimile
Federal Tax ID #41-0991098

CITY OF LAKE ELMO
3800 Laverne Avenue North
Lake Elmo MN 55042

Page: 1
03/31/2005
ACCOUNT NO: 11135M

	FEES	EXPENSES	ADVANCES	BALANCE
11135-030005 OLD VILLAGE AREA MORATORIUM	99.00	0.00	0.00	\$99.00
11135-040010 VACATION OF 55TH STREET	55.00	0.00	0.00	\$55.00
11135-050001 SUNFISH PARK	319.00	2.03	0.00	\$321.03
11135-920001 Administration	2,893.00	7.38	0.00	\$2,900.38
	<u>3,366.00</u>	<u>9.41</u>	<u>0.00</u>	<u>\$3,375.41</u>

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CITY OF LAKE ELMO
3800 Laverne Avenue North
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Page: 1
03/31/2005
ACCOUNT NO: 11140M

	FEES	EXPENSES	ADVANCES	BALANCE
11140-030001 Misc Prosecutions	3,182.50	52.32	0.00	\$3,234.82
11140-030066 Brama, Angela Ann 3rd degree DUI, 3rd degree .10	0.00	0.00	31.20	\$31.20
11140-030170 Kuehn, James	45.00	0.00	0.00	\$45.00
11140-040065 Mackey, Paul Joseph GM-DAC, Gm-false info to police	5.00	0.00	0.00	\$5.00
11140-040214 Liebgott, Jasen Michael DAR, no insurance	27.50	0.00	41.60	\$69.10
11140-040245 Ross, Andrew James no medical card, no mv registration no proof of insurance	5.00	0.00	0.00	\$5.00
11140-040265 Driscoll, Scott Allen domestic assault	10.00	0.00	0.00	\$10.00
11140-040274 Mielke, Andrew Paul GM-theft	10.00	0.00	0.00	\$10.00

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CITY OF LAKE ELMO

ACCOUNT NO: 11140M

Page: 2
03/31/2005

	FEES	EXPENSES	ADVANCES	BALANCE
11140-040275 Barber, Crystal Lynn theft	5.00	0.00	0.00	\$5.00
11140-040276 Mielke, Andrew Paul theft	5.00	0.00	0.00	\$5.00
11140-040281 Wukawitz, Timothy John violate harassment order	22.50	0.00	0.00	\$22.50
11140-050001 Tollerud, Roseanne Mae GM-school bus arm violation	5.00	0.00	0.00	\$5.00
11140-050026 Middleton, Steven M., Jr. careless driving	5.00	0.00	0.00	\$5.00
11140-050043 Van Allen, Kenneth J. domstic assault	5.00	0.00	0.00	\$5.00
11140-050051 Braun, Christopher Francis domestic assault, 911 intereference	20.00	0.00	0.00	\$20.00
11140-050057 Kuehn, Joshua Kenneth 3rd degree DUI,	10.00	0.00	0.00	\$10.00
11140-050058 Ennis, David James speed 77/55	10.00	0.00	0.00	\$10.00
11140-050059 Urur, Abdi Abdullahi speed 78/55	10.00	0.00	0.00	\$10.00

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CITY OF LAKE ELMO

Page: 3
03/31/2005
ACCOUNT NO: 11140M

	FEES	EXPENSES	ADVANCES	BALANCE
11140-050060 Classen, Michael James 3rd degree DUI, 3rd degree .10	10.00	0.00	0.00	\$10.00
11140-050062 Yang, Andrew Kou 2nd degree DUI, DAR	10.00	0.00	0.00	\$10.00
11140-050064 Johnson, Dennis Paul violate limited DL, no proof ins.	5.00	0.00	0.00	\$5.00
11140-050066 Gallmeier, Ryan Lee 3rd degree DUI, 3rd degree .10	10.00	0.00	0.00	\$10.00
11140-050067 Rivas, Martin Zuninga 3rd degree DUI, 3rd degree .10 DAR, open bottle	10.00	0.00	0.00	\$10.00
11140-050068 Kleinvachter, Robert M. 2nd degree DUI, test refusal	10.00	0.00	0.00	\$10.00
	<u>3,437.50</u>	<u>52.32</u>	<u>72.80</u>	<u>\$3,562.62</u>

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CITY OF LAKE ELMO
3800 LAVERNE AVENUE NORTH
LAKE ELMO MN 55042

Page: 1
03/31/2005
ACCOUNT NO: 11150M

	FEES	EXPENSES	ADVANCES	BALANCE
11150-040005 LAKEWOOD EVANGELICAL FREE CHURCH - REZONING - SUP	1,790.00	0.00	0.00	\$1,790.00
11150-050002 LE PROFESSIONAL CENTER C/O J. MCDONALD VARIANCE	77.00	0.00	0.00	\$77.00
11150-050003 BAHR CONSTRUCTION, LLC ADDITION	88.00	1.61	0.00	\$89.61
	<u>1,955.00</u>	<u>1.61</u>	<u>0.00</u>	<u>\$1,956.61</u>

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Page: 1
03/31/2005
11155M

CITY OF LAKE ELMO
3800 LAVERNE AVENUE NORTH
LAKE ELMO MN 55042

ACCOUNT NO:

	FEEs	EXPENSEs	ADVANCEs	BALANCE
11155-040002 ZIERTMAN/SESSING PROPERTY	55.00	0.00	0.00	\$55.00
11155-040003 SWENO PROPERTY CODE VIOLATION	44.00	0.00	0.00	\$44.00
	<u>99.00</u>	<u>0.00</u>	<u>0.00</u>	<u>\$99.00</u>

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CITY OF LAKE ELMO
3800 LAVERNE AVENUE NORTH
LAKE ELMO MN 55042

Page: 1
03/31/2005
ACCOUNT NO: 11161M

	FEES	EXPENSES	ADVANCES	BALANCE
11161-050001 Brama, Angela vehicle forfeiture-2005 Escalade	308.50	0.00	0.00	\$308.50
11161-050002 Yang, Andrew Kou vehicle forfeiture	10.00	0.00	0.00	\$10.00
	<u>318.50</u>	<u>0.00</u>	<u>0.00</u>	<u>\$318.50</u>

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Lake Elmo
City Council
05-03-2005

Agenda Section: Finance

No . 5A

Agenda Item: 2004 Annual Audit Report

Background Information for May 03, 2005:

Attached, please find the City of Lake Elmo 2004 Annual Financial Report. Steve McDonald from Abdo, Eick & Meyers will present the report and respond to any inquiries. After careful review, the City administrator and I have concluded that we are in agreement with the figures and findings. It should be noted however that the management letter indicates a reportable condition as Segregations of Duties. This clause has appeared in past audits as well and staff has taken measures to mitigate this situation by hiring additional personnel and redirecting responsibilities of some of the accounting functions. Due to the fact that these changes occurred mid-year this condition was not eliminated. As noted in the report, the finding should not be noted in future Audits.

New this year, the City is now required to meet GASB 34 standards. As a result of these requirements, there are some new and modified reports included in the 2004 Financial Report such as Statement of Net Assets, Statement of Activities and the Management & Discussion Analysis.

Action Items:

1. Motion to accept the 2004 Annual Financial Report.

Person responsible:

Tom Bouthilet

Attachments:

1. 2004 Annual Financial Report

February 23, 2005

Grandview Square
5201 Eden Avenue
Suite 370
Edina, MN 55436

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

We have audited the financial statements of the City of Lake Elmo for the year ended December 31, 2004 and have issued our report thereon dated February 23, 2005. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit of the financial statements of the City, for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted the following reportable condition.

Segregation of Duties

Our study and evaluation disclosed that because of the limited size of your office staff, the City has limited segregation of duties. A good internal control structure contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that the City is not large enough to permit an adequate segregation of duties in all respects, it is important, however, that you be aware of this condition.

Management has hired personnel and assigned the accounting duties to the personnel as needed with intention to eliminate this comment in the 2005 report.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions. We noted no instances of non-compliance during our audit.



Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 7 to the financial statements, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB). They are statement no. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*", Statement No. 37, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*", and Statement No. 38, "*Certain Financial Statement Note Disclosures*", paragraphs 6 through 11 for 2004. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the 2004 financial statements. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements was depreciation on capital assets.

Management's estimate of depreciation is based on estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In total, we made 40 journal entries. The entries listed below are considered reclassification entries. In each case the original entry was put into the wrong fund and the results of the audit procedures indicated that a reclassification was necessary. There was improvement in the number of entries made compared with 2003 and 2002 and we would anticipate fewer entries in next year's audit. The City will get better information as staff eliminates the need for these year end audit and accounting adjustments. There were no unadjusted audit differences.

Adjusting Journal Entries JE#17

To reclassify surcharges coded to expense

101-000-0000-20801	Building Permit Surcharge
101-420-2400-43060	Surcharge Payments
Total	

Debit	Credit
2,947.00	
	2,947.00
<u>2,947.00</u>	<u>2,947.00</u>



Adjusting Journal Entries JE#18		Debit	Credit
To reclassify assessment prepaids to proper fund			
101-000-0000-34103	Zoning & Subdivision Fees	48,694.00	
310-000-0000-36100	Special Assessments	19,828.00	
402-000-0000-10100	Cash	19,828.00	
409-000-0000-10100	Cash	48,694.00	
101-000-0000-10100	Cash		48,694.00
310-000-0000-10100	Cash		19,828.00
402-000-0000-33419	MSA Construction		19,828.00
409-000-0000-36100	Special Assessments		48,694.00
Total		137,044.00	137,044.00
Adjusting Journal Entries JE#25			
To reclassify state aids			
101-000-0000-33418	MSA - Maintenance	16,680.00	
101-420-2220-44920	Fire State Aid	54,158.00	
402-000-0000-10100	Cash	16,680.00	
101-000-0000-10100	Cash		16,680.00
101-000-0000-33420	State Fire Aid		54,158.00
402-000-0000-33418	MSA Maintenance		16,680.00
Total		87,518.00	87,518.00
Adjusting Journal Entries JE # 28			
To record revenue in sewer fund classified in water fund			
601-000-0000-37100	Water Sales	28,500.00	
602-000-0000-10100	Cash	28,500.00	
601-000-0000-10100	Cash		28,500.00
602-000-0000-37200	Sewer Sales		28,500.00
Total		57,000.00	57,000.00
Adjusting Journal Entries JE # 33			
To reclassify CDBG grant dollars received in September			
101-000-0000-10100	Cash	10,000.00	
803-000-0000-34108	Administrative Charges	10,000.00	
101-000-0000-33130	CDBG Old Village		10,000.00
803-000-0000-10100	Cash		10,000.00
Total		20,000.00	20,000.00

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Other Matters

Governmental Accounting Standards Board (GASB) Statement No. 34

As mentioned previously, the City has implemented GASB Statement No. 34 for the December 31, 2003 financial statements. The main change resulting from the implementation was issuing financial statements under a new reporting model. The main features of this model are summarized below:

- Narrative analysis through the Management Discussion & Analysis (MD&A) letter.
- Government-wide financial reporting that builds upon traditional fund based financial statements. The Government-wide financial statements are intended to give a more concise view of the government as a single unified entity.
- More long-term focus for governmental activities. The City now has fixed assets, bonds and compensated absences payable on its Statement of Net Assets for Governmental Activities. The addition of this information should help direct users to a long-term view of the financial data.
- A distinction between major and non-major funds. More information is provided on individual funds that meet the criteria to be included as major funds.
- Budgeting analysis that considers both the adopted and final budget.



The following are items that came to our attention during the audit that we feel should be reviewed:

Financial Position and Results of Operations

General Fund

The general fund is used to account for resources traditionally associated with government, which are not required legally or by sound principal management to be accounted for in another fund. The fund balance increased \$250,851 to \$2,373,923 at December 31, 2004. The total fund balance represents 88 percent of the 2005 budget. We recommend a minimum fund balance for working capital be approximately 40 percent to 50 percent of planned expenditures. The City has made the following reservations and designations of fund balance:

	<u>2004</u>	<u>2003</u>
Reserved for interfund advance	\$ 500,000	\$ 500,000
Designated for:		
Community opinion survey	10,000	10,000
Public access	77,465	77,465
Building projects	1,258,640	1,152,708
Administrative contingency	40,000	40,000
Cash flow	<u>487,818</u>	<u>487,818</u>
Total	<u>\$ 2,373,923</u>	<u>\$ 2,267,991</u>

The Minnesota Office of the State Auditor has classified cities unreserved fund balance levels relative to expenditures as follows:

Extremely low	Under 20%
Low	21 - 34
Acceptable	35 - 50
Moderately high	51 - 64
High	65 - 100
Very high	100 - 150
Extremely high	Above 150

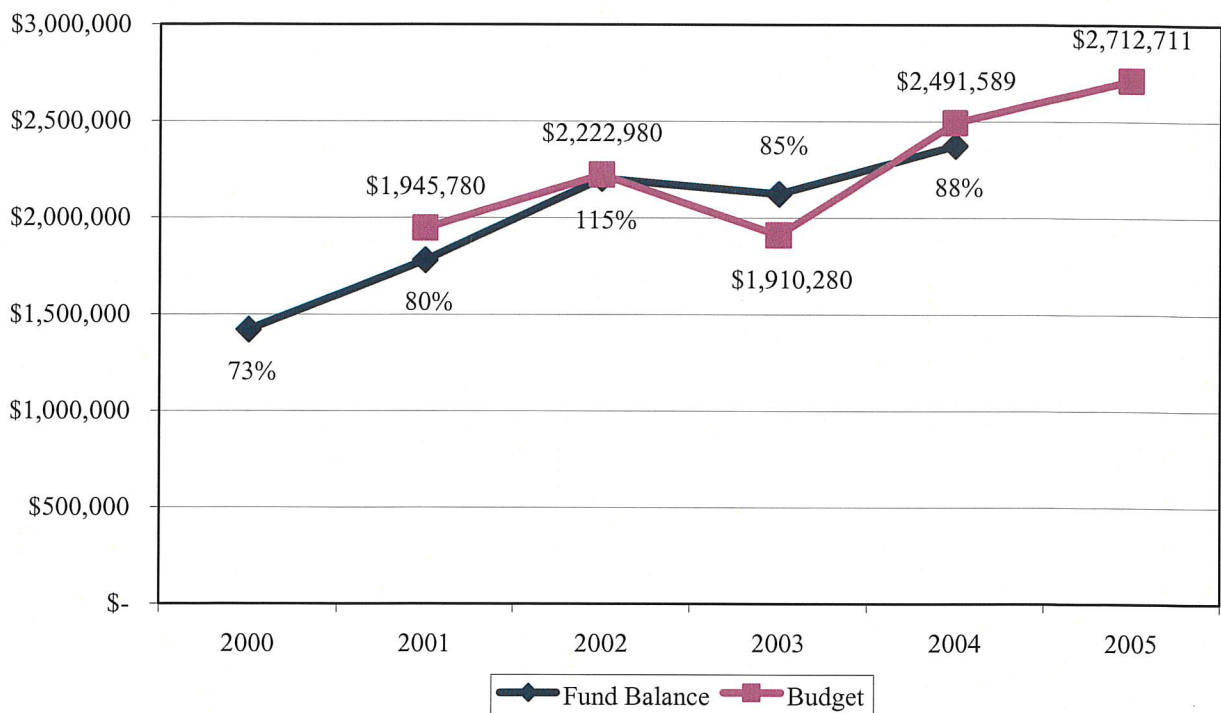
The State Auditor does group all general, special revenue and debt service funds of the City when making this calculation where our calculation is based only on the general fund. Although there is no legislation regulating fund balance, it is a good policy to designate intended use of fund balance. This helps address citizen concerns as to the use of fund balance and tax levels. With the reserved portion of fund balance removed the percentage of fund balance compared with next years expenditures drops to 69 percent.



A table summarizing the general fund balance in relation to budget follows:

Year	Unreserved Fund Balance December 31	Budget Year	General Fund Budget	Percent of Fund Balance to Budget
2000	\$ 1,418,567	2001	\$ 1,945,780	73 %
2001	1,779,944	2002	2,222,980	80
2002	2,202,783	2003	1,910,280	115
2003	2,123,072	2004	2,491,589	85
2004	2,373,923	2005	2,712,711	88

Fund Balance as a Percent of Next Year's Budget





The purposes and benefits of a general fund balance are as follows:

Purposes and Benefits

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the general fund expenditures.
- The City is vulnerable to legislative actions at the State and Federal level. The State eliminated HACA aid with the 2001 legislative session and since then imposed reductions of market value credit aid and local government aid for some cities. Levy limits have also been implemented for municipalities in past legislative sessions. An adequate fund balance will provide a temporary buffer against those aid adjustments and levy limits.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate council action. These would include capital outlay replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in obtaining a more favorable bond rating.

A summary of the 2004 operations is as follows:

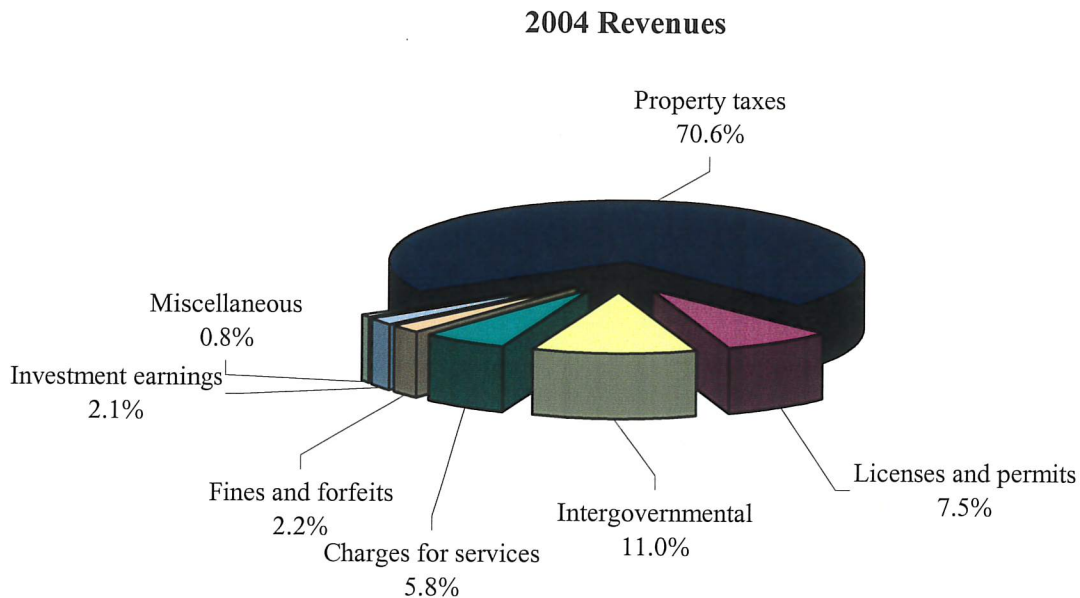
	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues	\$ 2,258,441	\$ 2,403,502	\$ 145,061
Expenditures	<u>2,111,457</u>	<u>2,003,651</u>	<u>107,806</u>
Excess (deficiency) of revenue over (under) expenditures	146,984	399,851	252,867
Other financing sources (uses) Transfer out	<u>(254,693)</u>	<u>(149,000)</u>	<u>105,693</u>
Net change in fund balance	<u>\$ (107,709)</u>	250,851	<u>\$ 358,560</u>
Fund balance, January 1, 2004		<u>2,123,072</u>	
Fund balance, December 31, 2004		<u>\$ 2,373,923</u>	



A more detailed comparison of general fund revenue with the prior year is as follows:

Source	2004	Percent of Total	2003	Increase (Decrease) From 2003
Property taxes	\$ 1,697,236	70.6 %	\$ 1,620,001	\$ 77,235
Licenses and permits	181,069	7.5	219,812	(38,743)
Intergovernmental	265,393	11.0	133,690	131,703
Charges for services	139,507	5.8	85,270	54,237
Fines and forfeits	52,015	2.2	83,808	(31,793)
Investment earnings	49,890	2.1	47,110	2,780
Miscellaneous	18,392	0.8	40,375	(21,983)
Total revenues and transfers	<u>\$ 2,403,502</u>	<u>100.0 %</u>	<u>\$ 2,230,066</u>	<u>\$ 173,436</u>

The 2004 revenue is graphically presented as follows:



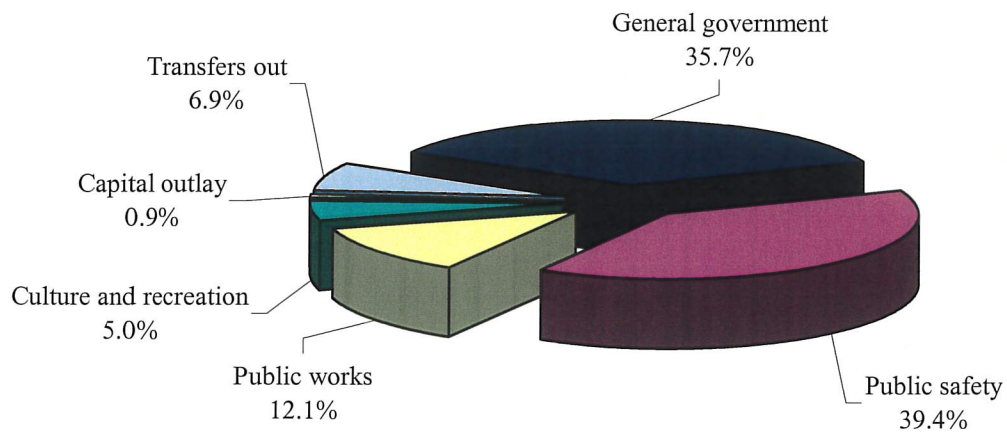


A more detailed comparison of expenditures with the prior year is as follows:

Program	2004	Percent of Total	2003	Increase (Decrease) From 2003
General government	\$ 766,841	35.7 %	\$ 903,524	\$ (136,683)
Public safety	848,439	39.4	781,092	67,347
Public works	261,144	12.1	252,899	8,245
Culture and recreation	108,213	5.0	113,589	(5,376)
Capital outlay	19,014	0.9	14,631	4,383
Transfers out	149,000	6.9	244,042	(95,042)
Total expenditures and transfers	<u>\$ 2,152,651</u>	<u>100.0 %</u>	<u>\$ 2,309,777</u>	<u>\$ (157,126)</u>

The 2004 expenditures are graphically presented as follows:

2004 Expenditures





Debt Service Funds

Debt service funds are used to account for the payment of long-term debt principal and interest. Governmental accounting does not report the outstanding debt as a liability of the fund except for debt paid from enterprise funds. The following is a summary of the assets accumulated in each debt service fund and the related long-term debt at year end.

Debt Description	December 31, 2004			Final Maturity Date
	Total Cash	Total Assets	Bonds Outstanding	
General Obligation Bonds:				
2001 G.O. Improvement	\$ 93,278	\$ 226,282	\$ 950,000	2017
2002 G.O. Improvement	95,231	287,867	245,000	2012
2004 G.O. CIP	-	-	4,090,000	2025
Total G.O. Bonds	<u>\$ 188,509</u>	<u>\$ 514,149</u>	<u>\$ 5,285,000</u>	

Capital Projects Funds

These funds accumulate resources to finance major capital acquisition and construction projects. A recap of each fund and fund balance (deficits) follows:

Fund	Fund Balance (Deficit) December 31,		Increase (Decrease)
	2004	2003	
Major			
Infrastructure reserve	\$ (193,623)	\$ (77,416)	\$ (116,207)
Equipment acquisition	4,694,896	702,187	3,992,709
Non Major			
Park acquisition	264,838	404,422	(139,584)
Section 33 utilities	91,831	91,527	304
MSA construction	567,497	425,334	142,163
Total	<u>\$ 5,425,439</u>	<u>\$ 1,546,054</u>	<u>\$ 3,879,385</u>

As projects are completed the City should transfer the remaining resources to the original funding source or to a permanent reserve fund. The Section 33 utilities fund has had virtually no expenditure activity for at least the last three years. If this project is complete, the fund should be closed by Council resolution in 2005.

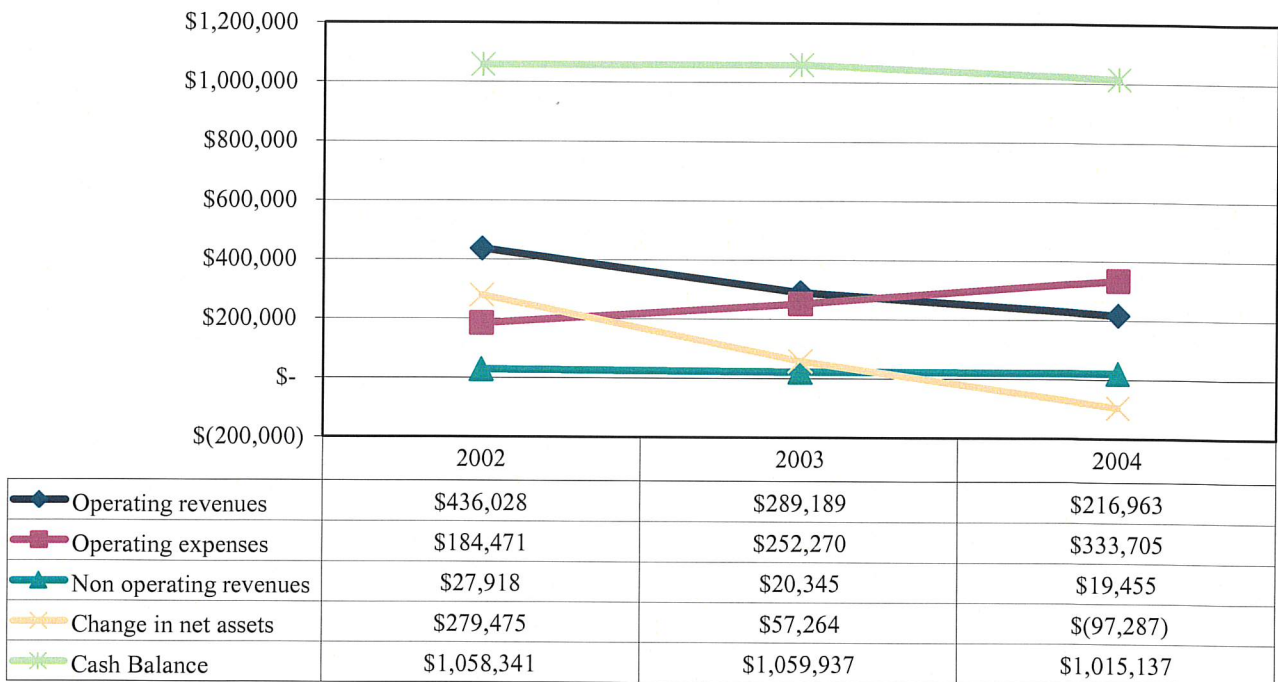
The Infrastructure reserve fund has a deficit fund balance at the end of the year. It appears future special assessments will eliminate the deficit.



Enterprise Funds

The Water Utility, Sewer Utility and Storm Water make up this fund type. A three year comparison for the water and sewer fund follows:

Water Utility Fund

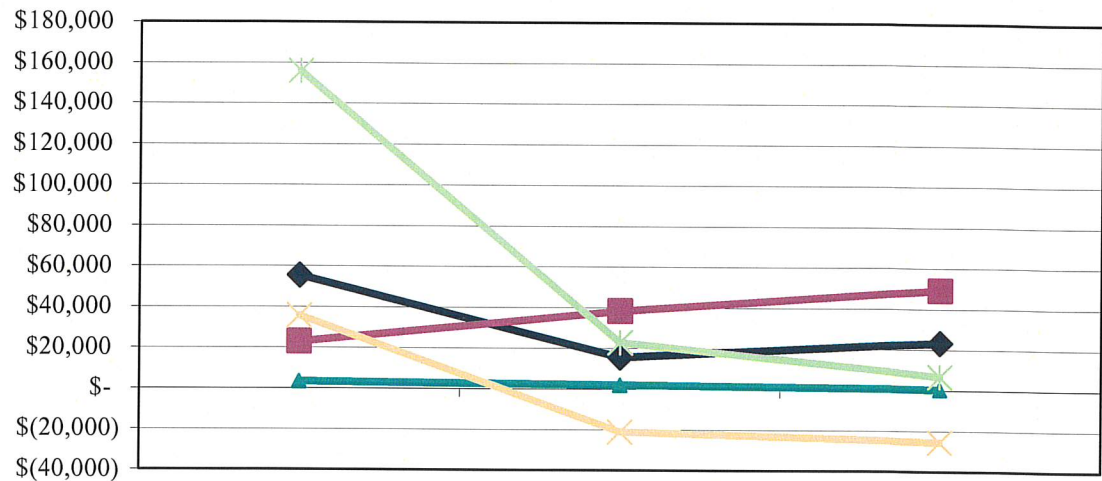


In prior years, we pointed out that connection fees made up a significant part of the revenue. In 2004, the lack of connection fees caused the fund to end with an overall net loss. Connection charges were \$42,600, \$254,300 and \$180,000 for 2003, 2002 and 2001, respectively. Without the connection charges the fund would have sustained operating losses or been near breakeven. The water rates should be at a level to alone provide for the cost of operations since the connection charges should be used for debt repayment or project costs.

The Water fund owes \$500,000 to the general fund. Repayment terms have not yet been set. The City should establish an amortization schedule to provide for repayment.



Sewer Fund



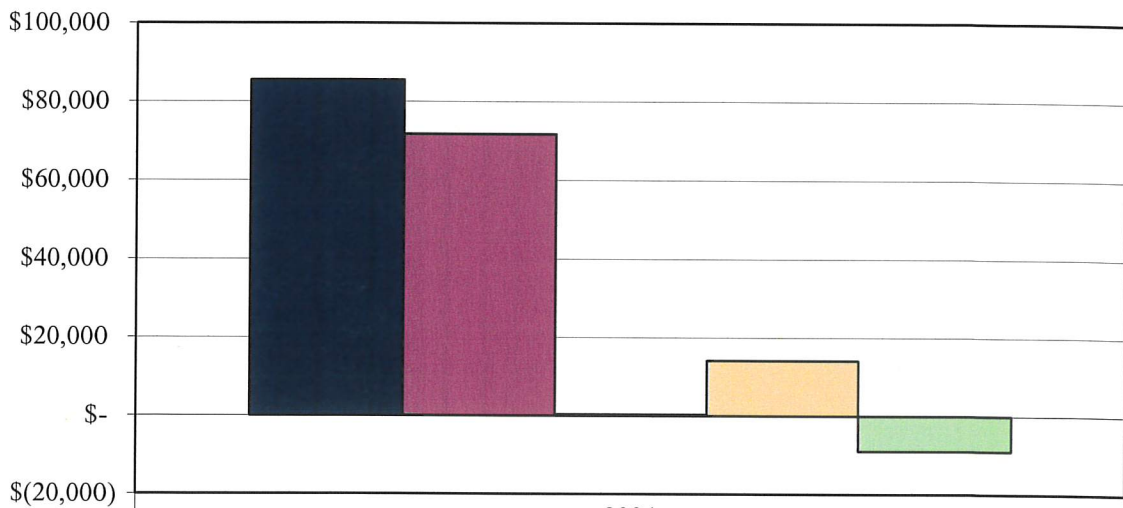
	2002	2003	2004
Operating revenues	\$55,420	\$15,462	\$23,158
Operating expenses	\$22,909	\$38,372	\$49,079
Interest income	\$3,206	\$1,720	\$196
Change in net assets	\$35,717	\$(21,190)	\$(25,725)
Cash and investments	\$155,918	\$22,757	\$6,493

The Sewer fund experienced an operating loss in 2004 and 2003. These losses are significant based on the level of operations. The cash balance has also been depleted. We recommend that the City review its rates to ensure that adequate cash flow can be obtained.



Storm Water Utility

2004 Storm Water Results of Operations



	2004
Operating revenues	\$85,513
Operating expenses	\$71,760
Interest income	\$316
Change in net assets	\$14,069
Cash and investments	\$(9,002)

The first year of activity was reported in 2004. The cash balance is currently a deficit due to project costs. The rates should be reviewed to ensure that adequate cash flow exists.



* * * * *

This report is intended solely for the information and use of management, Council and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

February 23, 2005
Minneapolis, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CITY OF LAKE ELMO, MINNESOTA

ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004

CITY OF LAKE ELMO, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2004

	<u>Page No.</u>
I. INTRODUCTORY SECTION	
Elected and Appointed Officials	1
II. FINANCIAL SECTION	
Independent Auditor's Report	2
Management's Discussion and Analysis	I - XI
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet	5 - 6
Reconciliation of the Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	8 - 9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) to the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	11
Proprietary Funds	
Statement of Net Assets	12
Statement of Revenues, Expenses and Changes in Fund Net Assets	13
Statement of Cash Flows	14 - 15
Notes to Financial Statements	16 - 31
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	33
Nonmajor Proprietary Funds	
Combining Statement of Net Assets	34
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	35
Combining Statement of Cash Flows	36
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	37 - 40
Debt Service Funds	
Combining Balance Sheet	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	42
III. OTHER REPORTS	
Report on Minnesota Legal Compliance	43
Report on Internal Control	44
Schedule of Findings	45

INTRODUCTORY SECTION

CITY OF LAKE ELMO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2004

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lee Hunt	Mayor	12/31/04
Steve Delapp	Council Member	12/31/05
Wyn John	Council Member	12/31/04
Sue Dunn	Council Member	12/31/04
Dean Johnston	Council Member	12/31/04

APPOINTED

Martin Rafferty	City Administrator
Tom Bouthilet	Finance Director/Treasurer

FINANCIAL SECTION

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

**YEAR ENDED
DECEMBER 31, 2004**



Grandview Square
5201 Eden Avenue
Suite 370
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the City of Lake Elmo (the City), Minnesota, as of and for the year ended December 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of December 31, 2004.

The Management's Discussion and Analysis on pages I through XI is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

February 23, 2005
Minneapolis, Minnesota

Abdo Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the City of Lake Elmo (the City), Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. This is the first year of implementation of GASB Statement No. 34 for the City and some comparative data is not available.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,531,111 (net assets). Of this amount, \$4,452,459 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$666,282. Approximately 58 percent of this increase is attributable to gain on sale of capital assets and unrestricted investment earnings.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,987,871, an increase of \$4,051,935 in comparison with the prior year. Approximately 91.4 percent of this total amount, \$7,299,362, is available for spending at the City's discretion, but has been designated for specific purposes.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$1,873,923, or 118.5 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

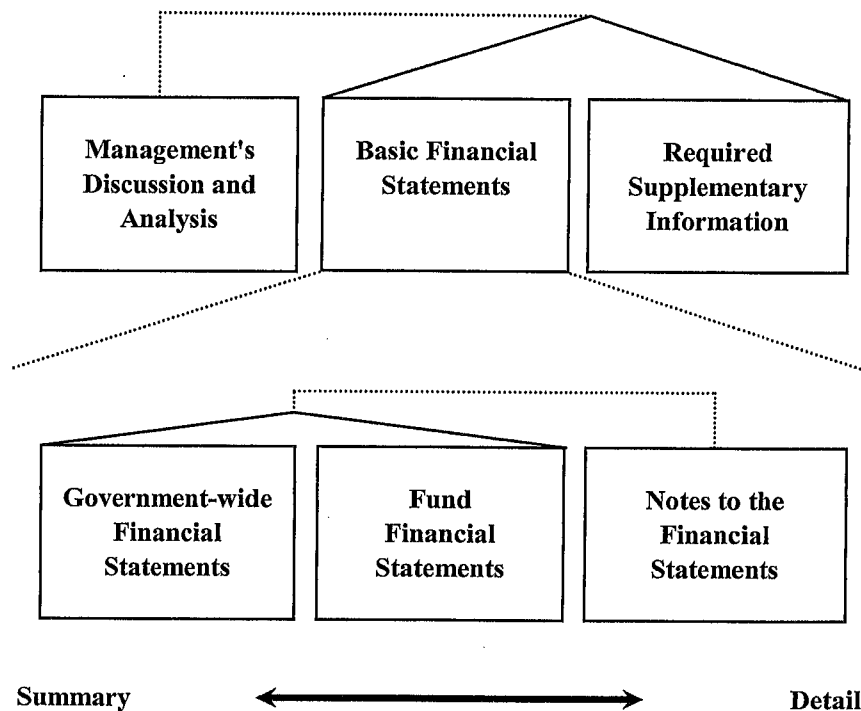


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary of fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 that are principally supported by taxes and intergovernmental revenue (*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 include general government, public safety, public works, culture and recreation, interest on long-term debt, and miscellaneous. The business-type activities of the City include water, sewer and storm sewer utilities.

The government-wide financial statements can be found on pages 3 - 4 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, 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 can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The 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 city's near-term financing 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 by the City'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*.

The City maintains 9 individual governmental funds, 3 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 Equipment Acquisition fund, all of which are considered to be major funds. Data from the other three 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 adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 5 - 11 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm sewer.

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 fund. Data on the other two proprietary funds are combined into a single, aggregated presentation.

The basic proprietary fund financial statements can be found on pages 12 - 15 of this report.

Notes to 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 16 - 31 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 32 - 42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,531,111 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (41.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

Summary of Net Assets

	Governmental activities	Business activities	Total
Assets			
Current and other assets	\$ 8,943,138	\$ 607,078	\$ 9,550,216
Capital assets (net of depreciation)	3,422,645	1,924,121	5,346,766
Total assets	12,365,783	2,531,199	14,896,982
Liabilities			
Long-term liabilities outstanding	5,343,064	640,000	5,983,064
Other liabilities	336,327	46,480	382,807
Total liabilities	5,679,391	686,480	6,365,871
Net assets			
Invested in capital assets, net of related debt	2,227,645	1,284,121	3,511,766
Restricted	566,886	-	566,886
Unrestricted	3,891,861	560,598	4,452,459
Total net assets	\$ 6,686,392	\$ 1,844,719	\$ 8,531,111

An additional portion of the City's net assets (3.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,452,459) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$666,282 during the current fiscal year. About \$250,850 of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. Approximately another 80,000 is attributable to special assessments. The remainder of this growth largely reflects rate increases, increases in operating grants and investment earnings.

Governmental activities. Governmental activities increased the City's net assets by \$775,225 thereby accounting for 116 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

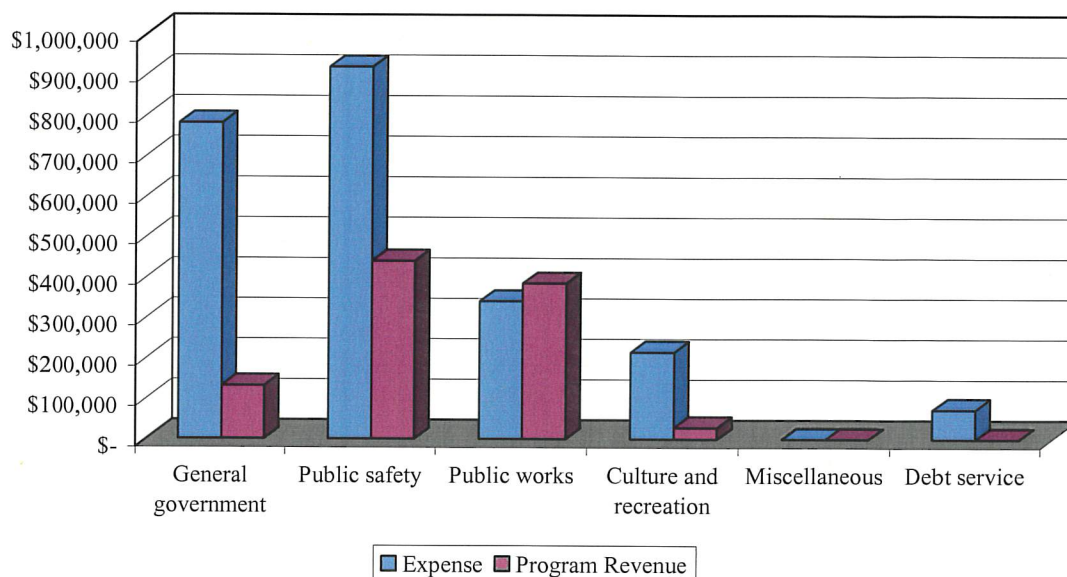
Changes in Net Assets

	Governmental activities	Business activities	Total
Revenues			
Program revenues			
Charges for services	\$ 389,991	\$ 353,364	\$ 743,355
Operating grants and contributions	251,271	-	251,271
Capital grants and contributions	345,942	-	345,942
General revenues			
General taxes	1,695,648	-	1,695,648
Grants and contributions not restricted to specific programs	60,694	-	60,694
Investment earnings	93,801	23,107	116,908
Gain on sale of capital assets	269,375	-	269,375
Total revenues	<u>3,106,722</u>	<u>376,471</u>	<u>3,483,193</u>
Expenses			
General government	\$ 781,229	\$ -	\$ 781,229
Public safety	919,139	-	919,139
Public works	341,134	-	341,134
Culture and recreation	215,785	-	215,785
Miscellaneous	-	-	-
Debt service	74,210	-	74,210
Water	-	364,575	364,575
Sewer	-	49,079	49,079
Storm sewer	-	71,760	71,760
Total expenses	<u>2,331,497</u>	<u>485,414</u>	<u>2,816,911</u>
Change in net assets	775,225	(108,943)	666,282
Net assets, January 1	<u>5,911,167</u>	<u>1,953,662</u>	<u>7,864,829</u>
Net assets, December 31	<u><u>\$ 6,686,392</u></u>	<u><u>\$ 1,844,719</u></u>	<u><u>\$ 8,531,111</u></u>

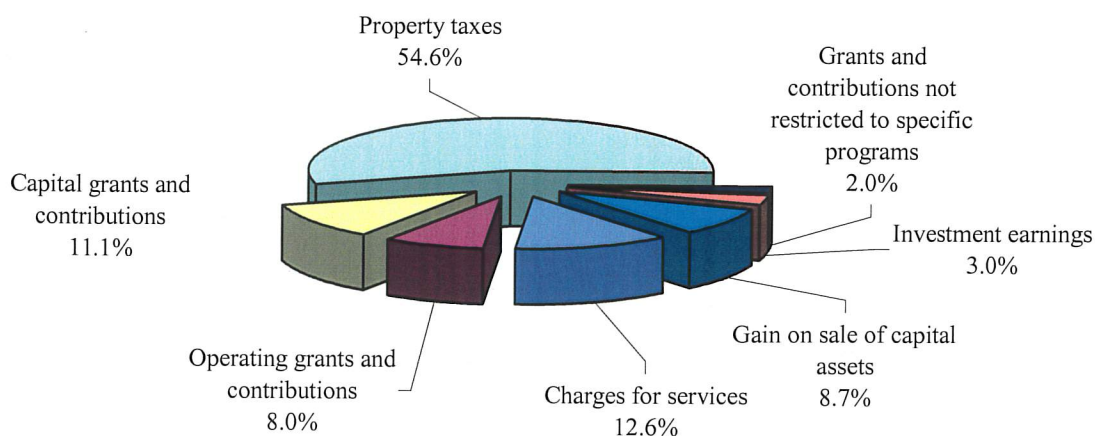
- Property tax increased by \$69,659 (4.3 percent) during the year. Most of this increase is the product of increased property values.
- Operating grants for governmental activities increased by \$134,997, mostly a result of an aggressive grant application strategy undertaken by the City during the current fiscal year. The new grant awards furnished resources to support three of the City's functions: public safety, highways and streets, and culture and recreation.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

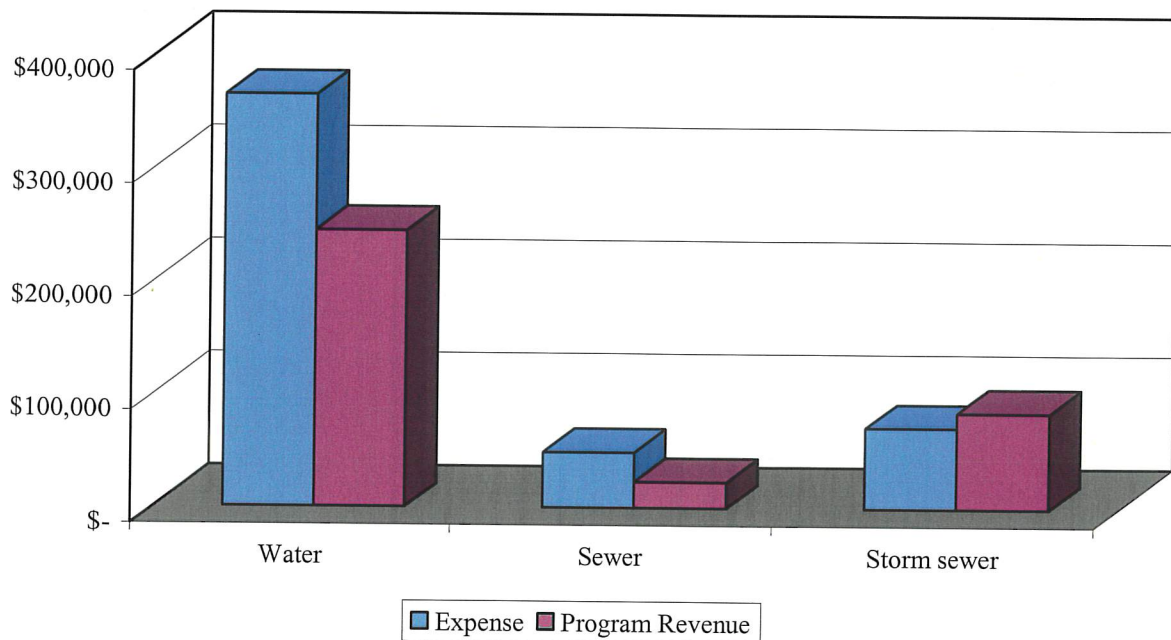


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Two noteworthy exceptions, however, were the City's Law Enforcement contract and Fire Department. In those instances, the growth in expenses of \$15,629 (4.85 percent) for the Law Enforcement contract is due to some indirect labor and vehicle expenses; the growth in expenses of \$42,896 (272 percent) for the Fire Department reflects the cost of additional City funding for the Firemen Relief Association that was required by Minnesota statute.

Business-type activities. Business-type activities decreased the City's net assets by \$108,943, accounting for a 16 percent drop in the total growth of the City's net assets. Key elements of this decrease are as follows:

- Professional Engineering Services in connection with future water infrastructure projects. In this case revenue from future growth will offset these expenditures;
- The City currently purchases water from a neighboring City for approximately 130 residential units and 25 commercial establishments. The City has maintained a uniform rate structure for the entire City and subsequently the rates charged to customers that are not on the City's water system have resulted in a loss. The expansion and improvement of the City's water infrastructure in the near future will allow us to incorporate these entities into our water system thus eliminating the need for an outside utility source and the expenditures associated with it.

Expenses and Program Revenues - Business Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City'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's financing requirements. In particular, *unreserved 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's governmental funds reported combined ending fund balances of \$7,987,871, an increase of \$4,051,935 in comparison with the prior year. Approximately 91.3 percent of this total amount \$7,299,362 constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service in the amount of \$188,509.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$2,373,923. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 93.5 percent of fund expenditures, while total fund balance represents 118.5 of that same amount.

The fund balance of the City's General fund increased by \$250,851 during the current fiscal year. The key factors in this increase were:

- An increase in revenue by \$173,436 which was a result of property tax revenue from property values and a FEMA Grant in the amount of \$116,343.
- Reduction in expenditures by \$62,084 from the General Government accounts.

The Debt Service fund has a total fund balance of \$188,209, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$78,301. The City received revenue of \$104,282 from special assessments and interest on investments while expended \$182,583 for bond payments.

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

Unrestricted net assets of the enterprise funds at the end of the year amounted \$560,598. The total decrease in net assets for the funds was \$108,943. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for spending down approximately \$107,709 of reserves. Revenues exceeded expectations and none of reserves were used for operations in 2004.

The City did not amend the adopted 2004 Budget during the fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$5,346,766 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and streets. The total increase in the City's investment in capital assets for the current fiscal year was 10.2 percent (a 20 percent increase for governmental activities and a 4 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Purchases of Capital Equipment including new; public works tractor with plow (\$48,319), new fire grass rig (\$77,812), SCBA fire gear (\$130,233).
- One major street reconstruction project and 2004 street overlay projects.
- The construction of new VFW ball field lights (\$134,000).

Additional information on the City's capital assets can be found in Note 3C on pages 23 - 24 of this report.

Capital Assets Net of Depreciation

	Governmental activities	Business activities	Total
Land	\$ 1,827,837	\$ 36,573	\$ 1,864,410
Construction in process	248,131	-	248,131
Buildings	232,724	-	232,724
Improvements other than buildings	509,992	-	509,992
Machinery and equipment	601,731	80,921	682,652
Infrastructure	2,230	1,806,627	1,808,857
Total	<u>\$ 3,422,645</u>	<u>\$ 1,924,121</u>	<u>\$ 5,346,766</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,925,000. Of this amount, \$1,195,000 is special assessment debt, \$4,090,000 general obligation debt, and \$640,000 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

Outstanding Debt

	Governmental activities	Business activities	Total
Compensated absences	\$ 58,064	\$ -	\$ 58,064
Bonds payable	5,285,000	640,000	5,925,000
Total	<u>\$ 5,343,064</u>	<u>\$ 640,000</u>	<u>\$ 5,983,064</u>

The City's total debt increased by \$3,924,655 (191 percent) during the current fiscal year. This is primarily due to the financing for a new Public Works and City Hall facilities.

The City upgraded its rating from "A1" to "Aa3a" from Moody's for general obligation debt allowing the City to receive favorable interest rates on bonds issued.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 2.0 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$18,156,996, which is significantly in excess of the City's outstanding general obligation debt.

In November 2004, the City issued \$4,090,000 of General Obligation Capital Improvements Plan bonds to finance the construction of a new Public Works Facility and City Hall.

Additional information on the City's long-term debt can be found in Note 3E on pages 25 - 26 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Washington County is currently 4.1 percent, which is the same rate as was a year ago. This compares favorably to the State's average unemployment rate of 4.9 percent and the national average rate of 5.6 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the General fund increased to \$1,873,923. The City has appropriated \$1,346,105 of this amount for capital spending in the 2005 fiscal year budget. It is intended that this use of available fund balance will minimize the need to raise taxes or charges during the 2005 fiscal year.

The 2005 Fiscal Budget increased the property tax levy by 12.0 percent. The City's share of property taxes is low when compared to similar sized cities throughout the State. The tax increase will provide an additional \$125,351 for bond payments for our new public facilities.

Requests for Information

This financial report is designed to provide a general overview of the City'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 financial information should be addressed to the City Finance Director, City of Lake Elmo 3800 Laverne Avenue North, Lake Elmo, Minnesota, 55042.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2004

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,706,167	\$ 1,012,628	\$ 8,718,795
Receivables			
Delinquent taxes receivable	68,683	-	68,683
Accounts	400	65,395	65,795
Interest	8,915	-	8,915
Special assessments	544,634	5,139	549,773
Internal balances	500,000	(500,000)	-
Due from other governments	22,202	-	22,202
Unamortized bond discount	92,137	23,916	116,053
Capital assets (net of accumulated depreciation)			
Land	1,827,837	36,573	1,864,410
Buildings	232,724	-	232,724
Improvements other than buildings	509,992	-	509,992
Machinery and equipment	601,731	80,921	682,652
Infrastructure	2,230	1,806,627	1,808,857
Construction in progress	248,131	-	248,131
TOTAL ASSETS	12,365,783	2,531,199	14,896,982
LIABILITIES			
Salaries payable	33,935	14,161	48,096
Accounts and other payables	79,182	26,327	105,509
Accrued interest payable	39,400	2,397	41,797
Due to other governments	183,810	3,595	187,405
Noncurrent liabilities - due within one year			
Compensated absences	8,129	-	8,129
Bonds payable	130,000	25,000	155,000
Noncurrent liabilities - due in more than one year			
Compensated absences	49,935	-	49,935
Bonds payable	5,155,000	615,000	5,770,000
TOTAL LIABILITIES	5,679,391	686,480	6,365,871
NET ASSETS			
Investment in capital assets net of related debt	2,227,645	1,284,121	3,511,766
Restricted for			
Debt service	566,886	-	566,886
Unrestricted	3,891,861	560,598	4,452,459
TOTAL NET ASSETS	\$ 6,686,392	\$ 1,844,719	\$ 8,531,111

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 781,229	\$ 97,448	\$ 34,866	\$ -	\$ (648,915)	\$ -	\$ (648,915)
Public safety	919,139	270,159	170,501	-	(478,479)	-	(478,479)
Public works	341,134	4,984	34,404	345,942	44,196	-	44,196
Culture and recreation	215,785	17,400	11,500	-	(186,885)	-	(186,885)
Interest on long-term debt	74,210	-	-	-	(74,210)	-	(74,210)
Total governmental activities	2,331,497	389,991	251,271	345,942	(1,344,293)	-	(1,344,293)
Business-type activities							
Water	364,575	244,693	-	-	-	(119,882)	(119,882)
Sewer	49,079	23,158	-	-	-	(25,921)	(25,921)
Storm sewer	71,760	85,513	-	-	-	13,753	13,753
Total business-type activities	485,414	353,364	-	-	-	(132,050)	(132,050)
Total primary government	\$ 2,816,911	\$ 743,355	\$ 251,271	\$ 345,942	(1,344,293)	(132,050)	(1,476,343)
General revenues							
Taxes							
Property taxes					1,678,528	-	1,678,528
Franchise taxes					17,120	-	17,120
Grants and contributions not restricted to specific programs					60,694	-	60,694
Unrestricted investment earnings					93,801	23,107	116,908
Gain on sale of capital assets					269,375	-	269,375
Total general revenues					2,119,518	23,107	2,142,625
Change in net assets					775,225	(108,943)	666,282
Net assets, January 1, as restated					5,911,167	1,953,662	7,864,829
Net assets, December 31					\$ 6,686,392	\$ 1,844,719	\$ 8,531,111

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2004

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Debt Service	Infrastructure Reserve
ASSETS			
Cash and cash equivalents (deficit)	\$ 2,088,006	\$ 188,509	\$ (192,745)
Receivables			
Accrued interest	8,915	-	-
Delinquent taxes	68,683	-	-
Accounts	400	-	-
Special assessments	-	325,640	194,252
Advances to other funds	500,000	-	-
Due from other governments	22,202	-	-
	<u>\$ 2,688,206</u>	<u>\$ 514,149</u>	<u>\$ 1,507</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 74,969	\$ -	\$ 878
Due to other governments	183,810	-	-
Salaries and compensated absences payable	33,935	-	-
Deferred revenue	21,569	325,640	194,252
	<u>314,283</u>	<u>325,640</u>	<u>195,130</u>
TOTAL LIABILITIES			
FUND BALANCES (DEFICITS)			
Reserved for			
Debt service	-	188,509	-
Reserved for advances to other funds	500,000	-	-
Unreserved, reported in			
General fund	1,873,923	-	-
Capital projects	-	-	(193,623)
	<u>2,373,923</u>	<u>188,509</u>	<u>(193,623)</u>
TOTAL FUND BALANCES (DEFICITS)			
	<u>\$ 2,688,206</u>	<u>\$ 514,149</u>	<u>\$ 1,507</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)			

The notes to the financial statements are an integral part of this statement.

Equipment Acquisition	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,698,028	\$ 924,369	\$ 7,706,167
-	-	8,915
-	-	68,683
-	-	400
-	24,742	544,634
-	-	500,000
-	-	22,202
<u>\$ 4,698,028</u>	<u>\$ 949,111</u>	<u>\$ 8,851,001</u>

\$ 3,132	\$ 203	\$ 79,182
-	-	183,810
-	-	33,935
-	24,742	566,203
<u>3,132</u>	<u>24,945</u>	<u>863,130</u>

-	-	188,509
-	-	500,000
-	-	1,873,923
<u>4,694,896</u>	<u>924,166</u>	<u>5,425,439</u>
<u>4,694,896</u>	<u>924,166</u>	<u>7,987,871</u>
<u>\$ 4,698,028</u>	<u>\$ 949,111</u>	<u>\$ 8,851,001</u>

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CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

Total fund balances - governmental funds	\$ 7,987,871
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	4,817,979
Less: accumulated depreciation	(1,395,334)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Compensated absences payable	(58,064)
Bond principal payable	(5,285,000)
Less bond discount net of accumulated amortization	92,137
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	21,569
Delinquent special assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	544,634
Governmental funds do not report a liability for accrued interest until due and payable	<u>(39,400)</u>
Total net assets - governmental activities	<u><u>\$ 6,686,392</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Debt Service	Infrastructure Reserve
REVENUES			
Taxes	\$ 1,697,236	\$ -	\$ -
Licenses and permits	181,069	-	-
Intergovernmental	265,393	-	-
Charges for services	139,507	-	-
Fines and forfeits	52,015	-	-
Special assessments	-	100,656	89,913
Interest on investments	49,890	3,626	-
Miscellaneous	18,392	-	-
	<u>2,403,502</u>	<u>104,282</u>	<u>89,913</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	766,841	-	-
Public safety	848,439	-	-
Public works	261,144	-	-
Culture and recreation	108,213	-	-
Capital outlay	19,014	-	206,120
Debt service			
Principal	-	130,000	-
Interest and other	-	52,583	-
	<u>2,003,651</u>	<u>182,583</u>	<u>206,120</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>399,851</u>	<u>(78,301)</u>	<u>(116,207)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Bonds issued	-	-	-
Sale of capital assets	-	-	-
Transfer out	(149,000)	-	-
	<u>(149,000)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	250,851	(78,301)	(116,207)
FUND BALANCES (DEFICITS), JANUARY 1	<u>2,123,072</u>	<u>266,810</u>	<u>(77,416)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 2,373,923</u>	<u>\$ 188,509</u>	<u>\$ (193,623)</u>

The notes to the financial statements are and integral part of this statement.

Equipment Acquisition	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,697,236
-	-	181,069
-	136,508	401,901
-	-	139,507
-	-	52,015
-	268	190,837
19,232	21,053	93,801
-	28,900	47,292
<u>19,232</u>	<u>186,729</u>	<u>2,803,658</u>
-	-	766,841
-	-	848,439
-	-	261,144
-	-	108,213
603,386	183,846	1,012,366
-	-	130,000
<u>92,137</u>	<u>-</u>	<u>144,720</u>
<u>695,523</u>	<u>183,846</u>	<u>3,271,723</u>
<u>(676,291)</u>	<u>2,883</u>	<u>(468,065)</u>
149,000	-	149,000
4,090,000	-	4,090,000
430,000	-	430,000
-	-	(149,000)
<u>4,669,000</u>	<u>-</u>	<u>4,520,000</u>
3,992,709	2,883	4,051,935
<u>702,187</u>	<u>921,283</u>	<u>3,935,936</u>
<u>\$ 4,694,896</u>	<u>\$ 924,166</u>	<u>\$ 7,987,871</u>

CITY OF LAKE ELMO, MINNESOTA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICITS) TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Total net change in fund balances (deficits) - governmental funds	\$ 4,051,935
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	880,283
Depreciation expense	(150,912)
The issuance of bonds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and simialar items when debt is first issued, wheras these amount are deferred and amortized in the statement of activities. The amount below are the effect of these differences in the treatement of long-term debt and related items	
Debt issued	(4,090,000)
Less bond issuance costs	92,137
Principal repayments	130,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	(21,627)
Delinquent receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Special assessments	35,277
Property taxes	(1,588)
Proceeds of the sale of capital assets are shown in the governmental fund financial statements. Only the gain on sale of capital assets is shown for the government-wide financial statements.	(160,625)
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	10,345
Change in net assets - governmental activities	<u>\$ 775,225</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,723,767	\$ 1,723,767	\$ 1,697,236	\$ (26,531)
Licenses and permits	219,924	219,924	181,069	(38,855)
Intergovernmental	62,750	62,750	265,393	202,643
Charges for services	78,000	78,000	139,507	61,507
Fines and forfeits	-	-	52,015	52,015
Interest on investments	140,000	140,000	49,890	(90,110)
Miscellaneous	34,000	34,000	18,392	(15,608)
TOTAL REVENUES	2,258,441	2,258,441	2,403,502	145,061
EXPENDITURES				
Current				
General government	793,253	793,253	766,841	26,412
Public safety	821,666	821,666	848,439	(26,773)
Public works	324,014	324,014	261,144	62,870
Culture and recreation	148,274	148,274	108,213	40,061
Capital outlay	24,250	24,250	19,014	5,236
TOTAL EXPENDITURES	2,111,457	2,111,457	2,003,651	107,806
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	146,984	146,984	399,851	252,867
OTHER FINANCING USES				
Transfer out	(254,693)	(254,693)	(149,000)	105,693
NET CHANGE IN FUND BALANCES	(107,709)	(107,709)	250,851	358,560
FUND BALANCES, JANUARY 1	2,123,072	2,123,072	2,123,072	-
FUND BALANCES, DECEMBER 31	\$ 2,015,363	\$ 2,015,363	\$ 2,373,923	\$ 358,560

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water Fund	Other Nonmajor Proprietary Funds	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and temporary investments (deficit)	\$ 1,015,137	\$ (2,509)	\$ 1,012,628
Receivables			
Accounts	46,212	19,183	65,395
Special assessments	5,139	-	5,139
TOTAL CURRENT ASSETS	1,066,488	16,674	1,083,162
NONCURRENT ASSETS			
Bond discount net of accumulated amortization	23,916	-	23,916
Capital assets			
Land	36,573	-	36,573
Machinery and equipment	112,270	-	112,270
Infrastructure	2,162,076	358,272	2,520,348
Less accumulated depreciation	(628,867)	(116,203)	(745,070)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	1,682,052	242,069	1,924,121
TOTAL NONCURRENT ASSETS	1,705,968	242,069	1,948,037
TOTAL ASSETS	2,772,456	258,743	3,031,199
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	21,603	4,724	26,327
Salaries payable	11,007	3,154	14,161
Accrued interest payable	2,397	-	2,397
Due to other governments	3,595	-	3,595
TOTAL CURRENT LIABILITIES	38,602	7,878	46,480
NONCURRENT LIABILITIES			
Due in one year			
Bonds payable	25,000	-	25,000
Due in more than one year			
Advances from other funds	500,000	-	500,000
Bonds payable	615,000	-	615,000
TOTAL NONCURRENT LIABILITIES	1,140,000	-	1,140,000
TOTAL LIABILITIES	1,178,602	7,878	1,186,480
NET ASSETS			
Invested in capital assets, net of related debt	1,042,052	242,069	1,284,121
Unrestricted	551,802	8,796	560,598
TOTAL NET ASSETS	\$ 1,593,854	\$ 250,865	\$ 1,844,719

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water Fund	Other Nonmajor Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	\$ 212,587	\$ 108,671	\$ 321,258
Water meter sales	2,676	-	2,676
Water connection charges	1,700	-	1,700
TOTAL OPERATING REVENUES	216,963	108,671	325,634
OPERATING EXPENSES			
Personal services	83,814	38,356	122,170
Supplies	8,028	515	8,543
Professional services	59,494	64,878	124,372
Repair and maintenance	7,636	3,850	11,486
Insurance	2,985	-	2,985
Utilities	97,678	2,832	100,510
Depreciation	74,070	10,408	84,478
TOTAL OPERATING EXPENSES	333,705	120,839	454,544
OPERATING LOSS	(116,742)	(12,168)	(128,910)
NONOPERATING REVENUES (EXPENSES)			
Interest income	22,595	512	23,107
Rents	27,730	-	27,730
Amortization of bond discount	(1,405)	-	(1,405)
Interest expense	(29,465)	-	(29,465)
TOTAL NONOPERATING REVENUES (EXPENSES)	19,455	512	19,967
TOTAL CHANGE IN NET ASSETS	(97,287)	(11,656)	(108,943)
NET ASSETS, JANUARY 1	1,691,141	262,521	1,953,662
NET ASSETS, DECEMBER 31	<u>\$ 1,593,854</u>	<u>\$ 250,865</u>	<u>\$ 1,844,719</u>

The notes the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Other Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from users	\$ 231,054	\$ 93,256	\$ 324,310
Payments to suppliers	(160,067)	(69,013)	(229,080)
Payments to employees	(83,814)	(38,356)	(122,170)
NET CASH USED BY OPERATING ACTIVITIES	<u>(12,827)</u>	<u>(14,113)</u>	<u>(26,940)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(11,665)	(11,665)
Principal paid on long-term debt	(25,000)	-	(25,000)
Interest paid on long-term debt	(29,568)	-	(29,568)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(54,568)</u>	<u>(11,665)</u>	<u>(66,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>22,595</u>	<u>512</u>	<u>23,107</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,800)	(25,266)	(70,066)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,059,937</u>	<u>22,757</u>	<u>1,082,694</u>
CASH AND CASH EQUIVALENTS (DEFICIT), DECEMBER 31	<u>\$ 1,015,137</u>	<u>\$ (2,509)</u>	<u>\$ 1,012,628</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
	Water Fund	Other Nonmajor Proprietary Funds	Total Proprietary Funds
RECONCILIATION OF OPERATING LOSS			
TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	\$ (116,742)	\$ (12,168)	\$ (128,910)
Adjustments to reconcile operating loss			
to net cash used by operating activities :			
Depreciation and amortization	72,665	10,408	83,073
Other income	27,730	-	27,730
(Increase) decrease in assets:			
Accounts receivable	(8,727)	(15,415)	(24,142)
Deferred special assessments	(4,912)	-	(4,912)
Bond discount	1,405	-	1,405
Increase (decrease) in liabilities:			
Accounts payable	12,556	2,357	14,913
Accrued salaries payable	2,561	705	3,266
Due to other governments	637	-	637
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (12,827)</u>	<u>\$ (14,113)</u>	<u>\$ (26,940)</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lake Elmo (the City), Minnesota, 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 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. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and proprietary funds. 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 and fiduciary 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. 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 only when payment is due.

Property taxes, franchise taxes, license 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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified 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 can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 general government, except those required to be accounted for in another fund.

The *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Infrastructure Reserve fund* accounts for the acquisition of fixed assets or construction for this major capital project not being financed by proprietary funds.

The *Equipment Acquisition fund* accounts for the acquisition of fixed assets or construction for this major capital project not being financed by proprietary funds.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, 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 on capital assets. All revenues and expenses not meeting this definition 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, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Minnesota statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, the State Treasurer's Investment Pool and shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are obligations guaranteed by the United States or its agencies.

Investments for the City are stated with fair value. The Minnesota Municipal Money Market Fund investment pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool share.

Due To/From other Funds

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 "internal balances."

Advances between funds, as reported in the fund financial statements, 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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property Taxes

The Council annually adopts a tax levy in December and certifies it to the County for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, July and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for taxes not received within 60 days after year end in the fund statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2004. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred revenue liability in the fund statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings and improvements	10 - 40
Improvements other than buildings	15 - 30
Machinery and equipment	3 - 15
Infrastructure	20 - 60

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. Employees leaving the City after 1 full year of service will be compensated for vacation accrued to the date of separation up to 30 days. An employee leaving the City with 5 years of employment is entitled to one half of accumulated and unused sick leave or 50 days pay, which ever is less. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental fund types the cost of these benefits is recognized when payments are made to the employees.

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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative total data for the prior year have not been presented for the governmental-wide and all fund financial statements as this is the first year of implementation of GASB Statement No. 34.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15th, the proposed budget is presented to the Council for review. The Council adopts a preliminary maximum budget. Truth-in-taxation notices are mailed out to residents by Washington County. The Council holds public hearings and adopts a budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Deficit Fund Equity

The capital project's infrastructure reserve fund had a deficit balance of \$193,623. The City plans to eliminate the deficit through future special assessment collections.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. Each fund's portion of this pool (or pools) is displayed on the financial statements as "cash and temporary investments". For purposes of identifying the risk of investing public funds, the balances are categorized as follows:

Deposits

In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (140 percent in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$4,534,525 and the bank balance was \$4,625,997. Of the bank balance, \$3,574,012 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

Investments

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

At year end, the City's investment balances were as follows:

	Category			Carrying Amount/ Fair Value
	1	2	3	
U.S. government securities	<u>\$ 3,920,975</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 3,920,975
Investments not subject to categorization:				
Broker market accounts				<u>405,643</u>
Total investments				<u>\$ 4,326,618</u>

A reconciliation of cash and investments as shown on the balance sheet for the City follows:

Carrying amount of deposits	\$ 4,534,525
Investments	4,326,618
Petty cash	<u>100</u>
Total	<u>\$ 8,861,243</u>

The following reconciles the total cash and temporary investments to the basic financial statements.

Government-wide	\$ 8,718,795
Agency	<u>142,448</u>
Total	<u>\$ 8,861,243</u>

B. Receivables

Deferred Revenue

The due from other governments in the General fund is due from Washington County.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Fund	Unavailable	Unearned
General		
Delinquent taxes	\$ 21,569	\$ -
Debt service		
Special assessments	325,640	-
Infrastructure Reserve		
Special assessments	194,252	-
MSA Construction		
Special assessments	<u>24,742</u>	<u>-</u>
Total	<u>\$ 566,203</u>	<u>\$ -</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,730,616	\$ 224,721	\$ (127,500)	\$ 1,827,837
Construction in progress	-	248,131	-	248,131
Total capital assets not being depreciated	1,730,616	472,852	(127,500)	2,075,968
Capital assets, being depreciated				
Buildings	489,411	-	-	489,411
Improvements other than buildings	673,801	82,831	-	756,632
Machinery and equipment	1,225,983	347,683	(100,000)	1,473,666
Infrastructure	22,302	-	-	22,302
Total capital assets being depreciated	2,411,497	430,514	(100,000)	2,742,011
Less accumulated depreciation for				
Buildings	(247,579)	(9,108)	-	(256,687)
Improvements other than buildings	(211,976)	(34,664)	-	(246,640)
Machinery and equipment	(809,702)	(106,025)	43,792	(871,935)
Infrastructure	(18,957)	(1,115)	-	(20,072)
Total accumulated depreciation	(1,288,214)	(150,912)	43,792	(1,395,334)
Total capital assets being depreciated, net	1,123,283	279,602	(56,208)	1,346,677
Governmental activities capital assets, net	<u>\$ 2,853,899</u>	<u>\$ 752,454</u>	<u>\$ (183,708)</u>	<u>\$ 3,422,645</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 36,573	\$ -	\$ -	\$ 36,573
Capital assets being depreciated				
Machinery and equipment	112,270	-	-	112,270
Infrastructure	2,508,683	11,665	-	2,520,348
Total capital assets being depreciated	2,620,953	11,665	-	2,632,618
Less accumulated depreciation for				
Machinery and equipment	(23,087)	(8,262)	-	(31,349)
Infrastructure	(637,505)	(76,216)	-	(713,721)
Total accumulated depreciation	(660,592)	(84,478)	-	(745,070)
Total capital assets being depreciated, net	1,960,361	(72,813)	-	1,887,548
Business-type activities capital assets, net	<u>\$ 1,996,934</u>	<u>\$ (72,813)</u>	<u>\$ -</u>	<u>\$ 1,924,121</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	\$ 14,166
General government	47,785
Public safety	47,897
Public works	41,064
Culture and recreation	<u>150,912</u>
Total depreciation expense - governmental activities	<u>\$ 150,912</u>
Business-type activities	\$ 74,070
Water	10,408
Sewer	<u>84,478</u>
Total depreciation expense - business-type activities	<u>\$ 84,478</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund Receivables, Payables and Transfers

During 2002, the City authorized a \$500,000 loan from the general fund to the Water fund to fund project costs. Terms have not been established.

Interfund transfers

The following budgeted transfers were made during the year:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental funds		
General	\$ -	\$ 149,000
Equipment acquisition	149,000	-
	<u>149,000</u>	<u>-</u>
Total governmental funds	<u>\$ 149,000</u>	<u>\$ 149,000</u>

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The G.O. Improvement Bonds have been issued to finance improvements. They will be repaid with special assessment collections and ad valorem tax levies. The City has issued the following G.O. Water Revenue Bonds for improvements to its water system. They will be repaid with the net revenues of the system. General obligation bonds currently outstanding are as follows:

	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Governmental Activities					
G.O. Improvement Bonds					
G.O. Improvement					
Bonds of 2001	\$ 1,080,000	2.75-4.90 %	10/01/01	02/01/17	\$ 950,000
G.O. Improvement					
Bonds of 2002A	340,000	2.85-4.60	05/01/02	01/01/12	245,000
G.O. CIP Bonds,					
Series 2004A	4,090,000	3.10-4.40	11/01/04	02/01/25	<u>4,090,000</u>
Total G.O. Improvement Bonds					<u>\$ 5,285,000</u>
Business-type Activities					
G.O. Revenue Bonds					
G.O. Water Revenue					
Bonds - 2002B	\$ 730,000	2.25-5.00 %	05/22/02	12/01/21	<u>\$ 640,000</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	G.O. Improvement Bonds			G.O. Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 130,000	\$ 165,985	\$ 295,985	\$ 25,000	\$ 28,768	\$ 53,768
2006	225,000	199,300	424,300	25,000	27,918	52,918
2007	295,000	190,623	485,623	30,000	27,030	57,030
2008	240,000	181,478	421,478	30,000	25,920	55,920
2009	250,000	173,022	423,022	30,000	24,765	54,765
2010 - 2014	1,270,000	725,295	1,995,295	175,000	103,945	278,945
2015 - 2019	1,280,000	470,118	1,750,118	220,000	59,985	279,985
2020 - 2025	1,595,000	217,150	1,812,150	105,000	8,000	113,000
Total	<u>\$ 5,285,000</u>	<u>\$ 2,322,970</u>	<u>\$ 7,607,970</u>	<u>\$ 640,000</u>	<u>\$ 306,330</u>	<u>\$ 946,330</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. Improvement Bonds	\$ 1,325,000	\$ 4,090,000	\$ 130,000	\$ 5,285,000	\$ 130,000
Compensated Absences Payable	68,409	-	10,345	58,064	8,129
Total governmental activities	<u>\$ 1,393,409</u>	<u>\$ 4,090,000</u>	<u>\$ 140,345</u>	<u>\$ 5,343,064</u>	<u>\$ 138,129</u>
Business-type activities					
G.O. Water Revenue Bonds	<u>\$ 665,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 640,000</u>	<u>\$ 25,000</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Reserved/Designated Fund Balance

Fund balances in the various funds have been reserved and designated for the following purposes as of December 31, 2004:

Fund	Purpose	Amount
Reserved		
Debt service	Debt service	\$ 188,509
Unreserved - Designated		
General	Community opinion survey	\$ 10,000
	Public access	77,465
	Building projects	1,258,640
	Administrative contingency	40,000
	Cash flow	987,818
		<u>987,818</u>
Total designated fund balance		<u>\$ 2,373,923</u>

Note 4: DEFINED PENSION PLANS - STATEWIDE

A. Plan Description

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

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

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of the 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 is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1, 2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan for each year of service. For PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 4: DEFINED PENSION PLANS - STATEWIDE - CONTINUED

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the web at www.mnpera.org, by writing to PERA, 60 Empire Street, #200, St. Paul, Minnesota 55102 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 5.10 percent, respectively, of their annual covered salary. The City is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members, and 5.53 percent for Coordinated Plan PERF members. The City's contributions to the PERF for the years ending December 31, 2004, 2003, and 2002 were \$29,474, \$27,408 and \$31,044, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: OTHER INFORMATION

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of two percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. No debt is applicable to this limit at year end.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 6: LAKE ELMO VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION

A. Plan Description

All members of the Lake Elmo Fire Department (Department) are covered by a defined benefit plan administered by the Lake Elmo Firemen's Relief Association (Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Lake Elmo Firefighter's Relief Association, 3800 Laverne Avenue North, Lake Elmo, MN 55042.

B. Funding Policy

The financial requirements of the Special fund are determined in accordance with Minnesota statutes, section 69.772, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 96,153
Contributions made	
City	41,995
State aid	54,158
Actuarial valuation date	12/31/04
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Fair Value
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 6: LAKE ELMO VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION - CONTINUED

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 96,153	100 %	\$ -
12/31/03	63,387	100	-
12/31/02	47,067	100	-

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/04	*	*	*	* %	*
12/31/03	\$ 623,299	\$ 611,613	\$ 11,686	101.9	\$ 3,100
12/31/02	473,896	559,496	(85,600)	84.7	3,100

* Information unavailable at the time of the audit.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 7: CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENTS

During fiscal year 2004, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB). They are Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", Statement No. 37, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*", and Statement No. 38, "*Certain Financial Statement Note Disclosures*", paragraphs 6 through 11.

Because of implementation of the new standards, an adjustment is required for the December 31, 2003, carry forward (net asset) balance. The following schedule reconciles the January 1, 2004 balance to the January 1, 2004 net asset balance using the new accounting standards.

Governmental funds

Fund balance, December 31, 2003	\$ 3,935,936
Adjustments:	
Net book value of capital assets, including infrastructure	2,853,899
Bonds payable, net	(1,325,000)
Capital lease	
Accrued interest payable	(17,773)
Compensated absences payable	(68,409)
Deferred revenue on special assessments receivable	509,357
Deferred revenue on taxes receivable	<u>23,157</u>
Total net assets as restated, January 1, 2004	<u><u>\$ 5,911,167</u></u>

Proprietary funds

Retained earnings, December 31, 2003	\$ 1,135,368
Plus: Contributed capital	<u>818,294</u>
Total net assets as restated, January 1, 2004	<u><u>\$ 1,953,662</u></u>

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2004

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004

	Capital Projects			Total Nonmajor Governmental Funds
	402 MSA Construction	404 Park Acquisition	406 Section 33 Utilities	
ASSETS				
Cash and temporary investments	\$ 567,548	\$ 264,990	\$ 91,831	\$ 924,369
Special assessments				
Deferred	24,742	-	-	24,742
TOTAL ASSETS	<u>\$ 592,290</u>	<u>\$ 264,990</u>	<u>\$ 91,831</u>	<u>\$ 949,111</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$ 51	\$ 152	\$ -	\$ 203
Deferred revenue	24,742	-	-	24,742
TOTAL LIABILITIES	<u>24,793</u>	<u>152</u>	<u>-</u>	<u>24,945</u>
FUND BALANCES				
Unreserved				
Undesignated	567,497	264,838	91,831	924,166
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 592,290</u>	<u>\$ 264,990</u>	<u>\$ 91,831</u>	<u>\$ 949,111</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Capital Projects			Total
	402	404	406	Nonmajor
	MSA	Park	Section 33	Governmental
	Construction	Acquisition	Utilities	Funds
REVENUES				
Intergovernmental				
MSA construction	\$ 136,508	\$ -	\$ -	\$ 136,508
Special assessments	268	-	-	268
Interest on investments	11,462	7,615	1,976	21,053
Miscellaneous				
Park dedication fees	-	17,400	-	17,400
Other	-	11,500	-	11,500
TOTAL REVENUES	148,238	36,515	1,976	186,729
EXPENDITURES				
Capital outlay				
Public works	6,075	-	1,672	7,747
Park and recreation	-	176,099	-	176,099
TOTAL EXPENDITURES	6,075	176,099	1,672	183,846
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	142,163	(139,584)	304	2,883
NET CHANGE IN FUND BALANCES	142,163	(139,584)	304	2,883
FUND BALANCES, JANUARY 1	425,334	404,422	91,527	921,283
FUND BALANCES, DECEMBER 31	\$ 567,497	\$ 264,838	\$ 91,831	\$ 924,166

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Sewer	Storm Sewer	Total Nonmajor Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and temporary investments (deficit)	\$ 6,493	\$ (9,002)	\$ (2,509)
Receivables			
Accounts	6,008	13,175	19,183
TOTAL CURRENT ASSETS	12,501	4,173	16,674
NONCURRENT ASSETS			
Capital assets			
Infrastructure	346,607	11,665	358,272
Less accumulated depreciation	(116,203)	-	(116,203)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	230,404	11,665	242,069
TOTAL ASSETS	242,905	15,838	258,743
CURRENT LIABILITIES			
Accounts payable	767	3,957	4,724
Salaries payable	3,154	-	3,154
TOTAL CURRENT LIABILITIES	3,921	3,957	7,878
NET ASSETS			
Invested in capital assets, net of related debt	230,404	11,665	242,069
Unrestricted	8,580	216	8,796
TOTAL NET ASSETS	\$ 238,984	\$ 11,881	\$ 250,865

The notes to the financial statements are and integral part to this statement.

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Sewer	Storm Sewer	Total Nonmajor Proprietary Funds
OPERATING REVENUES			
Charges for services	\$ 23,158	\$ 85,513	\$ 108,671
OPERATING EXPENSES			
Personal services	23,580	14,776	38,356
Supplies	-	515	515
Professional services	8,757	56,121	64,878
Repair and maintenance	3,502	348	3,850
Utilities	2,832	-	2,832
Depreciation	10,408	-	10,408
TOTAL OPERATING EXPENSES	49,079	71,760	120,839
OPERATING INCOME (LOSS)	(25,921)	13,753	(12,168)
NONOPERATING REVENUES (EXPENSES)			
Interest income	196	316	512
CHANGE IN NET ASSETS	(25,725)	14,069	(11,656)
NET ASSETS (LIABILITIES), JANUARY 1	264,709	(2,188)	262,521
NET ASSETS, DECEMBER 31	\$ 238,984	\$ 11,881	\$ 250,865

The notes to the financial statements are an integral part to this statement.

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CITY OF LAKE ELMO, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Sewer	Storm Water	Total Non-Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from users	\$ 20,918	\$ 72,338	\$ 93,256
Payments to suppliers	(13,798)	(55,215)	(69,013)
Payments to employees	(23,580)	(14,776)	(38,356)
NET CASH USED BY OPERATING ACTIVITIES	(16,460)	2,347	(14,113)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(11,665)	(11,665)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	196	316	512
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,264)	(9,002)	(25,266)
CASH AND CASH EQUIVALENTS, JANUARY 1	22,757	-	22,757
CASH AND CASH EQUIVALENTS (DEFICIT), DECEMBER 31	<u>\$ 6,493</u>	<u>\$ (9,002)</u>	<u>\$ (2,509)</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	\$ (25,921)	\$ 13,753	\$ (12,168)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation and amortization	10,408	-	10,408
(Increase) decrease in assets:			
Accounts receivable	(2,240)	(13,175)	(15,415)
Increase (decrease) in liabilities:			
Accounts payable	588	1,769	2,357
Accrued salaries payable	705	-	705
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (16,460)</u>	<u>\$ 2,347</u>	<u>\$ (14,113)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004
(With comparative totals for the year ended December 31, 2003)

	2004				2003
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property	\$ 1,721,847	\$ 1,721,847	\$ 1,680,116	\$ (41,731)	\$ 1,610,457
Franchise	1,920	1,920	17,120	15,200	14,225
Total	1,723,767	1,723,767	1,697,236	(26,531)	1,624,682
Licenses and permits					
Business	10,570	10,570	11,960	1,390	10,680
Nonbusiness	209,354	209,354	169,109	(40,245)	209,132
Total	219,924	219,924	181,069	(38,855)	219,812
Intergovernmental					
Federal					
CDBG	10,000	10,000	34,866	24,866	54,500
FEMA	-	-	116,343	116,343	-
State					
Property tax credits	-	-	5,335	5,335	4,947
MSA - maintenance	-	-	-	-	(1)
Fire state aid	25,000	25,000	54,158	29,158	40,420
Other	2,750	2,750	36,967	34,217	5,272
County/Local	25,000	25,000	17,724	(7,276)	25,258
Total	62,750	62,750	265,393	202,643	130,396
Charges for services	78,000	78,000	139,507	61,507	85,270
Fines and forfeitures	-	-	52,015	52,015	83,808
Interest on investments	140,000	140,000	49,890	(90,110)	47,110
Miscellaneous	34,000	34,000	18,392	(15,608)	38,988
TOTAL REVENUES	2,258,441	2,258,441	2,403,502	145,061	2,230,066

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2004
(With comparative totals for the year ended December 31, 2003)

	2004				2003
	Budgeted Amounts			Variance - Final Budget Positive (Negative)	
	Original	Final	Actual		Actual
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 13,026	\$ 13,026	\$ 11,663	\$ 1,363	\$ 13,026
Other services and charges	14,950	14,950	29,408	(14,458)	40,964
Total	27,976	27,976	41,071	(13,095)	53,990
Election					
Personal services	7,000	7,000	8,246	(1,246)	4,346
Supplies	400	400	-	400	-
Other services and charges	800	800	980	(180)	417
Total	8,200	8,200	9,226	(1,026)	4,763
Administration					
Personal services	218,098	218,098	180,410	37,688	215,572
Supplies	9,600	9,600	6,855	2,745	8,173
Other services and charges	80,310	80,310	72,316	7,994	67,848
Total	308,008	308,008	259,581	48,427	291,593
Building					
Supplies	1,000	1,000	482	518	844
Other services and charges	27,940	27,940	28,810	(870)	26,537
Total	28,940	28,940	29,292	(352)	27,381
Professional services					
Assessor	35,000	35,000	32,766	2,234	35,553
Accounting	24,000	24,000	20,574	3,426	20,331
Legal	160,000	160,000	186,169	(26,169)	249,227
Engineering	-	-	30,612	(30,612)	24,695
Total	219,000	219,000	270,121	(51,121)	329,806
Planning and zoning					
Personal services	98,081	98,081	90,560	7,521	86,598
Supplies	1,000	1,000	243	757	349
Other services and charges	102,048	102,048	66,747	35,301	109,044
Total	201,129	201,129	157,550	43,579	195,991
Total general government	793,253	793,253	766,841	26,412	903,524

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2004
(With comparative totals for the year ended December 31, 2003)

	2004				2003
	Budgeted Amounts			Variance - Final Budget Positive (Negative)	
	Original	Final	Actual		Actual
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police					
Contracted services	\$ 322,000	\$ 322,000	\$ 337,629	(15,629)	\$ 311,325
Fire protection					
Personal services	124,733	124,733	118,721	6,012	119,155
2% fire aid	25,000	25,000	67,896	(42,896)	40,420
Supplies	14,200	14,200	7,912	6,288	16,193
Other services and charges	133,422	133,422	137,230	(3,808)	112,405
Total	297,355	297,355	331,759	(34,404)	288,173
Building inspector					
Personal services	152,534	152,534	143,916	8,618	163,883
Supplies	5,500	5,500	990	4,510	2,171
Other services and charges	31,777	31,777	14,742	17,035	988
Total	189,811	189,811	159,648	30,163	167,042
Animal control					
Supplies	500	500	-	500	-
Other services and charges	12,000	12,000	19,403	(7,403)	14,552
Total	12,500	12,500	19,403	(6,903)	14,552
Total public safety	821,666	821,666	848,439	(26,773)	781,092
Public works					
General					
Personal services	148,449	148,449	118,073	30,376	108,052
Supplies	83,800	83,800	42,775	41,025	62,228
Other services and charges	74,965	74,965	81,945	(6,980)	67,306
Total	307,214	307,214	242,793	64,421	237,586
Street lighting	16,800	16,800	18,351	(1,551)	15,313
Total public works	324,014	324,014	261,144	62,870	252,899

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2004
(With comparative totals for the year ended December 31, 2003)

	2004				2003
	Budgeted Amounts			Variance - Final Budget Positive (Negative)	
	Original	Final	Actual		Actual
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation					
Parks					
Personal services	\$ 103,974	\$ 103,974	\$ 80,166	23,808	\$ 82,854
Supplies	19,950	19,950	7,564	12,386	8,999
Other services and charges	24,350	24,350	20,483	3,867	21,736
Total culture and recreation	148,274	148,274	108,213	40,061	113,589
Total current expenditures	2,087,207	2,087,207	1,984,637	102,570	2,051,104
Capital outlay					
Public safety	10,000	10,000	13,178	(3,178)	7,313
Public works	14,250	14,250	5,836	8,414	7,318
Total capital outlay	24,250	24,250	19,014	5,236	14,631
TOTAL EXPENDITURES	2,111,457	2,111,457	2,003,651	107,806	2,065,735
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	146,984	146,984	399,851	252,867	164,331
OTHER FINANCING USES					
Transfers out	(254,693)	(254,693)	(149,000)	105,693	(244,042)
NET CHANGE IN FUND BALANCES	(107,709)	(107,709)	250,851	358,560	(79,711)
FUND BALANCES, JANUARY 1	2,123,072	2,123,072	2,123,072	-	2,202,783
FUND BALANCES, DECEMBER 31	\$ 2,015,363	\$ 2,015,363	\$ 2,373,923	\$ 358,560	\$ 2,123,072

CITY OF LAKE ELMO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004

	310 2001 G.O. Improvement Bond	312 2002 G.O. Improvement Bond	Total
ASSETS			
Cash and temporary investments	\$ 93,278	\$ 95,231	\$ 188,509
Special assessments receivable			
Delinquent	388	-	388
Deferred	127,795	192,636	320,431
Special deferred	4,821	-	4,821
	<u>\$ 226,282</u>	<u>\$ 287,867</u>	<u>\$ 514,149</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Deferred revenue	\$ 133,004	\$ 192,636	\$ 325,640
FUND BALANCES			
Reserved for debt service	<u>93,278</u>	<u>95,231</u>	<u>188,509</u>
	<u>\$ 226,282</u>	<u>\$ 287,867</u>	<u>\$ 514,149</u>
TOTAL LIABILITIES AND FUND BALANCES			

CITY OF LAKE ELMO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

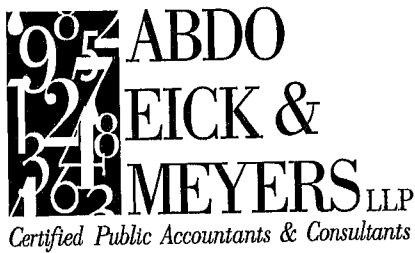
	310 2001 G.O. Improvement Bond	312 2002 G.O. Improvement Bond	Total
REVENUES			
Special assessments	\$ 64,271	\$ 36,385	\$ 100,656
Interest on investments	1,494	2,132	3,626
TOTAL REVENUES	<u>65,765</u>	<u>38,517</u>	<u>104,282</u>
EXPENDITURES			
Debt service			
Principal	100,000	30,000	130,000
Interest and service charges	41,155	11,428	52,583
TOTAL EXPENDITURES	<u>141,155</u>	<u>41,428</u>	<u>182,583</u>
NET CHANGE IN FUND BALANCES	(75,390)	(2,911)	(78,301)
FUND BALANCES, JANUARY 1	<u>168,668</u>	<u>98,142</u>	<u>266,810</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 93,278</u></u>	<u><u>\$ 95,231</u></u>	<u><u>\$ 188,509</u></u>

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OTHER REPORTS

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2004



Grandview Square
5201 Eden Avenue
Suite 370
Edina, MN 55436

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Council
City of Lake Elmo, Minnesota

We have audited the financial statements of the City of Lake Elmo (the City), Minnesota as of and for the year ended December 31, 2004, and have issued our report thereon dated February 23, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

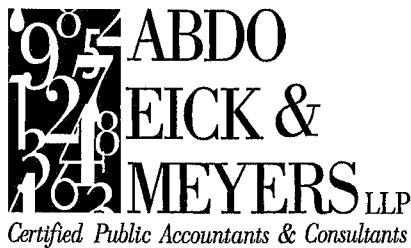
The *Minnesota Legal Compliance Audit Guide for Local Government* covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous city provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Council, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2005
Minneapolis, Minnesota

Abdo Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants



Grandview Square
5201 Eden Avenue
Suite 370
Edina, MN 55436

REPORT ON INTERNAL CONTROL

Honorable Mayor and Council
City of Lake Elmo, Minnesota

In planning and performing our audit of the financial statements of the City of Lake Elmo (the City), Minnesota, for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our assessment of the internal control was limited to obtaining an understanding of the internal control sufficient to plan our audit and did not include tests of controls. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described on the schedule of findings.

This report is intended solely for the information and use of the Council, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2005
Minneapolis, Minnesota

Abdo Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2004

Finding

Description

2004-1

Segregation of Duties

Our study and evaluation disclosed that because of the limited size of your office staff, the City has limited segregation of duties. A good internal control structure contemplates and adequate segregation of duties so that no one individual handles transactions from inception to completion. While we recognize that the City is not large enough to permit an adequate segregation of duties in all respects, it is important that you be aware of this reportable condition.

Management Response

Management has hired personnel and assigned the accounting duties to the personnel as needed with intention to eliminate this comment in the 2005 report.

Lake Elmo City Council 05-03-2005	Agenda Section: Finance	<u>No .</u> 5B
<u>Agenda Item: Amended Municipal 2005 Fee schedule</u>		
<p><u>Background Information for May 03, 2005:</u></p> <p>The City has three independent enterprise funds for Water, Sewer and Surface Water. All three of the enterprise funds rely on revenue from fees charged to support the services provided. Within the enterprise funds, similar to the General Fund, we have operating and capital accounts. Generally, the operating accounts are funded by consumer user fees such as water rates and the expense for the infrastructure (watermains, lift stations etc.) are covered through WAC & SAC fees. The WAC & SAC fees charged are based on the cost for the infrastructure.</p> <p>The City is currently going through the first phase of a water expansion project. In the near future the City will also be considering installation of a new sewer main from the Old Village down to I-94 freeway. We now have an estimate on what the costs are for these projects.</p> <p>Attached, please find ordinance no. 97-156 adoption of the amended 2005 fee schedule. The Fee schedule represents an amendment to the WAC & SAC charges reflecting the current estimated cost of the infrastructure projects.</p>		
<u>Action Items:</u> 1) Adopt Ordinance No. 97-156 amending the WAC & SAC Fees for Calendar Year 2005		<u>Person responsible:</u> Tom Bouthilet
<u>Attachments:</u> 1. Ordinance No. 97-156 2. Ordinance Summary		

1. Ordinance No. 97-156
2. Ordinance Summary

**CITY OF LAKE ELMO
WASHINGTON COUNTY, MINNESOTA**

ORDINANCE NO. 97-156

AN ORDINANCE AMENDING MUNICIPAL FEES FOR CALENDAR YEAR 2005

The Lake Elmo City Council hereby adopts the following fee schedule amending WAC and SAC charges for calendar year 2005 and directs that it be added to the Lake Elmo Municipal Code as Appendix A.

Appendix A – 2005 Fee Schedule

ADOPTION DATE: Passed by the Lake Elmo City Council on the 3rd day of May, 2005.

CITY OF LAKE ELMO

By: _____
Dean Johnston
Its: Mayor

ATTEST:

Martin Rafferty
Its: City Administrator

EFFECTIVE DATE: This Ordinance shall be effective the ____ day of _____, 2005.

PUBLICATION DATE: Published on the _____ day of _____, 2005.

Appendix A

2005 Amended Fee Schedule

Revised May, 05

Development, Service, Building, Etc.	Fee	Escrow or Additional Charge
Amateur Radio Antenna	\$825.00	
Appeal (to Board of Adjustment and Appeals)	\$50.00	
Assessment Search	\$20.00	
Building Demolition		
First 1000 Square Feet	\$100.00	.50 surcharge
Each Additional 1000 sq feet or portion thereof	\$10.00	.50 surcharge
Burning Permits		
Residential	\$35.00	
Commercial	\$70.00	
Comprehensive Plan Amendment	\$1,200.00	
Conditional Use Permit (CUP) <new or amended>	\$950.00	
CONTRACTOR LICENSE FEES		
Blacktopping	\$50.00	
Excavator License	\$50.00	
Heating and A/C	\$50.00	
Sign Installer	\$50.00	
Solid Waste Hauler	\$100.00	
Tree Contract	\$50.00	
COPY SERVICES		
Copies	\$1.00	
City Map - colored	\$3.00	
Code Book	\$150.00	
Sections 1, 2, 4, 6-12, 14	\$10.00	
Section 3	\$50.00	
Section 5 and 13	\$25.00	
Comprehensive Plan	\$100.00	
OP Ordinance	\$10.00	
Parks Plan	\$75.00	
Culverts in Developments with Rural Section	\$100.00	
Dog License	\$10.00	
Unlicensed dog (first impound)	\$50.00	
Licensed dog (first impound)	\$25.00	
Cat Impound (first impound)	\$25.00	
Subsequent dog/cat impound	\$25.00	
Duplicate License or Tag	\$1.00	
Driveway		
Residential	\$50.00	.50 surcharge
Commercial	\$150.00	.50 surcharge
Excavating and Grading	\$100.00	Erosion Control Bond, Escrow, or Letter of Credit: 1500.00 per acre.
False Alarm		
1 to 3 False alarms	No Charge	
In excess of 3 up to and including 6 false alarms alarms within a twelve (12) month period		
Residential	\$100.00	
Commercial	\$300.00	
In excess of six false alarms within a twelve (12) month period		
Residential	\$175.00	
Commercial	\$500.00	
Flood Plain Management Permit	\$750.00	1500.00 escrow
Fuel Tank Removal (Underground)	\$50.00	.50 surcharge
Heating		
New Residential	\$125.00	.50 surcharge
Addition to Residential	\$50.00	.50 surcharge
Commercial (New or Addition)	Minimum 150.00 or one percent of total cost of heating project	.50 surcharge
Lawn Sprinklers	\$110.00	.50 surcharge

Appendix A

Development, Service, Building, Etc.	Fee	Escrow or Additional Charge
Liquor		
Club On-Sale Intoxicating	\$100.00 per year	
Off-Sale Intoxicating	\$200.00 per year	
Off-Sale Non-Intoxicating	\$150.00 per year	
On-Sale Intoxicating	\$1500.00 per year	
On-Sale Investigation	\$350.00	
On-Sale Non-Intoxicating	\$100.00 per year	
On-Sale Sunday Intoxicating	\$200.00 per year	
Temporary Non-Intoxicating	\$25.00 per event	
Wine	\$300.00 per year	
Lot Line Adjustment	\$250.00	
Manufactured Home Parks		
New	\$1,000.00	2500.00 Escrow
Move home out of City	\$50.00	.50 surcharge
Move into City	\$100.00	.50 surcharge
Minor Subdivision	\$925.00	
Moving House or Primary Structure into City	\$500.00	Plus bond with amount to be determined by City w/recommendation from Building Official
New Construction Plan Review	Per 1997 UBC (65% of building permit fee)	Per Statute
Park Dedication (up to 3 lots)	\$3000.00 for each newly created lot	
Parking Lots		
New Commercial	\$150.00	.50 surcharge
Existing Commercial	\$75.00	.50 surcharge
Platting		
Concept (PUD or OP)	\$1,150.00	
Preliminary Plat (and Development Stage)	\$1,700.00	
Final Plat (and Final Plan)	\$1,150.00	Plus 2% Administrative Fee Development Agreement
Plumbing		
New Residential	\$125.00	.50 surcharge
Addition to Residential	\$50.00	.50 surcharge
Commercial (New or Addition)	Minimum \$150.00 or 1% of total job cost	.50 surcharge
Private Roads (permitted only in AG zone)	\$100.00	.50 surcharge
Restrictive Soils and Wetland Restoration Protection and Preservation Permit	\$750.00	1500.00 escrow
Right-of-Way Permits		
Annual Registration (1415.05 Subd.1)	\$50.00	
Excavation (1415.11 Subd. 1)	\$200.00	
Each Additional Excavation	\$30.00	
Trench Fee (boring or open cut)	.50 per foot	
Overhead Installation Fee	.50 per foot	
New Subdivisions (Alternate to per foot fee)	50.00 per lot per utility	
Street Obstruction Fee (1415.11 (Sub 2))	\$50.00	
Permit Extension	\$50.00	
Delay Penalty	10.00 per day	
Sewage Disposal		
On-Site Septic Systems		
New	\$100.00	.50 surcharge
Alterations or Repairs	\$100.00	.50 surcharge
Sewer Availability Charge (SAC) (Metro System)	\$4,500.00	1450.00 Met. Council; 3050.00 to City
Sewer	\$2.50 per 1,000 gallons	
Wetland Treatment		
Hookup to Existing System	\$75.00	.50 surcharge
Alteration/Repair	\$50.00	.50 surcharge
201 Off-Site Maintenance Fee	50.00 per unit per quarter	
Signs (not requiring CUP)	\$100.00	
Site Plan Review (Chapter 520)	\$925.00	

Appendix A

Development, Service, Building, Etc.	Fee	Escrow or Additional Charge
Street Cleaning Erosion Control		
Escrow		1,000.00 Escrow
Re-inspection	\$30.00 per hour	Portal to Portal from City Hall. Minimum: 1 hour
Processing Fee		10% of Contractor's Invoice to City
Surface Water		
Residential	\$25.00	
Non-Residential (commercial, ag., etc.)	Per Code	
Telecommunications Tower	\$825.00	2,000.00 Escrow
Tennis Courts	Per 1997 UBC	Plus surcharge
Vacations (Streets or Basements)		
Basements	\$100.00	\$500.00 Escrow
Streets	\$500.00	\$500.00 Escrow
Variance	\$700.00	
Video Reproduction	\$25.00	
Water		
Residential – Quarterly Rate	\$22.00 Base plus 1.75 per 1,000 gallons	
Commercial	\$22.00 Base plus 2.60 per 1000 gallons	
All Connection Permits	\$125.00	
Meters, MIU & Meter Installation Sets	\$275.00	
Fire Sprinkler System (Inspection Fee)	\$50.00	
Delinquent Accounts	6% per quarter	Plus 25.00 or 8%, whichever is greater, if certified to County for collection with taxes
Disconnect Service	\$75.00	
Reconnect Service	\$75.00	
Water Storage Violation	\$10.00 per day	
Bulk Water from Hydrant	\$50.00 for first 5,000 gallons	
	\$2.60 per 1,000 gallons over 5,000 gallons	
Swimming Pool Fill	\$40.00 + \$50.00 for first 5,000 gallons	
	\$2.60 per 1,000 gallons over 5,000 gallons	
Water Availability Charge (WAC)		
Existing Structures within Old Village	\$800.00	
New Development	\$3,500.00	
Zoning Amendment (Text or Map)	\$1,150.00	

**CITY OF LAKE ELMO
WASHINGTON COUNTY, MINNESOTA
ORDINANCE SUMMARY
ORDINANCE NO. 97-156**

On the 3rd day of May, 2005, the Lake Elmo City Council adopted Ordinance No. 97-145 relating to establishing municipal fees for calendar year 2005 and authorized the publication of the following Ordinance Summary by four (4) affirmative votes, as required by Minnesota Statutes §412.91, Subd. 4.

Ordinance No. 97-156 is attached to the Lake Elmo Municipal Code as amended Appendix A and contains a listing of all fees charged by the City for various zoning, platting, building, licensing and utility uses and permits.

A copy of the Ordinance is available for inspection by any person during regular business hours at the office of the City Administrator at 3800 Laverne Avenue North, Lake Elmo, MN 55042

Martin Rafferty
Its: City Administrator

Lake Elmo City Council 05-03-2005	Agenda Section: Finance	<u>No.</u> 5C
<u>Agenda Item:</u> Water Project Notification		
<p><u>Background Information for May 03, 2005:</u> The City is currently going through the first phase of the water expansion and shortly will consider continuing with its plans for the second phase. As part of the Water System Interconnect project, we will be installing watermains by existing homes. The staff would like afford existing residents the opportunity to connect into City Water on a <u>volunteer</u> basis. The proposed connection fee for WAC is \$3500.00 and the Lateral fee at \$ 30.00 per front foot. Property with large and/or corner lots will be looked at on a "case by case" basis.</p> <p>Due to the significant cost of the installation, the City would also propose allowing residents an option to have there connection fees placed on there tax statements as an assessment. This one time assessment option will be offered until August 31, 2005.</p> <p>One may wish to note the many advantages to connecting to Municipal Water system at this time. 1) Favorable existing fees (City anticipates higher WAC & Lateral with rising construction costs) 2) One time Assessment option 3) Connection to Municipal water (Not subject to loss of water due to power outages or costly maintenance/repairs).</p> <p>Attached please find a project notification letter and a Volunteer Assessment Worksheet. Staff recommends offering the assessment financing at 4.25% interest over a ten year period. (Option D). This option only applies for phase I & II of the 2005 water expansion program.</p>		
<u>Action Items:</u>	Approval of the Property Assessment Option. Approval of the Project Notification Letter	<u>Person responsible:</u> Tom Bouthilet
<u>Attachments:</u>	<ol style="list-style-type: none"> 1. Project Notification Letter 2. Volunteer Assessment Worksheet 	

TKDA

ENGINEERS • ARCHITECTS • PLANNERS

DRAFT

1500 Piper Jaffray Plaza
444 Cedar Street
Saint Paul, MN 55101-2140

(651) 292-4400
(651) 292-0083 Fax
www.tkda.com

April 29, 2005

Project Residents
City of Lake Elmo, Minnesota

Re: Project Notification
Water System Interconnect Project
City of Lake Elmo, Minnesota
TKDA Project No. 13186.000.003

Dear Resident:

The City of Lake Elmo will be installing watermain past your house this summer as part of a project to interconnect the water systems in the Old Village and around the closed landfill. The project will consist of directionally drilling 16-inch watermain, installing fire hydrants, and residential services. On Lake Jane Trail/45th Street, the watermain will be under the south shoulder of the street. On 43rd Street, the watermain will be in the north ditch.

The City Council has decided that you will not be required to connect to the water system, or pay for this project. However, you have the opportunity, both now and in the future, to connect your home to the water system. If you would like to connect in 2005, the following rates will apply:

Connection Charge (*This pays for the wells, water towers, and other capitol costs*) - \$3,500

Lateral Charge (*This pays for the pipe in front of your property*) - \$30.00 per front foot. Property owners of large lots and corner lots will have the Lateral Charge looked at individually.

You would also be responsible for the cost of extending the service from the road to your house, and any plumbing work inside your home.

Because installing City water is a significant cost, the City would allow you to have these costs placed on your tax bill as an assessment. The proposed terms will be 10 years, at an interest rate of 4.25%.

Please contact Carole Freeman in the City office at (651) 777-5510 before June 1st if you would like additional information.

Sincerely;

Thomas Prew, P.E.
City Engineer

City of Lake Elmo
Volunteer Water Assessment Worksheet

	Option A	Option B	Option C	Option D	Option E	Option F
Loan Amount	\$6,500.00	\$6,500.00	\$6,500.00	\$6,500.00	\$6,500.00	\$6,500.00
Annual Interest Rate	4.25%	5.25%	5.75%	4.25%	5.25%	5.75%
Loan Period in Years	5	5	5	10	10	10
Annual Payments	\$1,470.35	\$1,511.73	\$1,532.60	\$811.40	\$852.03	\$872.71
Monthly Payments	\$122.53	\$125.98	\$127.72	\$67.62	\$71.00	\$72.73
Loan Amount	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00
Annual Interest Rate	4.25%	5.25%	5.75%	4.25%	5.25%	5.75%
Loan Period in Years	5	5	5	10	10	10
Annual Payments	\$1,583.45	\$1,628.01	\$1,650.49	\$873.81	\$917.57	\$939.84
Monthly Payments	\$131.95	\$135.67	\$137.54	\$72.82	\$76.46	\$78.32
Loan Amount	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Annual Interest Rate	4.25%	5.25%	5.75%	4.25%	5.25%	5.75%
Loan Period in Years	5	5	5	10	10	10
Annual Payments	\$1,696.55	\$1,744.30	\$1,768.38	\$936.23	\$983.11	\$1,006.97
Monthly Payments	\$141.38	\$145.36	\$147.37	\$78.02	\$81.93	\$83.91

<u>Mayor</u> Dean Johnston	No. 6. A .
<u>Councilmembers</u> Steve DeLapp Liz Johnson Anne Smith Rita Conlin	Agenda Section: Organizational Agenda Item: Community Improvement Commission Appointments Date: May 3, 2005

Background Information for May 3, 2005

Commissioner Deborah Lyzenga has resigned from the Community Improvement Commission in order to devote her time as Planning Commissioner. The Community Improvement Commission now has one vacancy. Robert Van Zandt has submitted an application for appointment.

Motion _____, Second _____, to appoint Robert Van Zandt as a member of the Lake Elmo Community Improvement Commission.

Attachment: Resignation Letter - Lyzenga
Application – Van Zandt

Kimberly Schaffel

From: Deborah L. Lyzenga [deblyz@juno.com]
Sent: Thursday, April 21, 2005 4:32 PM
To: Kimberly Schaffel
Subject: Re: CIC

Mayor and Council members,

I am currently a member of both the Planning Commission and the Community Improvement Commission. I have been waiting to resign from the CIC until a replacement could be found to fill my position. I have been informed that a new application has been received for the CIC. Therefore I am resigning, effective today, Thursday, April 21, 2005 from the Community Improvement Commission, so that this application may be considered.

Thank you for the opportunity to become a member of this commission.

Sincerely, Deborah Lyzenga

RECEIVED

APR 19 2005



City of Lake Elmo

3800 Laverne Avenue North
Lake Elmo, Minnesota 55042
(651) 777-5510 / Fax 777-9615

APPLICATION FOR COMMUNITY IMPROVEMENT COMMISSION APPOINTMENT

Date: 4/18/05

Name ROBERT VAN ZANDT

Address 5110 HIDDEN BAY TRAIL NORTH

Phone: W) 612-879-8160 H) 651-224-9741 C) 612-581-1994

1. What do you consider to be the major societal and law enforcement issues requiring improvement in the City of Lake Elmo? PUTTING PROGRAMS IN PLACE TO PROTECT THE UNIQUE NATURE OF OUR COMMUNITY AS IT IS GOING THROUGH THE EXPANSION THE WILL COME IN THE NEXT DECADE. THIS INVOLVES INCREASED TRAFFIC, MORE NOISE & POLLUTION, HIGHER CRIME POTENTIAL, GREATER DEMAND OF CITY SERVICES AND THE POTENTIAL OF REDUCING THE QUALITY OF LIFE CURRENTLY ENJOYED BY THE RESIDENTS.
2. What do you see as the role and function of the Community Improvement Commission? TO COLLECT THE THOUGHTS AND CONCERNS OF THE CURRENT RESIDENTS AND PRESENT THIS INFORMATION TO THE CITY COUNCIL. HELP TO PLAN THE CHANGES IN THE INFRASTRUCTURE THAT WILL BE NEEDED TO PROVIDE THE SERVICES TO AN INCREASED AND MORE COMPLEX POPULATION. THIS WILL INCLUDE POLICE, FIRE, SCHOOL, ROAD SERVICE, RETAIL, ENVIRONMENTAL AND RECREATIONAL FACILITIES.
3. What experience and qualifications do you have that you feel will contribute to the Community Improvement Commission's work, and will enable you to provide a service in this regard? I HAVE SERVED AS THE CHAIRMAN OF THE FRANKLIN AVENUE BUSINESS ASSOCIATION FOR THE PAST THREE YEARS. WE HAVE MADE A MAJOR IMPROVEMENT IN THE QUALITY OF LIFE FOR BOTH RESIDENTS AND BUSINESS OWNERS IN THIS NEIGHBORHOOD. WE HAVE SEEN MAJOR REDUCTIONS IN CRIME, HAVE FOUR NEW LOW INCOME HOUSING UNITS, AN ALDI STORE AND A RENEWED COMMUNITY. I ALSO SERVED ON THE MINNESOTA AMERICAN INDIAN CHAMBER OF COMMERCE & THE BOARD OF THE TRI LAKES ASSOCIATION.
4. How much time do you have, or are you willing to devote to Community Improvement Commission activities? I OWN MY COMPANY AND WOULD BE AVAILABLE TO MEET EVENINGS OR WEEKENDS BUT NOT DURING NORMAL BUSINESS HOURS.
5. What property or development interest, either direct or indirect, do you have within Lake Elmo?
I OWN MY HOME AT 5110 HIDDEN BAY TRAIL

Please, complete and return to City Hall.

VAN ZANDT DISTRIBUTING, INC.

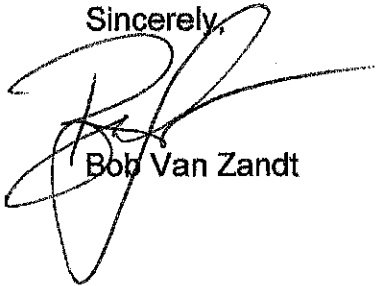
RECEIVED
APR 19 2005

Monday, April 18, 2005

Dear Dean:

Please find my application for the Community Improvement Commission enclosed. I hope everyone can read my handwriting. Call me at the office or home if you have any questions.

Sincerely,

A stylized, handwritten signature in black ink, appearing to be 'Bob Van Zandt', with a large, sweeping loop at the end.

Bob Van Zandt

<u>Mayor</u> Dean Johnston	No. 6. B .
<u>Councilmembers</u> Steve DeLapp Liz Johnson Anne Smith Rita Conlin	Agenda Section: Organizational Agenda Item: Parks Commission Appointments Date: May 3, 2005

Background Information for May 3, 2005

After many months of advertising, the Parks Commission still has a vacancy. An application has been received from Judith Blackford. Appointing Ms. Blackford as 2nd Alternate will bring the Parks Commission to its full complement of seven full voting members and two alternate members.

Motion _____, Second _____, to appoint Judith Blackford as 2nd Alternate to the Lake Elmo Parks Commission.

Attachment: Application



CITY OF LAKE ELMO
3800 Laverne Ave. N.
Lake Elmo, MN 55042

Voice: (651) 777-5510
Fax: (651) 777-9615

LAKE ELMO PARKS COMMISSION
APPLICATION FOR APPOINTMENT

Date: 4/20/05
Name: Judith Blackford
Address: 9765-45th St. N.
Telephone: (H) 770-7856 (W) Same

I will be on vacation
until 5/3/05.

3. cont. I would
create new parks
accessible (when
possible) to individuals
w/ physical or other
challenges. I like
in Lake Elmo Parks w/ stations

1. What do you consider to be the major park planning development and policy issues confronting the City of Lake Elmo? What is your position on these matters?

I see opportunities to create more park recreation through land acquisition working w/ staff & Council. We also have a need and an opportunity to (over)

2. What do you see as the role and function of the Parks Commission? How does this relate to the role and responsibility of the City Council in Park matters?

The Parks Commission is an advisory commission to the Council, as such we hold the position of acting with integrity and stewardship knowing we have the responsibility to thoroughly commit the time and (over)

3. What experience and qualifications do you have which you feel will contribute to the Parks Commission work, and which will enable you to provide a service in this regard?

I have served on the Parks Commission in the past for 6 years being active on a diverse range of needs & opportunities. I was Vice Chair, nominated for Chair (I declined), have chaired meetings in the Chair's absence. (over)

4. How much time do you have or are willing to devote to Parks Commission activities?

I have flexibility in my caregiver career that allows me the blessing of focused work on issues. Whatever endeavor I have ever undertaken, I tend to be perfectionist at because I embrace interests w/ passion. Please, complete and return to City Hall. My past record on Park's issues speaks for itself, whether it was planting flowers at a chosen Park or a more difficult issue. I believe to that to be a good (over)

help clarify language on our park documents to protect our parks while allowing Lake Elmo citizens to enjoy them as parks — for recreation. I would like to explore tools such as the Land Trust to see if it would/could help us in this endeavor — and other options also.

Effort to research issues and be able to work as a team to reach consensus on issues. This means even tackling difficult, time-consuming issues as the needs present themselves. In return, I would value the Council's acknowledgment of my professionalism and thoroughness, and desire their respect, support as much as possible, and welcome of our input. I would welcome a collaborative relationship to better Lake Elmo.

I love Lake Elmo for its uniqueness and beauty & careful, loving planning by involved citizens. I am physically active in sports — I cross-country ski, bike, and walk. I have been a cross-country runner, played on a softball league, owned a horse & horseback rode, I am a member of the Sierra Club & Nature Conservancy — I value the wild. Family-owned land (siblings & myself) have put land we own in a Land Trust. I'm an activist & an advocate on many levels and speak to various groups as requested by organizations. I have served on other boards to make possible positive growth. I would bring new viewpoints to this Commission.

and positive addition to any City Commission. I have to be willing to speak & take action on ~~the~~ issues that require action.

<u>Mayor</u> Dean Johnston	No. 6. C.
<u>Councilmembers</u> Steve DeLapp Liz Johnson Anne Smith Rita Conlin	Agenda Section: Organizational Agenda Item: Planning Commission Appointments Date: May 3, 2005

Background Information for May 3, 2005

Planning Commissioner Rodney Sessing's second full term expired on December 31, 2004, and the City Council reappointed him on January 4, 2005 for sixty days. The Council then reappointed him again on February 15, 2005 for sixty days. If both reappointments are considered together, then Rod Sessing's commission will expire on May 4, 2005.

Should the Council decide not to reappoint Rod Sessing, there will be a vacancy on the Planning Commission. With three applications on file and Mr. Sessing's formal request for reappointment, the Council can interview the four applicants. In the alternative, the Council can direct staff to advertise for additional applications.

Staff is seeking Council direction.

Lake Elmo City Council May 3, 2005	Agenda Section: NEW BUSINESS	<u>No. 6D.</u>
<u>Agenda Item:</u> Adopting the MN General Records Retention Schedule for Cities		
<p><u>Background Information for May 3, 2005:</u> In May 2002, the Finance Director started the process of adopting a plan for managing governmental records and contracted RCI Technologies out of Texas to evaluate the proper retention and disposal of municipal records. At that time a resolution adopting the MN General Records Retention Schedule for Cities was not brought to the City Council for approval.</p> <p>Consequently, I am requesting Council approval of Resolution No.2005-045 adopting the State of Minnesota Records Retention Schedule which can be reviewed at City Hall.</p>		
<u>Action Items:</u> to adopt Resolution No. 2005-045, A Resolution Adopting the Minnesota General Records Retention Schedule for Cities.		<u>Person responsible:</u> S.Lumby
<u>Attachments:</u> Resolution No. 2005-045		

**CITY OF LAKE ELMO
WASHINGTON COUNTY, MINNESOTA**

**RESOLUTION NO. 2005-045
A RESOLUTION ADOPTING THE MINNESOTA GENERAL RECORDS
RETENTION SCHEDULE FOR CITIES
CITY OF LAKE ELMO**

WHEREAS, to comply with the Records Management Statute MS 138.17, it is necessary to adopt a plan for managing governmental records including the proper retention and disposal of municipal records; and

WHEREAS, the Records Management Statute MS 138.17 establishes the Records Disposition Panel and requires all governmental entities to follow an orderly process in disposing of government information; and

WHEREAS, the State of Minnesota has approved for use by all Minnesota Cities the "Minnesota General Records Retention Schedule for Cities" which authorizes cities adopting said schedule an orderly method of disposing of municipal records; and

WHEREAS, the "Minnesota General Records Retention Schedule for Cities" is regularly updated.

NOW, THERE BE IT RESOLVED, by the City Council of the City of Lake Elmo, Minnesota adopts the Minnesota General Records Retention schedule and directs the City Clerk to notify the Minnesota Historical Society/State Archives Department.

BE IT FURTHER RESOLVED that following state approval, City Departments are directed to provide for retention and destruction of records as set forth in said schedule and its subsequent revisions.

NOW, THEREFORE, BE IT RESOLVED that the Minnesota General Records Retention Schedule for the Cities, City of Lake Elmo, is hereby approved by the City of Lake Elmo.

ADOPTED BY THE COUNCIL this 3rd day of May, 2005.

Dean A. Johnston, Mayor

ATTEST:

Martin J. Rafferty, City Administrator

Lake Elmo City Council May 3, 2005	Agenda Section: CITY ENGINEER'S REPORT	<u>No 8B.</u>
<u>Agenda Item:</u> Authorization for Professional Services for 2005 Street Repairs – Hilltop Avenue South		
<p><u>Background Information for May 3, 2005:</u></p> <p>In accordance with the adopted 2005-2009 CIP, Hilltop Avenue North is scheduled to be overlayed in 2005. The City Engineer is asking approval for Authorization for Professional Services for 2005 Street Repairs – Hilltop Avenue North.</p>		
<p><u>Action Items:</u> To appove the City Engineer's request for Authorization for Professional Services for the 2005 Street Repairs – Hilltop Avenue North not to exceed an estimated amount of \$35,500.</p>	<p><u>Person responsible:</u> Tom Prew</p>	
<p><u>Attachments:</u> Authorization for Professional Services</p>		

CITY OF LAKE ELMO, MINNESOTA
AUTHORIZATION FOR PROFESSIONAL SERVICES

TO: Toltz, King, Duvall, Anderson
and Associates, Incorporated
1500 Piper Jaffray Plaza
444 Cedar Street
St. Paul, Minnesota 55101

Pursuant to our Agreement dated February 2, 1988, you are hereby authorized to proceed with the professional services described as follows:

2005 STREET REPAIRS
HILLTOP AVENUE NORTH

I. PROJECT DESCRIPTION

In accordance with the Adopted 2005-2009 CIP, the following street is scheduled to be overlaid in 2005:

Hilltop Avenue North

II. SERVICES TO BE PROVIDED BY TKDA

Based on TKDA'S understanding of the Project, we propose to provide the following services:

A. PLANS

1. Feasibility Report Phase

Upon receipt of authorization to proceed with the Feasibility Report Phase, TKDA shall:

- a. Consult with the OWNER to clarify and define the OWNER'S requirements for the Project and review available data.
- b. Advise the OWNER as to the necessity of the OWNER'S providing or obtaining from others, data or services of the type(s) described under the General Agreement and act as the OWNER'S representative in connection with any such services.

- c. Identify and analyze requirements of governmental authorities having jurisdiction to approve the design of the Project and participate in consultations with such authorities.
- d. Conduct professional studies and evaluations resulting in the preparation of a Feasibility Report containing one preliminary design, opinion of probable construction costs, preliminary assessment roll, Statement of Feasibility, and Project schedule, in accordance with the provisions of Minnesota Rules 429.
- e. Furnish 10 copies of the Feasibility Report, and review them with the OWNER.
- f. Attend Public Informational meeting.
- g. Attend Public Hearing.

2. Final Design Phase

On the basis of the approved Feasibility Report, TKDA shall:

- a. Advise the OWNER as to the necessity of the OWNER'S providing or obtaining from others, additional data or services of the type(s) described under the General Agreement, and act as the OWNER'S representative in connection with any such services.
- b. Prepare for incorporation in the Contract Documents final Drawings and Specifications setting forth in detail the requirements for the construction of the Project.
- c. Assist the OWNER in connection with the OWNER'S responsibility for filing documents required for the approval of governmental authorities having jurisdiction over the Project.
- d. Advise the OWNER of any adjustments to the latest opinion of probable construction cost caused by changes in extent or design requirements of the Project and furnish a revised opinion of probable construction cost based on the drawings and specifications.
- e. Prepare for review and approval by the OWNER, his legal counsel and other advisors Contract Agreement Forms, general conditions, supplementary conditions, bid forms, invitations to bid and instructions to bidders, and assist in the preparation of other related documents.

- f. Submit copies of the above documents and of the Drawings and Specifications to the OWNER. Make minor revisions and adjustments following the OWNER'S review.

B. CONSTRUCTION ADMINISTRATION

1. Bidding Phase

During the Bidding Phase, TKDA shall:

- a. Reproduce final Contract Documents and related Contract Forms for bidding and construction purposes.
- b. Assist the OWNER in obtaining bids for one prime contract.
- c. Prepare bid tabulation.
- d. Assist the OWNER in evaluating bids and in assembling and awarding the contract.

2. Construction Phase - General Services

During the Construction Phase, TKDA shall provide the following general services:

- a. Consult with and advise the OWNER and act as the OWNER'S representative as provided in the Contract Documents.
- b. Attend and assist the OWNER with pre-construction conference to be attended by the Contractor, the OWNER and others as may be requested by the OWNER.
- c. Provide reference points, on a one-time basis, for the Contractor's use in laying out the work, said reference points to be based upon property, boundary, easement, or right-of-way surveys provided by the OWNER pursuant to the General Agreement.
- d. Make visits to the site at intervals appropriate to the various stages of construction to observe as an experienced and qualified design professional, the progress and quality of the executed work of the Contractor and to determine in general if such work is proceeding in accordance with the Contract Documents.
- e. Review and approve (or take other appropriate action with respect to) Shop Drawings (as that term is defined in the Contract Documents), samples, and other data which the Contractor is required to submit, but

only for conformance with the design concept of the Project and compliance with the information given in the Contract Documents. Such reviews and approvals or other action shall not extend to means, methods, techniques, sequences or procedures of construction or to safety precautions and programs incident thereto.

- f. Issue all instructions of the OWNER to the Contractor; issue necessary interpretations and clarifications of the Contract Documents and in connection therewith, prepare change orders as required; have authority, as the OWNER'S representative, to require special inspection or testing of the work.
- g. Based on TKDA'S periodic on-site observations as an experienced and qualified design professional, determine payments to the Contractor in such amounts; such recommendations of payment will constitute a representation to the OWNER, based on such observations and review, that the work has progressed to the point indicated, that, to the best of TKDA'S knowledge, information and belief, the quality of such work is in accordance with the Contract Documents.
- h. Conduct an inspection to determine if the Project is substantially complete and a final inspection to determine if the work appears to have been completed in accordance with the Contract Documents and if the Contractor has fulfilled all of his obligations thereunder, so that TKDA may recommend, in writing, final payment to the Contractor and may give written notice to the OWNER and the Contractor that the work is acceptable (subject to any conditions therein expressed).
- i. TKDA shall not have control or charge of and shall not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, for acts or omissions of the Contractor, Subcontractors or any other persons performing any of the Work, or for the failure of any of them to carry out the Work in accordance with the Contract Documents.
- j. Prepare Assessment Role and attend Assessment Hearing.

3. Construction Phase - Resident Services

In addition to the above General Services, TKDA shall provide the services of a Resident Project Representative (and assistants as agreed) at the site to assist TKDA and to provide more continuous observation of the Contractor(s) work. The Resident Project Representative (and any assistants) will be TKDA'S agent or employee and under TKDA'S supervision. Resident Project Representative's dealings in matters pertaining to the on-site work shall in general, be only with TKDA and the Contractor, and dealings with subcontractors shall only be through

or with full knowledge of the Contractor. Written communication with the OWNER will be only through or as directed by TKDA. Through the observations of the work in progress and field checks of materials and equipment by the Resident Project Representative, TKDA shall endeavor to provide further protection for the OWNER against defects and deficiencies in the work of the Contractor; but the furnishing of such resident Project representation will not make TKDA responsible for construction means, methods, techniques, sequences or procedures or for safety precautions or programs, or for the Contractor's failure to perform his work in accordance with the Contract Documents.

III. ADDITIONAL SERVICES

If authorized in writing by the OWNER, TKDA shall furnish or obtain from others Additional Services of the types listed below which are not considered as normal or customary services. Additional Services shall be compensated for on an Hourly Rate basis as defined in the General Agreement, a part hereof, and such compensation shall be over and above any maximums or lump sum amounts set forth in this Authorization.

- A. Registered land or right-of-way surveys, right-of-way mapping; plats; legal descriptions; land appraisals, negotiations and/or related services.
- B. Investigations of existing conditions or facilities or to make measured Drawings thereof, or to verify the accuracy of Drawings or other information furnished by the OWNER.
- C. Soil borings and laboratory tests for design purposes; field and/or laboratory tests taken during construction to determine compliance with the Contract Documents.
- D. Providing analyses of the OWNER'S needs and programming the requirements of the Project; investigations involving detailed consideration of operations, maintenance and overhead expenses; providing Value Engineering during the course of design; the preparation of cash flow and economic evaluations, rate schedules and appraisals; assistance in obtaining financing for the Project; detailed quantity surveys of material, equipment and labor.
- E. Preparation of applications and supporting documents for governmental grants, loans or advances in connection with the Project; preparation or review of environmental assessments and impact statements; review and evaluation of the effect on the design requirements of the Project of any such statements and documents prepared by others; and assistance in obtaining approvals of authorities having jurisdiction over the anticipated environmental impact of the Project.
- F. Services resulting from significant changes in extent of the Project or its design including, but not limited to, changes in size, complexity, the OWNER'S schedule, or character of construction or methods of financing; and revising previously accepted

studies, reports, design documents or Contract Documents when such revisions are due to causes beyond TKDA'S control.

- G. Furnishing the services of special consultants for other than the normal civil, structural, mechanical, and electrical engineering and normal architectural design incidental thereto; providing renderings or models for the OWNER'S use; and providing data or services of the types described in General Agreement when the OWNER authorizes TKDA to provide such data or services in lieu of furnishing the same in accordance with the General Agreement.
- H. Services in connection with change orders provided such change orders are required by causes not solely within the control of TKDA; services after the award of each contract in evaluating substitutions proposed by the Contractor(s); and in making revisions to Drawings and Specifications occasioned thereby, and services resulting from significant delays, changes or price increases occurring as a direct or indirect result of material, equipment or energy shortages.
- I. Preparing for the OWNER, on request, a set of reproducible record prints of Drawings showing those changes made during the construction process, based on the marked-up prints, drawings and other data furnished by the Contractor(s) to TKDA and which TKDA considers significant.
- J. Additional or extended services during construction made necessary by:
 - 1. Contractor's schedule; delays in construction caused by inclement weather, strikes or material shortages or unavailability.
 - 2. Significant amount of defective or neglected work of the Contractor; default by the Contractor.
 - 3. Work damaged by fire or other causes during construction.
 - 4. Significant substitutes proposed by the Contractor; unreasonable number of claims submitted by the Contractor or others.
 - 5. Observations during any guarantee period, and related services.
- K. Preparation of operating and maintenance manuals; protracted or extensive assistance in the utilization of any equipment or system (such as initial start-up, testing, adjusting and balancing); and training personnel for operation and maintenance.
- L. Preparing to serve or serving as expert witness in connection with any legal or arbitration proceeding.

- M. Additional services in connection with the Project, including services not normally furnished by the OWNER and services not otherwise provided for in this Authorization and the General Agreement, a part hereof.

IV. OWNER'S RESPONSIBILITIES

The OWNER'S responsibilities shall be as set forth in our General Agreement and as further described or clarified hereinbelow:

- A. Designate one individual to act as the OWNER'S representative with respect to the work to be performed, and such person shall have complete authority to transmit instructions, receive information, interpret and define policies, and make decisions with respect to critical elements pertinent to the Project.
- B. Provide TKDA with access to the site as required to perform services listed in SECTION II above.

V. PERIOD OF SERVICE

TKDA will start services promptly upon receipt of this executed Authorization and complete services by November 2005.

VI. COMPENSATION

Compensation to TKDA for services provided under SECTION II of this Authorization shall be on an Hourly Rate basis as defined in the General Agreement.

If it appears at any time that charges for services rendered under SECTION II will exceed an estimated amount of \$35,500, TKDA agrees that it will not perform services or incur costs which result in billing in excess of such amount until it has been advised by the OWNER that additional funds are available and its services can continue.

Approved at a _____ meeting of the _____ on _____, 2005.

By _____ Attest _____

Consultant Acceptance by _____, _____, 2005.
Authorized TKDA Representative

Lake Elmo City Council May 5, 2005	Agenda Section: CITY ENGINEER'S REPORT	<u>No 8A.</u>
<u>Agenda Item:</u> Escrow Reduction - Tapestry		
<p><u>Background Information for May 5, 2005:</u></p> <p>In his memorandum dated April 29, 2005, the City Engineer reports that a small amount of grading and water main work is complete. He is requesting an escrow reduction of amounts listed in his memo.</p> <p style="text-align: center;">118,375</p>		
<p><u>Action Items:</u> To approve the escrow reduction for Tapestry as recommended in the City Engineer's memorandum dated April 29, 2005.</p>	<p><u>Person responsible:</u> Tom Prew</p>	
<p><u>Attachments:</u> City Engineer's Memorandum dated April 29, 2005</p>		

MEMORANDUM

To:	<u>Chuck Dillerud</u>	Reference:	<u>Escrow Reduction</u>
Copies To:	<u>St. Croix Farms LLC</u>		<u>Tapestry</u>
			<u>City of Lake Elmo, Minnesota</u>
		Project No.	<u>13267.000</u>
From:	<u>Thomas D. Prew, P.E.</u>	Routing:	
Date:	<u>April 29, 2005</u>		

Work on Tapestry has started. A small amount of grading and watermain work is complete.

I would recommend that escrow be reduced to the amounts listed below:

Item	Original Amount	Work Remaining
Site Grading/ Turf Establishment	\$10,000.00	\$10,000.00
Storm Sewer	\$10,000.00	\$10,000.00
Sanitary Sewer and Drainfield	\$767,900.00	\$767,900.00
Watermain	\$489,300.00	\$394,600.00
Streets	\$645,530.00	\$645,530.00
Street Signs	\$1,000.00	\$1,000.00
Landscaping	\$100,500.00	\$100,500.00
Subtotal	\$2,024,230.00	\$1,929,530.00
125% Security	\$2,530,287.50	\$2,411,912.50

118,315