

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
OF THE  
CITY OF LAKE ELMO, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**

**Prepared By: Finance Department**

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## **INTRODUCTORY SECTION**

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June 14, 2022

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

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2021.

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

The City of Lake Elmo's financial statements have been audited by Redpath and Company, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2021 are free from material misstatement. The independent audit involved examining, on an approved test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the City of Lake Elmo's financial statements for fiscal year ended December 31, 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

A "Single Audit" designed to meet the special needs of a federal grantor agency was not performed for the year ended December 31, 2021 as the City's federal expenditures did not meet the single audit threshold for this additional independent audit.

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

## **PROFILE OF THE GOVERNMENT**

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota six miles east of St. Paul Minnesota. Located in Washington County, it covers 25 square miles and has an estimated 2020 population of 12,655 which represents 4,004 households.

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

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

The annual budget serves as the foundation for the City of Lake Elmo's financial management and fiscal stewardship. City departments and agencies of the City submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary balanced budget for submission to the City Council. The preliminary balanced budget is presented to the City Council in September each year so that the preliminary property tax levy can be submitted to Washington County by the annual due date. The preliminary property tax levy may be decreased but not increased. The 2021 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 28, 2020. Included in the City annual budget process is the compilation of a Capital Improvement Plan which allows for strategic planning of City infrastructure and equipment needs while maintaining a reasonable level of debt and a strong unassigned fund balance. Quarterly budget to actual comparison reports are provided to the City Council to keep them apprised of the financial performance of the City.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

## **LOCAL ECONOMY**

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New residential developments platted since 2014 numbering approximately 2,871 have been approved. In 2021 and early 2022, the City continued to see increased residential and commercial growth and entered into several new development agreements:

- Easton Village 7<sup>th</sup> addition – 26 New Single-Family Homes
- Wildflower 4<sup>th</sup> addition – 41 New Single-Family Homes
- Legacy at North Star 4<sup>th</sup> addition – 62 New Single-Family Homes
- Union Park West 1<sup>st</sup> addition – 102 New Townhomes
- Union Park West 2<sup>nd</sup> addition – 71 New Townhomes
- Launch Properties and Crossroads Properties – Two-building business park
- Enterprise Holdings – sale and rentals of vehicles

Further, several projects have been fully completed in 2021:

- Boulder Ponds 3<sup>rd</sup> addition – 33 New Single-Family Homes
- Boulder Ponds 4<sup>th</sup> addition – 95 Senior Assisted Living Units
- Lake Elmo Senior Living (Independent Living) – 42-unit Senior Living three-story apartment building and 18 Patio Homes (9 buildings)

The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2020 population estimates of 12,655, or an increase of 57%, since the 2010 census.

New housing starts in 2021 numbered 297 with a total value of \$128,265,000 and an average value of \$431,872. There were 5 new Commercial construction projects in 2021, and a number of remodels and expansions. All these new starts have been built in 2021 or will be finished in 2022, which will greatly strengthen the existing tax base of the City.

## **LONG TERM FINANCIAL PLANNING**

Total unassigned General Fund balance as of December 31, 2021 was 78% of the next year's general fund expenditures and other financing uses. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

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

During 2017, Moody's Investors Service increased the City's long-term debt rating of AA+, and reaffirmed this rating in 2020 and 2021. In their assessment of the City, Moody's noted the following:

- Wealthy tax base favorably located in the Twin Cities metropolitan area with strong resident incomes
- Strong financial operations supported by ample reserves and liquidity
- Low pension burden

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

### **RELEVANT FINANCIAL POLICIES**

Trends of the past decade, changes in state tax law, and recent legislation indicate that the City will have a greater reliance on property taxes as a source of financing for city operations in the future and less reliance on the intergovernmental revenues (federal and state) and building permit fees. Changes in state tax law over the past decade have resulted in funding changes for both schools and local governments. The elimination of the homestead and agricultural credit aids program, and large cuts in both local government aid and the market value homestead credit programs resulted in revenue losses to the City. In addition, as the City continues toward full development, we anticipate future decreases in building permit revenues.

### **MAJOR INITIATIVES**

2021 was again an extremely robust year for the City due to continuation of on-going infrastructure upgrades, projects, and oversight of on-going residential and commercial development activity.

Some of the 2021 infrastructure projects included the following:

- Construction of a New City Center was approved and began in 2021. The New City Center consists of a combined City Hall & Public Safety Facility. The new facility combines City Hall staff and functions, the entire Fire Department, and a satellite office for Washington County Sheriff's department. This co-location involves renovating and expanding the City-owned Brookfield Office building to concentrate civic resources into a single structure at the historic core of the City. In addition, the Public Works facility will also be expanded to accommodate City growth and expanded service needs. The project is expected to be completed Spring of 2023.
- The Old Village Improvement project on phases V & VI of the project were under construction in 2021. The projects cover full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
- Heritage Farms Street and Utility Improvements to reconstruct approximately 1.2 miles of residential streets and install a new sanitary sewer main.
- The City began work on several expedited watermain projects to bring water to neighborhoods with PFAS contamination at no cost to the City or residents due to grants from the MPCA. These projects include watermain extensions, road construction and in some cases the extension of sewer. Sewer costs of the project will be assessed 100% to the benefitting property owners.
- Well #5 Pumphouse in Tana Ridge Park was completed.
- A stoplight was installed at Inwood Ave and 5<sup>th</sup> Street to improve safety of the intersection as growth and development continue in the residential and commercial properties in the area.
- Use of Parkland dedication fees to continue to make improvements to existing and new parks.

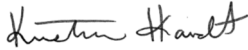
## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City again for the fiscal year ending December 31, 2020. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation for state and local government financial reports.

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

The City of Lake Elmo is pleased to present its Annual Comprehensive Financial Report, which will be submitted to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting for its financial reports for the fiscal year ended December 31, 2021. The preparation of this report would not have been possible without the efficient and dedicated services of the personnel of the City of Lake Elmo. Further, we would like to express our appreciation to all members of the organization who assisted in contributing to the preparation of the report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of management of the City of Lake Elmo's finances.

Respectfully submitted,



Kristina Handt  
City Administrator



Sam Magureanu  
Finance Director

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Lake Elmo  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO

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**CITY OF LAKE ELMO, MINNESOTA**

**PRINCIPAL CITY OFFICIALS**

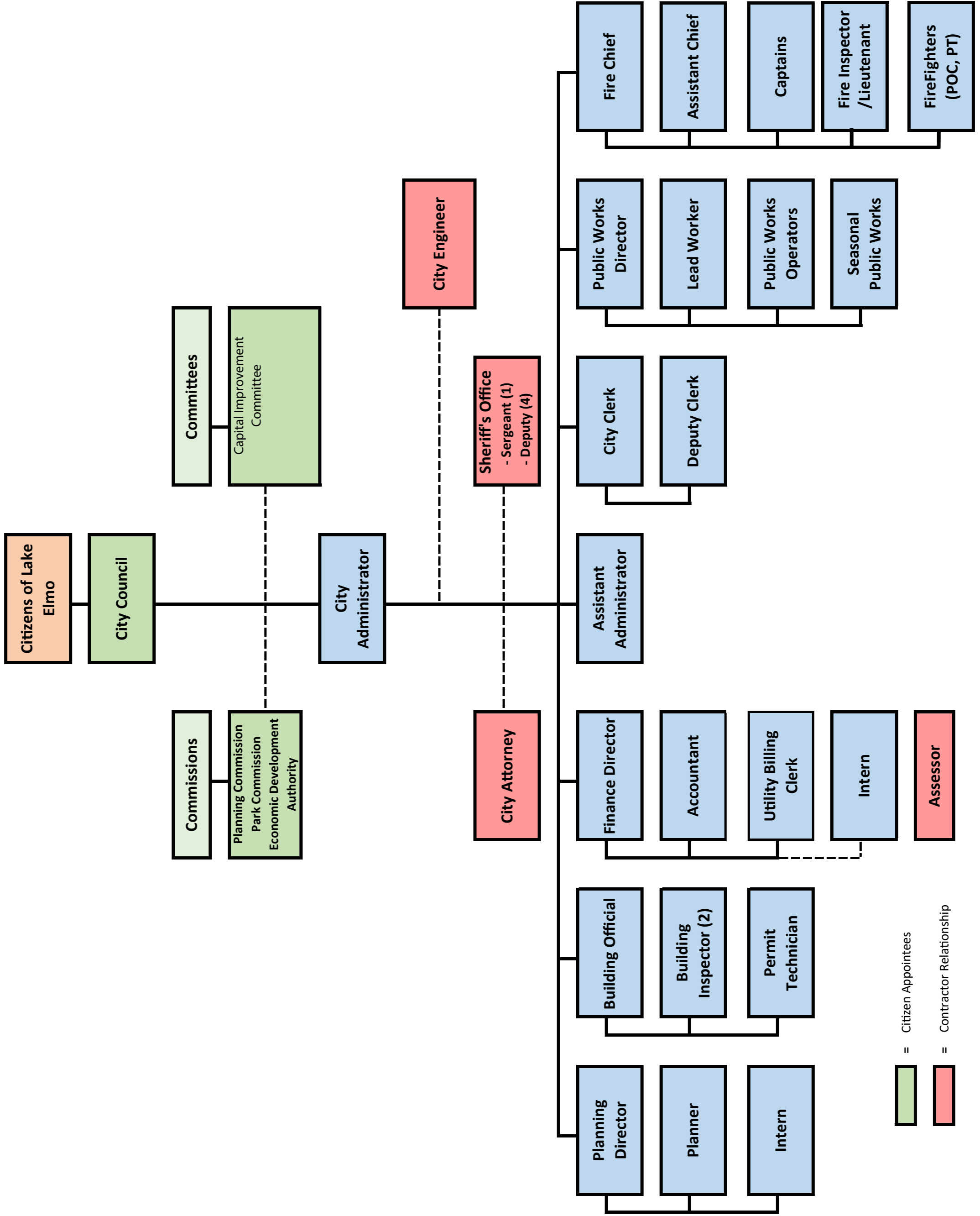
December 31, 2021

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		<u>Term Expires</u>
Mayor:	Charles Cadenhead	December 31, 2025
Councilmembers:	Dale Dorschner	January 2, 2023
	Lisa McGinn	January 2, 2023
	Jeff Holtz	January 1, 2025
	Katrina Beckstrom	January 1, 2025
Appointed Officials		
City Administrator:	Kristina Handt	Appointed
Finance Director:	Sam Magureanu	Appointed
City Clerk:	Julie Johnson	Appointed



# ORGANIZATION CHART 2021



= Citizen Appointees

= Contractor Relationship

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lake Elmo, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Report on Summarized Comparative Information***

We have previously audited the City of Lake Elmo, Minnesota's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lake Elmo, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lake Elmo, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the schedules of OPEB and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Elmo, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2022 on our consideration of the City of Lake Elmo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Elmo, Minnesota's internal control over financial reporting and compliance.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 14, 2022

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake Elmo, Minnesota (the City), 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, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### **Financial Highlights**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$130,891,464 (net position). Of this amount, \$31,990,087 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$24,791,436.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,410,931, an increase of \$18,227,180. Of this amount, \$17,458,949 is restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions.

At the end of the current fiscal year, the General Fund balance was \$5,618,812. Unassigned fund balance for the General Fund was \$5,618,812, or 78% of the next year's total General Fund expenditures and other financing uses.

Total outstanding debt increased by \$14,519,000 during 2021. The increase is a result of the City issuing the 2021A G.O. Improvement, CIP, and Refunding Bonds. The Bonds were issued in order to finance a number of projects from the 2021-2025 CIP. Projects include the New City Center and Public Works Addition, Heritage Farms Street and Utility, Tamarack Farms Street, Hamlet on Sunfish Lake Sewer, Old Village 5 and 6. Further, the bonds refunded the 2018A bonds, which were issued to pay for the purchase of the Brookfield building, and refinancing the water and sewer portion of the 2013A bonds. The City used cash to pre-pay the street portion of the 2013A bonds and only refinanced the water and sewer portions of the bond.

## **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 supplementary information in addition to the basic financial statements themselves.

**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 Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water, sewer and storm sewer utilities.

The government-wide financial statements are statements 1 and 2 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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on

balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

The City maintains six individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the following major funds:

- General Fund
- Debt Service
- Park Dedication
- Vehicle Acquisition
- Heritage Farms Street & Utility Improvements
- City Hall/Fire Station Building Project

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget.

The basic governmental fund financial statements are statements 3 through 6 of this report.

**Proprietary funds.** The City maintains three enterprise funds as a part of its proprietary fund type. 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 utilities.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and storm sewer funds, which are considered to be major funds of the City. The basic proprietary fund financial statements are statements 7 through 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following Statement 9.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements are presented as Statements 18 through 25.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$130,891,464 at the close of the most recent fiscal year.

The largest portion of the City’s net position (\$88,652,285, or 68%) reflects its net investment in capital assets (e.g. land, buildings, equipment, and infrastructure) 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.

**City of Lake Elmo’s Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current and other assets	\$39,470,683	\$18,815,135	\$21,461,986	\$20,448,133	\$60,932,669	\$39,263,268
Capital assets	52,689,633	45,484,720	77,034,129	64,643,579	129,723,762	110,128,299
Total assets	92,160,316	64,299,855	98,496,115	85,091,712	190,656,431	149,391,567
Deferred outflows of resources	823,855	389,102	153,623	41,513	977,478	430,615
<b>Liabilities:</b>						
Long-term liabilities outstanding	29,274,372	17,125,639	23,095,670	20,453,002	52,370,042	37,578,641
Other liabilities	5,450,707	3,996,027	1,602,968	1,717,425	7,053,675	5,713,452
Total liabilities	34,725,079	21,121,666	24,698,638	22,170,427	59,423,717	43,292,093
Deferred inflows of resources	1,123,890	417,445	194,838	12,616	1,318,728	430,061
<b>Net position:</b>						
Net investment in capital assets	34,784,806	29,694,288	53,867,479	44,371,375	88,652,285	74,065,663
Restricted	10,249,092	8,171,161	-	-	10,249,092	8,171,161
Unrestricted	12,101,304	5,284,397	19,888,783	18,578,807	31,990,087	23,863,204
Total net position	\$57,135,202	\$43,149,846	\$73,756,262	\$62,950,182	\$130,891,464	\$106,100,028

## Management's Discussion and Analysis

\$10,249,092 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$31,990,087) may be used to meet 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

### **Governmental Activities**

Net position of governmental activities increased \$13,985,356 during the year. The primary reasons for the increase were developer contributed infrastructure in the amount of \$4,861,037, as well as a \$5,250,000 transfer from Business-Type Activities to the City Center Capital Project fund. This transfer represents the water and sewer contributions to the City Center Project. Other factors that contributed to the change in net positions included increased revenues from services, operating grants and contributions and general property tax revenue.

### **Business-Type Activities**

Net position of business-type activities increased \$10,806,080 during the year. The most significant reason for the increase was developer contributed infrastructure in the amount of \$4,919,108. The City also received \$4,102,200 of connection charge revenue, for which the offsetting expense is recognized in future years as depreciation expense. Other factors that contributed to the change in net position included intergovernmental revenues for \$7,006,533. These were mostly related to reimbursements from the State in relation to the 3M grant for water infrastructure. Lastly, as noted above, transfers for \$5,250,000 were done during the year to contribute to the City Center Capital Project fund.

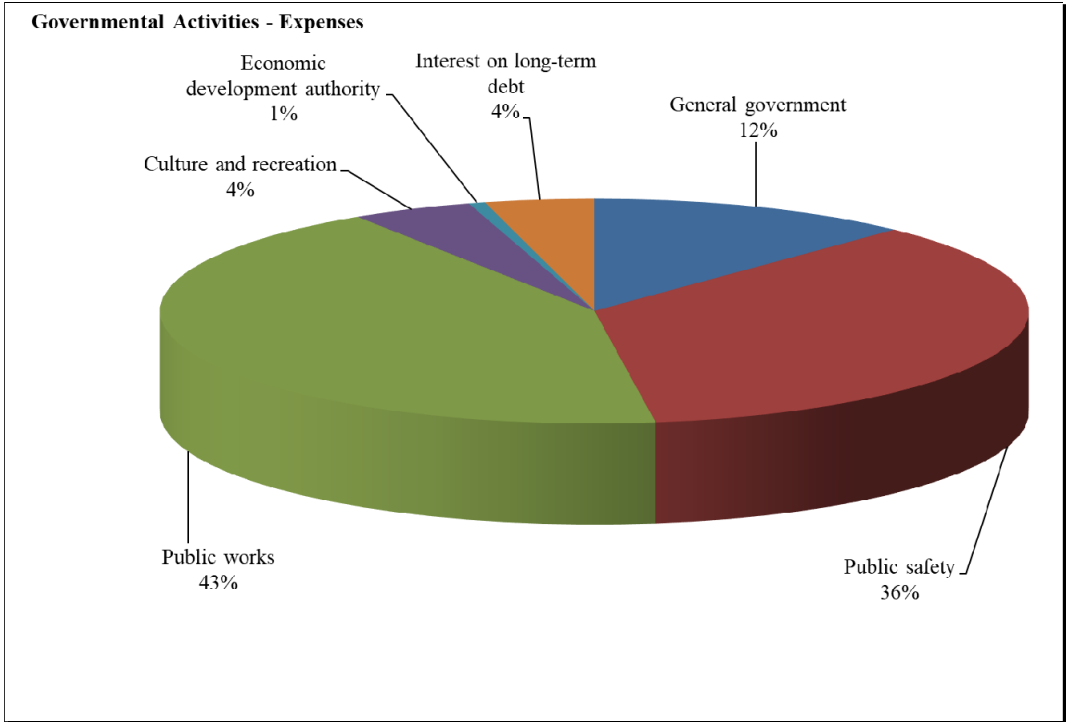
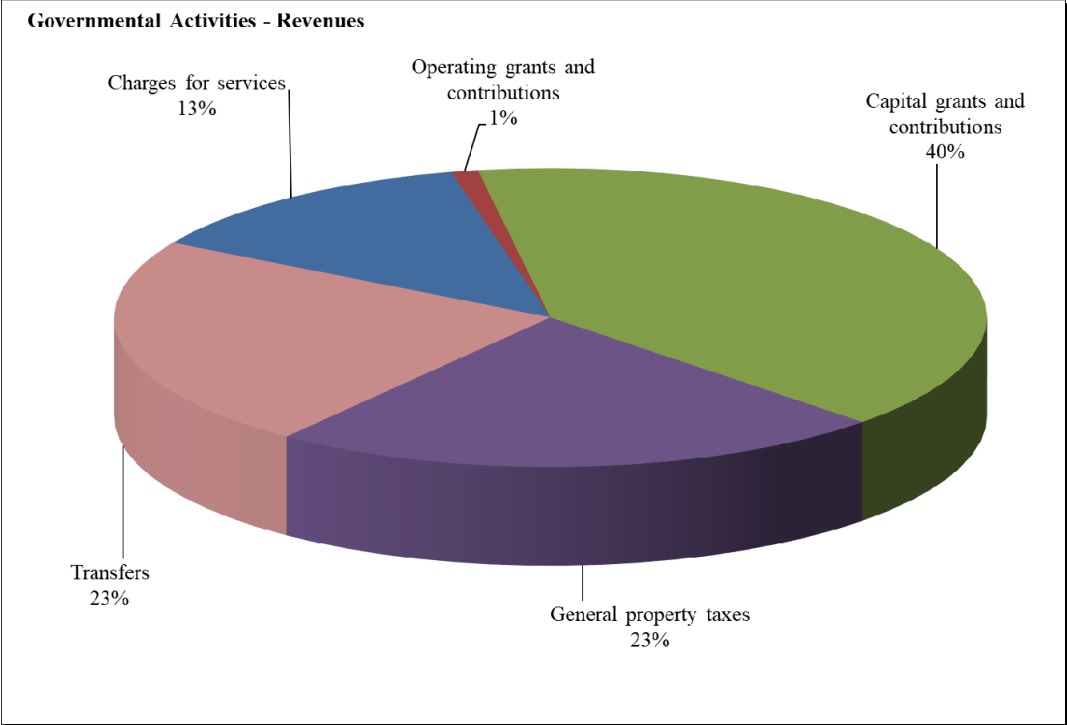
**City of Lake Elmo's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$2,847,821	\$2,901,761	\$2,773,787	\$2,041,676	\$5,621,608	\$4,943,437
Operating grants and contributions	279,690	1,039,823	35,635	21,893	315,325	1,061,716
Capital grants and contributions	8,981,866	4,823,628	18,326,363	15,636,661	27,308,229	20,460,289
General revenues:						
General property taxes	5,294,950	4,960,342	-	-	5,294,950	4,960,342
Grants and contributions not restricted to specific programs	4,639	4,337	-	-	4,639	4,337
Unrestricted investment earnings (loss)	(13,874)	348,766	(20,945)	286,350	(34,819)	635,116
Gain on disposal of assets	17,300	13,805	-	-	17,300	13,805
Transfers	5,250,000	-	(5,250,000)	-	-	-
Total revenues	<u>22,662,392</u>	<u>14,092,462</u>	<u>15,864,840</u>	<u>17,986,580</u>	<u>38,527,232</u>	<u>32,079,042</u>
<b>Expenses:</b>						
General government	1,052,188	1,008,916	-	-	1,052,188	1,008,916
Public safety	3,091,321	2,681,784	-	-	3,091,321	2,681,784
Public works	3,735,767	4,012,661	-	-	3,735,767	4,012,661
Culture and recreation	391,240	428,083	-	-	391,240	428,083
Economic development authority	53,264	46,371	-	-	53,264	46,371
Interest on long-term debt	353,256	363,988	-	-	353,256	363,988
Water	-	-	2,665,708	2,383,252	2,665,708	2,383,252
Sewer	-	-	1,563,008	1,481,586	1,563,008	1,481,586
Storm sewer	-	-	830,044	753,177	830,044	753,177
Total expenses	<u>8,677,036</u>	<u>8,541,803</u>	<u>5,058,760</u>	<u>4,618,015</u>	<u>13,735,796</u>	<u>13,159,818</u>
Change in net position	13,985,356	5,550,659	10,806,080	13,368,565	24,791,436	18,919,224
Net position - January 1	<u>43,149,846</u>	<u>37,599,187</u>	<u>62,950,182</u>	<u>49,581,617</u>	<u>106,100,028</u>	<u>87,180,804</u>
Net position - December 31	<u>\$57,135,202</u>	<u>\$43,149,846</u>	<u>\$73,756,262</u>	<u>\$62,950,182</u>	<u>\$130,891,464</u>	<u>\$106,100,028</u>



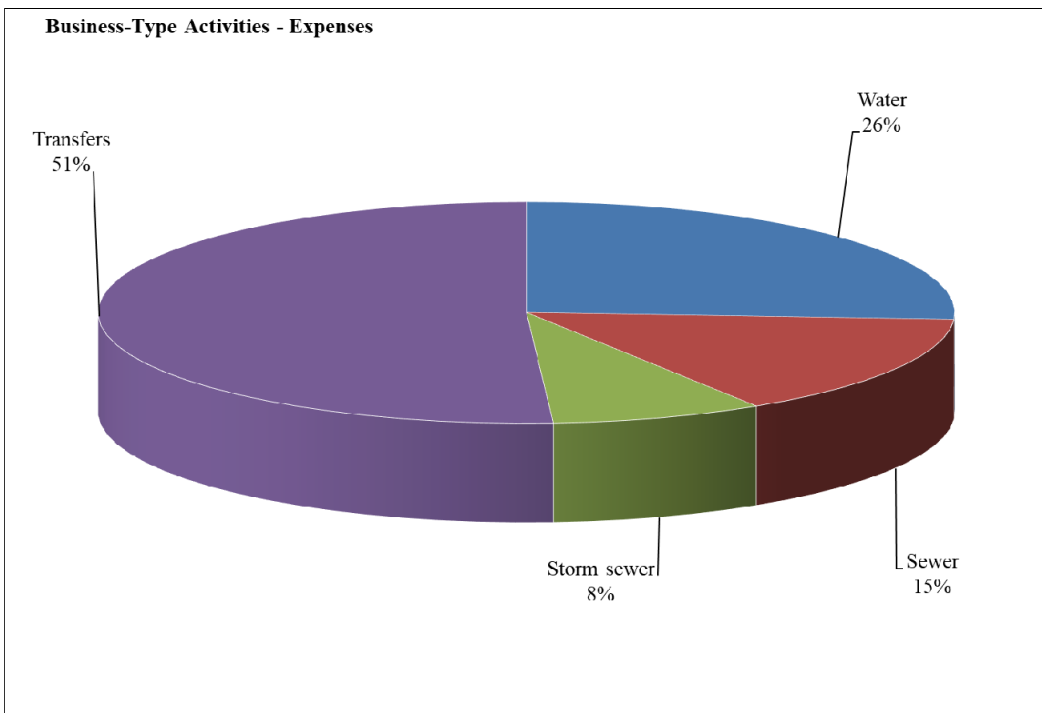
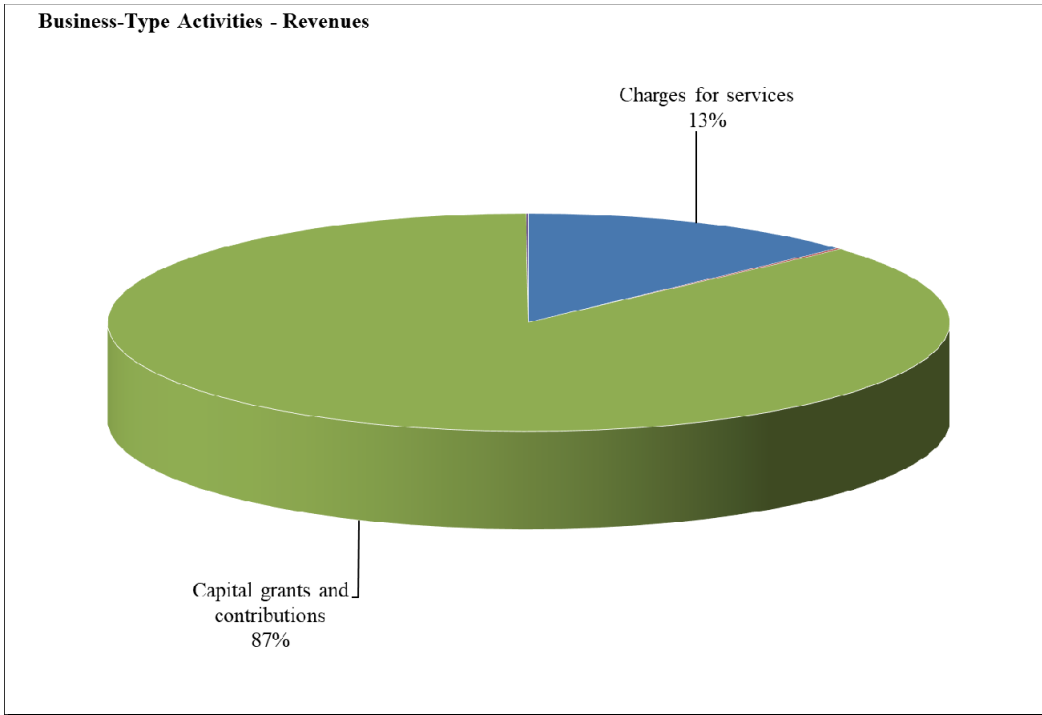
**Governmental Activities**

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:



**Business-Type Activities**

Below are specific graphs which provide comparisons of the business-type activities revenues and expenses:



### **Financial Analysis of the Government's Funds**

**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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,410,931. Approximately 57%, or \$17,458,949, of this total amount constitutes fund balance restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions. \$0 of fund balance is not in a spendable form, \$7,673 has been committed, \$7,571,501 has been assigned, and \$5,372,808 is unassigned.

The fund balance of the General Fund increased by \$385,171 in 2021, while the City anticipated no change in General Fund balance. The primary reason for the increase was caused by a net positive variance of revenues over expenditures of \$1,084,653, which is \$793,907 more than budgeted. Licenses and permits exceeded budgets by \$472,158 and charges for services by \$306,711. The positive variance was reduced by actual transfers exceeding budgeted transfers by \$408,736. A large portion of budgeted transfers included a \$260,746 transfer to the Vehicle Acquisition fund, and \$378,736 of unbudgeted transfers to the Village Project capital project fund. This transfer was approved during the year by council in order to close down the fund and remove the fund deficit.

The Debt Service fund balance decreased by \$662,636 primarily relating to the early prepayment of the street portion of the 2013A G.O. Improvement Bond for \$957,816. This large expenditure was offset by \$478,300 revenues collected from special assessment prepayments in relation to the 2021 CIP projects, funded with special assessments. Other factors that contributed related to debt service payments that were higher than the collected revenues from property taxes and special assessments.

The Park Dedication fund balance increased by \$1,830,367. This increase was the result of park dedication fees collected from developers during the year. One large collection for \$1,000,000 was collected from one developer, Royal Golf 3<sup>rd</sup> Addition, and is restricted for Ballfields improvements.

The Vehicle Acquisition fund balance decreased by \$158,068. During the year, the City incurred a total of \$429,779 of capital outlay expenditures within the fund, \$319,895 for the purchase of equipment and vehicles for public safety. One large purchase for \$259,558 for a Tender and \$57,372 for a public safety vehicle CV1 – Chevrolet Tahoe. Additionally, \$109,884 were spent for public works department for the acquisition of a Mack Plow Truck. The expenditures above were partially offset by budgeted transfers from the General Fund for \$260,746.

## Management's Discussion and Analysis

The Heritage Farms Street & Utility Improvements fund balance increased by \$295,817. This increase was a result of capital outlay activity within the fund for \$2,143,893. These expenditures were offset with proceeds from the 2021A bond issuance for \$2,439,248. This project is expected to be completed in 2022.

The City Hall/Fire Station Building Project fund balance increased by \$15,232,743. This increase was the result of proceeds from the 2021A bond issuance. The total amount of bond proceeds for the project were \$10,539,438. Additionally, \$5,250,000 of contributions were transferred in to the fund from the water and sewer funds.

The combined fund balance of other governmental funds increased \$1,303,786 during 2021. The primary reason for the increase relates to proceeds from the 2021A bond issuance to finance the 2021 CIP capital projects, including \$3,030,460 of proceeds. These were offset by public works capital outlay activity within the capital funds for \$1,717,634.

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

The water fund has total net position at year-end of \$40,073,644, of which \$4,723,160 is unrestricted. The increase in net position of \$6,422,372 was primarily due to capital contributions of \$1,837,010, intergovernmental revenues of \$7,006,533 and \$2,104,200 of connection charges. The increase was partially offset by a transfer to the City Center project fund for \$3,750,000.

The sewer fund has total net position at year-end of \$22,485,630, of which \$13,709,112 is unrestricted. The increase in net position of \$3,097,469 was primarily due to capital contributions of \$1,476,603, connection charges of \$1,998,000 and special assessments of \$2,143,642. The increase was partially offset by a transfer to the City Center project fund for \$1,500,000.

The storm sewer fund has total net position at year-end of \$11,196,988, of which \$1,456,511 is unrestricted. The increase in net position of \$1,286,239 was due to capital contributions of \$1,605,495. The increase was partially offset by a net operating loss and interest and fees on long-term debt.

### **Budgetary Highlights**

#### **General Fund**

The General Fund budget was not amended during the year. The City budgeted for no change in fund balance, while the actual increase in fund balance was \$385,171.

Revenues were \$828,833 over budget for the year. This was mainly due to licenses and permits, which were over budget by \$472,158 and charges for services, which were over budget by \$306,711.

## Management’s Discussion and Analysis

Expenditures came in over budget by \$34,926. Building inspection expenditures were over budget by \$305,378. The large variance from budget related to inspector contracted services being over budget by \$450,630. This was partially offset by a positive variance from budget for \$122,629 from personal services for building inspection, and an additional positive variance from budget for public works for \$108,627 in personal services.

### **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, 2021, amounted to \$129,723,762 (net of accumulated depreciation), an increase of \$19,595,463 from the prior year. This investment in capital assets includes land, construction in progress, buildings, other improvements, machinery and equipment, and infrastructure. A large portion of the increase, \$9,780,145, is due to 2021 capital contributions from private sources. Further, the City substantially completed the Old Village Phase 5 & 6, Heritage Farms Street & Utility Improvement, and Tamarack Farm Estates Street Improvements. Additionally, projects that were funded with the 3M state grants for water infrastructure, such as, 38<sup>th</sup>/39<sup>th</sup> Street & Innsdale were also substantially completed. Lastly, the City began preliminary work on the new City Center, with an expected completion date of 2023.

#### **City of Lake Elmo’s Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$3,453,979	\$3,453,979	\$3,668,869	\$3,668,869	\$7,122,848	\$7,122,848
Construction in progress	4,903,907	637,739	9,961,990	5,843,234	14,865,897	6,480,973
Buildings	2,994,635	3,084,801	-	-	2,994,635	3,084,801
Other improvements	1,444,544	1,546,483	-	-	1,444,544	1,546,483
Machinery and equipment	2,905,174	2,811,392	138,668	168,092	3,043,842	2,979,484
Infrastructure	36,987,394	33,950,326	63,264,602	54,963,384	100,251,996	88,913,710
Total	<u>\$52,689,633</u>	<u>\$45,484,720</u>	<u>\$77,034,129</u>	<u>\$64,643,579</u>	<u>\$129,723,762</u>	<u>\$110,128,299</u>

Additional information on the City’s capital assets can be found in Note 5 to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$49,655,000, an increase of \$14,519,000, which was the amount of principal retired during the year.

**City of Lake Elmo’s Outstanding Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
G.O. Improvement bonds	\$26,705,000	\$13,695,000	\$22,195,000	\$19,710,000	\$48,900,000	\$33,405,000
G.O. Equipment certificates	755,000	850,000	-	-	755,000	850,000
Taxable lease revenue bonds	-	881,000	-	-	-	881,000
Total	<u>\$27,460,000</u>	<u>\$15,426,000</u>	<u>\$22,195,000</u>	<u>\$19,710,000</u>	<u>\$49,655,000</u>	<u>\$35,136,000</u>

Additional information on the City’s long-term debt can be found in Note 6 to the financial statements.

**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 government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Lake Elmo, 3880 Laverne Ave N, Suite 100, Lake Elmo, Minnesota, 55042.

## **BASIC FINANCIAL STATEMENTS**

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CITY OF LAKE ELMO, MINNESOTA

STATEMENT OF NET POSITION

Statement 1

December 31, 2021

With Comparative Totals For December 31, 2020

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
			2021	2020
<b>Assets:</b>				
Cash and investments	\$35,612,736	\$15,974,639	\$51,587,375	\$31,751,728
Accrued interest receivable	22,144	15,119	37,263	68,954
Due from other governmental units	10,709	665,541	676,250	790,668
Accounts receivable - net	2,635	777,087	779,722	749,614
Prepaid items	-	-	-	573,239
Property taxes receivable	101,050	-	101,050	99,649
Special assessments receivable	3,215,987	4,029,600	7,245,587	4,856,343
Net pension asset	505,422	-	505,422	373,073
Capital assets - nondepreciable	8,357,886	13,630,859	21,988,745	13,603,821
Capital assets - net of accumulated depreciation	44,331,747	63,403,270	107,735,017	96,524,478
Total assets	<u>92,160,316</u>	<u>98,496,115</u>	<u>190,656,431</u>	<u>149,391,567</u>
Deferred outflows of resources related to pensions	823,855	153,623	977,478	430,615
<b>Liabilities:</b>				
Accounts payable	948,763	256,195	1,204,958	588,573
Due to other governmental units	-	20,401	20,401	234,894
Salaries and benefits payable	54,247	12,737	66,984	59,174
Contracts and retainage payable	124,102	324,991	449,093	166,838
Deposits payable	3,145,755	-	3,145,755	3,232,294
Accrued interest payable	156,834	159,644	316,478	381,450
Unearned revenue	1,021,006	829,000	1,850,006	1,050,230
Compensated absences payable:				
Due within one year	64,280	21,255	85,535	102,812
Due in more than one year	21,427	7,085	28,512	34,271
Bonds payable:				
Due within one year	1,870,000	1,345,000	3,215,000	3,452,000
Due in more than one year	26,454,553	21,496,659	47,951,212	32,443,798
Other postemployment benefits:				
Due in more than one year	80,792	18,997	99,789	79,303
Net pension liability:				
Due in more than one year	783,320	206,674	989,994	1,466,456
Total liabilities	<u>34,725,079</u>	<u>24,698,638</u>	<u>59,423,717</u>	<u>43,292,093</u>
Deferred inflows of resources related to pensions	1,123,890	194,838	1,318,728	430,061
<b>Net position:</b>				
Net investment in capital assets	34,784,806	53,867,479	88,652,285	74,065,663
Restricted for:				
Fire Relief Association pension plan	360,513	-	360,513	272,554
Debt service	6,864,359	-	6,864,359	6,620,135
Park improvements	3,024,220	-	3,024,220	1,193,853
Street improvements	-	-	-	84,619
Unrestricted	12,101,304	19,888,783	31,990,087	23,863,204
Total net position	<u>\$57,135,202</u>	<u>\$73,756,262</u>	<u>\$130,891,464</u>	<u>\$106,100,028</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE ELMO, MINNESOTA**

**STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2021

With Comparative Totals For The Year Ended December 31, 2020

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$1,052,188	\$485,785
Public safety	3,091,321	2,199,655
Public works	3,735,767	104,817
Culture and recreation	391,240	25
Economic development authority	53,264	57,539
Interest and fees on long-term debt	353,256	-
Total governmental activities	<u>8,677,036</u>	<u>2,847,821</u>
Business-type activities:		
Water	2,665,708	1,711,596
Sewer	1,563,008	549,567
Storm sewer	830,044	512,624
Total business-type activities	<u>5,058,760</u>	<u>2,773,787</u>
Total primary government	<u>\$13,735,796</u>	<u>\$5,621,608</u>

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position - Primary Government			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
				2021	2020
\$30,078	\$26,668	(\$509,657)	\$ -	(\$509,657)	(\$530,776)
83,160	-	(808,506)	-	(808,506)	261,619
163,776	7,109,827	3,642,653	-	3,642,653	513,035
2,676	1,845,371	1,456,832	-	1,456,832	302,112
-	-	4,275	-	4,275	41,407
-	-	(353,256)	-	(353,256)	(363,988)
<u>279,690</u>	<u>8,981,866</u>	<u>3,432,341</u>	<u>0</u>	<u>3,432,341</u>	<u>223,409</u>
35,635	11,102,421	-	10,183,944	10,183,944	7,823,058
-	5,618,245	-	4,604,804	4,604,804	3,353,785
-	1,605,697	-	1,288,277	1,288,277	1,905,372
<u>35,635</u>	<u>18,326,363</u>	<u>0</u>	<u>16,077,025</u>	<u>16,077,025</u>	<u>13,082,215</u>
<u>\$315,325</u>	<u>\$27,308,229</u>	<u>3,432,341</u>	<u>16,077,025</u>	<u>19,509,366</u>	<u>13,305,624</u>
General revenues:					
General property taxes		5,294,950	-	5,294,950	4,960,342
Grants and contributions not restricted to specific programs		4,639	-	4,639	4,337
Unrestricted investment earnings (loss)		(13,874)	(20,945)	(34,819)	635,116
Gain on disposal of capital assets		17,300	-	17,300	13,805
Transfers		5,250,000	(5,250,000)	-	-
Total general revenues and transfers		<u>10,553,015</u>	<u>(5,270,945)</u>	<u>5,282,070</u>	<u>5,613,600</u>
Change in net position		13,985,356	10,806,080	24,791,436	18,919,224
Net position - January 1		<u>43,149,846</u>	<u>62,950,182</u>	<u>106,100,028</u>	<u>87,180,804</u>
Net position - December 31		<u>\$57,135,202</u>	<u>\$73,756,262</u>	<u>\$130,891,464</u>	<u>\$106,100,028</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE ELMO, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2021  
With Comparative Totals For December 31, 2020

Statement 3

	General Fund (101)	Debt Service (300s)	Park Dedication (404)	Vehicle Acquisition (410)	Heritage Farms Street & Utility Improvements (434)	City Hall / Fire Station Bldg Project (437)	Other Governmental Funds	Total Governmental Funds	
								2021	2020
<b>Assets</b>									
Cash and investments	\$9,577,831	\$3,886,866	\$3,022,945	\$1,557,696	\$234,866	\$15,229,837	\$2,102,695	\$35,612,736	\$15,760,221
Accrued interest receivable	7,576	2,696	2,155	925	167	7,115	1,510	22,144	36,118
Due from other governmental units	10,709	-	-	-	-	-	-	10,709	3,305
Accounts receivable - net	2,635	-	-	-	-	-	-	2,635	131,664
Prepaid items	-	-	-	-	-	-	-	-	21,206
Due from other funds	222,457	-	-	-	-	-	-	222,457	1,497,284
Property taxes receivable:									
Due from county	54,832	-	-	-	-	-	-	54,832	44,828
Delinquent	46,218	-	-	-	-	-	-	46,218	54,821
Special assessments receivable:									
Due from county	409	1,339	-	-	-	-	-	1,748	1,055
Delinquent	66,114	708	-	-	-	-	-	66,822	1,892
Deferred	-	3,129,584	-	-	-	-	17,833	3,147,417	2,254,603
<b>Total assets</b>	<b>\$9,988,781</b>	<b>\$7,021,193</b>	<b>\$3,025,100</b>	<b>\$1,558,621</b>	<b>\$235,033</b>	<b>\$15,236,952</b>	<b>\$2,122,038</b>	<b>\$39,187,718</b>	<b>\$19,806,997</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>									
<b>Liabilities:</b>									
Accounts payable	\$859,436	\$ -	\$880	\$406	\$7,171	\$16,786	\$64,084	\$948,763	\$258,815
Salaries and benefits payable	54,247	-	-	-	-	-	-	54,247	52,307
Contracts and retainage payable	-	-	-	-	95,911	-	28,191	124,102	-
Due to other funds	-	-	-	-	-	-	222,457	222,457	1,497,284
Deposits payable	3,070,755	-	-	-	-	-	75,000	3,145,755	3,232,294
Unearned revenue	273,199	-	-	-	-	-	747,807	1,021,006	271,230
<b>Total liabilities</b>	<b>4,257,637</b>	<b>0</b>	<b>880</b>	<b>406</b>	<b>103,082</b>	<b>16,786</b>	<b>1,137,539</b>	<b>5,516,330</b>	<b>5,311,930</b>
Deferred inflows of resources:									
Unavailable revenue	112,332	3,130,292	-	-	-	-	17,833	3,260,457	2,311,316
Fund balance:									
Nonspendable	-	-	-	-	-	-	-	-	21,206
Restricted	-	3,890,901	3,024,220	-	131,951	9,963,112	448,765	17,458,949	5,814,832
Committed	-	-	-	-	-	-	7,673	7,673	7,691
Assigned	-	-	-	1,558,215	-	5,257,054	756,232	7,571,501	2,653,503
Unassigned	5,618,812	-	-	-	-	-	(246,004)	5,372,808	3,686,519
<b>Total fund balance</b>	<b>5,618,812</b>	<b>3,890,901</b>	<b>3,024,220</b>	<b>1,558,215</b>	<b>131,951</b>	<b>15,220,166</b>	<b>966,666</b>	<b>30,410,931</b>	<b>12,183,751</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$9,988,781</b>	<b>\$7,021,193</b>	<b>\$3,025,100</b>	<b>\$1,558,621</b>	<b>\$235,033</b>	<b>\$15,236,952</b>	<b>\$2,122,038</b>	<b>\$39,187,718</b>	<b>\$19,806,997</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE ELMO, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
 December 31, 2021  
 With Comparative Totals For December 31, 2020

**Statement 4**

	2021	2020
Fund balance - total governmental funds (Statement 3)	\$30,410,931	\$12,183,751
<p>Net position reported for governmental activities in the Statement of Net Position is different because:</p>		
<p>Certain assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p>		
Capital assets	52,689,633	45,484,720
Net pension asset	505,422	373,073
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:</p>		
Delinquent taxes receivable	46,218	54,821
Delinquent special assessments receivable	66,822	1,892
Deferred special assessments receivable	3,147,417	2,254,603
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:</p>		
Bonds payable	(27,460,000)	(15,426,000)
Unamortized bond premiums	(864,553)	(364,432)
Accrued interest payable	(156,834)	(181,381)
Compensated absences payable	(85,707)	(109,369)
Other postemployment benefits	(80,792)	(65,397)
Net pension liability	(783,320)	(1,160,441)
<p>Deferred outflows and inflows of resources related to pensions are associated with long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds. Balances at year end are:</p>		
Deferred outflows of resources	823,855	521,451
Deferred inflows of resources	(1,123,890)	(417,445)
Net position of governmental activities (Statement 1)	\$57,135,202	\$43,149,846

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

Statement 5

	General Fund (101)	Debt Service (300s)	Park Dedication (404)	Vehicle Acquisition (410)	Heritage Farms Street & Utility Improvements (434)	City Hall / Fire Station Bldg Project (437)	Other Governmental Funds	Total Governmental Funds	
								2021	2020
<b>Revenues:</b>									
General property taxes	\$3,865,164	\$1,438,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$5,303,553	\$4,947,133
Licenses and permits	1,485,658	-	-	-	-	-	-	1,485,658	1,425,695
Intergovernmental	267,180	-	-	-	-	-	454,948	722,128	1,023,193
Charges for services	1,064,375	-	-	-	-	-	87,539	1,151,914	1,273,241
Fines and forfeits	45,749	-	-	-	-	-	-	45,749	33,584
Special assessments	930	861,836	-	-	-	-	-	862,766	474,099
Park dedication fees	-	-	1,845,371	-	-	-	-	1,845,371	714,558
Investment income (loss)	(13,605)	(19,864)	6,337	(6,335)	462	19,631	(500)	(13,874)	348,766
Miscellaneous	177,000	-	-	-	-	-	-	177,000	183,711
<b>Total revenues</b>	<b>6,892,451</b>	<b>2,280,361</b>	<b>1,851,708</b>	<b>(6,335)</b>	<b>462</b>	<b>19,631</b>	<b>541,987</b>	<b>11,580,265</b>	<b>10,423,980</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General government	1,056,983	-	-	-	-	-	-	1,056,983	1,009,543
Public safety	3,003,677	-	-	-	-	-	-	3,003,677	2,641,770
Public works	1,488,448	-	-	-	-	-	-	1,488,448	1,489,081
Culture and recreation	258,690	-	-	-	-	-	-	258,690	310,066
Economic development authority	-	-	-	-	-	-	53,264	53,264	46,371
<b>Capital outlay:</b>									
General government	-	-	-	-	-	576,326	26,668	602,994	-
Public safety	-	-	-	319,895	-	-	-	319,895	297,090
Public works	-	-	21,341	109,884	2,143,893	-	1,717,634	3,992,752	1,549,753
<b>Debt service:</b>									
Principal	-	2,760,000	-	-	-	-	881,000	3,641,000	1,790,000
Interest and fiscal charges	-	364,408	-	-	-	-	61,389	425,797	420,299
<b>Total expenditures</b>	<b>5,807,798</b>	<b>3,124,408</b>	<b>21,341</b>	<b>429,779</b>	<b>2,143,893</b>	<b>576,326</b>	<b>2,739,955</b>	<b>14,843,500</b>	<b>9,553,973</b>
<b>Revenues over (under) expenditures</b>	<b>1,084,653</b>	<b>(844,047)</b>	<b>1,830,367</b>	<b>(436,114)</b>	<b>(2,143,431)</b>	<b>(556,695)</b>	<b>(2,197,968)</b>	<b>(3,263,235)</b>	<b>870,007</b>
<b>Other financing sources (uses):</b>									
Transfers in	-	113,792	-	260,746	-	5,250,000	508,182	6,132,720	1,900,244
Transfers out	(699,482)	-	-	-	-	-	(183,238)	(882,720)	(1,900,244)
Issuance of debt	-	67,619	-	-	2,332,995	10,243,926	3,030,460	15,675,000	-
Bond premium	-	-	-	-	106,253	295,512	146,350	548,115	-
Proceeds from sale of capital assets	-	-	-	17,300	-	-	-	17,300	13,805
<b>Total other financing sources (uses)</b>	<b>(699,482)</b>	<b>181,411</b>	<b>0</b>	<b>278,046</b>	<b>2,439,248</b>	<b>15,789,438</b>	<b>3,501,754</b>	<b>21,490,415</b>	<b>13,805</b>
<b>Net change in fund balance</b>	<b>385,171</b>	<b>(662,636)</b>	<b>1,830,367</b>	<b>(158,068)</b>	<b>295,817</b>	<b>15,232,743</b>	<b>1,303,786</b>	<b>18,227,180</b>	<b>883,812</b>
<b>Fund balance - January 1</b>	<b>5,233,641</b>	<b>4,553,537</b>	<b>1,193,853</b>	<b>1,716,283</b>	<b>(163,866)</b>	<b>(12,577)</b>	<b>(337,120)</b>	<b>12,183,751</b>	<b>11,299,939</b>
<b>Fund balance - December 31</b>	<b>\$5,618,812</b>	<b>\$3,890,901</b>	<b>\$3,024,220</b>	<b>\$1,558,215</b>	<b>\$131,951</b>	<b>\$15,220,166</b>	<b>\$966,666</b>	<b>\$30,410,931</b>	<b>\$12,183,751</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE ELMO, MINNESOTA**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

**Statement 6**

	<u>2021</u>	<u>2020</u>
Net change in fund balance - total governmental funds (Statement 5)	\$18,227,180	\$883,812
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(2,557,696)	(2,294,552)
Capital outlay	4,915,641	1,846,843
Capital outlay not capitalized	(14,069)	(525,221)
Various other transactions involving capital assets increase (decrease) net position on the Statement of Activities, but are not reported in governmental funds because they do not provide (or use) current financial resources:		
Contributions of infrastructure from private sources	4,861,037	3,937,057
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in delinquent taxes receivable	(8,603)	13,209
Change in delinquent special assessments receivable	64,930	(1,071)
Change in deferred special assessments receivable	892,814	(301,015)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of bond premiums and discounts when the debt is first issued, whereas amounts are deferred and amortized over the life of the debt in the Statement of Activities.		
Bonds issued	(15,675,000)	-
Premium on bonds issued	(548,115)	-
Repayment of principal	3,641,000	1,790,000
Amortization of bond premiums	47,994	47,993
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. Expenses reported in the Statement of Activities include the effects of the changes in these expense accruals as follows:		
Change in accrued interest payable	24,547	8,318
Change in compensated absences payable	23,662	(46,621)
Change other post employment benefits liability	(15,395)	(4,081)
Governmental funds report pension contributions as expenditures, however pension expense is reported in the Statement of Activities. This is the amount by which pension expense differed from pension contributions.		
	<u>105,429</u>	<u>195,988</u>
Change in net position of governmental activities (Statement 2)	<u>\$13,985,356</u>	<u>\$5,550,659</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE ELMO, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2021

With Comparative Totals For December 31, 2020

Statement 7

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm	Total	
			Sewer (603)	2021	2020
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and investments	\$4,820,465	\$10,092,392	\$1,061,782	\$15,974,639	\$15,991,507
Accrued interest receivable	6,103	8,259	757	15,119	32,836
Due from other governmental units	665,541	-	-	665,541	787,363
Accounts receivable - net	216,168	141,113	419,806	777,087	617,950
Prepaid items	-	-	-	-	419,684
Total current assets	<u>5,708,277</u>	<u>10,241,764</u>	<u>1,482,345</u>	<u>17,432,386</u>	<u>17,849,340</u>
<b>Noncurrent assets:</b>					
Special assessments receivable	316,158	3,672,068	41,374	4,029,600	2,598,793
<b>Capital assets:</b>					
Land	3,668,869	-	-	3,668,869	3,668,869
Construction in progress	6,908,569	3,053,421	-	9,961,990	5,843,234
Machinery and equipment	340,696	73,003	-	413,699	413,699
Infrastructure	44,483,712	19,219,271	14,128,874	77,831,857	66,599,944
Total capital assets	<u>55,401,846</u>	<u>22,345,695</u>	<u>14,128,874</u>	<u>91,876,415</u>	<u>76,525,746</u>
Less: Allowance for depreciation	<u>(9,796,976)</u>	<u>(3,322,887)</u>	<u>(1,722,423)</u>	<u>(14,842,286)</u>	<u>(11,882,167)</u>
Net capital assets	<u>45,604,870</u>	<u>19,022,808</u>	<u>12,406,451</u>	<u>77,034,129</u>	<u>64,643,579</u>
Total assets	<u>51,629,305</u>	<u>32,936,640</u>	<u>13,930,170</u>	<u>98,496,115</u>	<u>85,091,712</u>
Deferred outflows of resources related to pensions	94,261	38,175	21,187	153,623	41,513
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	203,214	52,072	909	256,195	329,758
Due to other governmental units	97	20,304	-	20,401	234,894
Salaries and benefits payable	8,007	3,133	1,597	12,737	6,867
Contracts and retainage payable	224,643	100,348	-	324,991	166,838
Accrued interest payable	78,721	56,149	24,774	159,644	200,069
Unearned revenue	829,000	-	-	829,000	779,000
Compensated absences payable - current portion	14,238	4,774	2,243	21,255	20,785
Bonds payable - current portion	825,000	315,000	205,000	1,345,000	1,455,000
Total current liabilities	<u>2,182,920</u>	<u>551,780</u>	<u>234,523</u>	<u>2,969,223</u>	<u>3,193,211</u>
<b>Noncurrent liabilities:</b>					
Compensated absences payable - noncurrent portion	4,746	1,591	748	7,085	6,929
Bonds payable - noncurrent portion	9,204,743	9,830,942	2,460,974	21,496,659	18,650,366
Other postemployment benefits	11,151	5,096	2,750	18,997	13,906
Net pension liability	126,812	51,359	28,503	206,674	306,015
Total noncurrent liabilities	<u>9,347,452</u>	<u>9,888,988</u>	<u>2,492,975</u>	<u>21,729,415</u>	<u>18,977,216</u>
Total liabilities	<u>11,530,372</u>	<u>10,440,768</u>	<u>2,727,498</u>	<u>24,698,638</u>	<u>22,170,427</u>
Deferred inflows of resources related to pensions	119,550	48,417	26,871	194,838	12,616
<b>Net position:</b>					
Net investment in capital assets	35,350,484	8,776,518	9,740,477	53,867,479	44,371,375
Unrestricted	4,723,160	13,709,112	1,456,511	19,888,783	18,578,807
Total net position	<u>\$40,073,644</u>	<u>\$22,485,630</u>	<u>\$11,196,988</u>	<u>\$73,756,262</u>	<u>\$62,950,182</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

**Statement 8**

For The Year Ended December 31, 2021

With Comparative Totals For The Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm	Total	
			Sewer (603)	2021	2020
Operating revenues:					
Charges for services	\$1,538,316	\$539,130	\$457,517	\$2,534,963	\$1,720,180
Water meter sales	149,944	-	-	149,944	155,675
Other operating revenue	23,336	10,437	55,107	88,880	165,821
Total operating revenues	<u>1,711,596</u>	<u>549,567</u>	<u>512,624</u>	<u>2,773,787</u>	<u>2,041,676</u>
Operating expenses:					
Personal services	411,561	135,765	67,497	614,823	630,426
Materials and supplies	212,515	16,062	5,935	234,512	213,890
Professional services	131,108	63,876	46,269	241,253	239,162
Repairs and maintenance	19,628	9,850	42,031	71,509	69,053
Utilities	138,466	284,641	-	423,107	331,431
Depreciation	1,467,694	880,861	611,565	2,960,120	2,600,589
Other	61,466	26,469	7,388	95,323	69,409
Total operating expenses	<u>2,442,438</u>	<u>1,417,524</u>	<u>780,685</u>	<u>4,640,647</u>	<u>4,153,960</u>
Operating income (loss)	<u>(730,842)</u>	<u>(867,957)</u>	<u>(268,061)</u>	<u>(1,866,860)</u>	<u>(2,112,284)</u>
Nonoperating revenues (expenses):					
Investment income (loss)	(11,572)	(7,335)	(2,038)	(20,945)	286,350
Intergovernmental revenue	35,635	-	-	35,635	21,893
Interest and fees on long-term debt	(223,270)	(145,484)	(49,359)	(418,113)	(464,055)
Total nonoperating operating revenues (expenses)	<u>(199,207)</u>	<u>(152,819)</u>	<u>(51,397)</u>	<u>(403,423)</u>	<u>(155,812)</u>
Income (loss) before contributions and transfers	<u>(930,049)</u>	<u>(1,020,776)</u>	<u>(319,458)</u>	<u>(2,270,283)</u>	<u>(2,268,096)</u>
Capital contributions:					
Intergovernmental revenue	7,006,533	-	-	7,006,533	4,774,955
Special assessments	154,678	2,143,642	202	2,298,522	119,844
Refunds and reimbursements	-	-	-	-	223,615
Capital contributions from private sources	1,837,010	1,476,603	1,605,495	4,919,108	6,946,150
Connection charges	2,104,200	1,998,000	-	4,102,200	3,572,097
Transfer out	(3,750,000)	(1,500,000)	-	(5,250,000)	-
Total contributions and transfers	<u>7,352,421</u>	<u>4,118,245</u>	<u>1,605,697</u>	<u>13,076,363</u>	<u>15,636,661</u>
Change in net position	6,422,372	3,097,469	1,286,239	10,806,080	13,368,565
Net position - January 1	<u>33,651,272</u>	<u>19,388,161</u>	<u>9,910,749</u>	<u>62,950,182</u>	<u>49,581,617</u>
Net position - December 31	<u>\$40,073,644</u>	<u>\$22,485,630</u>	<u>\$11,196,988</u>	<u>\$73,756,262</u>	<u>\$62,950,182</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE ELMO, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2021

With Comparative Totals For The Year Ended December 31, 2020

Statement 9

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm Sewer (603)	Total	
				2021	2020
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$2,512,836	\$500,866	\$423,946	\$3,437,648	\$2,141,859
Payments to suppliers	(501,152)	(328,905)	(104,019)	(934,076)	(1,108,499)
Payments to employees	(394,804)	(153,861)	(83,800)	(632,465)	(484,601)
Net cash flows provided by (used in) operating activities	1,616,880	18,100	236,127	1,871,107	548,759
<b>Cash flows from capital and related financing activities:</b>					
Intergovernmental revenue	6,340,992	-	-	6,340,992	3,987,592
Special assessments	136,390	740,098	(8,773)	867,715	375,404
Refunds and reimbursements	-	-	-	-	223,615
Connection charges	2,154,200	1,998,000	-	4,152,200	3,622,097
Proceeds from issuance of bonds	605,002	6,026,615	-	6,631,617	-
Principal paid on long-term debt	(1,385,000)	(2,240,000)	(200,000)	(3,825,000)	(1,380,000)
Interest and fees paid on long-term debt	(264,270)	(207,579)	(57,014)	(528,863)	(505,151)
Acquisition of capital assets	(7,693,521)	(2,579,887)	-	(10,273,408)	(5,608,382)
Transfer out	(3,750,000)	(1,500,000)	-	(5,250,000)	-
Net cash flows provided by (used in) capital and related financing activities	(3,856,207)	2,237,247	(265,787)	(1,884,747)	715,175
<b>Cash flows from investing activities:</b>					
Investment earnings	(2,980)	411	(659)	(3,228)	306,530
Net increase (decrease) in cash and cash equivalents	(2,242,307)	2,255,758	(30,319)	(16,868)	1,570,464
Cash and cash equivalents - January 1	7,062,772	7,836,634	1,092,101	15,991,507	14,421,043
Cash and cash equivalents - December 31	\$4,820,465	\$10,092,392	\$1,061,782	\$15,974,639	\$15,991,507
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	(\$730,842)	(\$867,957)	(\$268,061)	(\$1,866,860)	(\$2,112,284)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Intergovernmental revenue	35,635	-	-	35,635	21,893
Depreciation	1,467,694	880,861	611,565	2,960,120	2,600,589
Changes in assets and liabilities:					
Decrease (increase) in receivables	765,605	(48,701)	(88,678)	628,226	78,290
Decrease (increase) in prepaid items	-	419,684	-	419,684	(400,527)
Decrease (increase) in deferred outflows of resources	(72,241)	(26,113)	(13,756)	(112,110)	(22,322)
Increase (decrease) in payables	62,031	(347,691)	(2,396)	(288,056)	214,973
Increase (decrease) in salaries and benefits payable	3,271	1,579	1,020	5,870	(9,120)
Increase (decrease) in compensated absences	4,965	(1,899)	(2,440)	626	5,951
Increase (decrease) in other post employment benefits	3,411	1,143	537	5,091	1,434
Increase (decrease) in net pension liability	(35,507)	(37,557)	(26,277)	(99,341)	179,932
Increase (decrease) in deferred inflows of resources	112,858	44,751	24,613	182,222	(10,050)
Total adjustments	2,347,722	886,057	504,188	3,737,967	2,661,043
Net cash provided by (used in) operating activities	\$1,616,880	\$18,100	\$236,127	\$1,871,107	\$548,759
<b>Noncash investing, capital and financing activities:</b>					
Capital asset contributions	\$1,837,010	\$1,476,603	\$1,605,495	\$4,919,108	\$6,946,150

The accompanying notes are an integral part of these financial statements.

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lake Elmo, Minnesota (the City) is a statutory City 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 basic financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies:

**A. FINANCIAL REPORTING ENTITY**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable.

COMPONENT UNITS

The City has one component unit, the Economic Development Authority (EDA). The financial statements of the EDA are included as a blended component unit because its governing body is substantively the same as the City Council, the City is in a relationship of financial burden with the EDA, and because management of the City have operational responsibilities for the EDA. Separate financial statements for the EDA are not prepared.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

The fund financial statements are provided for governmental and proprietary funds. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

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

*Park Dedication Fund* accounts for the accumulation of resources (primarily park dedication fees) that are used to make improvements to existing parks as well as building new parks.

*Vehicle Acquisition Fund* accounts for the accumulation of resources for the purchase of vehicles to be used by various City departments.

*Heritage Farms Street & Utility Improvements Fund* accounts for the activities related to the Heritage Farms streets improvements project. The improvements include the reconstruction of approximately 1.2 miles of residential streets.

*City Hall/Fire Station Building Project Fund* accounts for the activities related to the construction of a new City Center/Fire Station and Public Works addition. The project is expected to be completed in 2023.

The City reports the following major proprietary funds:

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

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

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

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 water, sewer and storm sewer 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.

#### **D. BUDGETS**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund and enterprise funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

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

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

6. Budgeted amounts are originally adopted, or as amended by the City Council. The budget cannot be amended without approval by the City Council.

#### **E. CASH AND INVESTMENTS**

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value, except for investments in external investment pools that meet GASB 79 requirements, which are stated at amortized cost. Interest earnings are accrued at year-end.

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the Proprietary Fund types have original maturities of 90 days or less. Therefore, the entire balance in such fund types is considered cash equivalents.

#### **F. RECEIVABLES**

The estimated portion of uncollectible property taxes and special assessments is not material and has not been reported. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables.

#### **G. PROPERTY TAX REVENUE RECOGNITION**

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 15 and December 15 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Within the government-wide financial statements, the City recognizes property tax revenue in the period for which taxes were levied. Uncollectible property taxes are not material and have not been reported.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and received by the City in July, December, and the following January are recognized as revenue for the current year. Taxes collected by the county by December 31 (remitted to the City the following January) are classified as due from county. Taxes not collected by the county by December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred inflows of resources because they are not available to finance current expenditures.

#### **H. SPECIAL ASSESSMENT REVENUE RECOGNITION**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

#### **I. INVENTORY**

The original cost of materials and supplies has been recorded as expenditures/expenses at the time of purchase. The City does not maintain material amounts of inventories of goods and supplies.

#### **J. PREPAID ITEMS**

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

#### **K. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Useful Life in Years
Buildings	10-50
Other Improvements	10-20
Machinery and Equipment	5-20
Infrastructure	20-40

**L. COMPENSATED ABSENCES**

It is the City’s policy to permit employees to accumulate earned but unused PTO (Personal Time Off), extended leave and sick pay benefits. All vacation pay and PTO and the portion of sick pay allowable as severance is accrued in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

**M. 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 Position. Bond premiums and discounts are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**N. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) that time. The City has one item that qualifies for reporting in the category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has pension related deferred inflows of resources reported in the government-wide Statement of Net Pension and the proprietary funds Statements of Net Position. The City also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes and special assessments not collected within 60 days from year-end.



**O. FUND BALANCE CLASSIFICATIONS**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* - consists of amounts that are not in spendable form, such as prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of internally imposed constraints. These constraints are established by a resolution approved by the City Council, and committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by resolution.

*Assigned* - consists of internally imposed constraints for the specific purpose of the City's intended use. These constraints are established by the City Council and/or management. The City Council has delegated the power to assign fund balances to the City's finance committee.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

**P. NET POSITION**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Q. INTERFUND TRANSACTIONS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund. Such advances are classified as "due to/from other funds." Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All other interfund transactions are reported as transfers.

**R. USE OF ESTIMATES**

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

**S. RECLASSIFICATIONS**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**T. COMPARATIVE TOTALS**

The basic financial statements, required supplementary information, and combining and individual nonmajor fund financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2020 from which the summarized information was derived.

**U. PENSION PLANS**

COST SHARING MULTIPLE - EMPLOYER PLANS

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

SINGLE EMPLOYER PLAN

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Lake Elmo Firefighters Relief Association (the Association) and additions to/deductions from the Association's fiduciary net position have been determined on the same basis as they were reported by the Association. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF LAKE ELMO, MINNESOTA**  
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**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

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

Minnesota Statutes require that all City deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City has no additional deposit policies addressing custodial credit risk.

At December 31, 2021, the bank balance of the City’s deposits with financial institutions was \$35,841,489 and the carrying amount was \$35,709,102. All deposits were covered by federal depository insurance or by collateral pledged and held in the City’s name.

**B. INVESTMENTS**

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the City to invest in United States securities, state and local securities, commercial paper, time deposits, high-risk mortgage-backed securities, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trusts and guaranteed investment contracts.

At December 31, 2021, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1 - 5	6 - 10
Brokered certificates of deposit	Not rated	\$4,403,367	\$1,296,828	\$3,106,539	\$ -
Federal Farm Credit Bank notes	AAA	535,734	-	535,734	-
Federal Home Loan Bank notes	AAA	7,651,581	-	7,651,581	-
Municipal bonds	(1)	3,240,845	242,614	2,205,062	793,169
Money market funds	Not rated	44,998	44,998	-	-
Total		<u>\$15,876,525</u>	<u>\$1,584,440</u>	<u>\$13,498,916</u>	<u>\$793,169</u>

(1) \$857,816 are rated AAA, \$754,351 are rated AA, \$459,307 are rated AA+, \$102,890 are rated Aa2, \$617,095 are rated Aa3, \$204,668 are rated A+, \$204,718 are rated A.

Total investments	\$15,876,525
Deposits	35,709,102
Petty cash	1,748
Total cash and investments	<u>\$51,587,375</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements at December 31, 2021:

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The City has the following recurring fair value measurements at December 31, 2021:

Investment Type	12/31/2021	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered certificates of deposit	\$4,403,367	\$ -	\$4,403,367	\$ -
Municipal bonds	3,240,845	-	3,240,845	-
Federal Farm Credit Bank notes	535,734	-	535,734	-
Federal Home Loan Bank notes	7,651,581	-	7,651,581	-
	<u>15,831,527</u>	<u>\$0</u>	<u>\$15,831,527</u>	<u>\$0</u>
Investments not categorized:				
Money market funds	<u>44,998</u>			
Total investments	<u>\$15,876,525</u>			

**C. INVESTMENT RISKS**

**Custodial Credit Risk – Investments** – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The City’s investment policy requires its brokers be licensed with the appropriate federal and state agencies. A minimum capital requirement of \$10,000,000 and at least five years of operation is mandatory. Investments in securities are held by the City’s broker-dealers. The securities at each broker-dealer are insured \$500,000 through SIPC. Each broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer’s accounts.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City’s investment policy states that extended maturities may be utilized to take advantage of higher yields; however no more than 25% of total investments should extend beyond five years and in no circumstance should any extend beyond ten years. The City’s investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations.

**Credit Risk** – Credit risk is the risk than an issuer of an investment will not fulfill its obligation to the holder of the investment. The City’s policy to minimize credit risk includes limiting investing funds to those allowable under Minnesota Statute 118A, annually appointing all financial institutions where investments are held, and diversifying the investment portfolio. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The City places no limit on the amount it may invest in any one issuer. At December 31, 2021, 15% of the City’s total cash and investments were in notes issued by the Federal Home Loan Bank.

**CITY OF LAKE ELMO, MINNESOTA**  
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**Note 3 RECEIVABLES**

Significant receivable balances not expected to be collected within one year of December 31, 2021 are as follows:

	Property Taxes Receivable	Special Assessments Receivable	Total
Major Funds:			
General Fund	\$15,067	\$32,762	\$47,829
Debt Service Fund	-	2,823,681	2,823,681
Water Fund	-	226,363	226,363
Sewer Fund	-	3,412,829	3,412,829
Storm Sewer Fund	-	808	808
Nonmajor Funds	-	17,833	17,833
	<u>\$15,067</u>	<u>\$6,514,276</u>	<u>\$6,529,343</u>

**Note 4 UNAVAILABLE REVENUE**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds are as follows:

	Property Taxes Receivable	Special Assessments Receivable	Total
Major Funds:			
General Fund	\$46,218	\$66,114	\$112,332
Debt Service Fund	-	3,130,292	3,130,292
Nonmajor Funds	-	17,833	17,833
	<u>\$46,218</u>	<u>\$3,214,239</u>	<u>\$3,260,457</u>

**CITY OF LAKE ELMO, MINNESOTA**  
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**Note 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$3,453,979	\$ -	\$ -	\$3,453,979
Construction in progress	637,739	4,901,572	(635,404)	4,903,907
Total capital assets, not being depreciated	<u>4,091,718</u>	<u>4,901,572</u>	<u>(635,404)</u>	<u>8,357,886</u>
Capital assets, being depreciated:				
Buildings	4,330,670	-	-	4,330,670
Other improvements	2,780,348	-	-	2,780,348
Machinery and equipment	5,478,510	426,344	(80,677)	5,824,177
Infrastructure	41,630,654	5,070,097	-	46,700,751
Total capital assets, being depreciated	<u>54,220,182</u>	<u>5,496,441</u>	<u>(80,677)</u>	<u>59,635,946</u>
Less accumulated depreciation for:				
Buildings	1,245,870	90,165	-	1,336,035
Other improvements	1,233,865	101,939	-	1,335,804
Machinery and equipment	2,667,118	332,562	(80,677)	2,919,003
Infrastructure	7,680,327	2,033,030	-	9,713,357
Total accumulated depreciation	<u>12,827,180</u>	<u>2,557,696</u>	<u>(80,677)</u>	<u>15,304,199</u>
Total capital assets being depreciated - net	<u>41,393,002</u>	<u>2,938,745</u>	<u>0</u>	<u>44,331,747</u>
Governmental activities capital assets - net	<u>\$45,484,720</u>	<u>\$7,840,317</u>	<u>(\$635,404)</u>	<u>\$52,689,633</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$3,668,869	\$ -	\$ -	\$3,668,869
Construction in progress	5,843,234	10,431,561	(6,312,805)	9,961,990
Total capital assets, not being depreciated	<u>9,512,103</u>	<u>10,431,561</u>	<u>(6,312,805)</u>	<u>13,630,859</u>
Capital assets, being depreciated:				
Machinery and equipment	413,699	-	-	413,699
Infrastructure	66,599,944	11,231,913	-	77,831,857
Total capital assets, being depreciated	<u>67,013,643</u>	<u>11,231,913</u>	<u>0</u>	<u>78,245,556</u>
Less accumulated depreciation for:				
Machinery and equipment	245,607	29,424	-	275,031
Infrastructure	11,636,560	2,930,695	-	14,567,255
Total accumulated depreciation	<u>11,882,167</u>	<u>2,960,119</u>	<u>0</u>	<u>14,842,286</u>
Total capital assets being depreciated - net	<u>55,131,476</u>	<u>8,271,794</u>	<u>0</u>	<u>63,403,270</u>
Business-type activities capital assets - net	<u>\$64,643,579</u>	<u>\$18,703,355</u>	<u>(\$6,312,805)</u>	<u>\$77,034,129</u>

**CITY OF LAKE ELMO, MINNESOTA**  
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Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$16,398
Public safety	147,495
Public works	2,257,449
Culture and recreation	<u>136,354</u>
Total depreciation expense - governmental activities	<u>\$2,557,696</u>
Business-type activities:	
Water	\$1,467,694
Sewer	880,861
Storm sewer	<u>611,565</u>
Total depreciation expense - business-type activities	<u>\$2,960,120</u>

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**Note 6 LONG-TERM DEBT**

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

A summary of long-term debt outstanding at December 31, 2021 is as follows:

	Issue Date	Interest Rates	Maturity Date	Payable 12/31/2021
<u>Governmental Activities:</u>				
General obligation improvement bonds:				
2010B CIP Refunding bonds	11/30/10	1.00% - 3.20%	02/01/25	\$730,000
2011A Improvement bonds	10/01/11	1.25% - 2.30%	02/01/22	90,000
2012B Improvement bonds	08/16/12	1.25% - 1.90%	02/01/23	190,000
2014A Improvement bonds	07/15/14	2.00% - 3.50%	01/15/30	1,610,000
2015A Improvement bonds	08/13/15	2.00% - 3.00%	01/15/26	815,000
2016A Improvement bonds	06/01/16	2.00%	01/15/27	1,675,000
2017A Improvement bonds	06/08/17	2.50% - 3.00%	01/15/28	3,300,000
2019A Improvement bonds	10/24/19	2.00% - 3.00%	02/01/35	2,620,000
2021A Improvement bonds	12/07/21	1.75% - 3.00%	02/01/42	15,675,000
Total general obligation improvement bonds				<u>26,705,000</u>
General obligation equipment certificates:				
2018A Equipment certificates	10/16/18	2.70%	02/01/28	755,000
Unamortized bond premiums				864,553
Compensated absences payable				85,707
Total governmental activities				<u><u>\$28,410,260</u></u>
<u>Business-Type Activities:</u>				
General obligation revenue bonds:				
2012A Refunding bonds	08/13/12	2.00% - 2.50%	12/01/30	\$2,810,000
2014A Improvement bonds	07/15/14	2.00% - 3.50%	01/15/30	2,160,000
2015A Improvement bonds	08/13/15	2.00% - 3.00%	01/15/31	850,000
2016A Improvement bonds	06/01/16	2.00%	01/15/32	5,220,000
2017A Improvement bonds	06/01/17	2.50% - 3.00%	01/15/33	3,710,000
2019A Improvement bonds	10/24/19	2.00% - 3.00%	02/01/35	1,135,000
2021A Improvement bonds	12/07/21	1.75% - 3.00%	02/01/37	6,310,000
Total general obligation revenue bonds				<u>22,195,000</u>
Unamortized bond premiums				646,659
Compensated absences payable				28,340
Total business-type activities				<u><u>\$22,869,999</u></u>



**CITY OF LAKE ELMO, MINNESOTA**  
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**CHANGES IN LONG-TERM DEBT**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b><u>Governmental activities:</u></b>					
G.O. Improvement bonds	\$13,695,000	\$15,675,000	\$2,665,000	\$26,705,000	\$1,770,000
G.O. Equipment certificates	850,000	-	95,000	755,000	100,000
Taxable lease revenue bonds	881,000	-	881,000	-	-
Unamortized bond premiums	364,432	548,115	47,994	864,553	-
Compensated absences payable	109,369	98,864	122,526	85,707	64,280
Total governmental activities	<u>\$15,899,801</u>	<u>\$16,321,979</u>	<u>\$3,811,520</u>	<u>\$28,410,260</u>	<u>\$1,934,280</u>
<b><u>Business-type activities:</u></b>					
G.O. Revenue bonds	\$19,710,000	\$6,310,000	\$3,825,000	\$22,195,000	\$1,345,000
Unamortized bond premiums	395,366	321,617	70,324	646,659	-
Compensated absences payable	27,714	33,284	32,658	28,340	21,255
Total business-type activities	<u>\$20,133,080</u>	<u>\$6,664,901</u>	<u>\$3,927,982</u>	<u>\$22,869,999</u>	<u>\$1,366,255</u>

**DEBT SERVICE REQUIREMENTS**

Future principal and interest payments required to retire long-term debt are as follows:

Years Ending December 31	General Obligation Improvement Bonds		General Obligation Equipment Certificates		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$1,770,000	\$500,458	\$100,000	\$19,036	\$1,345,000	\$468,989
2023	2,380,000	577,122	100,000	16,336	1,810,000	487,575
2024	2,325,000	514,001	105,000	13,568	1,815,000	443,165
2025	2,295,000	450,550	110,000	10,665	1,865,000	397,603
2026	2,155,000	389,642	110,000	7,695	1,900,000	350,665
2027-2031	7,305,000	1,218,260	230,000	6,207	9,515,000	1,002,286
2032-2036	4,555,000	619,745	-	-	3,635,000	160,595
2037-2041	3,295,000	225,314	-	-	310,000	3,100
2042	625,000	6,641	-	-	-	-
Total	<u>\$26,705,000</u>	<u>\$4,501,733</u>	<u>\$755,000</u>	<u>\$73,507</u>	<u>\$22,195,000</u>	<u>\$3,313,977</u>

It is not practicable to determine the specific year for payment of long-term compensated absences payable. For governmental activities, compensated absences are liquidated by the General Fund.

**CITY OF LAKE ELMO, MINNESOTA**  
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DEFERRED AD VALOREM TAX LEVIES – BONDED DEBT

General obligation bonds are backed by the full faith and credit of the City, including special assessment and revenue bond issues. General Obligation improvement bond issues are financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest. The future scheduled tax levies are not shown as assets in the accompanying financial statements.

CURRENT REFUNDINGS

On December 7, 2021, the City issued General Obligation Improvement, CIP, and Refunding Bonds in the amount of \$21,985,000. On December 7, 2021, \$2,280,000 of the bonds, along with a bond premium, were used to advance refund the 2022 through 2033 maturities of the 2013A General Obligation Bonds in the amount of \$2,370,000. The refunding will reduce the City's total debt service payments over the last twelve years of the bond by \$313,674 and obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) by \$315,814.

On December 7, 2021, the City issued General Obligation Improvement, CIP, and Refunding Bonds in the amount of \$21,985,000. On December 20, 2021, \$815,000 of the bonds, along with a bond premium, were used to advance refund the 2022 through 2034 maturities of the 2018A Taxable Lease Revenue Bonds in the amount of \$834,000. The refunding will reduce the City's total debt service payments over the last thirteen years of the bond by \$149,393 and obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) by \$153,251.

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**REVENUE PLEDGED**

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged		Remaining Principal and Interest	Current Year	
		Type	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2010A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2011 - 2020	\$ -	\$76,050	\$6,774
2010B G.O. CIP Refunding	Infrastructure improvements	Ad valorem taxes	2011 - 2024	\$776,345	\$194,841	\$207,338
2011A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2012 - 2021	\$91,035	\$93,105	\$5,345
2012A G.O. Refunding	Water system improvements	Water usage charges	2012 - 2030	\$3,139,758	\$270,644	\$1,711,596
2012B G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2013 - 2022	\$193,611	\$94,375	\$83,674
2013A G.O. Improvement	Infrastructure improvements	Special assessments, Water & Sewer charges	2014 - 2033	\$ -	\$3,662,081	\$2,266,092
2014A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water & Sewer charges	2015 - 2029	\$4,288,380	\$543,178	\$2,510,777
2015A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water & Sewer charges	2016 - 2030	\$1,839,113	\$288,864	\$2,341,746
2016A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water, Sewer, & Storm charges	2017 - 2031	\$7,591,550	\$834,800	\$3,068,346
2017A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water, Sewer, & Storm charges	2018 - 2032	\$7,950,121	\$879,891	\$3,193,725
2018A G.O. Equipment Certificates	Purchase of fire truck, dump truck	Ad valorem taxes	2019 - 2027	\$828,507	\$116,668	\$123,848
2018A Taxable Lease Revenue	Purchase of city hall	Lease revenues	2018 - 2033	\$ -	\$935,747	\$ -
2019A G.O. Improvement	Infrastructure improvements, capital equipment	Ad valorem taxes, Special assessments, Water, Sewer, & Storm charges	2020 - 2034	\$4,265,035	\$406,056	\$3,118,970
2021A G.O. Improvement	New city hall, fire station, law enforcement facility and public works addition, and infrastructure improvements	Ad valorem taxes, Special assessments, Water & Sewer charges	2021-2042	\$26,580,762	\$ -	\$2,745,863

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**Note 7**    **DEFINED BENEFIT PENSION PLANS – PERA**

**A. PLAN DESCRIPTION**

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

1. General Employees Retirement Fund (GERF)

All full-time (with the exception of employees covered by PEPFF) and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**B. BENEFITS PROVIDED**

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or

after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. CONTRIBUTIONS**

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

1. GERS Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the GERS for the year ended December 31, 2021 were \$120,362. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70%. The City's contributions to the PEPFF for the year ended December 31, 2021 were \$47,658. The City's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

1. GERS Pension Costs

At December 31, 2021, the City reported a liability of \$862,631 for its proportionate share of GERS's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$26,322. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1,

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2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0202% at the end of the measurement period and 0.0207% for the beginning of the period.

City's proportionate share of the net pension liability	\$862,631
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>26,322</u>
Total	<u><u>\$888,953</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$31,156 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$2,124 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2021, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$5,235	\$26,399
Changes in actuarial assumptions	526,704	19,007
Net collective difference between projected and actual investment earnings		747,065
Changes in proportion	43,128	20,758
Contributions paid to PERA subsequent to the measurement date	<u>66,136</u>	<u>-</u>
Total	<u><u>\$641,203</u></u>	<u><u>\$813,229</u></u>

The \$66,136 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2022	(\$20,175)
2023	(582)
2024	(13,639)
2025	(203,766)
2026	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2021, the City reported a liability of \$127,363 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0165% at the end of the measurement period and 0.0171% for the beginning of the period.

The State of Minnesota also contributed \$18 million to PEPFF during the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the PEPFF Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. PEPFF employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$3,692 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional \$1,040 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the PEPFF.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$1,485 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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At December 31, 2021, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$24,281	\$ -
Changes in actuarial assumptions	187,190	63,630
Net collective difference between projected and actual investment earnings	-	242,760
Changes in proportion	85,453	42,535
Contributions paid to PERA subsequent to the measurement date	27,686	-
Total	<u>\$324,610</u>	<u>\$348,925</u>

The \$27,686 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as outflows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2022	(\$65,431)
2023	19,338
2024	(15,692)
2025	(30,110)
2026	39,894
Thereafter	-

For governmental activities, the net pension liability for GERF and PEPFF will be liquidated by the General Fund.

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	6.50%

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the GERF range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the PEPFF, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.



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Mortality rates for GERF were based on the Pub-2010 General Employee Mortality Table. Mortality rates for PEPFF were based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience. Cost of living benefit increases after retirement are assumed to be 1.25% per year for GERF and 1.0% per year for PEPFF.

Actuarial assumptions for GERF are reviewed every four years. The most recent four-year experience study for GERF was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for PEPFF was completed in 2020 and adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25%	0.75%
Private markets	25%	5.90%
Total	100%	

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF and the PEPFF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. PENSION LIABILITY SENSITIVITY**

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

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
Proportionate share of the GERF net pension liability	\$1,759,326	\$862,631	\$126,837
Proportionate share of the PEPFF net pension liability	\$404,354	\$127,363	(\$99,702)

**H. PENSION PLAN FIDUCIARY NET POSITION**

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

**I. PENSION EXPENSE**

Pension expense recognized by the City for the year ended December 31, 2021 is as follows:

GERF	\$33,280
PEPFF	4,732
Fire Pension Plan (Note 8)	<u>(5,294)</u>
 Total	 <u><u>\$32,718</u></u>

**Note 8 DEFINED BENEFIT PENSION PLAN – LAKE ELMO FIREFIGHTERS RELIEF ASSOCIATION**

**A. PLAN DESCRIPTION**

The Lake Elmo Firefighters Relief Association (the Association) is the administrator of a single employer Public Employee Retirement System (PERS) defined benefit pension plan established to provide benefits for members of the Lake Elmo Fire Department. The plan was established and is administered in accordance with Minnesota Statutes. As of the January 1, 2021 valuation date, plan participants consisted of the following:

Retired members entitled to benefits, but have not received them	5
Current members:	
Fully vested (20 years or more)	1
Partially vested (10 years to 19 years)	8
Nonvested (less than 10 years)	<u>11</u>
 Total	 <u><u>25</u></u>

**B. BENEFITS PROVIDED**

Twenty Year Service Pension

Each member who is at least 50 years of age; has retired from the Lake Elmo Fire Department; has served at least twenty (20) years of active service with such department before retirement; and, has been a member of the Association in good standing at least 10 years prior to such retirement; shall be entitled to a pro-rated lump sum service pension in the amount of \$5,850 for each completed full year of service and pro-rated monthly for fractional years of service but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law. Members with 10 years of service receive partial vesting at 60% of the 20 year rate and 4% is added for every one year of service beyond ten years up to 20 years.

**CITY OF LAKE ELMO, MINNESOTA**  
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Death Benefits

Upon the death of an active or deferred member, the beneficiaries of deceased members shall be paid a death benefit depending on the number of years of service:

Up to 10 years	\$5,850
10 years to 30 years	That amount the deceased had earned as retirement benefit had she/he retired on the date of death and been fifty (50) years of age.

State Supplemental Benefits

Minnesota Statute 424A.10 provides for the payment of a supplemental benefit equal to ten percent of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of a State income tax exclusion for lump sum distributions and will no longer be available if State tax law is modified to exclude lump sum distributions from State income tax. The Association qualifies for these benefits.

**C. CONTRIBUTIONS**

Minnesota Statute Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). Contributions totaling \$76,608 were made by the State of Minnesota for the year ended December 31, 2020.

**D. CHANGES IN THE NET PENSION ASSET**

The net pension liability (asset) was measured using a one-year lookback as of December 31, 2020. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2021 by applying an actuarial formula to specific census data certified by the fire department.

**CITY OF LAKE ELMO, MINNESOTA**  
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December 31, 2021

At December 31, 2021, the City reported a net pension asset of \$505,422.

The following table presents the changes in net pension asset during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Balance at December 31, 2019	\$724,844	\$1,097,917	(\$373,073)
Changes for the year:			
Service cost	38,225	-	38,225
Interest cost	39,743	-	39,743
Assumption changes	-	-	-
Plan Changes	-	-	-
Projected investment earnings	-	-	-
Contributions - State of MN	-	76,608	(76,608)
Asset (gain) / loss	(21,722)	118,822	(140,544)
Benefit payments	-	-	-
Administrative expenses	(6,057)	(12,892)	6,835
Net changes	50,189	182,538	(132,349)
Balance at December 31, 2020	\$775,033	\$1,280,455	(\$505,422)

For the year ended December 31, 2021, the City recognized a reduction to pension expense in the amount of \$5,294.

At December 31, 2021, the City reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$60,830
Assumption changes	11,665	-
Liability gains	-	95,744
Total	\$11,665	\$156,574

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

<u>Year Ending</u> <u>December 31,</u>	<u>Pension</u> <u>Expense</u>
2022	(\$34,633)
2023	(15,352)
2024	(41,370)
2025	(26,043)
2026	(14,135)
Thereafter	(13,376)

**E. ACTUARIAL ASSUMPTIONS**

The total pension asset was determined by an actuarial valuation as of December 31, 2020 using the following actuarial assumptions, applied to all periods in the measurement:

Valuation date	1/1/2021
Measurement date (assets and funded status)	12/31/2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount
	Closed 5 year period
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.25%
20-year municipal bond yield	N/A
Projected salary increases	2.50%
Includes inflation at	N/A
Cost-of-living adjustments	N/A
Age of service retirement	50
Post retirement benefit increase	N/A
Mortality	Due to a small sample size, assumed no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation. All results are then rounded to the nearest quarter percentage point.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumptions was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan’s asset allocation as of the measurement date are summarized in the following table:

Asset Class	Portfolio Weight	Expected Class Return
Cash	15%	1.80%
Fixed income	22%	3.00%
Equities	62%	6.80%
Other	1%	7.00%
Total (weighted avg., rounded to 1/4%)	100%	5.25%

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability was 5.25%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” The determination of the discount rate assumed that the plan’s current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, the plan’s long-term expected return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. PENSION LIABILITY (ASSET) SENSITIVITY**

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

	1% Decrease in Discount Rate (4.25%)	Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net pension asset	(\$472,425)	(\$505,422)	(\$537,234)

**H. PENSION PLAN FIDUCIARY NET POSITION**

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

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**Note 9 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. PLAN DESCRIPTION**

In addition to providing the pension benefits described in Note 7 and 8, the City provides post-employment health care benefits, as defined in paragraph B, through its group health insurance plan (the plan). The plan is a single-employer defined benefit OPEB plan administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**B. BENEFITS PROVIDED**

RETIREEES

At retirement, employees of the City receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the City's group insurance plan. Vesting requirements of three years if hired before July 1, 2010 or five years if hired on or after July 1, 2010 generally apply.

DISABLED POLICE AND FIREFIGHTERS

The City continues to pay the employer's contribution toward health coverage for firefighters disabled in the line of duty and deceased firefighter's dependents if the firefighter was killed in the line of duty, per Minnesota Statute 299A.465, until age 65. Dependent coverage is included, if the dependents were covered at the time of the disability. During 2021, no benefits were paid for firefighters disabled or killed in the line of duty.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65, Medicare becomes the primary insurer and the City's plan becomes secondary.

**C. PARTICIPANTS**

As of the December 31, 2019 actuarial valuation, participants of the plan consisted of:

Active employees	23
Inactive employees or beneficiaries	
currently receiving benefits	<u>0</u>
Total	<u><u>23</u></u>



**D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY**

The City’s total OPEB liability of \$99,789 was measured as of December 31, 2020 and was determined by an actuarial valuation as of December 31, 2019. Changes in the total OPEB liability during 2021 were:

Balance - beginning of year	\$79,303
Changes for the year:	
Service cost	13,859
Interest	2,541
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	5,583
Benefit payments	<u>(1,497)</u>
Net changes	<u>20,486</u>
Balance - end of year	<u><u>\$99,789</u></u>

For governmental activities, the OPEB liability is liquidated by the General Fund. The estimated amount due within one year is immaterial, and therefore, is not separately presented on the Statement of Net Position.

**E. ACTUARIAL ASSUMPTIONS AND OTHER INPUTS**

All costs and liabilities under the plan were determined in accordance with the Alternative Measurement Method prescribed by GASB Statement No. 75 for employers with under 100 plan participants. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.50%
Discount rate	2.00%
Investment rate of return	2.00%
Healthcare cost trend rates	6.20% for 2020; gradually decreasing over several decades to an ultimate rate of 4.00% for 2075 and later years

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based on the Fidelity 20-Year Municipal GO AA Index as of December 31, 2020.

40% of the employees currently electing coverage are assumed to elect coverage in the same plan and coverage level at retirement, continue coverage to age 65 and then waive coverage. Employees currently waiving coverage are assumed to waive coverage at retirement. Retirement age is assumed to be the latest of age 62, plan eligibility or current age.

For retirees, actual disability status was used. 100% of current and future retirees under age 65 are assumed to become Medicare eligible at the later of age 65 or retirement. Actual Medicare status was used for retired members.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

Changes in actuarial assumptions since the previous valuation include:

- The discount rate was changed from 2.75% to 2.00%

**F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.00%) or 1% higher (3.00%) than the current discount rate:

	1% Decrease <u>(1.00%)</u>	Discount Rate <u>(2.00%)</u>	1% Increase <u>(3.00%)</u>
Total OPEB liability	\$107,805	\$99,789	\$92,427

**G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.2% decreasing to 3.0%) or 1% higher (7.2% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease <u>(5.2% decreasing to 3.0%)</u>	Healthcare Cost Trend Rates <u>(6.2% decreasing to 4.0%)</u>	1% Increase <u>(7.2% decreasing to 5.0%)</u>
Total OPEB liability	\$88,082	\$99,789	\$114,292

**H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB**

For the year ended December 31, 2021, the City recognized \$20,486 of OPEB expense.

In accordance with the Alternative Measurement Method, gains and losses due to experience and assumption changes are recognized immediately. In addition, there were no contributions between the measurement date and reporting date because the City has no retirees and no active employees who were expected to retire during 2021. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2021.

**Note 10 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND BALANCES**

The following funds reported a deficit fund balance at December 31, 2021:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
CSAH 19 / Hudson Blvd Interchange (425)	(\$137,281)
CSAH 13 Phase 2 (427)	(18,885)
Inwood and 5th Street Stoplight (429)	(28,202)
CSAH 15 Manning Avenue Phase 3 (433)	(3,525)
CSAH 15 Manning Avenue and 30th Street (438)	(7,541)
TH36 Lake Elmo Avenue Improvements (440)	(1,702)
2022 Street Improvements (441)	(48,868)

The City intends to fund these deficits during 2022 with bond proceeds, MSA revenue, and transfers from the General Fund.

**B. EXPENDITURES IN EXCESS OF BUDGET**

The following is a listing of departments within the General Fund that exceeded budget appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Overage</u>
General government:			
Elections	\$3,150	\$5,112	\$1,962
City facilities	22,963	27,347	4,384
Planning and zoning	275,408	301,327	25,919
Public safety:			
Building inspection	926,142	1,231,520	305,378
Animal control	13,000	14,161	1,161

All expenditure overages were approved by the City Council through the disbursement approval process. Also of note, General Fund license and permit revenue exceeded budgeted by \$472,158.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 11 DUE FROM AND DUE TO OTHER FUNDS**

Interfund payables and receivables are representative of lending/borrowing arrangements to cover deficit cash balances at year-end. All balances are expected to be eliminated within one year.

A summary of due from and due to balances at December 31, 2021 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$222,457	\$ -
Nonmajor Funds:		
CSAH 19 / Hudson Blvd Interchange	-	137,281
CSAH 13 Phase 2	-	18,722
Inwood and 5th Street Stoplight	-	28,202
CSAH 15 Manning Avenue Phase 3	-	3,525
CSAH 15 Manning Avenue and 30th Street	-	7,476
TH36 Lake Elmo Avenue Improvements	-	1,507
2022 Street Improvements	-	25,744
	<u>\$222,457</u>	<u>\$222,457</u>

**Note 12 INTERFUND TRANSFERS**

Individual fund transfers for fiscal year 2021 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$699,482
Debt Service Fund	113,792	-
Vehicle Acquisition	260,746	-
City Hall/Fire Station Building Project	5,250,000	-
Water Fund	-	3,750,000
Sewer Fund	-	1,500,000
Nonmajor Funds:		
Economic Development Authority	30,000	-
Infrastructure Reserve	-	69,446
Village Project	378,736	-
CSAH 15/CSAH 14 Realignment	16,904	-
Old Village Phase 4	-	23,774
2018 Street Improvements	-	90,018
Manning Corridor and Safety Management	3,086	-
2019 Street and Utility Project	5,731	-
Inwood and 79th Street Stoplight	73,725	-
Total	<u>\$6,132,720</u>	<u>\$6,132,720</u>

During 2021, transfers were made to provide financing for economic development, debt service, capital expenditures, and to close out unused funds. These transfers are routine and consistent with past practices.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 13 FUND BALANCE**

At December 31, 2021, a summary of the governmental fund balance classifications is as follows:

	General	Debt Service	Park Dedication	Vehicle Acquisition	Heritage Farms Street & Utility Improvements	City Hall / Fire Station Building Project	Other Governmental Funds	Total
Nonspendable:								
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:								
Debt service	-	3,890,901	-	-	-	-	-	3,890,901
Capital improvements	-	-	-	-	131,951	9,963,112	448,765	10,543,828
Park improvements:								
Ball parks	-	-	1,000,000	-	-	-	-	1,000,000
Other parks improvements	-	-	2,024,220	-	-	-	-	2,024,220
Total restricted	<u>0</u>	<u>3,890,901</u>	<u>3,024,220</u>	<u>0</u>	<u>131,951</u>	<u>9,963,112</u>	<u>448,765</u>	<u>17,458,949</u>
Committed for:								
Lions Park	-	-	-	-	-	-	7,673	7,673
Assigned for:								
Vehicle Acquisition	-	-	-	1,558,215	-	-	-	1,558,215
City Hall/Fire Station Building Project	-	-	-	-	-	5,257,054	-	5,257,054
American Rescue Plan Act	-	-	-	-	-	-	2,444	2,444
Economic Development Authority	-	-	-	-	-	-	12,056	12,056
Infrastructure Reserve	-	-	-	-	-	-	563,997	563,997
City Facilities	-	-	-	-	-	-	96,655	96,655
Manning and Hudson Future Stoplight	-	-	-	-	-	-	11,197	11,197
Railroad Crossing Improvements	-	-	-	-	-	-	68,219	68,219
Manning and Highway 36 Interchange	-	-	-	-	-	-	1,664	1,664
Total assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,558,215</u>	<u>0</u>	<u>5,257,054</u>	<u>756,232</u>	<u>7,571,501</u>
Unassigned	5,618,812	-	-	-	-	-	(246,004)	5,372,808
Total fund balance	<u>\$5,618,812</u>	<u>\$3,890,901</u>	<u>\$3,024,220</u>	<u>\$1,558,215</u>	<u>\$131,951</u>	<u>\$15,220,166</u>	<u>\$966,666</u>	<u>\$30,410,931</u>

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain unassigned fund balance in the General Fund with a target floor of 50-60% of the subsequent budgeted fiscal year expenditures. At December 31, 2021, actual unassigned fund balance of the General Fund was 78% of 2022 budgeted expenditures.

**Note 14 COMMITMENTS AND CONTINGENCIES**

**A. LITIGATION**

Existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance, of an immaterial amount, or, in the judgment of the City's management, remotely recoverable by plaintiffs.

**B. FEDERAL AND STATE FUNDS**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2021.

**C. COMMITTED CONTRACTS**

At December 31, 2021, the City had commitments of \$19,362,667 for uncompleted construction contracts. In addition, the City has entered into construction contracts totaling approximately \$13,564,000 during 2022 for various projects.

**Note 15 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.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusions from the insurance policies. These amounts are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**Note 16 RECENTLY ISSUED ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

**Statement No. 87 *Leases*.** The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

**Statement No. 92 *Omnibus 2020*.** The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

**Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.** The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

**Statement No. 96 *Subscription – Based Information Technology Arrangements*.** The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

**Statement No. 99 *Omnibus 2022*.** The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2022.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKE ELMO, MINNESOTA**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For The Year Ended December 31, 2021  
 With Comparative Actual Amounts For The Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$3,824,879	\$3,824,879	\$3,865,164	\$40,285	\$3,534,627
Licenses and permits:					
Business	42,870	42,870	80,857	37,987	60,816
Non-business	970,630	970,630	1,404,801	434,171	1,364,879
Total licenses and permits	1,013,500	1,013,500	1,485,658	472,158	1,425,695
Intergovernmental:					
MSA - maintenance	151,755	151,755	163,776	12,021	173,566
Fire state aid	64,000	64,000	80,470	16,470	76,608
Other state aid	4,820	4,820	10,983	6,163	23,020
County and local	1,500	1,500	11,951	10,451	-
Total intergovernmental	222,075	222,075	267,180	45,105	273,194
Charges for services	757,664	757,664	1,064,375	306,711	1,022,028
Fines and forfeits	35,000	35,000	45,749	10,749	33,584
Special assessments	-	-	930	930	164,236
Investment income (loss)	77,000	77,000	(13,605)	(90,605)	164,236
Miscellaneous	133,500	133,500	177,000	43,500	183,711
Total revenues	6,063,618	6,063,618	6,892,451	828,833	6,801,311

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2021  
With Comparative Actual Amounts For The Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personal services	\$27,786	\$27,786	\$27,774	\$12	\$27,792
Supplies	4,757	4,757	4,132	625	1,755
Other services and charges	24,750	24,750	22,724	2,026	19,994
Total mayor and city council	57,293	57,293	54,630	2,663	49,541
Finance and Administration:					
Current:					
Personal services	339,918	339,918	331,656	8,262	261,246
Supplies	6,600	6,600	4,611	1,989	2,128
Other services and charges	292,426	292,426	257,858	34,568	341,927
Total finance and administration	638,944	638,944	594,125	44,819	605,301
Elections:					
Current:					
Personal services	-	-	1,606	(1,606)	9,655
Other services and charges	3,150	3,150	3,506	(356)	3,093
Total elections	3,150	3,150	5,112	(1,962)	12,748
Communications:					
Current:					
Personal services	38,627	38,627	34,967	3,660	33,183
Other services and charges	11,139	11,139	9,475	1,664	9,721
Total communications	49,766	49,766	44,442	5,324	42,904
City Facilities:					
Current:					
Supplies	900	900	127	773	124
Other services and charges	22,063	22,063	27,220	(5,157)	28,202
Total city facilities	22,963	22,963	27,347	(4,384)	28,326
Engineering:					
Current:					
Other services and charges	40,000	40,000	30,000	10,000	30,000
Total engineering	40,000	40,000	30,000	10,000	30,000
Planning and Zoning:					
Current:					
Personal services	230,934	230,934	201,391	29,543	205,566
Supplies	150	150	2,092	(1,942)	110
Other services and charges	44,324	44,324	97,844	(53,520)	30,758
Total planning and zoning	275,408	275,408	301,327	(25,919)	236,434
Total general government	1,087,524	1,087,524	1,056,983	30,541	1,005,254

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2021  
With Comparative Actual Amounts For The Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Expenditures (continued):					
Public safety:					
Police:					
Current:					
Contracted services	\$920,183	\$920,183	\$901,120	\$19,063	\$761,969
Other services and charges	1,800	1,800	-	1,800	-
Total police	921,983	921,983	901,120	20,863	761,969
Fire protection:					
Current:					
Personal services	598,939	598,939	486,897	112,042	406,657
Fire state aid	64,000	64,000	80,470	(16,470)	76,608
Supplies	45,279	45,279	50,199	(4,920)	29,640
Other services and charges	175,594	175,594	187,584	(11,990)	206,047
Total fire protection	883,812	883,812	805,150	78,662	718,952
Building inspection:					
Current:					
Personal services	550,584	550,584	427,955	122,629	319,006
Supplies	5,700	5,700	4,423	1,277	2,821
Other services and charges	369,858	369,858	799,142	(429,284)	776,664
Capital outlay	-	-	-	-	-
Total building inspection	926,142	926,142	1,231,520	(305,378)	1,098,491
Animal control:					
Current:					
Other services and charges	13,000	13,000	14,161	(1,161)	13,066
Prosecution:					
Current:					
Other services and charges	51,000	51,000	50,212	788	48,392
Emergency communications:					
Current:					
Other services and charges	3,350	3,350	1,514	1,836	900
Total public safety	2,799,287	2,799,287	3,003,677	(204,390)	2,641,770

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For The Year Ended December 31, 2021  
 With Comparative Actual Amounts For The Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
	Expenditures (continued):				
Public works:					
Current:					
Personal services	\$632,569	\$632,569	\$523,942	\$108,627	\$538,411
Supplies	184,700	184,700	160,759	23,941	188,759
Other services and charges	793,925	793,925	803,747	(9,822)	748,929
Total public works	<u>1,611,194</u>	<u>1,611,194</u>	<u>1,488,448</u>	<u>122,746</u>	<u>1,476,099</u>
Culture and Recreation:					
Parks:					
Current:					
Personal services	121,944	121,944	126,603	(4,659)	148,001
Supplies	18,300	18,300	18,798	(498)	20,183
Other services and charges	134,623	134,623	113,289	21,334	141,882
Total culture and recreation	<u>274,867</u>	<u>274,867</u>	<u>258,690</u>	<u>16,177</u>	<u>310,066</u>
Total expenditures	<u>5,772,872</u>	<u>5,772,872</u>	<u>5,807,798</u>	<u>(34,926)</u>	<u>5,433,189</u>
Revenue over (under) expenditures	<u>290,746</u>	<u>290,746</u>	<u>1,084,653</u>	<u>793,907</u>	<u>1,368,122</u>
Other financing (uses):					
Transfers in	-	-	-	-	765,079
Transfers out	<u>(290,746)</u>	<u>(290,746)</u>	<u>(699,482)</u>	<u>(408,736)</u>	<u>(1,049,508)</u>
Total other financing (uses)	<u>(290,746)</u>	<u>(290,746)</u>	<u>(699,482)</u>	<u>(408,736)</u>	<u>(284,429)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>385,171</u>	<u>\$385,171</u>	<u>919,457</u>
Fund balance, January 1			<u>5,233,641</u>		<u>4,314,184</u>
Fund balance, December 31			<u>\$5,618,812</u>		<u>\$5,233,641</u>

See accompanying notes to the required supplementary information.

CITY OF LAKE ELMO, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
 For The Last Ten Years

Statement 11

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$13,859	\$9,793	\$9,525	\$8,200
Interest	2,541	3,101	2,431	2,264
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(14,291)	-	-
Changes in assumptions	5,583	6,912	(2,098)	2,246
Benefit payments	(1,497)	-	-	-
Net change in total OPEB liability	20,486	5,515	9,858	12,710
Total OPEB liability - beginning	79,303	73,788	63,930	51,220
Total OPEB liability - ending	\$99,789	\$79,303	\$73,788	\$63,930
Covered-employee payroll	\$1,455,967	\$1,831,326	\$1,605,997	\$1,483,782
Total OPEB liability as a percentage of covered-employee payroll	6.9%	4.3%	4.6%	4.3%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

See accompanying notes to the required supplementary information.

CITY OF LAKE ELMO, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 12

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -

GENERAL EMPLOYEES RETIREMENT FUND

For The Last Ten Years

Measurement Date June 30,	Fiscal Year Ending December 31,	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	Total (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	2014	0.0191%	\$897,222	\$ -	\$897,222	\$979,703	91.6%	78.2%
2015	2015	0.0169%	875,846	-	875,846	975,250	89.8%	78.2%
2016	2016	0.0159%	1,291,001	16,853	1,307,854	1,041,540	125.6%	68.9%
2017	2017	0.0189%	1,206,564	15,173	1,221,737	1,209,466	101.0%	75.9%
2018	2018	0.0191%	1,059,590	34,710	1,094,300	1,283,088	85.3%	79.5%
2019	2019	0.0193%	1,067,054	33,165	1,100,219	1,364,625	80.6%	80.2%
2020	2020	0.0207%	1,241,060	38,201	1,279,261	1,476,621	86.6%	79.1%
2021	2021	0.0202%	862,631	26,322	888,953	1,456,866	61.0%	87.0%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**

REQUIRED SUPPLEMENTARY INFORMATION

**Statement 13**

SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND

For The Last Ten Years

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Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2014	\$73,182	\$73,182	\$ -	\$1,009,407	7.25%
2015	70,582	70,582	-	941,092	7.5%
2016	85,649	85,649	-	1,141,987	7.5%
2017	95,794	95,794	-	1,276,944	7.5%
2018	96,960	96,960	-	1,294,100	7.5%
2019	108,779	108,779	-	1,450,387	7.5%
2020	109,289	109,289	-	1,457,195	7.5%
2021	120,362	120,362	-	1,609,407	7.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.



**CITY OF LAKE ELMO, MINNESOTA**

## REQUIRED SUPPLEMENTARY INFORMATION

**Statement 14**

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -

## PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Last Ten Years

Measurement Date June 30,	Fiscal Year Ending December 31,	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	2014	0.0090%	\$97,204	\$84,098	115.6%	87.1%
2015	2015	0.0090%	102,261	86,600	118.1%	86.6%
2016	2016	0.0090%	361,186	87,111	414.6%	63.9%
2017	2017	0.0100%	135,012	105,846	127.6%	85.4%
2018	2018	0.0163%	173,741	172,287	100.8%	88.8%
2019	2019	0.0193%	205,468	203,030	101.2%	89.3%
2020	2020	0.0171%	225,396	194,511	115.9%	87.2%
2021	2021	0.0165%	127,363	194,379	65.5%	93.7%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**

## REQUIRED SUPPLEMENTARY INFORMATION

**Statement 15**

## SCHEDULE OF PENSION CONTRIBUTIONS - PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2014	\$13,035	\$13,035	-	\$85,195	15.30%
2015	14,257	14,257	-	88,005	16.20%
2016	13,967	13,967	-	86,216	16.20%
2017	20,327	20,327	-	125,475	16.20%
2018	30,990	30,990	-	191,350	16.20%
2019	39,225	39,225	-	231,416	16.95%
2020	27,492	27,492	-	155,365	17.70%
2021	47,658	47,658	-	269,254	17.70%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

CITY OF LAKE ELMO, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -  
 LAKE ELMO FIREFIGHTERS RELIEF ASSOCIATION  
 For The Last Ten Years

Statement 16

Fiscal year ending - December 31, Measurement date - December 31,	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015
<b>Total pension liability:</b>						
Service cost	\$38,225	\$37,293	\$28,420	\$27,727	\$27,579	\$28,520
Interest	39,743	42,177	36,119	35,544	36,976	37,130
Changes of assumptions	-	-	8,730	-	11,690	-
Plan changes	-	-	325,127	-	-	-
Gain or loss	(27,779)	-	(80,312)	-	(46,403)	-
Benefit payments	-	(253,525)	(100,987)	-	-	(191,582)
Net change in total pension liability	50,189	(174,055)	217,097	63,271	29,842	(125,932)
Total pension liability - beginning	724,844	898,899	681,802	618,531	588,689	714,621
Total pension liability - ending (a)	<u>\$775,033</u>	<u>\$724,844</u>	<u>\$898,899</u>	<u>\$681,802</u>	<u>\$618,531</u>	<u>\$588,689</u>
<b>Plan fiduciary net position:</b>						
Contributions - State of Minnesota	\$76,608	\$69,975	\$65,533	\$61,147	\$59,136	\$61,166
Net Investment income (loss)	118,822	127,902	(61,227)	156,879	70,101	(48,240)
Benefit payments	-	(253,525)	(100,987)	-	-	(191,582)
Administrative expense	(12,892)	(15,741)	(13,392)	(14,093)	(17,419)	(13,314)
Net change in plan fiduciary net position	182,538	(71,389)	(110,073)	203,933	111,818	(191,970)
Plan fiduciary net position - beginning	1,097,917	1,169,306	1,279,379	1,075,446	963,628	1,155,598
Plan fiduciary net position - ending (b)	<u>\$1,280,455</u>	<u>\$1,097,917</u>	<u>\$1,169,306</u>	<u>\$1,279,379</u>	<u>\$1,075,446</u>	<u>\$963,628</u>
Net pension liability/(asset) - ending (a) - (b)	<u>(\$505,422)</u>	<u>(\$373,073)</u>	<u>(\$270,407)</u>	<u>(\$597,577)</u>	<u>(\$456,915)</u>	<u>(\$374,939)</u>
Plan fiduciary net position as a percentage of the total pension liability	165.2%	151.5%	130.1%	187.6%	173.9%	163.7%
Covered payroll*	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

\*The Relief Association is comprised of volunteers, therefore, there are no payroll expenditures.  
 (i.e., there are no covered payroll amounts or percentage calculations.)

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2016 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Statement 17**

**SCHEDULE OF CONTRIBUTIONS - LAKE ELMO FIREFIGHTERS RELIEF ASSOCIATION**

For The Last Ten Years

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<u>Fiscal Year</u> <u>Ending</u> <u>December 31,</u>	<u>Statutorily</u> <u>Required</u> <u>Contribution</u> <u>(a)</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Statutorily Required</u> <u>Contribution (b)</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u> <u>(a-b)</u>	<u>Covered</u> <u>Payroll*</u> <u>(c)</u>	<u>Contributions as a</u> <u>Percentage of</u> <u>Covered*</u> <u>Payroll (b/c)</u>
2016	\$ -	\$61,166	(\$61,166)	N/A	N/A
2017	-	59,136	(59,136)	N/A	N/A
2018	-	61,147	(61,147)	N/A	N/A
2019	-	65,533	(65,533)	N/A	N/A
2020	-	69,975	(69,975)	N/A	N/A
2021	-	76,608	(76,608)	N/A	N/A

\*The Relief Association is comprised of volunteers, therefore, there are no payroll expenditures. (i.e., there are no covered payroll amounts or percentage calculations.)

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2016 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

**CITY OF LAKE ELMO, MINNESOTA**  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO RSI  
December 31, 2021

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**Note A LEGAL COMPLIANCE – BUDGETS**

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund.

**Note B OPEB INFORMATION**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

2021 Changes in Actuarial Assumptions:

- The discount rate was changed from 2.75% to 2.00%.

2020 Changes in Actuarial Assumptions:

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans. In addition, the medical trend rate adjustments to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans was removed because the tax was repealed.
- Medical per capita claims costs were updated to reflect recent experience.
- Salary increase rates were updated from the rates used in the July 1, 2017 PERA General Employees Plan valuation to the rates used in the July 1, 2019 valuation.
- Mortality rates were updated from the RP-2014 tables to the rates used in the July 1, 2019 PERA General Employees Plan actuarial valuation.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes in Actuarial Assumptions:

- The discount rate was changed from 3.31% to 3.71%.

**Note C PENSION INFORMATION**

**PERA – General Employees Retirement Fund**

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.

**CITY OF LAKE ELMO, MINNESOTA**  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO RSI  
December 31, 2021

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- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in the Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

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

**PERA – Public Employees Police and Fire Fund**

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

2020 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

**CITY OF LAKE ELMO, MINNESOTA**  
REQUIRED SUPPLEMENTARY INFORMATION  
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December 31, 2021

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- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes in Actuarial Assumptions:

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

**Single Employer – Fire Division**

*2018 Changes*

Changes in Benefit Terms:

- The benefit level increased from \$3,400 to \$5,850 for each year of service.



**COMBINING AND INDIVIDUAL NONMAJOR  
FUND FINANCIAL STATEMENTS**

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2021  
With Comparative Totals For December 31, 2020

**Statement 18**

Assets	Special	Capital	Total Nonmajor	
	Revenue	Project	Governmental Funds	
			2021	2020
Cash and investments	\$517,589	\$1,585,106	\$2,102,695	\$2,431,717
Accrued interest receivable	361	1,149	1,510	5,236
Accounts receivable	-	-	-	100,435
Due from other funds	-	-	-	16,059
Special assessments receivable:				
Deferred	-	17,833	17,833	17,833
<b>Total assets</b>	<b>\$517,950</b>	<b>\$1,604,088</b>	<b>\$2,122,038</b>	<b>\$2,571,280</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$19,200	\$44,884	\$64,084	\$71,080
Contracts and retainage payable	-	28,191	28,191	-
Due to other funds	-	222,457	222,457	1,455,847
Deposits payable	-	75,000	75,000	75,000
Unearned revenue	476,577	271,230	747,807	271,230
<b>Total liabilities</b>	<b>495,777</b>	<b>641,762</b>	<b>1,137,539</b>	<b>1,873,157</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	17,833	17,833	17,833
<b>Fund balance:</b>				
Restricted	-	448,765	448,765	1,278,472
Committed	7,673	-	7,673	7,691
Assigned	14,500	741,732	756,232	920,043
Unassigned	-	(246,004)	(246,004)	(1,525,916)
<b>Total fund balance</b>	<b>22,173</b>	<b>944,493</b>	<b>966,666</b>	<b>680,290</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$517,950</b>	<b>\$1,604,088</b>	<b>\$2,122,038</b>	<b>\$2,571,280</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended December 31, 2021**  
**With Comparative Totals For The Year Ended December 31, 2020**

**Statement 19**

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds	
			2021	2020
<b>Revenues:</b>				
Intergovernmental	\$26,668	\$428,280	\$454,948	\$749,999
Charges for services	57,539	30,000	87,539	251,213
Park dedication fees	-	-	-	714,558
Investment income (loss)	806	(1,306)	(500)	67,964
Total revenues	<u>85,013</u>	<u>456,974</u>	<u>541,987</u>	<u>1,783,734</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	4,289
Public works	-	-	-	12,982
Economic development authority	53,264	-	53,264	46,371
<b>Capital outlay:</b>				
General government	26,668	-	26,668	-
Public works	-	1,717,634	1,717,634	1,250,434
<b>Debt service:</b>				
Principal	881,000	-	881,000	-
Interest and fiscal charges	61,389	-	61,389	1,700
Total expenditures	<u>1,022,321</u>	<u>1,717,634</u>	<u>2,739,955</u>	<u>1,315,776</u>
Revenues over (under) expenditures	<u>(937,308)</u>	<u>(1,260,660)</u>	<u>(2,197,968)</u>	<u>467,958</u>
<b>Other financing sources:</b>				
Transfers in	30,000	478,182	508,182	45,661
Transfers out	-	(183,238)	(183,238)	(850,736)
Issuance of debt	815,000	2,215,460	3,030,460	-
Bond premium	45,450	100,900	146,350	-
Total other financing sources	<u>890,450</u>	<u>2,611,304</u>	<u>3,501,754</u>	<u>(805,075)</u>
Net change in fund balance	(46,858)	1,350,644	1,303,786	(337,117)
Fund balance - January 1	<u>69,031</u>	<u>(406,151)</u>	<u>(337,120)</u>	<u>1,017,407</u>
Fund balance - December 31	<u>\$22,173</u>	<u>\$944,493</u>	<u>\$966,666</u>	<u>\$680,290</u>
<b>Reconciliation of beginning fund balance to prior year ending fund balance:</b>				
Prior year ending fund balance reported above				\$680,290
Reclassification of the Park Dedication (404) fund balance, now presented as major				(1,193,853)
Reclassification of the Heritage Farms Street & Utility Improvements (434) fund balance, now presented as major				163,866
Reclassification of the City Hall / Fire Station Bldg Project (437) fund balance, now presented as major				12,577
Fund balance - January 1, 2021 as reported on this statement				<u>(337,120)</u>

CITY OF LAKE ELMO, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
December 31, 2021  
With Comparative Totals For December 31, 2020

Statement 20

Assets	Lions Park Sign Program (207)	Economic Development Authority (221)	ARPA Fund (252)	Total Nonmajor Special Revenue Funds	
				2021	2020
Cash and investments	\$7,668	\$15,420	\$494,501	\$517,589	\$69,506
Accrued interest receivable	5	3	353	361	321
<b>Total assets</b>	<b>\$7,673</b>	<b>\$15,423</b>	<b>\$494,854</b>	<b>\$517,950</b>	<b>\$69,827</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$3,367	\$15,833	\$19,200	\$796
Unearned revenue	-	-	476,577	476,577	-
<b>Total liabilities</b>	<b>0</b>	<b>3,367</b>	<b>492,410</b>	<b>495,777</b>	<b>796</b>
<b>Fund balance:</b>					
Committed	7,673	-	-	7,673	7,691
Assigned	-	12,056	2,444	14,500	61,340
<b>Total fund balance</b>	<b>7,673</b>	<b>12,056</b>	<b>2,444</b>	<b>22,173</b>	<b>69,031</b>
<b>Total liabilities and fund balance</b>	<b>\$7,673</b>	<b>\$15,423</b>	<b>\$494,854</b>	<b>\$517,950</b>	<b>\$69,827</b>

CITY OF LAKE ELMO, MINNESOTA  
SUBCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

Statement 21

	Lions Park Sign Program (207)	Economic Development Authority (221)	ARPA Fund (252)	Total Nonmajor Special Revenue Funds	
				2021	2020
Revenues:					
Intergovernmental	\$ -	\$ -	\$26,668	\$26,668	\$749,999
Charges for services	-	57,539	-	57,539	87,778
Investment income (loss)	(18)	(1,620)	2,444	806	22,638
Total revenues	(18)	55,919	29,112	85,013	860,415
Expenditures:					
Current:					
General government	-	-	-	-	4,289
Economic development authority	-	53,264	-	53,264	46,371
Capital outlay:					
General government	-	-	26,668	26,668	-
Debt service:					
Principal	-	881,000	-	881,000	-
Interest and fiscal charges	-	61,389	-	61,389	1,700
Total expenditures	0	995,653	26,668	1,022,321	52,360
Revenues over (under) expenditures	(18)	(939,734)	2,444	(937,308)	808,055
Other financing sources (uses):					
Transfers in	-	30,000	-	30,000	30,000
Transfers out	-	-	-	-	(850,736)
Issuance of debt	-	815,000	-	815,000	-
Bond premium	-	45,450	-	45,450	-
Total other financing sources (uses)	0	890,450	0	890,450	(820,736)
Net change in fund balance	(18)	(49,284)	2,444	(46,858)	(12,681)
Fund balances - January 1	7,691	61,340	-	69,031	81,712
Fund balances - December 31	\$7,673	\$12,056	\$2,444	\$22,173	\$69,031

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	Infrastructure Reserve (409)	City Facilities (411)	Manning and Hudson Future Stoplight (423)	CSAH 19 / Hudson Blvd Interchange (425)
<b>Assets</b>				
Cash and investments	\$563,577	\$96,586	\$261,011	\$ -
Accrued interest receivable	420	69	186	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Special assessments receivable:				
Deferred	17,833	-	-	-
<b>Total assets</b>	<b>\$581,830</b>	<b>\$96,655</b>	<b>\$261,197</b>	<b>\$0</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts and retainage payable	-	-	-	-
Due to other funds	-	-	-	137,281
Deposits payable	-	-	-	-
Unearned revenue	-	-	250,000	-
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>137,281</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	17,833	-	-	-
<b>Fund balance (deficit):</b>				
Restricted	-	-	-	-
Assigned	563,997	96,655	11,197	-
Unassigned	-	-	-	(137,281)
<b>Total fund balance (deficit)</b>	<b>563,997</b>	<b>96,655</b>	<b>11,197</b>	<b>(137,281)</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$581,830</b>	<b>\$96,655</b>	<b>\$261,197</b>	<b>\$0</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
December 31, 2021  
With Comparative Totals For December 31, 2020

	CSAH 13 Phase 2 (427)	Inwood and 5th Street Stoplight (429)	Railroad Crossing Improvements (430)	Old Village Phases 5 & 6 (431)
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$89,568	\$370,152
Accrued interest receivable	-	-	64	264
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Special assessments receivable:				
Deferred	-	-	-	-
<b>Total assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,632</b>	<b>\$370,416</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$163	\$ -	\$183	\$18,908
Contracts and retainage payable	-	-	-	28,191
Due to other funds	18,722	28,202	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	21,230	-
<b>Total liabilities</b>	<b>18,885</b>	<b>28,202</b>	<b>21,413</b>	<b>47,099</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	-	-	-
<b>Fund balance (deficit):</b>				
Restricted	-	-	-	323,317
Assigned	-	-	68,219	-
Unassigned	(18,885)	(28,202)	-	-
<b>Total fund balance (deficit)</b>	<b>(18,885)</b>	<b>(28,202)</b>	<b>68,219</b>	<b>323,317</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,632</b>	<b>\$370,416</b>



CSAH 15 Manning Avenue Phase 3 (433)	Manning and Highway 36 Interchange (435)	Tamarack Farm Estates Street Improvements (436)	CSAH 15 Manning Avenue and 30th Street (438)	TH36 Lake Elmo Avenue Improvements (440)	2022 Street Improvements (441)	Total Nonmajor Capital Project Funds	
						2021	2020
\$ -	\$76,609	\$127,603	\$ -	\$ -	\$ -	\$1,585,106	\$2,362,211
-	55	91	-	-	-	1,149	4,915
-	-	-	-	-	-	-	100,435
-	-	-	-	-	-	-	16,059
-	-	-	-	-	-	17,833	17,833
<u>\$0</u>	<u>\$76,664</u>	<u>\$127,694</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,604,088</u>	<u>\$2,501,453</u>
\$ -	\$ -	\$2,246	\$65	\$195	\$23,124	\$44,884	\$70,284
-	-	-	-	-	-	28,191	-
3,525	-	-	7,476	1,507	25,744	222,457	1,455,847
-	75,000	-	-	-	-	75,000	75,000
-	-	-	-	-	-	271,230	271,230
<u>3,525</u>	<u>75,000</u>	<u>2,246</u>	<u>7,541</u>	<u>1,702</u>	<u>48,868</u>	<u>641,762</u>	<u>1,872,361</u>
-	-	-	-	-	-	17,833	17,833
-	-	125,448	-	-	-	448,765	1,278,472
-	1,664	-	-	-	-	741,732	858,703
(3,525)	-	-	(7,541)	(1,702)	(48,868)	(246,004)	(1,525,916)
<u>(3,525)</u>	<u>1,664</u>	<u>125,448</u>	<u>(7,541)</u>	<u>(1,702)</u>	<u>(48,868)</u>	<u>944,493</u>	<u>611,259</u>
<u>\$0</u>	<u>\$76,664</u>	<u>\$127,694</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,604,088</u>	<u>\$2,501,453</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

	Infrastructure Reserve (409)	City Facilities (411)	Village Project (413)	CSAH 15 / CSAH 14 Realignment (414)
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Park dedication fees	-	-	-	-
Investment income (loss)	(598)	(219)	-	-
<b>Total revenues</b>	<u>(598)</u>	<u>(219)</u>	<u>0</u>	<u>0</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	-	-	-	-
<b>Capital outlay:</b>				
Public works	(150)	-	-	7,357
<b>Total expenditures</b>	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>7,357</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	378,736	16,904
Transfers out	(69,446)	-	-	-
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(69,446)</u>	<u>0</u>	<u>378,736</u>	<u>16,904</u>
<b>Net change in fund balance</b>	(69,894)	(219)	378,736	9,547
<b>Fund balances - January 1</b>	<u>633,891</u>	<u>96,874</u>	<u>(378,736)</u>	<u>(9,547)</u>
<b>Fund balances - December 31</b>	<u><u>\$563,997</u></u>	<u><u>\$96,655</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Old Village Phase 4 (421)	2018 Street Improvements (422)	Manning and Hudson Future Stoplight (423)	Manning Corridor and Safety Management (424)	CSAH 19 / Hudson Blvd Interchange (425)	2019 Street and Utility Project (426)
\$ -	\$ -	\$ -	\$ -	\$428,280	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
(81)	(309)	(591)	-	-	-
<u>(81)</u>	<u>(309)</u>	<u>(591)</u>	<u>0</u>	<u>428,280</u>	<u>0</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	3,086	-	5,731
(23,774)	(90,018)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(23,774)</u>	<u>(90,018)</u>	<u>0</u>	<u>3,086</u>	<u>0</u>	<u>5,731</u>
(23,855)	(90,327)	(591)	3,086	428,280	5,731
<u>23,855</u>	<u>90,327</u>	<u>11,788</u>	<u>(3,086)</u>	<u>(565,561)</u>	<u>(5,731)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$11,197</u>	<u>\$0</u>	<u>(\$137,281)</u>	<u>\$0</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For The Year Ended December 31, 2021**  
**With Comparative Totals For The Year Ended December 31, 2020**

	CSAH 13 Phase 2 (427)	Inwood and 5th Street Stoplight (429)	Railroad Crossing Improvements (430)	Old Village Phases 5 & 6 (431)	CSAH 15 Manning Avenue Phase 3 (433)
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	30,000	-	-	-
Park dedication fees	-	-	-	-	-
Investment income (loss)	-	-	(313)	728	-
Total revenues	<u>0</u>	<u>30,000</u>	<u>(313)</u>	<u>728</u>	<u>0</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public works	-	-	-	-	-
<b>Capital outlay:</b>					
Public works	8,250	24,297	16,217	942,020	455
Total expenditures	<u>8,250</u>	<u>24,297</u>	<u>16,217</u>	<u>942,020</u>	<u>455</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	73,725	-	-	-
Transfers out	-	-	-	-	-
Issuance of debt	-	-	-	1,449,780	-
Bond premium	-	-	-	66,028	-
Total other financing sources (uses)	<u>0</u>	<u>73,725</u>	<u>0</u>	<u>1,515,808</u>	<u>0</u>
Net change in fund balance	(8,250)	79,428	(16,530)	574,516	(455)
Fund balances - January 1	<u>(10,635)</u>	<u>(107,630)</u>	<u>84,749</u>	<u>(251,199)</u>	<u>(3,070)</u>
Fund balances - December 31	<u><u>(\$18,885)</u></u>	<u><u>(\$28,202)</u></u>	<u><u>\$68,219</u></u>	<u><u>\$323,317</u></u>	<u><u>(\$3,525)</u></u>

Manning and Highway 36 Interchange (435)	Tamarack Farm Estates Street Improvements (436)	CSAH 15 Manning Avenue and 30th Street (438)	TH36 Lake Elmo Avenue Improvements (440)	2022 Street Improvements (441)	Total Nonmajor Capital Project Funds	
					2021	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$428,280	\$ -
-	-	-	-	-	30,000	163,435
-	-	-	-	-	-	714,558
(174)	251	-	-	-	(1,306)	45,326
<u>(174)</u>	<u>251</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>456,974</u>	<u>923,319</u>
-	-	-	-	-	-	12,982
-	661,077	7,541	1,702	48,868	1,717,634	1,250,434
<u>0</u>	<u>661,077</u>	<u>7,541</u>	<u>1,702</u>	<u>48,868</u>	<u>1,717,634</u>	<u>1,263,416</u>
-	-	-	-	-	478,182	15,661
-	-	-	-	-	(183,238)	-
-	765,680	-	-	-	2,215,460	-
-	34,872	-	-	-	100,900	-
<u>0</u>	<u>800,552</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,611,304</u>	<u>15,661</u>
(174)	139,726	(7,541)	(1,702)	(48,868)	1,350,644	(324,436)
1,838	(14,278)	-	-	-	(406,151)	935,695
<u>\$1,664</u>	<u>\$125,448</u>	<u>(\$7,541)</u>	<u>(\$1,702)</u>	<u>(\$48,868)</u>	<u>\$944,493</u>	<u>\$611,259</u>

Reconciliation of beginning fund balance to prior year ending fund balance:

Prior year ending fund balance reported above	\$611,259
Reclassification of the Park Dedication (404) fund balance, now presented as major	(1,193,853)
Reclassification of the Heritage Farms Street & Utility Improvements (434) fund balance, now presented as major	163,866
Reclassification of the City Hall / Fire Station Bldg Project (437) fund balance, now presented as major	12,577
Fund balance - January 1, 2021 as reported on this statement	<u>(\$406,151)</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**BALANCE SHEET**  
**DEBT SERVICE FUND BY BOND ISSUE**  
December 31, 2021  
With Comparative Totals For December 31, 2020

	2010B GO CIP Bonds (318)	2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2014A GO Improvement Bonds (323)
<b>Assets</b>				
Cash and investments	\$191,086	\$181,262	\$70,620	\$1,008,700
Accrued interest receivable	136	181	-	719
Property taxes receivable:				
Due from county	-	-	-	-
Special assessments receivable:				
Due from county	-	-	179	323
Delinquent	-	-	170	-
Deferred	-	10,293	33,868	148,826
<b>Total assets</b>	<b>\$191,222</b>	<b>\$191,736</b>	<b>\$104,837</b>	<b>\$1,158,568</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	10,293	34,038	148,826
<b>Fund balance (deficit):</b>				
Restricted	191,222	181,443	70,799	1,009,742
Assigned	-	-	-	-
<b>Total fund balance (deficit)</b>	<b>191,222</b>	<b>181,443</b>	<b>70,799</b>	<b>1,009,742</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$191,222</b>	<b>\$191,736</b>	<b>\$104,837</b>	<b>\$1,158,568</b>

2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	2019 Improvement Bonds (329)	2018A GO Equipment Cert. Bonds (330)	2021A GO Improvement Bonds (331)	Total Debt Service Fund	
						2021	2020
\$142,250	\$694,051	\$307,101	\$722,288	\$22,145	\$547,363	\$3,886,866	\$4,573,126
101	495	219	434	16	395	2,696	9,585
-	-	-	-	-	-	-	11,208
-	-	837	-	-	-	1,339	1,055
538	-	-	-	-	-	708	1,597
324,520	578,213	453,270	311,482	-	1,269,112	3,129,584	2,175,600
<u>\$467,409</u>	<u>\$1,272,759</u>	<u>\$761,427</u>	<u>\$1,034,204</u>	<u>\$22,161</u>	<u>\$1,816,870</u>	<u>\$7,021,193</u>	<u>\$6,772,171</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$41,437</u>
325,058	578,213	453,270	311,482	-	1,269,112	3,130,292	2,177,197
142,351	694,546	308,157	722,722	22,161	547,758	3,890,901	4,536,360
-	-	-	-	-	-	-	17,177
142,351	694,546	308,157	722,722	22,161	547,758	3,890,901	4,553,537
<u>\$467,409</u>	<u>\$1,272,759</u>	<u>\$761,427</u>	<u>\$1,034,204</u>	<u>\$22,161</u>	<u>\$1,816,870</u>	<u>\$7,021,193</u>	<u>\$6,772,171</u>

CITY OF LAKE ELMO, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
DEBT SERVICE FUND BY BOND ISSUE  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)	2010B GO CIP Bonds (318)	2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)
Revenues:							
General property taxes	\$ -	\$ -	\$207,338	\$ -	\$67,313	\$ -	\$205,117
Special assessments	140	6,774	-	5,345	16,361	4,929	44,497
Investment income (loss)	(254)	(1,858)	307	(940)	-	(6,972)	(2,997)
Total revenues	<u>(114)</u>	<u>4,916</u>	<u>207,645</u>	<u>4,405</u>	<u>83,674</u>	<u>(2,043)</u>	<u>246,617</u>
Expenditures:							
Debt service:							
Principal	-	75,000	170,000	90,000	90,000	920,000	215,000
Interest and fiscal charges	-	1,050	25,255	3,600	4,870	37,816	47,988
Total expenditures	<u>0</u>	<u>76,050</u>	<u>195,255</u>	<u>93,600</u>	<u>94,870</u>	<u>957,816</u>	<u>262,988</u>
Revenues over (under) expenditures	<u>(114)</u>	<u>(71,134)</u>	<u>12,390</u>	<u>(89,195)</u>	<u>(11,196)</u>	<u>(959,859)</u>	<u>(16,371)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	122,555	-	-
Transfers out	(17,063)	(11,646)	-	-	-	(93,846)	-
Issuance of debt	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(17,063)</u>	<u>(11,646)</u>	<u>0</u>	<u>0</u>	<u>122,555</u>	<u>(93,846)</u>	<u>0</u>
Net change in fund balance	<u>(17,177)</u>	<u>(82,780)</u>	<u>12,390</u>	<u>(89,195)</u>	<u>111,359</u>	<u>(1,053,705)</u>	<u>(16,371)</u>
Fund balances - January 1	<u>17,177</u>	<u>82,780</u>	<u>178,832</u>	<u>270,638</u>	<u>(40,560)</u>	<u>1,053,705</u>	<u>1,026,113</u>
Fund balances - December 31	<u>\$0</u>	<u>\$0</u>	<u>\$191,222</u>	<u>\$181,443</u>	<u>\$70,799</u>	<u>\$0</u>	<u>\$1,009,742</u>



2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	2019 Improvement Bonds (329)	2018A GO Equipment Cert. Bonds (330)	2021A GO Improvement Bonds (331)	Interfund Elimination	Total Debt Service Fund	
							2021	2020
\$12,722	\$188,999	\$339,904	\$293,148	\$123,848	\$ -	\$ -	\$1,438,389	\$1,412,506
67,861	105,560	80,034	52,035	-	478,300	-	861,836	474,099
(2,235)	(2,285)	(3,086)	(2,290)	57	2,689	-	(19,864)	82,990
<u>78,348</u>	<u>292,274</u>	<u>416,852</u>	<u>342,893</u>	<u>123,905</u>	<u>480,989</u>	<u>0</u>	<u>2,280,361</u>	<u>1,969,595</u>
170,000	265,000	430,000	240,000	95,000	-	-	2,760,000	1,790,000
20,437	36,150	87,874	76,850	21,668	850	-	364,408	418,599
<u>190,437</u>	<u>301,150</u>	<u>517,874</u>	<u>316,850</u>	<u>116,668</u>	<u>850</u>	<u>0</u>	<u>3,124,408</u>	<u>2,208,599</u>
<u>(112,089)</u>	<u>(8,876)</u>	<u>(101,022)</u>	<u>26,043</u>	<u>7,237</u>	<u>480,139</u>	<u>-</u>	<u>(844,047)</u>	<u>(239,004)</u>
-	-	-	113,792	-	-	(122,555)	113,792	85,657
-	-	-	-	-	-	122,555	-	-
-	-	-	-	-	67,619	-	67,619	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>113,792</u>	<u>0</u>	<u>67,619</u>	<u>0</u>	<u>181,411</u>	<u>85,657</u>
(112,089)	(8,876)	(101,022)	139,835	7,237	547,758	0	(662,636)	(153,347)
254,440	703,422	409,179	582,887	14,924	-	-	4,553,537	4,706,884
<u>\$142,351</u>	<u>\$694,546</u>	<u>\$308,157</u>	<u>\$722,722</u>	<u>\$22,161</u>	<u>\$547,758</u>	<u>\$0</u>	<u>\$3,890,901</u>	<u>\$4,553,537</u>

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**STATISTICAL SECTION (UNAUDITED)**

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## STATISTICAL SECTION (UNAUDITED)

This part of the City of Lake Elmo, Minnesota's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Table Number</b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	Tables 1-4
<b>Revenue Capacity</b> These tables contain information to help the reader assess the City's most significant local revenue source, property taxes, as well as water and sanitary sewer rates and gallons sold.	Tables 5-9
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	Tables 10-14
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	Tables 15-16
<b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	Tables 17-19

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive financial reports for the relevant year.

**CITY OF LAKE ELMO, MINNESOTA**  
**NET POSITION BY COMPONENT**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	2021	2020	2019	2018
<b>Governmental activities:</b>				
Net investment in capital assets	\$34,784,806	\$29,694,288	\$24,771,065	\$15,396,520
Restricted	10,249,092	8,171,161	8,596,759	10,121,648
Unrestricted	12,101,304	5,284,397	4,231,363	1,086,636
<b>Total governmental activities net position</b>	<b>\$57,135,202</b>	<b>\$43,149,846</b>	<b>\$37,599,187</b>	<b>\$26,604,804</b>
<b>Business-type activities:</b>				
Net investment in capital assets	\$53,867,479	\$44,371,375	\$33,052,649	\$18,382,934
Restricted	-	-	-	-
Unrestricted	19,888,783	18,578,807	16,528,968	13,842,382
<b>Total business-type activities net position</b>	<b>\$73,756,262</b>	<b>\$62,950,182</b>	<b>\$49,581,617</b>	<b>\$32,225,316</b>
<b>Primary government:</b>				
Net investment in capital assets	\$88,652,285	\$74,065,663	\$57,823,714	\$33,779,454
Restricted	10,249,092	8,171,161	8,596,759	10,121,648
Unrestricted	31,990,087	23,863,204	20,760,331	14,929,018
<b>Total primary government net position</b>	<b>\$130,891,464</b>	<b>\$106,100,028</b>	<b>\$87,180,804</b>	<b>\$58,830,120</b>

GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

GASB 75 was implemented in 2018. Net position was restated for 2017 to reflect the reporting of the OPEB liability and OPEB related deferred inflows of resources. Net position for years prior to 2017 was not restated.

**Table 1**

2017	2016	2015	2014	2013	2012
\$8,883,320	\$9,032,535	\$8,723,329	\$7,957,840	\$9,056,353	\$8,782,840
5,057,169	4,704,133	3,446,142	1,106,200	1,225,849	4,205,247
4,818,383	4,136,292	3,942,646	5,405,920	4,593,463	918,996
<u>\$18,758,872</u>	<u>\$17,872,960</u>	<u>\$16,112,117</u>	<u>\$14,469,960</u>	<u>\$14,875,665</u>	<u>\$13,907,083</u>
\$12,180,378	\$12,506,474	\$10,170,351	\$10,567,418	\$6,855,807	\$6,788,377
2,695,734	1,473,164	1,876,119	2,387,312	2,612,569	39,153
9,151,417	6,400,375	3,577,285	1,100,422	1,846,681	1,105,847
<u>\$24,027,529</u>	<u>\$20,380,013</u>	<u>\$15,623,755</u>	<u>\$14,055,152</u>	<u>\$11,315,057</u>	<u>\$7,933,377</u>
\$21,063,698	\$21,539,009	\$18,893,680	\$18,525,258	\$15,912,160	\$15,571,217
7,752,903	6,177,297	5,322,261	3,493,512	3,838,418	4,244,400
13,969,800	10,536,667	7,519,931	6,506,342	6,440,144	2,024,843
<u>\$42,786,401</u>	<u>\$38,252,973</u>	<u>\$31,735,872</u>	<u>\$28,525,112</u>	<u>\$26,190,722</u>	<u>\$21,840,460</u>

**CITY OF LAKE ELMO, MINNESOTA**

**CHANGES IN NET POSITION**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2021	2020	2019	2018
<b>Expenses</b>				
Governmental activities:				
General government	\$1,052,188	\$1,008,916	\$1,181,219	\$1,266,269
Public safety	3,091,321	2,681,784	2,058,419	2,161,082
Public works	3,735,767	4,012,661	3,728,247	2,192,092
Culture and recreation	391,240	428,083	361,730	524,445
Economic Development Authority	53,264	46,371	71,609	47,702
Interest and fees on long-term debt	353,256	363,988	395,106	352,376
Total governmental activities expenses	<u>8,677,036</u>	<u>8,541,803</u>	<u>7,796,330</u>	<u>6,543,966</u>
Business-type activities:				
Water	2,665,708	2,383,252	1,940,148	2,068,178
Sewer	1,563,008	1,481,586	1,082,997	846,032
Storm sewer	830,044	753,177	469,765	315,967
Total business-type activities expenses	<u>5,058,760</u>	<u>4,618,015</u>	<u>3,492,910</u>	<u>3,230,177</u>
Total primary government expenses	<u>\$13,735,796</u>	<u>\$13,159,818</u>	<u>\$11,289,240</u>	<u>\$9,774,143</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$485,785	\$421,792	\$553,870	\$379,378
Public safety	2,199,655	2,146,319	1,574,359	1,938,163
Public works	104,817	243,060	126,721	-
Culture and recreation	25	2,812	1,430	-
Economic Development Authority	57,539	87,778	99,690	78,573
Operating grants and contributions	279,690	1,039,823	795,483	248,915
Capital grants and contributions	8,981,866	4,823,628	11,076,353	4,970,565
Total governmental activities program revenues	<u>12,109,377</u>	<u>8,765,212</u>	<u>14,227,906</u>	<u>7,615,594</u>
Business-type activities:				
Charges for services:				
Water	1,711,596	1,239,404	962,003	951,985
Sewer	549,567	432,583	306,041	252,614
Storm sewer	512,624	369,689	380,645	322,700
Operating grants and contributions	35,635	21,893	122,350	-
Capital grants and contributions	18,326,363	15,636,661	14,114,787	7,466,627
Total business-type activities	<u>21,135,785</u>	<u>17,700,230</u>	<u>15,885,826</u>	<u>8,993,926</u>
Total primary government program revenues	<u>\$33,245,162</u>	<u>\$26,465,442</u>	<u>\$30,113,732</u>	<u>\$16,609,520</u>



2017	2016	2015	2014	2013	2012
\$1,503,251	\$1,358,370	\$1,134,132	\$1,072,888	\$1,103,337	\$1,093,204
1,528,253	1,308,360	1,344,282	1,530,609	1,277,798	1,302,857
2,800,044	1,698,566	1,377,969	1,032,426	1,273,977	891,169
1,299,551	660,947	639,006	448,361	424,687	362,432
-	-	-	-	-	-
225,910	178,266	215,611	165,028	133,694	316,039
7,357,009	5,204,509	4,711,000	4,249,312	4,213,493	3,965,701
2,022,446	1,409,832	1,363,043	1,069,511	958,870	872,786
1,030,058	380,650	250,866	353,438	119,370	53,903
213,514	150,302	103,536	149,887	86,989	73,590
3,266,018	1,940,784	1,717,445	1,572,836	1,165,229	1,000,279
\$10,623,027	\$7,145,293	\$6,428,445	\$5,822,148	\$5,378,722	\$4,965,980
\$206,856	\$51,009	\$42,706	\$45,161	\$32,778	\$48,476
2,101,890	1,752,522	866,708	496,916	414,472	379,557
-	-	3,615	-	2,647	3,256
-	-	26,214	10,753	17,000	9,341
-	-	-	-	-	-
229,960	235,214	249,094	204,462	208,276	160,060
2,290,265	1,452,469	2,038,940	557,601	1,364,622	160,444
4,828,971	3,491,214	3,227,277	1,314,893	2,039,795	761,134
2,628,848	1,801,228	1,850,240	1,291,091	596,421	699,159
2,435,749	1,315,948	1,523,067	741,054	53,142	65,737
289,375	213,233	229,252	214,915	191,087	171,229
-	-	-	-	-	-
1,489,922	3,464,567	-	1,159,222	3,781,528	115,127
6,843,894	6,794,976	3,602,559	3,406,282	4,622,178	1,051,252
\$11,672,865	\$10,286,190	\$6,829,836	\$4,721,175	\$6,661,973	\$1,812,386

**CITY OF LAKE ELMO, MINNESOTA**

**CHANGES IN NET POSITION**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2021	2020	2019	2018
<b>Net (expense) revenue:</b>				
Governmental activities	\$3,432,341	\$223,409	\$6,431,576	\$1,071,628
Business-type activities	16,077,025	13,082,215	12,392,916	5,763,749
<b>Total primary government, net</b>	<b>19,509,366</b>	<b>13,305,624</b>	<b>18,824,492</b>	<b>6,835,377</b>
<b>General revenues and other changes in net position:</b>				
Governmental activities:				
General property taxes	5,294,950	4,960,342	4,181,914	3,610,106
Unrestricted grants and contributions	4,639	4,337	4,956	6,868
Unrestricted investment earnings (loss)	(13,874)	348,766	331,010	115,583
Miscellaneous	-	-	-	-
Gain on disposal of capital assets	17,300	13,805	44,927	8,991
Transfers	5,250,000	-	-	840
<b>Total governmental activities</b>	<b>10,553,015</b>	<b>5,327,250</b>	<b>4,562,807</b>	<b>3,742,388</b>
Business-type activities:				
Unrestricted grants and contributions	-	-	-	956
Unrestricted investment earnings (loss)	(20,945)	286,350	411,206	96,425
Extraordinary item	-	-	4,552,179	-
Transfers	(5,250,000)	-	-	(840)
<b>Total business-type activities</b>	<b>(5,270,945)</b>	<b>286,350</b>	<b>4,963,385</b>	<b>96,541</b>
<b>Total primary government</b>	<b>\$5,282,070</b>	<b>\$5,613,600</b>	<b>\$9,526,192</b>	<b>\$3,838,929</b>
<b>Change in net position:</b>				
Governmental activities	\$13,985,356	\$5,550,659	\$10,994,383	\$4,814,016
Business-type activities	10,806,080	13,368,565	17,356,301	5,860,290
<b>Total primary government change in net position</b>	<b>\$24,791,436</b>	<b>\$18,919,224</b>	<b>\$28,350,684</b>	<b>\$10,674,306</b>

GASB 68 was implemented in 2015. Pension expense for years prior to 2015 was not restated.

GASB 75 was implemented in 2018. OPEB expense for years prior to 2018 was not restated.

2017	2016	2015	2014	2013	2012
(\$2,528,038)	(\$1,713,295)	(\$1,483,723)	(\$2,934,419)	(\$2,173,698)	(\$3,204,567)
3,577,876	4,854,192	1,885,114	1,833,446	3,456,949	50,973
1,049,838	3,140,897	401,391	(1,100,973)	1,283,251	(3,153,594)
3,040,413	3,226,739	3,204,119	3,200,291	3,231,609	3,183,078
2,749	8,584	2,749	2,749	2,749	-
48,987	43,228	46,589	87,586	35,259	111,705
158,350	52,479	73,738	125,400	1,833	42,599
-	-	-	-	8,979	-
-	143,105	220,842	(887,312)	-	-
3,250,499	3,474,135	3,548,037	2,528,714	3,280,429	3,337,382
-	748	-	-	-	-
46,757	44,423	39,757	19,337	30,346	10,282
-	-	-	-	-	-
-	(143,105)	(220,842)	887,312	-	-
46,757	(97,934)	(181,085)	906,649	30,346	10,282
\$3,297,256	\$3,376,201	\$3,366,952	\$3,435,363	\$3,310,775	\$3,347,664
\$722,461	\$1,760,840	\$2,064,314	(\$405,705)	\$1,106,731	\$132,815
3,624,633	4,756,258	1,704,029	2,740,095	3,487,295	61,255
\$4,347,094	\$6,517,098	\$3,768,343	\$2,334,390	\$4,594,026	\$194,070

**CITY OF LAKE ELMO, MINNESOTA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	2021	2020	2019	2018
General Fund:				
Nonspendable	\$ -	\$21,206	\$28,162	\$18,951
Committed	-	-	-	-
Unassigned	5,618,812	5,212,435	4,286,022	4,756,695
Total general fund	<u>5,618,812</u>	<u>5,233,641</u>	<u>4,314,184</u>	<u>4,775,646</u>
All other governmental funds:				
Nonspendable	-	-	-	395
Restricted	17,458,949	5,814,832	5,973,451	6,133,168
Committed	7,673	7,314	24,070	11,003
Assigned	7,571,501	2,653,880	1,746,202	1,198,909
Unassigned	(246,004)	(1,525,916)	(757,968)	(3,043,623)
Total all other governmental funds	<u>24,792,119</u>	<u>6,950,110</u>	<u>6,985,755</u>	<u>4,299,852</u>
Total governmental funds	<u><u>\$30,410,931</u></u>	<u><u>\$12,183,751</u></u>	<u><u>\$11,299,939</u></u>	<u><u>\$9,075,498</u></u>

Table 3

2017	2016	2015	2014	2013	2012
\$410,193	\$409,222	\$432,306	\$638,963	\$859,072	\$1,024,433
200,000	200,000	-	-	-	-
3,499,133	3,279,815	2,754,976	2,542,038	2,318,310	2,414,692
4,109,326	3,889,037	3,187,282	3,181,001	3,177,382	3,439,125
675,000	-	3,908	-	-	-
2,849,956	3,248,230	2,477,730	717,781	743,976	3,959,111
-	-	-	-	-	-
1,307,216	1,504,656	1,768,742	2,943,525	2,252,931	1,244,900
(681,681)	(418,169)	(431,755)	(693,904)	(885,360)	(1,670,915)
4,150,491	4,334,717	3,818,625	2,967,402	2,111,547	3,533,096
\$8,259,817	\$8,223,754	\$7,005,907	\$6,148,403	\$5,288,929	\$6,972,221

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years

	2021	2020	2019	2018
<b>Revenues:</b>				
General property taxes	\$5,303,553	\$4,947,133	\$4,182,327	\$3,610,508
Licenses and permits	1,485,658	1,425,695	1,055,038	1,317,648
Intergovernmental	722,128	1,023,193	2,819,961	247,178
Charges for services	1,151,914	1,273,241	1,079,342	899,808
Fines and forfeits	45,749	33,584	36,696	49,203
Special assessments	862,766	474,099	649,487	1,398,155
Park dedication fees	1,845,371	714,558	123,500	502,802
Investment earnings	(13,874)	348,766	331,010	115,583
Miscellaneous	177,000	183,711	201,494	129,455
<b>Total revenues</b>	<b>11,580,265</b>	<b>10,423,980</b>	<b>10,478,855</b>	<b>8,270,340</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,056,983	1,005,254	1,136,908	1,208,145
Public safety	3,003,677	2,641,770	1,948,269	1,644,159
Public works	1,488,448	1,493,370	1,875,606	1,227,521
Culture and recreation	258,690	310,066	265,260	241,761
Economic Development Authority	53,264	46,371	71,609	47,702
<b>Debt service:</b>				
Principal	3,641,000	1,790,000	1,615,000	1,175,000
Interest and fiscal charges	425,797	420,299	454,814	230,822
Capital outlay	4,915,641	1,846,843	4,354,643	4,552,089
<b>Total expenditures</b>	<b>14,843,500</b>	<b>9,553,973</b>	<b>11,722,109</b>	<b>10,327,199</b>
Excess (deficiency) of revenues over expenditures	<u>(3,263,235)</u>	<u>870,007</u>	<u>(1,243,254)</u>	<u>(2,056,859)</u>
<b>Other financing sources (uses):</b>				
Issuance of debt	6,126,989	-	2,860,000	1,866,000
Premium on issuance of debt	(876,989)	-	168,168	-
(Discount) on issuance of debt	15,675,000	-	-	-
Proceeds from sale of capital assets	548,115	13,805	44,927	8,991
Transfers in	-	1,900,244	1,181,173	56,209
Transfers out	17,300	(1,900,244)	(786,573)	(173,190)
<b>Total other financing sources (uses)</b>	<b>21,490,415</b>	<b>13,805</b>	<b>3,467,695</b>	<b>1,758,010</b>
<b>Net change in fund balance</b>	<b><u>\$18,227,180</u></b>	<b><u>\$883,812</u></b>	<b><u>\$2,224,441</u></b>	<b><u>(\$298,849)</u></b>
Debt service as a percentage of noncapital expenditures	40.9%	26.8%	26.1%	24.2%
Debt service as a percentage of total expenditures	27.4%	23.1%	17.7%	13.6%

Table 4

2017	2016	2015	2014	2013	2012
\$3,042,074	\$3,231,674	\$3,222,216	\$3,203,111	\$3,231,609	\$3,221,733
2,046,462	1,713,918	828,494	451,953	374,974	330,819
1,023,864	282,874	296,902	413,968	1,704,178	237,254
137,920	38,608	35,796	30,192	6,113	5,726
41,418	49,505	48,739	48,647	52,110	58,385
455,493	897,323	1,316,239	115,424	180,023	136,150
265,783	171,708	138,158	274,257	-	-
48,987	43,228	46,415	87,467	35,127	111,737
265,133	77,491	99,055	165,319	57,260	87,562
<u>7,327,134</u>	<u>6,506,329</u>	<u>6,032,014</u>	<u>4,790,338</u>	<u>5,641,394</u>	<u>4,189,366</u>
1,502,904	1,358,306	1,094,723	1,046,906	1,527,732	1,034,712
1,470,726	1,262,040	1,203,765	1,198,546	1,174,145	1,109,937
1,185,828	893,644	686,401	585,071	614,270	446,541
603,292	500,689	457,749	368,276	301,404	260,404
-	-	-	-	-	-
910,000	826,219	667,342	585,000	3,348,000	406,000
463,570	242,392	226,611	157,649	179,018	309,081
5,860,917	3,126,782	2,729,512	2,881,437	1,784,914	1,428,856
<u>11,997,237</u>	<u>8,210,072</u>	<u>7,066,103</u>	<u>6,822,885</u>	<u>8,929,483</u>	<u>4,995,531</u>
<u>(4,670,103)</u>	<u>(1,703,743)</u>	<u>(1,034,089)</u>	<u>(2,032,547)</u>	<u>(3,288,089)</u>	<u>(806,165)</u>
4,565,000	2,690,000	1,620,000	2,850,000	1,604,797	865,000
166,068	102,877	32,137	31,520	-	-
(26,302)	(14,392)	(11,386)	-	-	-
1,400	-	30,000	-	-	-
-	143,105	220,842	10,501	-	-
-	-	-	-	-	-
<u>4,706,166</u>	<u>2,921,590</u>	<u>1,891,593</u>	<u>2,892,021</u>	<u>1,604,797</u>	<u>865,000</u>
<u>\$36,063</u>	<u>\$1,217,847</u>	<u>\$857,504</u>	<u>\$859,474</u>	<u>(\$1,683,292)</u>	<u>\$58,835</u>
22.4%	21.0%	20.6%	18.8%	49.4%	20.0%
11.4%	13.0%	12.7%	10.9%	39.5%	14.3%

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**CITY OF LAKE ELMO, MINNESOTA**

**TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

**Table 5**

Payable Year	Taxable Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2012	\$1,037,557,100	\$11,525,623	\$229,157	\$11,754,780	\$11,555,676	27.271	1.13%
2013	1,028,011,400	11,392,876	237,584	11,630,460	11,384,320	29.259	1.13%
2014	1,046,031,000	11,504,611	238,764	11,743,375	11,393,889	27.761	1.12%
2015	1,184,578,800	12,938,515	243,104	13,181,619	13,072,105	23.798	1.11%
2016	1,224,463,300	13,386,725	266,218	13,652,943	13,441,204	23.121	1.12%
2017	1,316,618,700	14,520,320	292,938	14,813,258	14,631,062	20.018	1.13%
2018	1,452,554,500	16,054,044	326,744	16,380,788	15,359,350	22.442	1.13%
2019	1,648,277,500	18,184,317	345,172	18,529,489	18,249,623	22.927	1.12%
2020	1,901,067,300	20,907,484	345,800	21,253,284	20,021,726	23.476	1.12%
2021	2,009,618,900	21,975,125	374,464	22,349,589	21,116,953	23.638	1.11%

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

Valuations are determined as of January 1 of year preceding tax collection year. The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use. The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

**CITY OF LAKE ELMO, MINNESOTA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
 Last Ten Fiscal Years  
 (Percent of Tax Capacity)

**Table 6**

Fiscal Year	City Direct Rate			Overlapping Rates				Range of Total Direct and Overlapping Tax Rates	
	Operating Tax Rate	Debt Service Tax Rate	Total Tax Rate	Range of Tax Rates for ISD's 622, 832 & 834	Washington County	Range of Tax Rates for Watershed Districts	Special Taxing Districts		
2012	23.679 (1)	3.592	27.271	22.333 - 38.360	31.939	2.340 - 4.906	2.909	86.792	105.385
2013	23.555	5.704	29.259	22.017 - 37.104	31.548	0.779 - 5.306	4.857	88.460	108.074
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556	107.481
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484	96.301
2016	18.184	4.937	23.121	19.849 - 35.569	27.860	0.075 - 5.111	4.568	75.473	96.229
2017	14.083	5.934	20.017	20.390 - 34.093	27.852	0.839 - 5.275	4.345	73.443	91.582
2018	16.107 (2)	6.335	22.442	19.349 - 32.161	29.709	0.819 - 5.021	3.072	75.391	92.405
2019	16.258 (2)	6.670	22.927	18.442 - 31.894	29.305	0.808 - 5.263	3.994	75.476	93.383
2020	16.777 (2)	6.700	23.477	15.321 - 29.926	28.610	0.766 - 4.850	3.738	71.911	90.600
2021	17.178 (2)	6.460	23.638	17.277 - 29.554	27.244	0.742 - 4.835	3.593	72.494	88.864

Source: Washington County Taxation Division

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

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

- (1) Includes Library Levy component effective 1/1/2012 due to pulling out of Washington County
- (2) Excludes Library Levy component effective 1/1/2018 due to going back to Washington County

**CITY OF LAKE ELMO, MINNESOTA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
 Current Year and Nine Years Ago

**Table 7**

Taxpayer	2021			2012		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Xcel Energy	\$268,750	1	1.20%	\$204,686	2	1.76%
Dakota Upreit LP	240,344	2	1.08%	-	-	-
Bremer Financial Services Inc	220,998	3	0.99%	197,474	3	1.70%
MLL High Pointe LLC	200,950	4	0.90%	-	-	-
Eagle Point Medical Building LLC	144,160	5	0.65%	-	-	-
HOA Hotels LLC	143,396	6	0.64%	-	-	-
Auto-Owners Life Insurance Co.	99,104	7	0.44%	-	-	-
HSRE Lake Elmo LLC	97,436	8	0.44%	-	-	-
HC Golf Land LLC	117,489	9	0.53%	-	-	-
MHC Cimarron LLC	139,482	10	0.62%	-	-	-
IRET Properties	-	-	-	205,342	1	1.77%
MHC Cimarron LLC	-	-	-	134,090	4	1.15%
United Land LLC	-	-	-	121,976	5	1.05%
Tartan Park LLC	-	-	-	100,643	6	0.87%
HOA Hotels	-	-	-	89,880	7	0.77%
Danate Proper Inv I LLC	-	-	-	76,762	8	0.66%
Eagle Point II LLC	-	-	-	71,064	9	0.61%
Davis Estates LTD	-	-	-	64,912	10	0.56%
<b>Total</b>	<b>\$1,672,109</b>		<b>7.48%</b>	<b>\$1,266,829</b>		<b>10.89%</b>

Source: Washington County Taxation Division

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy	
			Amount	Percentage of Net Levy
2012	\$3,113,017	\$3,110,478	\$3,071,202	98.74%
2013	3,163,359	3,160,524	3,133,764	99.15%
2014	3,163,359	3,160,285	3,128,695	99.00%
2015	3,113,017	3,133,137	3,112,989	99.36%
2016	3,112,204	3,112,204	3,068,116	98.58%
2017	2,950,426	2,950,426	2,935,173	99.48%
2018	3,596,601	3,592,491	3,574,859	99.51%
2019	4,179,840	4,175,590	4,149,059	99.36%
2020	4,949,823	4,945,184	4,864,708	98.37%
2021	5,263,268	5,258,656	5,205,793	98.99%

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

**Table 8**

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Delinquent Taxes as a Percentage of Total Net Tax Levy
	Amount	Percentage of Net Levy		
\$39,267	\$3,110,469	100.00%	-	0.00%
26,760	3,160,524	100.00%	-	0.00%
31,590	3,160,285	100.00%	1,507	0.00%
19,874	3,132,863	99.99%	1,644	0.01%
42,044	3,110,160	99.93%	2,087	0.07%
12,485	2,947,183	99.89%	2,331	0.11%
13,239	3,586,447	99.83%	2,990	0.17%
19,244	4,149,059	99.36%	4,103	0.64%
43,075	4,907,782	99.24%	37,402	0.76%
50,910	5,256,703	99.96%	1,953	0.04%

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**CITY OF LAKE ELMO, MINNESOTA**  
**WATER AND SANITARY SEWER CHARGES BY CUSTOMER**  
 Last Ten Fiscal Years

**Table 9**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Water (in millions of gallons):</b>										
Residential	323,632	203,453	173,925	96,882	93,513	98,044	84,007	98,573	120,676	154,747
Commercial service	202,586	157,170	87,935	22,189	16,603	29,379	21,653	12,156	8,253	10,405
Total gallons	526,218	360,623	261,860	119,071	110,116	127,423	105,660	110,729	128,929	165,152
Total direct rate per 1,000 gallons:										
Residential	2.14	2.12	2.12	2.06	2.00	2.14	2.14	2.14	2.14	2.14
Commercial service	3.33	3.30	3.30	3.20	3.11	3.11	3.11	3.11	3.11	3.11
<b>Sanitary Sewer (in millions of gallons):</b>										
Residential (1)	75,550	46,170	41,003	32,409	38,340	6,812	3,794	-	-	-
Commercial service	16,021	11,779	12,943	12,267	6,807	9,125	8,179	6,532	6,149	6,172
Total gallons	91,571	57,949	53,946	44,676	45,147	15,937	11,973	6,532	6,149	6,172
Total direct rate per 1,000 gallons	4.70	4.65	4.60	4.55	4.50	4.50	4.50	4.50	4.50	4.50

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

**CITY OF LAKE ELMO, MINNESOTA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	G.O. Improvement Bonds	G.O. Equipment Certificates	G.O. Capital Improvement Plan Bonds	Other Notes and Bonds
2012	\$3,100,092	\$150,000	\$4,969,153	\$ -
2013	4,436,967	102,000	1,941,135	-
2014	6,919,568	52,000	1,808,024	-
2015	8,095,288	-	1,687,803	21,219
2016	10,210,038	-	1,537,530	-
2017	14,151,671	-	1,382,249	-
2018	13,185,126	940,000	1,226,928	926,000
2019	14,697,425	940,000	1,065,000	926,000
2020	13,159,432	850,000	900,000	881,000
2021	26,839,553	755,000	730,000	-

Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
 See the *Demographic and Economic Statistics* schedule for personal income and population data.



**Table 10**

Total Governmental Activities	Business-Type Activities G.O. Utility Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
\$8,219,245	\$8,314,837	\$16,534,082	3.9%	\$2,049
6,480,102	12,476,920	18,957,022	4.5%	2,349
8,779,592	15,530,642	24,310,234	6.8%	3,013
9,804,310	12,622,484	22,426,794	6.0%	2,779
11,747,568	18,990,395	30,737,963	8.2%	3,809
15,533,920	22,866,787	38,400,707	8.8%	3,990
16,278,054	21,680,126	37,958,180	7.6%	3,608
17,628,425	21,520,145	39,148,570	6.5%	3,525
15,426,000	20,105,366	35,136,000	5.4%	3,164
28,324,553	22,841,659	51,166,212	6.0%	4,043

**CITY OF LAKE ELMO, MINNESOTA**  
**RATIOS OF NET GENERAL BONDED DEBT**  
 Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			
	G.O. Improvement Bonds	G.O. Equipment Certificates	G.O. Capital Improvement Plan Bonds	G.O. Utility Revenue Bonds
2012	\$3,100,092	\$150,000	\$4,969,153	\$8,314,837
2013	4,436,967	102,000	1,941,135	12,476,920
2014	6,919,568	52,000	1,808,024	15,530,642
2015	8,095,288	-	1,687,803	12,622,484
2016	10,210,038	-	1,537,530	18,990,395
2017	14,151,671	-	1,382,249	22,866,787
2018	13,185,126	940,000	1,226,928	21,680,126
2019	14,697,425	940,000	1,065,000	21,520,145
2020	13,159,432	850,000	900,000	20,105,366
2021	26,839,553	755,000	730,000	22,841,659

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

See Table 5 for taxable market value

See Table 15 for population data

\* Net of crossover debt

Table 11

Total*	Less: Amounts Available in Debt Service Funds	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita (Net)
\$16,534,082	(\$3,500,799)	\$13,033,283	1.26%	1,615
18,957,022	(729,753)	18,227,269	1.77%	2,259
24,310,234	(691,700)	23,618,534	2.26%	2,927
22,405,575	(2,477,730)	19,927,845	1.68%	2,470
30,737,963	(3,215,590)	27,522,373	2.25%	3,411
38,400,707	(3,524,956)	34,875,751	2.65%	3,623
37,032,180	(4,461,692)	32,570,488	2.24%	3,096
38,222,570	(4,716,520)	33,506,050	2.03%	3,017
34,255,000	(4,530,993)	29,724,007	1.56%	2,677
51,166,212	(3,893,266)	47,272,946	2.35%	3,566

**CITY OF LAKE ELMO, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
As of December 31, 2021

**Table 12**

	<u>Debt Outstanding</u>		<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt:				
Independent School District # 622	\$443,420,000	(1)	38%	\$170,094,887
Independent School District # 832	39,990,000	(1)	81%	32,514,367
Independent School District # 834	80,735,000	(1)	18%	14,282,589
Washington County	113,905,000	(1)	5%	6,116,439
Metropolitan Council	1,897,693,968	(1)	7%	126,147,543
Total overlapping debt				<u>349,155,825</u>
City direct debt	\$28,324,553		100%	<u>28,324,553</u>
Total direct and overlapping debt				<u><u>\$377,480,378</u></u>

\*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

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

Sources: Taxable value data used to estimate applicable percentages provided by Washington County.  
Debt outstanding data provided by each governmental unit.

**CITY OF LAKE ELMO, MINNESOTA**  
**LEGAL DEBT MARGIN INFORMATION**  
 Last Ten Fiscal Years

**Table 13**

**Legal Debt Margin Calculation for Fiscal Year 2021**

Market value	\$2,009,618,900
Applicable percentage	3%
Debt limit	<u>60,288,567</u>
Debt applicable to limit:	
Total bonded debt	51,166,212
Less:	
Special assessment bonds	(26,839,553)
Utility revenue bonds	(22,841,659)
Amount set aside for repayment of G.O. debt	<u>(213,231)</u>
	<u>1,271,769</u>
Legal debt margin	<u>\$59,016,798</u>

**Legal Debt Margin Calculation for Fiscal Years 2012 Through 2021**

Fiscal Year	Population	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Debt Applicable to Limit Per Capita
2012	8,069	\$32,054,064	\$2,099,369	\$29,954,695	6.55%	\$260
2013	8,069	32,470,203	1,894,510	30,575,693	5.83%	235
2014	8,069	35,537,364	1,757,421	33,779,943	4.95%	218
2015	8,069	36,733,899	1,572,289	35,161,610	4.28%	195
2016	8,069	38,035,233	2,102,343	35,932,890	5.53%	261
2017	9,625	38,556,774	1,846,657	36,710,117	4.79%	192
2018	10,521	43,576,635	2,018,280	41,558,355	4.63%	192
2019	11,105	49,448,325	1,839,548	47,608,777	3.72%	166
2020	11,105	57,032,019	850,000	56,182,019	1.49%	77
2021	12,655	60,288,567	1,485,000	58,803,567	2.46%	117

**CITY OF LAKE ELMO, MINNESOTA**  
**PLEDGED REVENUE COVERAGE**  
 Last Ten Fiscal Years

**Table 14**

Payable Year	G.O. Utility Revenue Bonds					Coverage
	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)		
				Principal	Interest	
2012	\$946,407	\$426,118	\$520,289	\$40,000	\$221,129	199%
2013	3,501,321	504,648	2,996,673	165,000	300,789	643%
2014	2,266,397	678,394	1,588,003	365,000	424,080	201%
2015	3,642,316	627,977	3,014,339	4,165,000	456,782	65%
2016	3,407,097	757,862	2,649,235	615,000	380,969	266%
2017	6,651,513	1,505,420	5,146,093	705,000	513,768	422%
2018	5,767,128	1,279,347	4,487,781	625,000	312,660	479%
2019	4,190,240	1,175,282	3,014,958	1,360,000	509,863	161%
2020	6,243,582	1,553,371	4,690,211	1,380,000	504,661	249%
2021	9,147,164	1,680,527	7,466,637	3,825,000	514,210	172%

- (1) Gross revenue includes investment earnings, infrastructure charges and special assessments.
- (2) Operating expenses do not include interest, depreciation, or amortization expense.
- (3) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF LAKE ELMO, MINNESOTA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

**Table 15**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (4) (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>State Unemployment Rate (3)</u>	<u>City Unemployment Rate (3)</u>
2012	8,069	\$420,242	\$52,081	5.4%	4.9%
2013	8,069	420,879	52,160	4.6%	4.0%
2014	8,069	357,723	44,333	3.8%	3.7%
2015	8,069	371,602	46,053	3.2%	2.9%
2016	8,069	374,345	46,393	3.8%	3.3%
2017	9,625	438,563	45,565	3.3%	3.3%
2018	10,521	497,896	47,324	2.8%	2.7%
2019	11,105	601,991	54,209	3.5%	2.8%
2020	11,105	652,352	58,744	4.9%	4.0%
2021	12,655	851,277	67,268	2.6%	2.2%

Sources:

- (1) Metropolitan Council 2000/2010-Census Bureau; updated for staff estimate starting in 2017
- (2) United States Census Bureau
- (3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development
- (4) The estimated personal income for the City of Lake Elmo is calculated by taking the per capita income and multiplying it by the City's population.

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**CITY OF LAKE ELMO, MINNESOTA**  
**PRINCIPAL EMPLOYERS**  
 Current Year and Nine Years Ago

**Table 16**

Employer	2021			2012		
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>
3M Company (Maplewood)	11,000	1	47.3%	9,500	1	56.3%
Andersen Corp (Bayport)	4,500	2	19.3%	1,850	2	11.0%
ISD No. 622 ( North St. Paul-Maplewood-Oakdale)	1,830	3	7.9%	-	-	-
Woodwinds Health (Woodbury)	1,500	4	6.4%	1,070	4	6.3%
ISD 834 (Stillwater)	1,162	5	5.0%	1,037	5	6.2%
HealthEast Care/St. John's Hospital (Maplewood)	973	6	4.2%	-	-	-
Washington County (Stillwater)	940	7	4.0%	1,138	3	6.7%
Presbyterian Homes/Boutwells (Oak Park Heights)	500	8	2.1%	-	-	-
Ecowater Systems, Inc. (Woodbury)	440	9	1.9%	440	7	2.6%
Bremer Bank Operations Ctr (Lake Elmo)	425	10	1.8%	400	8	2.4%
MN Correctional Facility ( Oak Park Hts)	-	-	-	725	6	4.3%
Imation Corp (Oakdale)	-	-	-	390	9	2.3%
SunAmerica Financial Group (Woodbury)	-	-	-	310	10	1.8%

<sup>(1)</sup>City staff estimate

**CITY OF LAKE ELMO, MINNESOTA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM**  
 Last Ten Fiscal Years

	Full-Time-Equivalent Employees as of December 31,			
	2021	2020	2019	2018
<b>General Government:</b>				
Administration	1.93	1.98	2.70	2.70
Finance	0.82	0.72	1.05	1.05
Planning and Zoning	1.95	1.95	2.10	2.10
<b>Total General Government</b>	<b>4.70</b>	<b>4.65</b>	<b>5.85</b>	<b>5.85</b>
<b>Public Safety:</b>				
Fire	1.42	1.42	3.80	3.80
Building Inspections	4.91	4.91	4.20	4.20
<b>Total Public Safety</b>	<b>6.33</b>	<b>6.33</b>	<b>8.00</b>	<b>8.00</b>
<b>Public Works:</b>				
Streets and Roadways	6.47	4.80	4.80	4.80
<b>Parks and Recreation:</b>				
Parks	1.01	2.25	2.20	2.20
<b>Communications</b>	<b>0.42</b>	<b>0.42</b>	<b>0.50</b>	<b>0.50</b>
<b>Total Governmental Activities</b>	<b>18.93</b>	<b>18.45</b>	<b>21.35</b>	<b>21.35</b>
<b>Business-type Activities:</b>				
Water Utility	2.98	2.75	2.50	2.50
Sewer Utility	1.05	1.40	1.15	1.15
Storm Sewer Utility	0.54	0.90	0.80	0.80
<b>Total Business-Type Activities</b>	<b>4.57</b>	<b>5.05</b>	<b>4.45</b>	<b>4.45</b>
<b>Total</b>	<b>23.50</b>	<b>23.50</b>	<b>25.80</b>	<b>25.80</b>

Source: City's Adopted Budgets

Table 17

Full-Time-Equivalent Employees as of December 31,						
2017	2016	2015	2014	2013	2012	
2.45	2.45	3.20	3.55	3.55	3.15	
1.20	1.20	0.80	1.25	1.25	0.50	
2.21	2.21	2.75	2.70	2.95	1.55	
5.86	5.86	6.75	7.50	7.75	5.20	
3.80	3.80	1.50	1.55	2.05	1.60	
4.21	4.21	3.15	1.55	1.30	0.95	
8.01	8.01	4.65	3.10	3.35	2.55	
4.55	4.55	3.90	3.20	3.21	3.05	
3.00	3.00	1.85	3.30	2.74	2.52	
-	-	0.70	0.35	0.40	0.15	
21.42	21.42	17.85	17.45	17.45	13.47	
2.00	2.00	2.45	2.60	2.10	1.85	
1.66	1.66	1.30	0.70	0.70	0.30	
0.80	0.00	0.00	0.00	0.00	0.00	
4.46	3.66	3.75	3.30	2.80	2.15	
25.88	25.08	21.60	20.75	20.25	15.62	

**CITY OF LAKE ELMO, MINNESOTA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
 Last Ten Fiscal Years

	2021	2020	2019	2018
<b>Planning and Zoning:</b>				
Conditional use permits	1	1	6	6
Interim use permits	-	-	-	-
Minor subdivisions	2	-	1	1
Plats / planned unit developments	7	5	13	13
Rezoning	8	1	4	4
Site plans	-	3	-	-
Variations	6	5	6	6
<b>Fire:</b>				
Total emergency responses	568	546	461	461
EMS responses	355	317	317	317
Fire responses	213	229	144	144
<b>Building Inspections:</b>				
Residential permit valuations (thousands of dollars)	\$128,265	\$88,038	\$113,913	\$113,913
Commercial permit valuations (thousands of dollars)	\$12,548	\$11,761	\$3,217	\$3,217
New residential units (1)	297	263	245	245
New commercial units	5	19	-	-
<b>Water Utility:</b>				
Number of customers	4,229	3,559	2,317	2,317
Average quarterly consumption (2) (millions of gallons)	89	76	56	56
<b>Sanitary Sewer Utility:</b>				
Number of customers	2,971	2,363	1,253	1,253
Average quarterly flow (3) (millions of gallons)	19	18	11	11

Sources: Various City Department's annual financial report statistics

(1) Excludes fire/demolition rebuilds

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

(3) Billed and measured based on water usage; new developer homes built in 2015 but not yet sold/occupied so no impact to flow

Table 18

2017	2016	2015	2014	2013	2012
5	3	2	4	2	3
2	2	1	1	1	-
1	2	2	-	2	1
10	11	9	17	1	-
5	3	2	11	2	7
1	1	-	-	2	1
6	4	2	2	5	4
456	430	429	358	448	399
313	268	274	237	280	262
143	162	32	21	28	28
\$86,710	\$119,301	\$50,401	\$23,032	\$19,979	\$20,320
\$1,185	\$2,003	\$1,952	\$7,309	\$966	\$2,351
299	240	140	41	32	31
1	1	1	3	-	-
1,727	1,538	1,234	1,073	1,051	1,016
28	18	18	19	21	15
712	321	96	45	29	29
12	14	74	77	77	75

**CITY OF LAKE ELMO, MINNESOTA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
 Last Ten Fiscal Years

**Table 19**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Fire:</b>										
Stations	2	2	2	2	2	2	2	2	2	2
<b>Public Works:</b>										
Bituminous streets (miles)	94.80	92	112	112	103	103	65	65	63	63
Gravel streets (miles)	0.5	0.5	0.5	1	2	2	2	2	2	2
Storm sewer (miles)	50	48	33	33	30	30	25	25	25	25
<b>Parks &amp; Recreation:</b>										
Acres of parkland	517	427	427	427	420	420	420	420	420	420
Number of parks	24	24	24	24	17	17	17	17	17	17
<b>Water Utility:</b>										
Water towers	3	3	3	3	3	3	3	3	2	2
Miles of watermain	75	73	58	58	50	50	43	40	39	37
Number of fire hydrants	735	707	559	559	415	415	378	351	293	280
<b>Sanitary Sewer Utility:</b>										
Miles of sanitary sewer	33	32	29	29	8	8	4	3	3	3
Lift Stations	6	7	5	5	4	4	4	4	3	3

Sources: Various City Department's annual financial report statistic:



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo, Minnesota's basic financial statements, and have issued our report thereon dated June 14, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lake Elmo, Minnesota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-02 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lake Elmo, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Lake Elmo, Minnesota's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Lake Elmo, Minnesota's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Lake Elmo, Minnesota's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Elmo, Minnesota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 14, 2022



**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For The Year Ended December 31, 2021

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**2021-01 Financial Statement Corrections**

*Criteria:* A City's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

*Condition:* Audit procedures detected material misstatements relating to accounts receivable, construction in progress / project expenses, retainage payable and MPCA grant revenue. All misstatements occurred in the water, sewer and storm sewer enterprise funds.

*Cause:* The error relating to accounts receivable occurred because the 4<sup>th</sup> quarter utility billing report was not reconciled to the general ledger. Other misstatements likely occurred due to the complexities of properly accounting for all project costs and related grant revenue.

*Effect:* Inadequate controls over the year-end closing process results in an increased risk that financial statement misstatements may occur and not be detected on a timely basis.

*Recommendation:* We recommend staff continue their efforts to appropriately account for the transactions and account balances of the City.

*Views of Responsible Officials and Corrective Action Plan:* It is the intent of the City's staff to minimize the number of audit adjustments needed each year.

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For The Year Ended December 31, 2021

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**2021-02 Lack of Ideal Segregation of Duties**

*Criteria:* Generally, a system of internal control contemplates segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

*Condition:* The same employee is responsible for preparing and reviewing bank reconciliations, as well as recording and approving adjusting journal entries.

*Cause:* This condition is common to organizations of this size due to a limited number of staff in the finance department.

*Effect:* The lack of ideal segregation of duties subjects the City to a higher risk that errors or fraud could occur and not be detected in a timely manner.

*Recommendation:* Any modifications of internal controls in this area must be viewed from a cost/benefit perspective.

*Views of Responsible Officials and Corrective Action Plan:* Due to limited number of employees it is not possible to provide for the complete segregation of duties. The City has established other safeguards to compensate for this, such as establishing procedures and processes that require multiple checks and balances.



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lake Elmo, Minnesota are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City of Lake Elmo, Minnesota during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 sensitive estimates affecting the City's financial statements are estimates used to calculate the net pension asset and liability, the pension related deferred outflows and inflows of resources, and pension expense. These estimates are based on actuarial studies. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosures most likely to be considered sensitive are Note 6 – Long-Term Debt and Note 10 – Stewardship, Compliance and Accountability.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. The following material misstatements detected as a result of audit procedures were corrected by management:

- Accounts receivable of the water, sewer and storm sewer funds were understated by \$172,137.
- Construction in progress of the water and sewer funds was understated, and project costs were overstated, by \$324,992.
- MPCA grant revenue of the water fund was understated by \$212,311.

*Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 14, 2022.

### *Management 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 of Lake Elmo, Minnesota’s financial statements or a determination of the type of auditor’s 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.

### *Other Audit Findings or Issues*

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 of Lake Elmo, Minnesota’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management’s discussion and analysis, the budgetary comparison schedule, and the schedules of OPEB and pension information, as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared

and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Lake Elmo, Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 14, 2022



## MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo, Minnesota's basic financial statements, and have issued our report thereon dated June 14, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake Elmo, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Lake Elmo, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 14, 2022