



June 29, 2020

Kristina Handt, City Administrator
City of Lake Elmo
3880 Laverne Ave N, Suite 100
Lake Elmo, Minnesota 55042

Transmitted herewith are copies of the following reports for the City of Lake Elmo, Minnesota for the year ended December 31, 2019:

- Comprehensive Annual Financial Report (5 copies)
- Minnesota Legal Compliance Report (5 copies)
- Report on Internal Control over Financial Reporting (5 copies)
- Communication with Those Charged with Governance (5 copies)

Electronic versions of each report have also been sent to you via secured email. In addition, electronic versions of each workpaper we prepared or assisted in preparing, as listed below, have been emailed to you on June 25, 2020 (or as otherwise stated below):

- Adjusting and reclassifying journal entry reports, fund grouping reports
- Government-wide conversion workpaper
- Deposit payable workpaper
- Debt payment schedules
- Unearned revenue workpaper
- Net position and fund balance workpapers
- Intergovernmental revenue summary
- 3M litigation settlement workpaper
- GASB 68 workpapers (e-mailed March 3, 2020 from Andy Hering)
- Property tax and special assessment workpapers (e-mailed April 7, 2020 from Rebecca Petersen)
- OPEB calculation workpaper (e-mailed May 19, 2020 from Kasha Lundell)

We will submit one copy of each of the reports directly to the Office of the State Auditor, as well as the Annual Financial Reporting Form.

If you have any questions on the above reports, please don't hesitate to call.

Sincerely,

REDPATH AND COMPANY, LTD.


Andy Hering, CPA

APH/bab

Enclosure

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED

DECEMBER 31, 2019

Prepared By: Finance Department

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CITY OF LAKE ELMO, MINNESOTA
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INTRODUCTORY SECTION

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June 26, 2020

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 comprehensive annual financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2019.

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, 2019 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, 2019 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, 2019 as the City did not participate in any programs that required this additional independent audit.

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

PROFILE OF THE GOVERNMENT

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota six miles east of St. Paul Minnesota. Located in Washington County, it covers 25 square miles and has an estimated population of 11,105 which represents 3,902 households.

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

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

The annual budget serves as the foundation for the City of Lake Elmo's financial management and fiscal stewardship. City departments and agencies of the City submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary budget for submission to the Finance Committee for their consideration. The Finance Committee then meets with the Department Heads to better understand their proposed budgets to later submit a budget to the City Council. The preliminary balanced budget is presented to the City Council in September each year so that the preliminary property tax levy can be submitted to Washington County by the annual due date. The preliminary property tax levy may be decreased but not increased. The 2019 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 28, 2018. 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 Finance Committee and the City Council to keep them apprised of the financial performance of the City.

FACTORS AFFECTING FINANCIAL CONDITION

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

LOCAL ECONOMY

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New residential developments platted since 2014 number approximately 2,690 have been approved. The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2019 population estimates of 11,105 or an increase of 38% since the 2010 census.

New housing starts in 2019 numbered 244 with a total value of \$76,387,708 and an average value of \$339,962. There were two new Commercial construction projects in 2019, and a number of remodels and expansions. All these new starts have been built in 2019 or will be finished in 2020, which will greatly strengthen the existing tax base of the City.

LONG TERM FINANCIAL PLANNING

Total unassigned General Fund balance as of December 31, 2019 was 69% 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 2018 and 2019. In their assessment of the City, Moody's noted the following:

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

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

RELEVANT FINANCIAL POLICIES

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

2019 was again an extremely robust year for the City due to continuation of on-going infrastructure upgrades, projects, as well as oversight of the on-going residential and commercial development

activity.

Some of the 2019 infrastructure projects included the following:

- The Old Village Improvement project is well underway and preliminary survey work began on Phases V & VI of the project which are anticipated to be constructed starting 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.
- The City began work on three 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.
- A stoplight and road improvements were constructed at Hudson Blvd N and Keats Ave 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 (CAFR) to the City again for the fiscal year ending December 31, 2018. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation for state and local government financial reports.

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

The City of Lake Elmo is pleased to present its Comprehensive Annual Financial Report, which will be submitted to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting for its financial reports for the fiscal year ended December 31, 2019. 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



Neil Soltis
Interim Finance Director



Government Finance Officers Association

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

Presented to

**City of Lake Elmo
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

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CITY OF LAKE ELMO, MINNESOTA

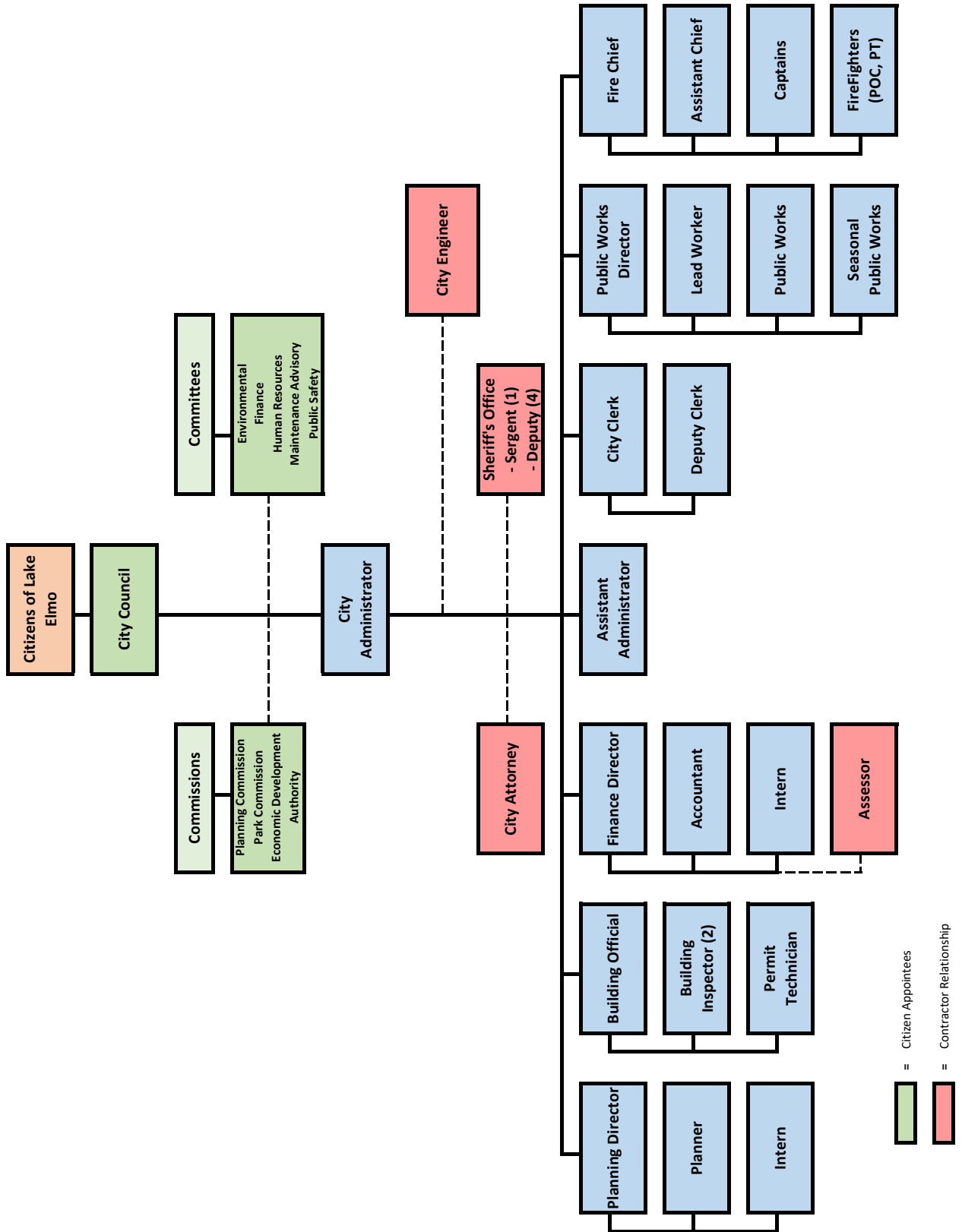
PRINCIPAL CITY OFFICIALS

December 31, 2019



		<u>Term Expires</u>
Mayor:	Mike Pearson	December 31, 2020
Councilmembers:	Justin Bloyer	December 31, 2020
	Christine Nelson	December 31, 2020
	Dale Dorschner	December 31, 2022
	Lisa McGinn	December 31, 2022
Appointed Officials		
City Administrator:	Kristina Handt	Appointed
Finance Director:	Sue Iverson	Appointed
City Clerk:	Julie Johnson	Appointed

ORGANIZATION CHART 2019



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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota as of and for the year ended December 31, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2019, 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.

Other Matters

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, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Elmo Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Report on Summarized Comparative Information

We have previously audited the City of Lake Elmo, Minnesota's 2018 financial statements, and we expressed an unmodified audit opinion 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 September 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 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 26, 2020

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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, 2019. 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 \$87,180,804 (net position). Of this amount, \$20,760,331 (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 \$28,350,684.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,299,939, an increase of \$2,224,441. Of this amount, \$5,973,451 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 \$4,314,184. Unassigned fund balance for the General Fund was \$4,286,022, or 69% of the next year's total General Fund expenditures and other financing uses.

Total outstanding debt increased by \$1,080,000 during 2019. General Obligation Improvement Bonds were issued in the amount of \$4,055,000. Payments on outstanding debt during the year totaled \$2,975,000.

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.

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

The City maintains four 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
- Vehicle Acquisition
- CSAH 19 / Hudson Boulevard Interchange

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 23.

Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$87,180,804 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$57,823,714, or 66%) 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	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$18,130,671	\$16,913,225	\$18,043,809	\$15,262,935	\$36,174,480	\$32,176,160
Capital assets	42,520,593	31,754,062	54,588,238	40,252,925	97,108,831	72,006,987
Total assets	<u>60,651,264</u>	<u>48,667,287</u>	<u>72,632,047</u>	<u>55,515,860</u>	<u>133,283,311</u>	<u>104,183,147</u>
Deferred outflows of resources	629,643	805,439	19,191	36,680	648,834	842,119
Liabilities:						
Long-term liabilities outstanding	18,898,928	17,510,865	21,680,463	21,835,082	40,579,391	39,345,947
Other liabilities	4,047,165	4,572,075	1,366,492	1,460,036	5,413,657	6,032,111
Total liabilities	<u>22,946,093</u>	<u>22,082,940</u>	<u>23,046,955</u>	<u>23,295,118</u>	<u>45,993,048</u>	<u>45,378,058</u>
Deferred inflows of resources	735,627	784,982	22,666	32,106	758,293	817,088
Net position:						
Net investment in capital assets	24,771,065	15,396,520	33,052,649	18,382,934	57,823,714	33,779,454
Restricted	8,596,759	10,121,648	-	-	8,596,759	10,121,648
Unrestricted	4,231,363	1,086,636	16,528,968	13,842,382	20,760,331	14,929,018
Total net position	<u>\$37,599,187</u>	<u>\$26,604,804</u>	<u>\$49,581,617</u>	<u>\$32,225,316</u>	<u>\$87,180,804</u>	<u>\$58,830,120</u>

\$8,596,759 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 (\$20,760,331) 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.

Management's Discussion and Analysis

Governmental Activities

Net position of governmental activities increased \$10,994,383 during the year. The primary reasons for the increase were developer contributed infrastructure in the amount of \$8,843,797, as well as increased operating grants and contributions, general property tax revenue and investment earnings.

Business-Type Activities

Net position of business-type activities increased \$17,356,301 during the year. The most significant reason for the increase was developer contributed infrastructure in the amount of \$11,845,548. The City also received \$2,008,433 of connection charge revenue, for which the offsetting expense is recognized in future years as depreciation expense.

During 2019, the City and 3M Company entered into a settlement agreement relating to the presence of perfluorochemicals (PFCs) in the City's municipal water supply. As part of the settlement, the City received \$2,700,000 of cash and parcels of land located within the City with an estimated acquisition value of \$3,420,000. The City incurred \$1,567,821 of professional service fees relating to the settlement. The net amount of these items (\$4,552,179) is reported as an extraordinary item in the business-type activities.

Management's Discussion and Analysis

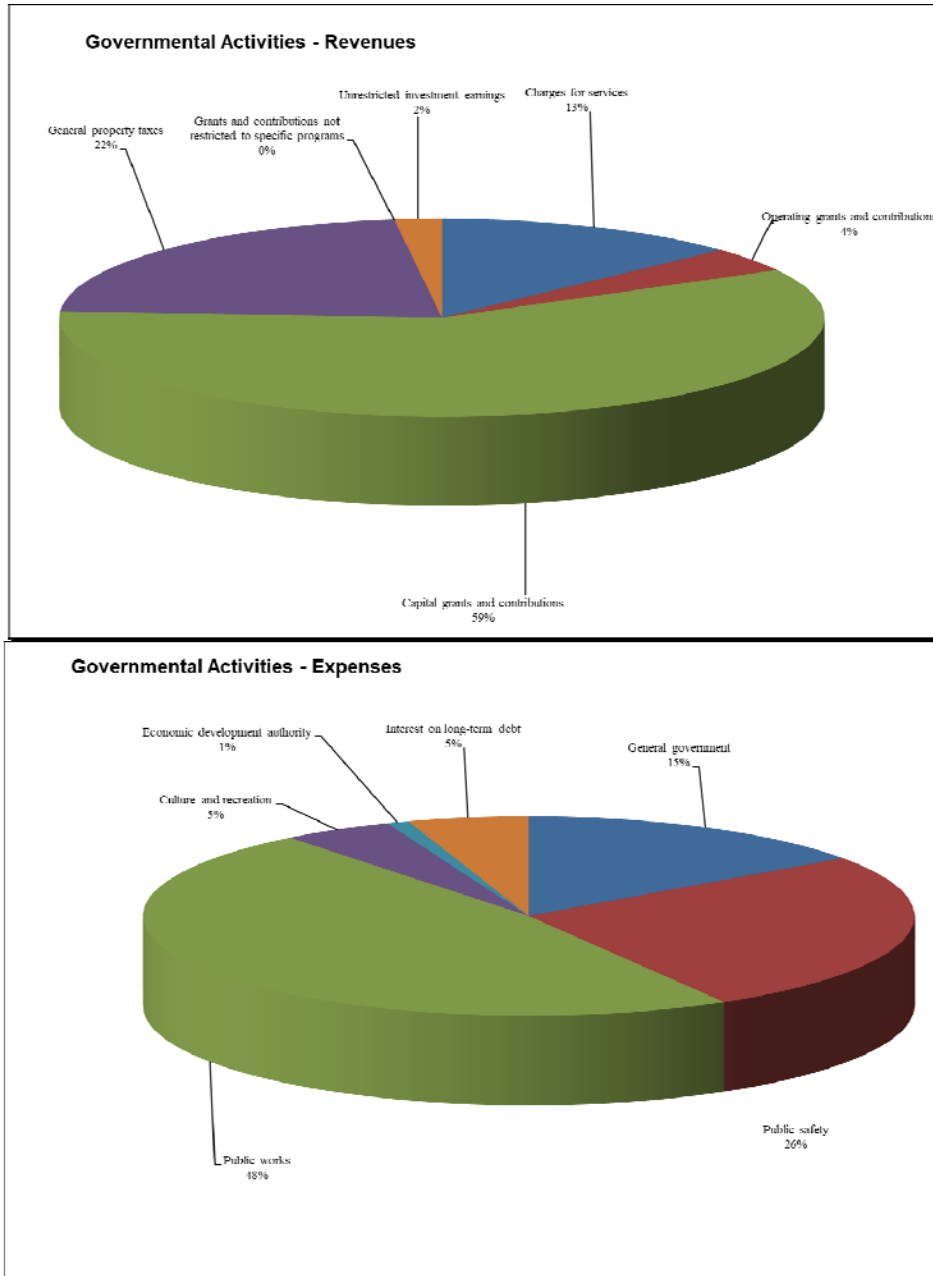
City of Lake Elmo's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$2,356,070	\$2,396,114	\$1,648,689	\$1,527,299	\$4,004,759	\$3,923,413
Operating grants and contributions	795,483	248,915	122,350	-	917,833	248,915
Capital grants and contributions	11,076,353	4,970,565	14,114,787	7,466,627	25,191,140	12,437,192
General revenues:						
General property taxes	4,181,914	3,610,106	-	-	4,181,914	3,610,106
Grants and contributions not restricted to specific programs	4,956	6,868	-	956	4,956	7,824
Unrestricted investment earnings	331,010	115,583	411,206	96,425	742,216	212,008
Gain on disposal of assets	44,927	8,991	-	-	44,927	8,991
Extraordinary item	-	-	4,552,179	-	4,552,179	-
Total revenues	<u>18,790,713</u>	<u>11,357,142</u>	<u>20,849,211</u>	<u>9,091,307</u>	<u>39,639,924</u>	<u>20,448,449</u>
Expenses:						
General government	1,181,219	1,266,269	-	-	1,181,219	1,266,269
Public safety	2,058,419	2,161,082	-	-	2,058,419	2,161,082
Public works	3,728,247	2,192,092	-	-	3,728,247	2,192,092
Culture and recreation	361,730	524,445	-	-	361,730	524,445
Economic development authority	71,609	47,702	-	-	71,609	47,702
Interest on long-term debt	395,106	352,376	-	-	395,106	352,376
Water	-	-	1,940,148	2,068,178	1,940,148	2,068,178
Sewer	-	-	1,082,997	846,032	1,082,997	846,032
Storm sewer	-	-	469,765	315,967	469,765	315,967
Total expenses	<u>7,796,330</u>	<u>6,543,966</u>	<u>3,492,910</u>	<u>3,230,177</u>	<u>11,289,240</u>	<u>9,774,143</u>
Increase in net position before transfers	10,994,383	4,813,176	17,356,301	5,861,130	28,350,684	10,674,306
Transfers	-	840	-	(840)	-	-
Change in net position	<u>10,994,383</u>	<u>4,814,016</u>	<u>17,356,301</u>	<u>5,860,290</u>	<u>28,350,684</u>	<u>10,674,306</u>
Net position - January 1, as previously reported	26,604,804	19,314,109	32,225,316	23,670,935	58,830,120	42,985,044
Prior period adjustment	-	2,476,679	-	2,694,091	-	5,170,770
Net position - January 1, as restated	<u>26,604,804</u>	<u>21,790,788</u>	<u>32,225,316</u>	<u>26,365,026</u>	<u>58,830,120</u>	<u>48,155,814</u>
Net position - December 31	<u>\$37,599,187</u>	<u>\$26,604,804</u>	<u>\$49,581,617</u>	<u>\$32,225,316</u>	<u>\$87,180,804</u>	<u>\$58,830,120</u>

Management's Discussion and Analysis

Governmental Activities

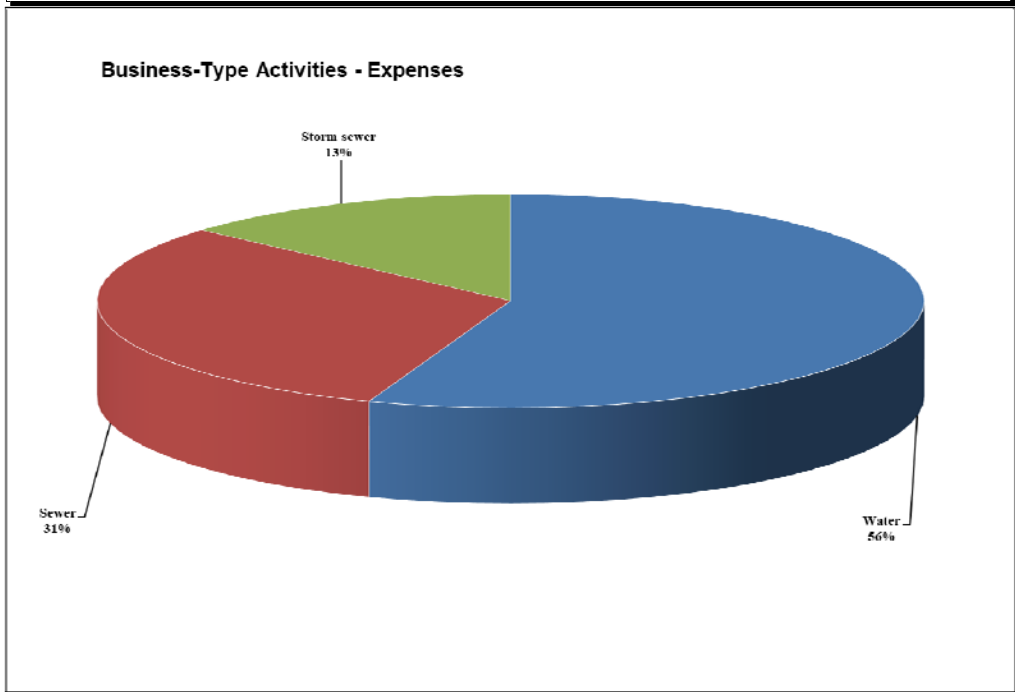
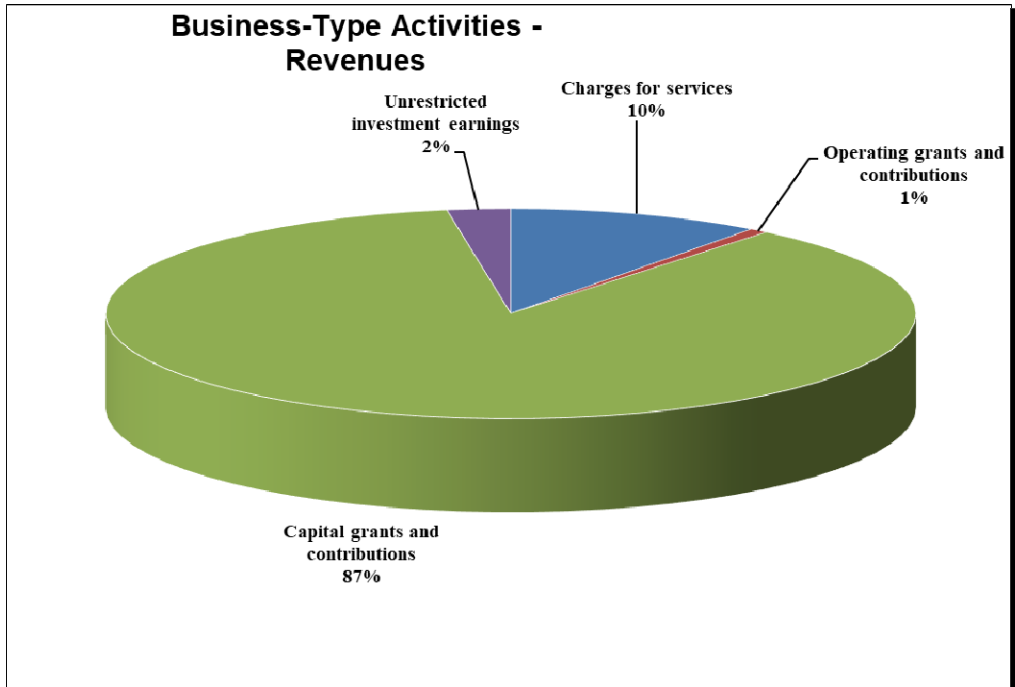
Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:



Management's Discussion and Analysis

Business-Type Activities

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



Management's Discussion and Analysis

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 \$11,299,939. Approximately 53% of this total amount (\$5,973,451) constitutes fund balance restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions. \$28,162 of fund balance is not in a spendable form, \$24,070 has been committed, \$1,746,202 has been assigned, and \$3,528,054 is unassigned.

The fund balance of the General Fund decreased by \$461,462 in 2019, while the City anticipated the use of \$124,000 of the General Fund balance. The primary reason for the decrease is the delay of the 2018 mill and overlay project until 2019 in order to obtain better bids.

The Debt Service fund balance increased by \$254,731, primarily relating to the 2019A G.O. Improvement Bonds. A portion of the bond proceeds (\$172,320) as well as special assessment revenue in the amount of \$71,533 were recorded in the 2019A fund to pay for future debt service requirements.

The Vehicle Acquisition fund balance increased by \$365,400. 2019A bond proceeds in the amount of \$698,984 were deposited into the fund during 2019, of which \$447,848 was unspent at year-end.

The CSAH 19 / Hudson Boulevard Interchange fund balance decreased by \$252,102 due to construction costs exceeding revenue earned in 2019. The City will receive revenue from Washington County in 2020 to offset some of the deficit in the fund. The remaining deficit is planned to be funded through the General Fund in 2020.

The combined fund balance of other governmental funds increased \$2,317,874 during 2019. The primary reason for the increase was the issuance of the 2019A G.O. Improvement Bonds to finance expenditures of the Old Village Phase 4 and 2018 Street Improvement projects, most of which were incurred prior to 2019.

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 \$25,699,536, of which \$6,179,187 is unrestricted. The increase in net position of \$9,710,927 was primarily due to capital

Management's Discussion and Analysis

contributions of \$4,698,595 and the extraordinary item previously mentioned in the amount of \$4,552,179.

The sewer fund has total net position at year-end of \$15,892,048, of which \$8,944,170 is unrestricted. The increase in net position of \$3,908,541 was primarily due to capital contributions and connection charges, partially offset by a net operating loss and interest and fees on long-term debt.

The storm sewer fund has total net position at year-end of \$7,990,033, of which \$1,405,611 is unrestricted. The increase in net position of \$3,736,833 was almost entirely due to capital contributions.

Budgetary Highlights

General Fund

The General Fund budget was not amended during the year. The City budgeted for a \$124,000 decrease in fund balance, while the actual decrease in fund balance was \$461,462.

Revenues were \$56,702 over budget for the year. This is mainly due to general property taxes, which were under budget by \$227,233, offset by charges for services, investment income and miscellaneous revenue, which were over budget by \$117,364, \$78,298 and \$67,594, respectively.

Expenditures came in over budget by \$364,164 due to the delay of the 2018 mill and overlay project to 2019. The delay allowed the City to obtain better pricing.

Management's Discussion and Analysis

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, 2019, amounted to \$97,108,831 (net of accumulated depreciation), an increase of \$25,101,844 from the prior year. This investment in capital assets includes land, construction in progress, buildings, other improvements, machinery and equipment, and infrastructure. The City substantially completed the Old Village Phase 4 project, road and stoplight improvements at Hudson Blvd and Keats Ave, and the 2018 Streets project. The City completed a new park in the Wildflower/Village Preserve developments and is nearing completion of the Lions Park improvements. In addition, the City began the Trunk Highway 36/CSAH 15 Interchange project, Old Village Phases 5 and 6, and three expedited watermain projects to existing neighborhoods.

City of Lake Elmo's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$3,453,979	\$3,453,979	\$3,668,869	\$248,869	\$7,122,848	\$3,702,848
Construction in progress	618,039	5,497,408	236,301	3,003,858	854,340	8,501,266
Buildings	3,176,258	3,124,409	-	-	3,176,258	3,124,409
Improvements other than buildings	1,364,127	394,950	-	-	1,364,127	394,950
Machinery and equipment	2,375,168	1,532,331	89,981	84,780	2,465,149	1,617,111
Infrastructure	31,533,022	17,750,985	50,593,087	36,915,418	82,126,109	54,666,403
Total	\$42,520,593	\$31,754,062	\$54,588,238	\$40,252,925	\$97,108,831	\$72,006,987

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

Management’s Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$38,306,000, an increase of \$1,080,000. The key factors for the change include the issuance of \$4,055,000 of 2019A General Obligation Improvement Bonds to finance capital equipment purchases and City projects, as well as principal retired in the amount of \$2,975,000 during the year.

City of Lake Elmo’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
G.O. Improvement bonds	\$15,350,000	\$14,105,000	\$21,090,000	\$21,255,000	\$36,440,000	\$35,360,000
G.O. Equipment certificates	940,000	940,000	-	-	940,000	940,000
Taxable lease revenue bonds	926,000	926,000	-	-	926,000	926,000
Total	<u>\$17,216,000</u>	<u>\$15,971,000</u>	<u>\$21,090,000</u>	<u>\$21,255,000</u>	<u>\$38,306,000</u>	<u>\$37,226,000</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, 2019

With Comparative Totals For December 31, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
			2019	2018
Assets:				
Cash and investments	\$14,490,025	\$14,421,043	\$28,911,068	\$24,908,815
Accrued interest receivable	42,978	53,016	95,994	61,827
Due from other governmental units	551,456	58,372	609,828	9,254
Accounts receivable - net	29,255	637,868	667,123	534,300
Prepaid items	28,162	19,157	47,319	33,459
Property taxes receivable	55,894	-	55,894	76,402
Special assessments receivable	2,559,828	2,854,353	5,414,181	6,281,696
Net pension asset	373,073	-	373,073	270,407
Capital assets - nondepreciable	4,072,018	3,905,170	7,977,188	12,204,114
Capital assets - net of accumulated depreciation	38,448,575	50,683,068	89,131,643	59,802,873
Total assets	60,651,264	72,632,047	133,283,311	104,183,147
Deferred outflows of resources related to pensions	629,643	19,191	648,834	842,119
Liabilities:				
Accounts payable	167,028	44,362	211,390	235,482
Due to other governmental units	41,925	305,317	347,242	926,487
Salaries and benefits payable	86,263	15,987	102,250	101,838
Contracts and retainage payable	121,103	15,444	136,547	282,370
Deposits payable	3,168,417	-	3,168,417	3,113,076
Accrued interest payable	189,699	206,382	396,081	397,628
Unearned revenue	272,730	779,000	1,051,730	975,230
Compensated absences payable:				
Due within one year	47,061	16,322	63,383	67,879
Due in more than one year	15,687	5,441	21,128	22,627
Bonds payable:				
Due within one year	1,790,000	1,380,000	3,170,000	2,975,000
Due in more than one year	15,838,425	20,140,145	35,978,570	34,983,180
Other postemployment benefits:				
Due in more than one year	61,316	12,472	73,788	63,930
Net pension liability:				
Due in more than one year	1,146,439	126,083	1,272,522	1,233,331
Total liabilities	22,946,093	23,046,955	45,993,048	45,378,058
Deferred inflows of resources related to pensions	735,627	22,666	758,293	817,088
Net position:				
Net investment in capital assets	24,771,065	33,052,649	57,823,714	33,779,454
Restricted for:				
Debt service	7,057,638	-	7,057,638	8,216,475
Vehicle acquisition	447,848	-	447,848	806,427
Park improvements	734,100	-	734,100	851,785
Street improvements	84,619	-	84,619	-
Fire Relief Association pension plan	272,554	-	272,554	246,961
Unrestricted	4,231,363	16,528,968	20,760,331	14,929,018
Total net position	\$37,599,187	\$49,581,617	\$87,180,804	\$58,830,120

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, 2019

With Comparative Totals For The Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$1,181,219	\$553,870
Public safety	2,058,419	1,574,359
Public works	3,728,247	126,721
Culture and recreation	361,730	1,430
Economic development authority	71,609	99,690
Interest and fees on long-term debt	395,106	-
Total governmental activities	<u>7,796,330</u>	<u>2,356,070</u>
Business-type activities:		
Water	1,940,148	962,003
Sewer	1,082,997	306,041
Storm sewer	469,765	380,645
Total business-type activities	<u>3,492,910</u>	<u>1,648,689</u>
Total primary government	<u>\$11,289,240</u>	<u>\$4,004,759</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	
				2019	2018
\$39,271	\$ -	(\$588,078)	\$ -	(\$588,078)	(\$879,753)
82,292	-	(401,768)	-	(401,768)	(145,601)
667,526	10,952,853	8,018,853	-	8,018,853	2,434,466
6,394	123,500	(230,406)	-	(230,406)	(15,979)
-	-	28,081	-	28,081	30,871
-	-	(395,106)	-	(395,106)	(352,376)
<u>795,483</u>	<u>11,076,353</u>	<u>6,431,576</u>	<u>0</u>	<u>6,431,576</u>	<u>1,071,628</u>
122,350	5,831,157	-	4,975,362	4,975,362	1,151,573
-	4,495,155	-	3,718,199	3,718,199	2,971,369
-	3,788,475	-	3,699,355	3,699,355	1,640,807
<u>122,350</u>	<u>14,114,787</u>	<u>0</u>	<u>12,392,916</u>	<u>12,392,916</u>	<u>5,763,749</u>
<u>\$917,833</u>	<u>\$25,191,140</u>	<u>6,431,576</u>	<u>12,392,916</u>	<u>18,824,492</u>	<u>6,835,377</u>
General revenues:					
General property taxes		4,181,914	-	4,181,914	3,610,106
Grants and contributions not restricted to specific programs		4,956	-	4,956	7,824
Unrestricted investment earnings		331,010	411,206	742,216	212,008
Gain on disposal of capital assets		44,927	-	44,927	8,991
Extraordinary item		-	4,552,179	4,552,179	-
Total general revenues and extraordinary item		<u>4,562,807</u>	<u>4,963,385</u>	<u>9,526,192</u>	<u>3,838,929</u>
Change in net position		<u>10,994,383</u>	<u>17,356,301</u>	<u>28,350,684</u>	<u>10,674,306</u>
Net position - January 1, as previously reported		26,604,804	32,225,316	58,830,120	42,985,044
Prior period adjustment		-	-	-	5,170,770
Net position - January 1, as restated		<u>26,604,804</u>	<u>32,225,316</u>	<u>58,830,120</u>	<u>48,155,814</u>
Net position - December 31		<u>\$37,599,187</u>	<u>\$49,581,617</u>	<u>\$87,180,804</u>	<u>\$58,830,120</u>

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

CITY OF LAKE ELMO, MINNESOTA

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2019

With Comparative Totals For December 31, 2018

Statement 3

Assets	General Fund (101)	Debt Service (300s)	Vehicle Acquisition (410)	CSAH 19 / Hudson Blvd Interchange (425)	Other Governmental Funds	Total Governmental Funds	
						2019	2018
Cash and investments	\$6,384,770	\$4,716,520	\$1,241,787	\$ -	\$2,146,948	\$14,490,025	\$13,360,456
Accrued interest receivable	15,730	15,756	4,370	-	7,122	42,978	31,548
Due from other governmental units	6,410	-	-	477,468	67,578	551,456	9,254
Accounts receivable - net	13,948	-	15,307	-	-	29,255	3,985
Prepaid items	28,162	-	-	-	-	28,162	19,346
Due from other funds	1,185,555	-	-	-	-	1,185,555	2,484,378
Property taxes receivable:							
Due from county	14,282	-	-	-	-	14,282	34,377
Delinquent	41,612	-	-	-	-	41,612	42,025
Special assessments receivable:							
Due from county	-	1,247	-	-	-	1,247	1,997
Delinquent	295	2,668	-	-	-	2,963	1,476
Deferred	-	2,537,785	-	-	17,833	2,555,618	3,138,354
Total assets	\$7,690,764	\$7,273,976	\$1,261,464	\$477,468	\$2,239,481	\$18,943,153	\$19,127,196
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$113,068	\$400	\$ -	\$ -	\$53,560	\$167,028	\$156,380
Due to other governmental units	41,925	-	-	-	-	41,925	659,240
Salaries and benefits payable	86,263	-	-	-	-	86,263	93,034
Contracts and retainage payable	-	-	-	91,376	29,727	121,103	92,505
Due to other funds	-	26,239	-	638,194	521,122	1,185,555	2,484,378
Deposits payable	3,093,417	-	-	-	75,000	3,168,417	3,113,076
Unearned revenue	-	-	-	-	272,730	272,730	271,230
Total liabilities	3,334,673	26,639	0	729,570	952,139	5,043,021	6,869,843
Deferred inflows of resources:							
Unavailable revenue	41,907	2,540,453	-	-	17,833	2,600,193	3,181,855
Fund balance:							
Nonspendable	28,162	-	-	-	-	28,162	19,346
Restricted	-	4,706,884	447,848	-	818,719	5,973,451	6,133,168
Committed	-	-	-	-	24,070	24,070	11,003
Assigned	-	-	813,616	-	932,586	1,746,202	1,198,909
Unassigned	4,286,022	-	-	(252,102)	(505,866)	3,528,054	1,713,072
Total fund balance	4,314,184	4,706,884	1,261,464	(252,102)	1,269,509	11,299,939	9,075,498
Total liabilities, deferred inflows of resources, and fund balance	\$7,690,764	\$7,273,976	\$1,261,464	\$477,468	\$2,239,481	\$18,943,153	\$19,127,196

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, 2019
With Comparative Totals For December 31, 2018

Statement 4

	<u>2019</u>	<u>2018</u>
Fund balance - total governmental funds (Statement 3)	\$11,299,939	\$9,075,498
<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	42,520,593	29,277,383
Net pension asset	373,073	270,407
<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	41,612	42,025
Delinquent special assessments receivable	2,963	1,476
Deferred special assessments receivable	2,555,618	3,138,354
<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	(17,216,000)	(15,971,000)
Unamortized bond premiums	(412,425)	(307,054)
Accrued interest payable	(189,699)	(186,610)
Compensated absences payable	(62,748)	(70,660)
Other postemployment benefits	(61,316)	(54,021)
Net pension liability	(1,146,439)	(1,108,130)
<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	629,643	805,439
Deferred inflows of resources	(735,627)	784,982
Net position of governmental activities (Statement 1)	<u>\$37,599,187</u>	<u>\$25,698,089</u>

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, 2019
 With Comparative Totals For The Year Ended December 31, 2018

Statement 5

	General Fund (101)	Debt Service (300s)	Vehicle Acquisition (410)	CSAH 19 / Hudson Blvd Interchange (425)	Other Governmental Funds	Total Governmental Funds	
						2019	2018
Revenues:							
General property taxes	\$2,966,393	\$1,215,934	\$ -	\$ -	\$ -	\$4,182,327	\$3,610,508
Licenses and permits	1,055,038	-	-	-	-	1,055,038	1,317,648
Intergovernmental	269,907	-	-	1,977,992	572,062	2,819,961	247,178
Charges for services	884,885	-	-	43,900	150,557	1,079,342	899,808
Fines and forfeits	36,696	-	-	-	-	36,696	49,203
Special assessments	-	649,487	-	-	-	649,487	1,398,155
Park dedication fees	-	-	-	-	123,500	123,500	502,802
Investment income	118,298	121,530	33,976	-	57,206	331,010	115,583
Miscellaneous	192,494	-	-	-	9,000	201,494	129,455
Total revenues	5,523,711	1,986,951	33,976	2,021,892	912,325	10,478,855	8,270,340
Expenditures:							
Current:							
General government	1,136,908	-	-	-	-	1,136,908	1,208,145
Public safety	1,948,269	-	-	-	-	1,948,269	1,644,159
Public works	1,869,082	-	-	-	6,524	1,875,606	1,227,521
Culture and recreation	263,979	-	-	-	1,281	265,260	241,761
Economic development authority	-	-	-	-	71,609	71,609	47,702
Capital outlay:							
Public safety	24,000	-	856,832	-	-	880,832	7,837
Public works	-	-	188,403	2,273,994	805,573	3,267,970	3,314,434
Culture and recreation	-	-	-	-	205,841	205,841	328,148
Economic development authority	-	-	-	-	-	-	901,670
Debt service:							
Principal	-	1,615,000	-	-	-	1,615,000	1,175,000
Interest and fiscal charges	-	401,037	12,328	-	41,449	454,814	230,822
Total expenditures	5,242,238	2,016,037	1,057,563	2,273,994	1,132,277	11,722,109	10,327,199
Revenues over (under) expenditures	281,473	(29,086)	(1,023,587)	(252,102)	(219,952)	(1,243,254)	(2,056,859)
Other financing sources (uses):							
Transfers in	-	111,497	645,076	-	424,600	1,181,173	56,209
Transfers out	(742,935)	-	-	-	(43,638)	(786,573)	(173,190)
Issuance of debt	-	4,152	698,984	-	2,156,864	2,860,000	1,866,000
Bond premium	-	168,168	-	-	-	168,168	-
Proceeds from sale of capital assets	-	-	44,927	-	-	44,927	8,991
Total other financing sources (uses)	(742,935)	283,817	1,388,987	0	2,537,826	3,467,695	1,758,010
Net change in fund balance	(461,462)	254,731	365,400	(252,102)	2,317,874	2,224,441	(298,849)
Fund balance - January 1, as previously reported	4,775,646	4,452,153	896,064	-	(1,048,365)	9,075,498	8,259,817
Prior period adjustment	-	-	-	-	-	-	1,114,530
Fund balance - January 1, as restated	4,775,646	4,452,153	896,064	0	(1,048,365)	9,075,498	9,374,347
Fund balance - December 31	\$4,314,184	\$4,706,884	\$1,261,464	(\$252,102)	\$1,269,509	\$11,299,939	\$9,075,498

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

Statement 6

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	2019	2018
Net change in fund balance - total governmental funds (Statement 5)	\$2,224,441	(\$298,849)
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	(1,481,392)	(1,122,854)
Capital outlay	4,354,643	4,552,089
Capital outlay not capitalized	(555,917)	(24,494)
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	8,843,797	2,136,991
Contributions of infrastructure to business-type activities	(394,600)	-
Gain (loss) on disposal of capital assets	-	(214,210)
Transfer of capital assets from the Internal Service Funds	-	144,582
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	(413)	(402)
Change in delinquent special assessments receivable	1,487	1,476
Change in deferred special assessments receivable	(582,736)	931,141
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	(2,860,000)	(1,866,000)
Premium on bonds issued	(168,168)	-
Repayment of principal	1,615,000	1,175,000
Amortization of bond premiums	62,797	38,780
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	(3,089)	(160,334)
Change in compensated absences payable	7,912	(8,823)
Change other post employment benefits liability	(7,295)	(11,053)
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.		
	(62,084)	(432,263)
Internal service funds are used by management to charge the cost of certain activities to individual funds. Net revenues (expenses) of certain activities of internal service funds are reported within the governmental activities Statement of Activities.		
	-	(26,761)
Change in net position of governmental activities (Statement 2)	\$10,994,383	\$4,814,016

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 7

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm	Total	
			Sewer (603)	2019	2018
Assets:					
Current assets:					
Cash and investments	\$6,608,007	\$6,805,012	\$1,008,024	\$14,421,043	\$11,548,359
Accrued interest receivable	23,488	24,589	4,939	53,016	30,279
Due from other governmental units	58,372	-	-	58,372	-
Accounts receivable - net	176,446	93,439	367,983	637,868	530,315
Prepaid items	-	19,157	-	19,157	14,113
Total current assets	<u>6,866,313</u>	<u>6,942,197</u>	<u>1,380,946</u>	<u>15,189,456</u>	<u>12,123,066</u>
Noncurrent assets:					
Special assessments receivable	299,549	2,485,002	69,802	2,854,353	3,139,869
Capital assets:					
Land	3,668,869	-	-	3,668,869	248,869
Construction in progress	155,586	80,715	-	236,301	3,003,858
Machinery and equipment	293,186	24,927	-	318,113	330,045
Infrastructure	34,022,798	15,373,892	10,249,843	59,646,533	44,160,073
Total capital assets	<u>38,140,439</u>	<u>15,479,534</u>	<u>10,249,843</u>	<u>63,869,816</u>	<u>47,742,845</u>
Less: Allowance for depreciation	<u>(6,989,032)</u>	<u>(1,679,575)</u>	<u>(612,971)</u>	<u>(9,281,578)</u>	<u>(7,489,920)</u>
Net capital assets	<u>31,151,407</u>	<u>13,799,959</u>	<u>9,636,872</u>	<u>54,588,238</u>	<u>40,252,925</u>
Total assets	<u>38,317,269</u>	<u>23,227,158</u>	<u>11,087,620</u>	<u>72,632,047</u>	<u>55,515,860</u>
Deferred outflows of resources related to pensions	14,122	3,377	1,692	19,191	36,680
Liabilities:					
Current liabilities:					
Accounts payable	26,635	17,671	56	44,362	79,102
Due to other governmental units	8,733	295,909	675	305,317	267,247
Salaries and benefits payable	10,065	4,088	1,834	15,987	8,804
Contracts and retainage payable	7,273	8,171	-	15,444	189,865
Accrued interest payable	97,725	83,108	25,549	206,382	211,018
Unearned revenue	729,000	50,000	-	779,000	704,000
Compensated absences payable - current portion	9,200	4,418	2,704	16,322	14,884
Bonds payable - current portion	770,000	435,000	175,000	1,380,000	1,360,000
Total current liabilities	<u>1,658,631</u>	<u>898,365</u>	<u>205,818</u>	<u>2,762,814</u>	<u>2,834,920</u>
Noncurrent liabilities:					
Compensated absences payable - noncurrent portion	3,067	1,473	901	5,441	4,962
Bonds payable - noncurrent portion	10,853,785	6,408,910	2,877,450	20,140,145	20,320,126
Other postemployment benefits	6,913	3,567	1,992	12,472	9,909
Net pension liability	92,780	22,184	11,119	126,083	125,201
Total noncurrent liabilities	<u>10,956,545</u>	<u>6,436,134</u>	<u>2,891,462</u>	<u>20,284,141</u>	<u>20,460,198</u>
Total liabilities	<u>12,615,176</u>	<u>7,334,499</u>	<u>3,097,280</u>	<u>23,046,955</u>	<u>23,295,118</u>
Deferred inflows of resources related to pensions	16,679	3,988	1,999	22,666	32,106
Net position:					
Net investment in capital assets	19,520,349	6,947,878	6,584,422	33,052,649	18,382,934
Unrestricted	6,179,187	8,944,170	1,405,611	16,528,968	13,842,382
Total net position	<u>\$25,699,536</u>	<u>\$15,892,048</u>	<u>\$7,990,033</u>	<u>\$49,581,617</u>	<u>\$32,225,316</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, 2019

With Comparative Totals For The Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm	Total	
			Sewer (603)	2019	2018
Operating revenues:					
Charges for services	\$851,114	\$299,779	\$344,211	\$1,495,104	\$1,365,322
Water meter sales	97,342	-	-	97,342	115,036
Other operating revenue	13,547	6,262	36,434	56,243	46,941
Total operating revenues	<u>962,003</u>	<u>306,041</u>	<u>380,645</u>	<u>1,648,689</u>	<u>1,527,299</u>
Operating expenses:					
Personal services	216,859	87,235	47,399	351,493	256,763
Materials and supplies	120,781	12,181	6,649	139,611	180,867
Professional services	143,127	54,634	49,794	247,555	381,958
Repairs and maintenance	71,885	30,714	23,368	125,967	227,907
Utilities	80,744	184,172	8	264,924	209,944
Depreciation	1,015,919	526,989	280,141	1,823,049	1,466,685
Other	26,789	14,143	4,800	45,732	21,908
Total operating expenses	<u>1,676,104</u>	<u>910,068</u>	<u>412,159</u>	<u>2,998,331</u>	<u>2,746,032</u>
Operating income (loss)	<u>(714,101)</u>	<u>(604,027)</u>	<u>(31,514)</u>	<u>(1,349,642)</u>	<u>(1,218,733)</u>
Nonoperating revenues (expenses):					
Investment income	183,386	190,342	37,478	411,206	96,425
Intergovernmental revenue	122,350	-	-	122,350	956
Interest and fees on long-term debt	(257,766)	(172,929)	(57,606)	(488,301)	(484,145)
Gain (loss) on disposal of capital assets	(6,278)	-	-	(6,278)	-
Total nonoperating operating revenues (expenses)	<u>41,692</u>	<u>17,413</u>	<u>(20,128)</u>	<u>38,977</u>	<u>(386,764)</u>
Income (loss) before contributions and transfers	<u>(672,409)</u>	<u>(586,614)</u>	<u>(51,642)</u>	<u>(1,310,665)</u>	<u>(1,605,497)</u>
Contributions, transfers and extraordinary item:					
Capital contributions:					
Intergovernmental revenue	138,894	-	-	138,894	-
Special assessments	11,968	109,944	-	121,912	1,476,668
Capital contributions from private sources	4,698,595	3,358,478	3,788,475	11,845,548	3,324,179
Capital contributions from governmental activities	-	-	394,600	394,600	-
Connection charges	981,700	1,026,733	-	2,008,433	2,665,780
Transfer out	-	-	(394,600)	(394,600)	(840)
Extraordinary item	4,552,179	-	-	4,552,179	-
Total contributions, transfers and extraordinary item	<u>10,383,336</u>	<u>4,495,155</u>	<u>3,788,475</u>	<u>18,666,966</u>	<u>7,465,787</u>
Change in net position	<u>9,710,927</u>	<u>3,908,541</u>	<u>3,736,833</u>	<u>17,356,301</u>	<u>5,860,290</u>
Net position - January 1, as previously reported	15,988,609	11,983,507	4,253,200	32,225,316	23,670,935
Prior period adjustment	-	-	-	-	2,694,091
Net position - January 1, as restated	<u>15,988,609</u>	<u>11,983,507</u>	<u>4,253,200</u>	<u>32,225,316</u>	<u>26,365,026</u>
Net position - December 31	<u>\$25,699,536</u>	<u>\$15,892,048</u>	<u>\$7,990,033</u>	<u>\$49,581,617</u>	<u>\$32,225,316</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, 2019

With Comparative Totals For The Year Ended December 31, 2018

Statement 9

	Business-Type Activities - Enterprise Funds				
	Water (601)	Sewer (602)	Storm	Total	
			Sewer (603)	2019	2018
Cash flows from operating activities:					
Receipts from customers and users	\$986,547	\$292,214	\$301,054	\$1,579,815	\$1,385,109
Payments to suppliers	(492,171)	(247,927)	(85,405)	(825,503)	(1,282,713)
Payments to employees	(202,981)	(82,787)	(45,131)	(330,899)	(285,808)
Net cash flows provided by (used in) operating activities	291,395	(38,500)	170,518	423,413	(183,412)
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	-	(840)
Interfund loan payments from other funds	-	-	-	-	78,220
Interfund loan payments to other funds	-	-	-	-	(795)
Net cash flows provided by (used in) noncapital financing activities	0	0	0	0	76,585
Cash flows from capital and related financing activities:					
Intergovernmental revenue	138,894	-	-	138,894	-
Special assessments	16,751	415,976	-	432,727	939,586
Connection charges	1,056,700	1,026,733	-	2,083,433	2,840,780
Extraordinary item	1,132,179	-	-	1,132,179	-
Proceeds from issuance of bonds	393,683	440,262	Yes	833,945	-
Principal paid on long-term debt	(760,000)	(425,000)	(175,000)	(1,360,000)	(625,000)
Interest and fees paid on long-term debt	(281,195)	(185,489)	(64,113)	(530,797)	(312,660)
Acquisition of capital assets	(520,164)	(158,749)	-	(678,913)	(914,869)
Transfer out	-	-	(394,600)	(394,600)	-
Net cash flows provided by (used in) capital and related financing activities	1,176,848	1,113,733	(633,713)	1,656,868	1,927,837
Cash flows from investing activities:					
Investment earnings	169,715	180,926	37,828	388,469	66,146
Net increase (decrease) in cash and cash equivalents	1,637,958	1,256,159	(425,367)	2,468,750	1,887,156
Cash and cash equivalents - January 1	4,970,049	5,548,853	1,029,457	11,548,359	9,661,203
Cash and cash equivalents - December 31	\$6,608,007	\$6,805,012	\$604,090	\$14,017,109	\$11,548,359
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	(\$714,101)	(\$604,027)	(\$31,514)	(\$1,349,642)	(\$1,218,733)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Intergovernmental revenue	122,350	-	-	122,350	956
Depreciation	1,015,919	526,989	280,141	1,823,049	1,466,685
Changes in assets and liabilities:					
Decrease (increase) in receivables	(97,806)	(13,827)	(79,591)	(191,224)	(143,146)
Decrease (increase) in prepaid items	-	(5,044)	-	(5,044)	(6,435)
Decrease (increase) in deferred outflows of resources	12,869	3,077	1,543	17,489	7,894
Increase (decrease) in payables	(48,845)	52,961	(786)	3,330	(253,694)
Increase (decrease) in salaries and benefits payable	4,148	2,419	616	7,183	2,637
Increase (decrease) in compensated absences	1,680	(232)	469	1,917	3,533
Increase (decrease) in other post employment benefits	1,479	690	394	2,563	1,970
Increase (decrease) in net pension liability	649	155	78	882	(64,232)
Increase (decrease) in deferred inflows of resources	(6,947)	(1,661)	(832)	(9,440)	19,153
Total adjustments	1,005,496	565,527	202,032	1,773,055	1,035,321
Net cash provided by (used in) operating activities	\$291,395	(\$38,500)	\$170,518	\$423,413	(\$183,412)
Noncash investing, capital and financing activities:					
Capital asset contributions	\$4,698,595	\$3,358,478	\$4,183,075	\$12,240,148	\$3,324,179
Extraordinary item - value of land received	\$3,420,000	\$ -	\$ -	\$3,420,000	\$ -
Loss on disposal of capital assets	(\$6,278)	\$ -	\$ -	(\$6,278)	\$ -

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

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.

RELATED ORGANIZATION

The Lake Elmo Firefighters Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Association's Board of Trustees is appointed by the membership of the Association and not by the City Council. All funding is conducted in accordance with Minnesota Statutes, whereby state aid flows to the Association, tax levies are determined by the Association and the Association pays benefits directly to its members. The Association may certify tax levies to Washington County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

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.

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

CSAH 19 / Hudson Boulevard Interchange Fund accounts for the accumulation of resources used for CSAH 19 and Hudson Boulevard intersection improvements.

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 capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position 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 position 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 the following sources: 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, 2018 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.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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. Minnesota Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The City has no additional deposit policies addressing custodial credit risk. At December 31, 2019, the bank balance of the City's deposits was insured by the FDIC or covered by pledged collateral held in the City's name.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

CITY OF LAKE ELMO, MINNESOTA
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- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by the Federal Deposits Insurance Corporation.

At December 31, 2019, the carrying amount of the City's deposits with financial institutions was \$1,134,630.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) State and local securities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

CITY OF LAKE ELMO, MINNESOTA
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At December 31, 2019, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1 - 5	6 - 10
Wells Fargo money market	Not rated	\$40,921	\$40,921	\$ -	\$ -
Northland Securities money market	Not rated	421,467	421,467	-	-
4M Fund money market	Not rated	5,792,324	5,792,324	-	-
First Resource Bank money market	Not rated	4,079,595	4,079,595	-	-
Brokered certificates of deposit	Not rated	9,357,304	2,731,374	6,625,930	-
Municipal bonds	Aaa	3,896,168	-	2,057,871	1,838,297
Federal Farm Credit Bank notes	Aaa	2,585,067	-	688,144	1,896,923
Federal Home Loan Bank notes	Aaa	250,005	-	-	250,005
Federal Home Loan Mortgage Corp. notes	Aaa	775,054	-	775,054	-
Federal National Mortgage Assn. notes	Aaa	576,785	-	576,785	-
Total		\$27,774,690	\$13,065,681	\$10,723,784	\$3,985,225
			Total investments	\$27,774,690	
			Deposits	1,134,630	
			Petty cash	1,748	
			Total cash and investments	\$28,911,068	

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, 2019:

Investment Type	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered certificates of deposit	\$9,357,304	\$ -	\$9,357,304	\$ -
Municipal bonds	3,896,168	-	3,896,168	-
Federal Farm Credit Bank notes	2,585,067	-	2,585,067	-
Federal Home Loan Bank notes	250,005	-	250,005	-
Federal Home Loan Mortgage Corp. notes	775,054	-	775,054	-
Federal National Mortgage Assn. notes	576,785	-	576,785	-
	\$17,440,383	\$0	\$17,440,383	\$0
Investments not categorized:				
Wells Fargo money market	40,921			
Northland Securities money market	421,467			
First Resource Bank money market	4,079,595			
4M Fund money market	5,792,324			
Total investments	\$27,774,690			

The 4M Fund is an external investment pool investment which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. It is an unrated pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) of \$1 per share. The pool measures its investments at amortized cost in accordance with GASB Statement No. 79. The 4M Plus Fund requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to penalty equal to 7 days interest on the amount withdrawn.

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, 2019, 9% of the City’s investments were invested in the Federal Farm Credit Bank notes.

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, 2019 are as follows:

	Property Taxes Receivable	Special Assessments Receivable	Total
Major Funds:			
General Fund	\$23,335	\$165	\$23,500
Debt Service Fund	-	2,400,307	2,400,307
Water Fund	-	228,966	228,966
Sewer Fund	-	2,371,008	2,371,008
Storm Sewer Fund	-	718	718
Nonmajor Funds	-	17,833	17,833
 Total	 <u>\$23,335</u>	 <u>\$5,018,997</u>	 <u>\$5,042,332</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	\$41,612	\$295	\$41,907
Debt Service Fund	-	2,540,453	2,540,453
Nonmajor Funds	-	17,833	17,833
 Total	 <u>\$41,612</u>	 <u>\$2,558,581</u>	 <u>\$2,600,193</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$3,453,979	\$ -	\$ -	\$3,453,979
Construction in progress	<u>5,497,408</u>	<u>3,798,726</u>	<u>(8,678,095)</u>	<u>618,039</u>
Total capital assets, not being depreciated	<u>8,951,387</u>	<u>3,798,726</u>	<u>(8,678,095)</u>	<u>4,072,018</u>
Capital assets, being depreciated:				
Buildings	4,194,075	136,595	-	4,330,670
Improvements other than buildings	1,482,436	1,022,238	-	2,504,674
Machinery and equipment	4,223,115	1,068,175	(239,491)	5,051,799
Infrastructure	<u>22,491,956</u>	<u>14,900,284</u>	<u>-</u>	<u>37,392,240</u>
Total capital assets, being depreciated	<u>32,391,582</u>	<u>17,127,292</u>	<u>(239,491)</u>	<u>49,279,383</u>
Less accumulated depreciation for:				
Buildings	1,069,666	84,746	-	1,154,412
Improvements other than buildings	1,087,486	53,061	-	1,140,547
Machinery and equipment	2,690,784	225,338	(239,491)	2,676,631
Infrastructure	<u>4,740,971</u>	<u>1,118,247</u>	<u>-</u>	<u>5,859,218</u>
Total accumulated depreciation	<u>9,588,907</u>	<u>1,481,392</u>	<u>(239,491)</u>	<u>10,830,808</u>
Total capital assets being depreciated - net	<u>22,802,675</u>	<u>15,645,900</u>	<u>0</u>	<u>38,448,575</u>
Governmental activities capital assets - net	<u>\$31,754,062</u>	<u>\$19,444,626</u>	<u>(\$8,678,095)</u>	<u>\$42,520,593</u>
	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$248,869	\$3,420,000	\$ -	\$3,668,869
Construction in progress	<u>3,003,858</u>	<u>538,601</u>	<u>(3,306,158)</u>	<u>236,301</u>
Total capital assets, not being depreciated	<u>3,252,727</u>	<u>3,958,601</u>	<u>(3,306,158)</u>	<u>3,905,170</u>
Capital assets, being depreciated:				
Machinery and shop equipment	330,045	25,737	(37,669)	318,113
Infrastructure	<u>44,160,073</u>	<u>15,486,460</u>	<u>-</u>	<u>59,646,533</u>
Total capital assets, being depreciated	<u>44,490,118</u>	<u>15,512,197</u>	<u>(37,669)</u>	<u>59,964,646</u>
Less accumulated depreciation for:				
Machinery and equipment	245,265	14,258	(31,391)	228,132
Infrastructure	<u>7,244,655</u>	<u>1,808,791</u>	<u>-</u>	<u>9,053,446</u>
Total accumulated depreciation	<u>7,489,920</u>	<u>1,823,049</u>	<u>(31,391)</u>	<u>9,281,578</u>
Total capital assets being depreciated - net	<u>37,000,198</u>	<u>13,689,148</u>	<u>(6,278)</u>	<u>50,683,068</u>
Business-type activities capital assets - net	<u>\$40,252,925</u>	<u>\$14,227,749</u>	<u>(\$3,312,436)</u>	<u>\$54,588,238</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	\$17,656
Public safety	98,635
Public works	1,277,624
Culture & recreation	<u>87,477</u>
Total depreciation expense - governmental activities	<u>\$1,481,392</u>
Business-type activities:	
Water	\$1,015,919
Sewer	526,989
Storm sewer	<u>280,141</u>
Total depreciation expense - business-type activities	<u>\$1,823,049</u>

CITY OF LAKE ELMO, MINNESOTA
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December 31, 2019

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, 2019 is as follows:

	Issue Date	Interest Rates	Maturity Date	Payable 12/31/19
<u>Governmental Activities:</u>				
General obligation improvement bonds:				
2009B Improvement bonds	10/01/09	3.00% - 3.05%	01/15/20	\$60,000
2010A Improvement bonds	11/15/10	2.35% - 2.80%	02/01/21	150,000
2010B CIP refunding bonds	11/15/10	2.05% - 3.20%	02/01/25	1,065,000
2011A Improvement bonds	10/01/11	1.25% - 2.30%	02/01/22	270,000
2012B Improvement bonds	08/16/12	1.25% - 1.90%	02/01/23	370,000
2013A Improvement bonds	10/01/13	2.00% - 3.75%	07/15/28	1,030,000
2014A Improvement bonds	07/15/14	2.00% - 3.5%	01/15/30	2,040,000
2015A Improvement bonds	08/13/15	2.00% - 3.00%	01/15/26	1,155,000
2016A Improvement bonds	06/01/16	2.00%	01/15/27	2,195,000
2017A Improvement bonds	06/08/17	2.50% - 3.00%	01/15/28	4,155,000
2019A Improvement bonds	10/24/19	2.00% - 3.00%	02/01/30	2,860,000
Total general obligation improvement bonds				15,350,000
General obligation equipment certificates:				
2018A Equipment certificates	10/16/18	2.70% - 2.70%	02/01/28	940,000
Taxable lease revenue bonds:				
2018A Taxable lease revenue bonds	06/28/18	4.50% - 4.50%	01/15/34	926,000
Unamortized bond premiums				412,425
Compensated absences payable				62,748
Total governmental activities				<u>\$17,691,173</u>
<u>Business-Type Activities:</u>				
General obligation revenue bonds:				
2012A Refunding bonds	08/13/12	2.00% - 2.50%	12/01/30	\$3,225,000
2013A Improvement bonds	10/01/13	2.00% - 4.00%	07/15/33	2,800,000
2014A Improvement bonds	07/15/14	2.00% - 3.50%	01/15/30	2,590,000
2015A Improvement bonds	08/13/15	2.00% - 3.00%	01/15/31	995,000
2016A Improvement bonds	06/01/16	2.00%	01/15/32	6,055,000
2017A Improvement bonds	06/01/16	2.50% - 3.00%	01/15/33	4,230,000
2019A Improvement bonds	10/24/19	2.00% - 3.00%	02/01/35	1,195,000
Total general obligation revenue bonds				21,090,000
Unamortized bond premiums				430,145
Compensated absences payable				21,763
Total business-type activities				<u>\$21,541,908</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, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
G.O. Improvement bonds	\$14,105,000	\$2,860,000	\$1,615,000	\$15,350,000	\$1,655,000
G.O. Equipment certificates	940,000	-	-	940,000	90,000
Taxable lease revenue bonds	926,000	-	-	926,000	45,000
Unamortized bond premiums	307,054	168,168	62,797	412,425	-
Compensated absences payable	70,660	122,309	130,221	62,748	47,061
Total governmental activities	<u>\$16,348,714</u>	<u>\$3,150,477</u>	<u>\$1,808,018</u>	<u>\$17,691,173</u>	<u>\$1,837,061</u>
<u>Business-type activities:</u>					
G.O. Revenue bonds	\$21,255,000	\$1,195,000	\$1,360,000	\$21,090,000	\$1,380,000
Unamortized bond premiums	425,126	42,879	37,860	430,145	-
Compensated absences payable	19,846	40,193	38,276	21,763	16,322
Total business-type activities	<u>\$21,699,972</u>	<u>\$1,278,072</u>	<u>\$1,436,136</u>	<u>\$21,541,908</u>	<u>\$1,396,322</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		Taxable Lease Revenue Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$1,655,000	\$351,468	\$90,000	\$24,165	\$45,000	\$40,658	\$1,380,000	\$504,661
2021	1,855,000	329,700	95,000	21,668	47,000	38,588	1,455,000	481,694
2022	1,835,000	285,961	100,000	19,036	49,000	36,428	1,560,000	449,804
2023	1,790,000	241,835	100,000	16,336	51,000	34,178	1,565,000	415,069
2024	1,715,000	196,714	105,000	13,568	53,000	31,838	1,585,000	377,784
2025-2029	6,090,000	391,788	450,000	24,567	303,000	120,354	8,510,000	1,280,803
2030-2034	410,000	5,338	-	-	378,000	44,006	4,940,000	266,839
2035-2039	-	-	-	-	-	-	95,000	1,067
Total	<u>\$15,350,000</u>	<u>\$1,802,804</u>	<u>\$940,000</u>	<u>\$119,340</u>	<u>\$926,000</u>	<u>\$346,050</u>	<u>\$21,090,000</u>	<u>\$3,777,721</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.

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.

CITY OF LAKE ELMO, MINNESOTA
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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		Current Year		
		Type	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
2009B G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2010 - 2019	\$60,915	\$67,821	\$49,900
2010A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2011 - 2020	\$154,200	\$80,081	\$68,962
2010B G.O. CIP Refunding	Infrastructure improvements	Ad valorem taxes	2011 - 2024	\$1,165,224	\$192,980	\$205,989
2011A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2012 - 2021	\$279,180	\$91,790	\$83,850
2012A G.O. Refunding	Water system improvements	Water usage charges	2012 - 2030	\$3,690,246	\$284,044	\$851,114
2012B G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2013 - 2022	\$383,891	\$92,201	\$88,808
2013A G.O. Improvement	Infrastructure improvements	Special assessments, Water & Sewer charges	2014 - 2033	\$4,758,894	\$447,570	\$1,155,899
2014A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water & sewer charges	2015 - 2029	\$5,383,336	\$550,278	\$1,567,569
2015A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water & sewer charges	2016 - 2030	\$2,416,691	\$293,514	\$1,255,257
2016A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assmts, Water, Sewer, Storm charges	2017 - 2031	\$9,249,700	\$826,550	\$1,812,591
2017A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assmts, Water, Sewer, Storm charges	2018 - 2032	\$9,722,090	\$883,890	\$1,947,950
2018A G.O. Equipment Certificates	Purchase of fire truck, dump truck	Ad valorem taxes	2019 - 2027	\$1,059,340	\$20,093	\$ -
2018A Taxable Lease Revenue	Purchase of city hall	Lease revenues	2018 - 2033	\$1,272,050	\$43,638	\$99,690
2019A G.O. Improvement	Infrastructure improvements, capital equipment	Ad valorem taxes, Special assmts, Water, Sewer, Storm charges	2020 - 2034	\$4,756,158	\$ -	\$1,566,637

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 a local relief association 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 Plan 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 Plan 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent 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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. 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 2019; the City was required to contribute 7.5% for Coordinated Plan members. The City contributions to the GERS for the year ended December 31, 2019 were \$108,779. The City contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City contributions to the PEPFF for the year ended December 31, 2019 were \$39,225. The City contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERF Pension Costs

At December 31, 2019, the City reported a liability of \$1,067,054 for its proportionate share of GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$33,165. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0193%, which was an increase of 0.0002% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$1,067,054
State of Minnesota's proportionate share of the net pension liability associated with the City	33,165
Total	<u><u>\$1,100,219</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$184,344 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$2,484 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, 2019, 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	\$29,642	\$ -
Changes in actuarial assumptions	-	84,085
Net collective difference between projected and actual investment earnings	-	107,737
Changes in proportion	76,318	-
Contributions paid to PERA subsequent to the measurement date	56,455	-
Total	<u><u>\$162,415</u></u>	<u><u>\$191,822</u></u>

CITY OF LAKE ELMO, MINNESOTA
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\$56,455 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 during 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2020	\$8,694
2021	(78,016)
2022	(18,258)
2023	1,718
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$205,468 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0193%, which was an increase of 0.0030% from its proportionate share measured as of June 30, 2018. The City also recognized \$2,605 for the year ended December 31, 2019 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 PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$62,873 for its proportionate share of the PEPFF's pension expense.

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At December 31, 2019, 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	\$8,862	\$39,044
Changes in actuarial assumptions	202,091	239,303
Net collective difference between projected and actual investment earnings	-	39,021
Changes in proportion	241,114	134,780
Contributions paid to PERA subsequent to the measurement date	<u>20,548</u>	<u>-</u>
Total	<u>\$472,615</u>	<u>\$452,148</u>

The \$20,548 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 during 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense</u>
2020	\$11,880
2021	(6,015)
2022	(70,625)
2023	58,519
2024	6,160
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, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan 1.0% per year for the Police and Fire Plan.

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Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in 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.

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in the Plan Provisions

- There have been no changes since the prior valuation.

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	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Totals	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employees will be made at the rate set in Minnesota statutes. Based on that assumption, the fiduciary net position of the GERF and the PEPFF was projected to be available to make all projected future benefit payments

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

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the GERF net pension liability	\$1,754,179	\$1,067,054	\$499,695
City's proportionate share of the PEPFF net pension liability	\$449,115	\$205,468	\$4

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.

I. PENSION EXPENSE

Pension expense recognized by the City for the year ended December 31, 2019 is as follows:

GERF	\$186,828
PEPFF	62,873
Fire Pension Plan (Note 8)	<u>39,725</u>
Total	<u>\$289,426</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) 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 December 31, 2019, 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)	5
Nonvested (less than 10 years)	<u>12</u>
Total	<u><u>23</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.

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

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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 \$69,975 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2019.

D. CHANGES IN THE NET PENSION ASSET

At December 31, 2019, the City reported a net pension asset of \$373,073. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department.

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)
Beginning balance December 31, 2018	\$898,899	\$1,169,306	(\$270,407)
Changes for the year:			
Service cost	37,293	-	37,293
Interest cost	42,177	-	42,177
Assumption changes	-	-	-
Plan Changes	-	-	-
Projected investment earnings	-	-	-
Contributions - State of MN	-	69,975	(69,975)
Asset (gain) / loss	-	127,902	(127,902)
Benefit payments	(253,525)	(253,525)	-
Administrative expenses	-	(15,741)	15,741
Net changes	(174,055)	(71,389)	(102,666)
Balance end of year December 31, 2019	\$724,844	\$1,097,917	(\$373,073)

For the year ended December 31, 2019, the City recognized pension expense of \$39,725.

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At December 31, 2019, the City reported deferred outflows and inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ -	\$24,020
Assumption changes	13,804	-
Liability gains	-	90,303
Total	<u>\$13,804</u>	<u>\$114,323</u>

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

<u>Year Ended December 31,</u>	<u>Pension Expense</u>
2020	(\$22,223)
2021	(20,015)
2022	(734)
2023	(26,752)
2024	(11,426)
Thereafter	(19,369)

E. ACTUARIAL ASSUMPTIONS

The total pension asset was determined by an actuarial valuation as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement:

Valuation date	1/1/2019
Measurement date (assets and funded status)	12/31/2019
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	3.50%
Projected salary increases	2.50%
Includes inflation at	N/A
Cost-of-living adjustments	4.00%
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 expected investment return and discount rate for 2019 is 5.25%.

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.

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.

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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:

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	20.00%	2.25%
Fixed income	25.00%	3.40%
Equities	55.00%	7.40%
Other	<u>0.00%</u>	<u>6.00%</u>
Total (weighted avg, rounded to 1/4%)	100.00%	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:

	<u>1% Decrease in Discount Rate (4.25%)</u>	<u>Discount Rate (5.25%)</u>	<u>1% Increase in Discount Rate (6.25%)</u>
Net pension asset	(\$345,945)	(\$373,073)	(\$413,564)

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the Association plan’s fiduciary net position at December 31, 2019 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.

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

RETIREES

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 2019, 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, 2017 actuarial valuation, participants of the plan consisted of:

Active employees	17
Inactive employees or beneficiaries	
currently receiving benefits	<u>0</u>
Total	<u><u>17</u></u>

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City’s total OPEB liability of \$73,788 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2017. Changes in the total OPEB liability during 2019 were:

Balance - beginning of year	\$63,930
Changes for the year:	
Service cost	9,525
Interest	2,431
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(2,098)
Benefit payments	-
Net changes	<u>9,858</u>
Balance - end of year	<u>\$73,788</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, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%
Discount rate	3.71%
Investment rate of return	3.71%
Healthcare cost trend rates	6.90% for 2018; gradually decreasing over several decades to an ultimate rate of 4.40% for 2074 and later years

The discount rate is 3.71%, an increase of .40% from the prior year.

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, 2018.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.

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.

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 (2.71%) or 1% higher (4.71%) than the current discount rate:

	1% Decrease <u>(2.71%)</u>	Discount Rate <u>(3.71%)</u>	1% Increase <u>(4.71%)</u>
Total OPEB liability	\$79,171	\$73,788	\$68,856

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 (5.9% decreasing to 3.4%) or 1% higher (7.9% decreasing to 5.4%) than the current healthcare cost trend rates:

	1% Decrease <u>(5.9% decreasing to 3.4%)</u>	Healthcare Cost Trend Rates <u>(6.9% decreasing to 4.4%)</u>	1% Increase <u>(7.9% decreasing to 5.4%)</u>
Total OPEB liability	\$66,424	\$73,788	\$82,717

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

For the year ended December 31, 2019, the City recognized \$9,858 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 2019. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2019.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 10 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

The City has deficit fund balances at December 31, 2019 as follows:

	<u>Fund Balance Deficit</u>
Major Governmental Funds:	
CSAH 19 / Hudson Blvd Interchange	(\$252,102)
Nonmajor Governmental Funds:	
Village Project	(378,736)
CSAH 15 / CSAH 14 Realignment	(1,817)
Manning Corridor and Safety Management	(635)
2019 Street and Utility Project	(5,731)
CSAH 13 Phase 2	(4,003)
Old Village Phases 5 & 6	(62,778)
CSAH 15 Manning Avenue Phase 3	(720)
Heritage Farms Street & Utility Improvements	(51,339)
Manning and Highway 36 Interchange	(107)

The City intends to fund these deficits during 2020 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:			
Finance and administration	\$712,966	\$715,041	\$2,075
Elections	1,660	2,639	979
Public safety:			
Fire protection	701,433	732,990	31,557
Building inspection	404,908	468,607	63,699
Animal control	9,000	19,902	10,902
Prosecution	45,792	46,434	642
Emergency communications	1,780	1,933	153
Public works	1,408,135	1,869,082	460,947

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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

A summary of due from and due to balances at December 31, 2019 is as follows:

	<u>Due from other Funds</u>	<u>Due to other Funds</u>
Major Funds:		
General Fund	\$1,185,555	\$ -
Debt Service Fund	-	26,239
CSAH 19/Hudson Blvd Interchange	-	638,194
Nonmajor Funds:		
Village Project	-	378,736
CSAH 15 / CSAH 14 Realignment	-	2,073
Manning Corridor and Safety Mgmt	-	635
2019 Street and Utility Project	-	5,731
CSAH 13 Phase 2	-	4,003
Old Village Phases 5 & 6	-	62,117
Stonegate Utility & Street Improvements	-	48,134
CSAH 15 Manning Avenue Phase 3	-	720
Heritage Farms Street & Utility Impr.	-	18,973
	<u>\$1,185,555</u>	<u>\$1,185,555</u>

Note 12 INTERFUND TRANSFERS

Individual fund transfers for fiscal year 2019 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$742,935
Debt Service Fund	111,497	-
Vehicle Acquisition	645,076	-
Storm Sewer	-	394,600
Nonmajor funds:		
Economic Development Authority	30,000	43,638
Old Village Phase 4	394,600	-
	<u>\$1,181,173</u>	<u>\$1,181,173</u>

During 2019, transfers were made to provide financing for debt service and capital expenditures. A transfer was also made to provide resources to the Economic Development Authority. These transfers are routine and consistent with past practices.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 13 FUND BALANCE

At December 31, 2019, a summary of the governmental fund balance classifications is as follows:

	General	Debt Service	Vehicle Acquisition	CSAH 19 / Hudson Blvd Interchange	Other Governmental Funds	Total
Nonspendable:						
Prepaid items	\$28,162	\$ -	\$ -	\$ -	\$ -	\$28,162
Restricted:						
Debt service	-	4,706,884	-	-	-	4,706,884
Vehicle acquisition	-	-	447,848	-	-	447,848
Park improvements	-	-	-	-	734,100	734,100
Street improvements	-	-	-	-	84,619	84,619
Total restricted	0	4,706,884	447,848	0	818,719	5,973,451
Committed for:						
Lions Park	-	-	-	-	7,314	7,314
Economic development	-	-	-	-	16,756	16,756
Total committed	0	0	0	0	24,070	24,070
Assigned for:						
Lions Park	-	-	-	-	240	240
Economic development	-	-	-	-	57,402	57,402
Infrastructure improvements	-	-	-	-	743,653	743,653
City facilities	-	-	-	-	95,157	95,157
Manning & Hudson future stop light	-	-	-	-	7,145	7,145
Railroad crossing improvements	-	-	-	-	28,989	28,989
Vehicle acquisition	-	-	813,616	-	-	813,616
Total assigned	0	0	813,616	0	932,586	1,746,202
Unassigned	4,286,022	-	-	(252,102)	(505,866)	3,528,054
Total fund balance	\$4,314,184	\$4,706,884	\$1,261,464	(\$252,102)	\$1,269,509	\$11,299,939

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.

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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, 2019.

C. COMMITTED CONTRACTS

At December 31, 2019, the City had commitments of \$127,618 for uncompleted construction contracts. In addition, the City has entered into construction contracts totaling approximately \$3,635,000 during 2020.

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 PRESENTATION OF PERFORMANCE DEPOSITS

For the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. Based on the guidance provided by GASB 84, the City's performance deposits no longer meet the definition of a fiduciary activity. Therefore, the amounts and activity previously reported in fiduciary funds are now reported in the General Fund.

GASB 84 also requires that changes resulting from the statement be applied retroactively. As such, \$2,916,175 of Cash and Investments, \$31,149 of Accounts Payable and \$2,885,026 of Deposits Payable previously presented in fiduciary funds of the City's 2018 financial statements are now presented in the 2018 comparative column of the statement of net position and the balance sheet – governmental funds of the City's 2019 financial statements. This reclassification did not have an effect on beginning net position or fund balance.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 17 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. 91 Conduit Debt Obligations. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

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

Statement No. 93 Replacement of Interbank Offered Rates. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

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.

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.

Note 18 PRIOR PERIOD ADJUSTMENT

During 2019, the City identified \$10,631,940 of previously unrecorded infrastructure assets which were constructed by private developers and contributed to the City during 2017 and 2018. Comparative 2018 totals of the statement of activities and the statement of revenues, expenses and changes in fund net position – proprietary funds have been restated to record the 2018 contributions. A prior period adjustment to restate beginning net position as of January 1, 2018 is presented to adjust for the 2017 contributions.

A summary of the prior period adjustment is as follows:

	<u>Governmental Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position, as previously reported	\$21,991,134	\$14,133,240	\$10,376,847	\$1,696,959	\$26,207,046	\$48,198,180
2018 contributions	2,136,991	885,924	804,542	1,633,713	3,324,179	5,461,170
2017 contributions	<u>2,476,679</u>	<u>969,445</u>	<u>802,118</u>	<u>922,528</u>	<u>2,694,091</u>	<u>5,170,770</u>
Total contributions	<u>4,613,670</u>	<u>1,855,369</u>	<u>1,606,660</u>	<u>2,556,241</u>	<u>6,018,270</u>	<u>10,631,940</u>
Net position, as restated	<u>\$26,604,804</u>	<u>\$15,988,609</u>	<u>\$11,983,507</u>	<u>\$4,253,200</u>	<u>\$32,225,316</u>	<u>\$58,830,120</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 19 EXTRAORDINARY ITEM

During 2019, the City and 3M Company entered into a settlement agreement relating to the presence of perfluorochemicals (PFCs) in the City's municipal water supply. As part of the settlement, the City received \$2,700,000 of cash and parcels of land located within the City with an estimated acquisition value of \$3,420,000. The City incurred \$1,567,821 of professional service fees relating to the settlement. Because the transaction is considered to be unusual in nature and infrequent in occurrence, an extraordinary item has been reported. The net amount of the extraordinary item, which is recorded in the Water Fund, is \$4,552,179.

Note 20 SUBSEQUENT EVENTS AND UNCERTAINTIES

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, of COVID-19 on the City's financial statements at December 31, 2019.

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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, 2019
 With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$3,193,626	\$3,193,626	\$2,966,393	(\$227,233)	\$2,396,720
Licenses and permits:					
Business	9,400	9,400	14,090	4,690	17,650
Non-business	1,047,500	1,047,500	1,040,948	(6,552)	1,299,998
Total licenses and permits	1,056,900	1,056,900	1,055,038	(1,862)	1,317,648
Intergovernmental:					
MSA - maintenance	151,727	151,727	159,509	7,782	144,502
Fire state aid	60,000	60,000	68,975	8,975	64,533
Other state aid	7,569	7,569	17,673	10,104	19,660
County and local	15,766	15,766	23,750	7,984	4,190
Total intergovernmental	235,062	235,062	269,907	34,845	232,885
Charges for services	767,521	767,521	884,885	117,364	821,235
Fines and forfeits	49,000	49,000	36,696	(12,304)	49,203
Special assessments	-	-	-	-	21,116
Investment income	40,000	40,000	118,298	78,298	78,634
Miscellaneous	124,900	124,900	192,494	67,594	117,455
Total revenues	5,467,009	5,467,009	5,523,711	56,702	5,034,896

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, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
	Expenditures:				
General government:					
Mayor and city council:					
Current:					
Personal services	\$27,893	\$27,893	\$27,781	\$112	\$27,893
Supplies	2,425	2,425	1,078	1,347	1,000
Other services and charges	21,901	21,901	22,613	(712)	18,268
Total mayor and city council	<u>52,219</u>	<u>52,219</u>	<u>51,472</u>	<u>747</u>	<u>47,161</u>
Finance and Administration:					
Current:					
Personal services	434,496	434,496	458,074	(23,578)	398,435
Supplies	98,225	98,225	85,167	13,058	142,482
Other services and charges	180,245	180,245	171,800	8,445	189,735
Total finance and administration	<u>712,966</u>	<u>712,966</u>	<u>715,041</u>	<u>(2,075)</u>	<u>730,652</u>
Elections:					
Current:					
Personal services	-	-	795	(795)	6,397
Other services and charges	1,660	1,660	1,844	(184)	2,354
Total elections	<u>1,660</u>	<u>1,660</u>	<u>2,639</u>	<u>(979)</u>	<u>8,751</u>
Communications:					
Current:					
Personal services	43,191	43,191	36,823	6,368	39,126
Other services and charges	11,785	11,785	11,904	(119)	51,861
Total communications	<u>54,976</u>	<u>54,976</u>	<u>48,727</u>	<u>6,249</u>	<u>90,987</u>
City Facilities:					
Current:					
Supplies	800	800	726	74	801
Other services and charges	66,639	66,639	30,263	36,376	43,695
Total city facilities	<u>67,439</u>	<u>67,439</u>	<u>30,989</u>	<u>36,450</u>	<u>44,496</u>
Engineering:					
Current:					
Other services and charges	39,000	39,000	38,482	518	31,770
Capital outlay	35,000	35,000	-	35,000	-
Total engineering	<u>74,000</u>	<u>74,000</u>	<u>38,482</u>	<u>35,518</u>	<u>31,770</u>
Planning and Zoning:					
Current:					
Personal services	211,365	211,365	202,382	8,983	184,984
Supplies	2,500	2,500	567	1,933	752
Other services and charges	37,416	37,416	46,609	(9,193)	68,592
Total planning and zoning	<u>251,281</u>	<u>251,281</u>	<u>249,558</u>	<u>1,723</u>	<u>254,328</u>
Total general government	<u>1,214,541</u>	<u>1,214,541</u>	<u>1,136,908</u>	<u>77,633</u>	<u>1,208,145</u>

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, 2019
 With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
	Expenditures (continued):				
Public safety:					
Police:					
Current:					
Contracted services	\$701,768	\$701,768	\$702,403	(\$635)	\$665,309
Other services and charges	1,000	1,000	-	1,000	1,800
Total police	<u>702,768</u>	<u>702,768</u>	<u>702,403</u>	<u>365</u>	<u>667,109</u>
Fire protection:					
Current:					
Personal services	432,285	432,285	444,303	(12,018)	368,849
Fire state aid	60,000	60,000	68,975	(8,975)	64,533
Supplies	44,925	44,925	36,959	7,966	42,741
Other services and charges	164,223	164,223	182,753	(18,530)	150,040
Total fire protection	<u>701,433</u>	<u>701,433</u>	<u>732,990</u>	<u>(31,557)</u>	<u>626,163</u>
Building inspection:					
Current:					
Personal services	343,962	343,962	274,337	69,625	276,737
Supplies	7,500	7,500	4,014	3,486	3,706
Other services and charges	29,446	29,446	166,256	(136,810)	16,450
Capital outlay	24,000	24,000	24,000	-	-
Total building inspection	<u>404,908</u>	<u>404,908</u>	<u>468,607</u>	<u>(63,699)</u>	<u>296,893</u>
Animal control:					
Current:					
Other services and charges	9,000	9,000	19,902	(10,902)	10,930
Prosecution:					
Current:					
Other services and charges	45,792	45,792	46,434	(642)	42,164
Emergency communications:					
Current:					
Other services and charges	1,780	1,780	1,933	(153)	900
Total public safety	<u>1,865,681</u>	<u>1,865,681</u>	<u>1,972,269</u>	<u>(106,588)</u>	<u>1,644,159</u>

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, 2019
 With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Expenditures (continued):					
Public works:					
Current:					
Personal services	\$452,242	\$452,242	\$572,353	(\$120,111)	\$518,636
Supplies	757,800	757,800	1,053,870	(296,070)	376,186
Other services and charges	198,093	198,093	242,859	(44,766)	245,856
Capital outlay	-	-	-	-	57,443
Total public works	<u>1,408,135</u>	<u>1,408,135</u>	<u>1,869,082</u>	<u>(460,947)</u>	<u>1,198,121</u>
Culture and Recreation:					
Parks:					
Current:					
Personal services	223,775	223,775	117,755	106,020	113,248
Supplies	18,300	18,300	17,582	718	8,702
Other services and charges	143,861	143,861	128,642	15,219	116,499
Capital outlay	-	-	-	-	21,003
Total culture and recreation	<u>385,936</u>	<u>385,936</u>	<u>263,979</u>	<u>121,957</u>	<u>259,452</u>
Contingency reserve	<u>3,781</u>	<u>3,781</u>	-	3,781	-
Total expenditures	<u>4,878,074</u>	<u>4,878,074</u>	<u>5,242,238</u>	<u>(364,164)</u>	<u>4,309,877</u>
Revenue over (under) expenditures	588,935	588,935	281,473	307,462	725,019
Other financing (uses):					
Transfers out	<u>(712,935)</u>	<u>(712,935)</u>	<u>(742,935)</u>	<u>(30,000)</u>	<u>(143,046)</u>
Net change in fund balance	<u>(\$124,000)</u>	<u>(\$124,000)</u>	<u>(461,462)</u>	<u>\$277,462</u>	<u>581,973</u>
Fund balance, January 1, as previously reported			4,775,646		4,109,326
Prior period adjustment			-		84,347
Fund balance, January 1, as restated			<u>4,775,646</u>		<u>4,193,673</u>
Fund balance, December 31			<u>\$4,314,184</u>		<u>\$4,775,646</u>

See accompanying notes to the required supplementary information.

CITY OF LAKE ELMO, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 11

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

For The Last Ten Years

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service cost	\$9,525	\$8,200
Interest	2,431	2,264
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	(2,098)	2,246
Benefit payments	-	-
Net change in total OPEB liability	<u>9,858</u>	<u>12,710</u>
Total OPEB liability - beginning	<u>63,930</u>	<u>51,220</u>
Total OPEB liability - ending	<u><u>\$73,788</u></u>	<u><u>\$63,930</u></u>
Covered-employee payroll	\$1,605,997	\$1,483,782
Total OPEB liability as a percentage of covered-employee payroll	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%

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.

CITY OF LAKE ELMO, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 13

SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT 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	\$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%

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 PROPORTIONATE SHARE OF NET PENSION LIABILITY -
 PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Last Ten Years

Statement 14

<u>Measurement Date</u> June 30,	<u>Fiscal Year Ending</u> December 31,	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%

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.

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
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%

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 16

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -

LAKE ELMO FIREFIGHTERS RELIEF ASSOCIATION

For The Last Ten Years

Fiscal year ending and measurement date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total pension liability:					
Service cost	\$37,293	\$28,420	\$27,727	\$27,579	\$28,520
Interest	42,177	36,119	35,544	36,976	37,130
Changes of assumptions	-	8,730	-	11,690	-
Plan changes	-	325,127	-	-	-
Gain or loss	-	(80,312)	-	(46,403)	-
Benefit payments	(253,525)	(100,987)	-	-	(191,582)
Net change in total pension liability	(174,055)	217,097	63,271	29,842	(125,932)
Total pension liability - beginning	898,899	681,802	618,531	588,689	714,621
Total pension liability - ending (a)	<u>\$724,844</u>	<u>\$898,899</u>	<u>\$681,802</u>	<u>\$618,531</u>	<u>\$588,689</u>
Plan fiduciary net position:					
Contributions - State of Minnesota	\$69,975	\$65,533	\$61,147	\$59,136	\$61,166
Net investment income	127,902	(61,227)	156,879	70,101	(48,240)
Benefit payments	(253,525)	(100,987)	-	-	(191,582)
Administrative expense	(15,741)	(13,392)	(14,093)	(17,419)	(13,314)
Net change in plan fiduciary net position	(71,389)	(110,073)	203,933	111,818	(191,970)
Plan fiduciary net position - beginning	1,169,306	1,279,379	1,075,446	963,628	1,155,598
Plan fiduciary net position - ending (b)	<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>(\$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	151.5%	130.1%	187.6%	173.9%	163.7%
Covered payroll*	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

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

CITY OF LAKE ELMO, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 17

SCHEDULE OF CONTRIBUTIONS - LAKE ELMO FIREFIGHTERS RELIEF ASSOCIATION

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*	Contributions as a Percentage of Covered* Payroll (b/c)
2015	\$ -	\$61,166	(\$61,166)	N/A	N/A
2016	-	59,136	(59,136)	N/A	N/A
2017	-	61,147	(61,147)	N/A	N/A
2018	-	65,533	(65,533)	N/A	N/A
2019	-	69,975	(69,975)	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.)

CITY OF LAKE ELMO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2019

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.

2019 Changes

Changes in Actuarial Assumptions:

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

Note C PENSION INFORMATION

PERA – General Employees Retirement Fund

2019 Changes

Changes in Actuarial Assumptions:

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

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

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 Changes

Changes in Actuarial Assumptions:

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

CITY OF LAKE ELMO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2019

2016 Changes

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

2019 Changes

Changes in Actuarial Assumptions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

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 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent 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 3.0 percent 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 percent to 60 percent.
- 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.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

CITY OF LAKE ELMO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2019

2016 Changes

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.

CITY OF LAKE ELMO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2019

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.

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**COMBINING AND INDIVIDUAL NONMAJOR
FUND FINANCIAL STATEMENTS**

CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019

Statement 18

With Comparative Totals For December 31, 2018

Assets	Special	Capital	Total Nonmajor	
	Revenue	Project	Governmental Funds	
			2019	2018
Cash and investments	\$85,131	\$2,061,817	\$2,146,948	\$2,401,651
Accrued interest receivable	303	6,819	7,122	(1,789)
Due from other governmental units	-	67,578	67,578	6,718
Prepaid items	-	-	-	395
Due from other funds	-	-	-	16,399
Special assessments receivable:				
Deferred	-	17,833	17,833	17,833
Total assets	\$85,434	\$2,154,047	\$2,239,481	\$2,441,207
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$2,222	\$51,338	\$53,560	\$11,366
Due to other governmental units	-	-	-	559,828
Contracts and retainage payable	-	29,727	29,727	8,707
Due to other funds	-	521,122	521,122	394,513
Deposits payable	-	75,000	75,000	75,000
Unearned revenue	1,500	271,230	272,730	271,230
Total liabilities	3,722	948,417	952,139	1,320,644
Deferred inflows of resources:				
Unavailable revenue	-	17,833	17,833	17,833
Fund balance:				
Nonspendable	-	-	-	395
Restricted	-	818,719	818,719	874,588
Committed	24,070	-	24,070	11,003
Assigned	57,642	874,944	932,586	1,109,272
Unassigned	-	(505,866)	(505,866)	(892,528)
Total fund balance	81,712	1,187,797	1,269,509	1,102,730
Total liabilities, deferred inflows of resources, and fund balance	\$85,434	\$2,154,047	\$2,239,481	\$2,441,207

CITY OF LAKE ELMO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Statement 19

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	Special	Capital	Total Nonmajor	
	Revenue	Project	Governmental Funds	
			2019	2018
Revenues:				
Intergovernmental	\$9,236	\$562,826	\$572,062	\$14,293
Charges for services	108,097	42,460	150,557	78,573
Park dedication fees	-	123,500	123,500	502,802
Investment income	2,363	54,843	57,206	(4,817)
Miscellaneous	-	9,000	9,000	-
Total revenues	<u>119,696</u>	<u>792,629</u>	<u>912,325</u>	<u>590,851</u>
Expenditures:				
Current:				
Public works	5,616	908	6,524	86,843
Culture and recreation	1,281	-	1,281	3,312
Economic development authority	71,609	-	71,609	47,702
Capital outlay:				
Public works	-	805,573	805,573	976,444
Culture and recreation	-	205,841	205,841	307,145
Economic development authority	-	-	-	901,670
Debt service:				
Interest and fiscal charges	1,700	39,749	41,449	21,583
Total expenditures	<u>80,206</u>	<u>1,052,071</u>	<u>1,132,277</u>	<u>2,344,699</u>
Revenues over (under) expenditures	<u>39,490</u>	<u>(259,442)</u>	<u>(219,952)</u>	<u>(1,753,848)</u>
Other financing sources:				
Transfers in	30,000	394,600	424,600	25,225
Transfers out	(43,638)	-	(43,638)	-
Issuance of debt	-	2,156,864	2,156,864	926,000
Total other financing sources	<u>(13,638)</u>	<u>2,551,464</u>	<u>2,537,826</u>	<u>951,225</u>
Net change in fund balance	<u>25,852</u>	<u>2,292,022</u>	<u>2,317,874</u>	<u>(802,623)</u>
Fund balance - January 1, as previously reported	55,860	(1,104,225)	(1,048,365)	885,542
Prior period adjustment	-	-	-	1,019,811
Fund balance - January 1, as restated	<u>55,860</u>	<u>(1,104,225)</u>	<u>(1,048,365)</u>	<u>1,905,353</u>
Fund balance - December 31	<u>\$81,712</u>	<u>\$1,187,797</u>	<u>\$1,269,509</u>	<u>\$1,102,730</u>

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

Prior year ending fund balance reported above	1,102,730
Reclassification of the Old Village Phase 4 fund balance, now presented as non-major	(1,037,202)
Reclassification of the 2018 Street Improvements fund balance, now presented as non-major	(1,113,893)
Fund balance - January 1, 2019 as reported on this statement	<u>(1,048,365)</u>

CITY OF LAKE ELMO, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2019
 With Comparative Totals For December 31, 2018

Statement 20

Assets	Lions Park Sign Program (207)	Economic Development Authority (221)	Total Nonmajor Special Revenue Funds	
			2019	2018
Cash and investments	\$7,528	\$77,603	\$85,131	\$60,648
Accrued interest receivable	26	277	303	138
Due from other governmental units	-	-	-	6,718
Prepaid items	-	-	-	395
Total assets	\$7,554	\$77,880	\$85,434	\$67,899
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$2,222	\$2,222	\$1,701
Due to other funds	-	-	-	10,338
Unearned revenue	-	1,500	1,500	-
Total liabilities	0	3,722	3,722	12,039
Fund balance:				
Nonspendable	-	-	-	395
Restricted	-	-	-	22,803
Committed	7,314	16,756	24,070	11,003
Assigned	240	57,402	57,642	25,279
Unassigned	-	-	-	(3,620)
Total fund balance	7,554	74,158	81,712	55,860
Total liabilities, deferred inflows of resources, and fund balance	\$7,554	\$77,880	\$85,434	\$67,899

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, 2019
 With Comparative Totals For The Year Ended December 31, 2018

Statement 21

	Lions Park	State Hwy 36	Economic	Total Nonmajor	
	Sign Program (207)	Corridor Plan (208)	Development Authority (221)	Special Revenue Funds	
				2019	2018
Revenues:					
Intergovernmental	\$ -	\$9,236	\$ -	\$9,236	\$14,293
Charges for services	8,407	-	99,690	108,097	78,573
Investment income	210	-	2,153	2,363	615
Total revenues	<u>8,617</u>	<u>9,236</u>	<u>101,843</u>	<u>119,696</u>	<u>93,481</u>
Expenditures:					
Current:					
Public works	-	5,616	-	5,616	18,106
Culture and recreation	1,281	-	-	1,281	3,312
Economic development authority	-	-	71,609	71,609	47,702
Capital outlay:					
Economic development authority	-	-	-	-	901,670
Debt service:					
Interest and fiscal charges	-	-	1,700	1,700	21,583
Total expenditures	<u>1,281</u>	<u>5,616</u>	<u>73,309</u>	<u>80,206</u>	<u>992,373</u>
Revenues over (under) expenditures	<u>7,336</u>	<u>3,620</u>	<u>28,534</u>	<u>39,490</u>	<u>(898,892)</u>
Other financing sources (uses):					
Transfers in	-	-	30,000	30,000	25,225
Transfers out	-	-	(43,638)	(43,638)	
Issuance of debt	-	-	-	-	926,000
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(13,638)</u>	<u>(13,638)</u>	<u>951,225</u>
Net change in fund balance	<u>7,336</u>	<u>3,620</u>	<u>14,896</u>	<u>25,852</u>	<u>52,333</u>
Fund balances - January 1, as previously reported	218	(3,620)	59,262	55,860	7,394
Prior period adjustment	-	-	-	-	(3,867)
Fund balances - January 1, as restated	<u>218</u>	<u>(3,620)</u>	<u>59,262</u>	<u>55,860</u>	<u>3,527</u>
Fund balances - ending	<u>\$7,554</u>	<u>\$0</u>	<u>\$74,158</u>	<u>\$81,712</u>	<u>\$55,860</u>

CITY OF LAKE ELMO, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	Park Dedication (404)	Infrastructure Reserve (409)	City Facilities (411)	Village Project (413)	CSAH 15 / CSAH 14 Realignment (414)	Old Village Phase 4 (421)	2018 Street Improvements (422)	Manning and Hudson Future Stop Light (423)
Assets								
Cash and investments	\$738,847	\$702,857	\$94,823	\$ -	\$ -	\$49,062	\$88,756	\$256,243
Accrued interest receivable	2,600	2,131	334	-	256	-	596	902
Due from other governmental units	-	9,000	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Special assessments receivable:								
Deferred	-	17,833	-	-	-	-	-	-
Total assets	\$741,447	\$731,821	\$95,157	\$0	\$256	\$49,062	\$89,352	\$257,145
Liabilities, Deferred Inflows of Resources, and Fund Balance								
Liabilities:								
Accounts payable	\$1,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-	-	-	-	-
Contracts and retainage payable	5,597	-	-	-	-	24,130	-	-
Due to other funds	-	-	-	378,736	2,073	-	-	-
Deposits payable	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	250,000
Total liabilities	7,347	0	0	378,736	2,073	24,130	0	250,000
Deferred inflows of resources:								
Unavailable revenue	-	17,833	-	-	-	-	-	-
Fund balance (deficit):								
Restricted	734,100	-	-	-	-	-	84,619	-
Assigned	-	713,988	95,157	-	-	24,932	4,733	7,145
Unassigned	-	-	-	(378,736)	(1,817)	-	-	-
Total fund balance (deficit)	734,100	713,988	95,157	(378,736)	(1,817)	24,932	89,352	7,145
Total liabilities, deferred inflows of resources, and fund balance	\$741,447	\$731,821	\$95,157	\$0	\$256	\$49,062	\$89,352	\$257,145

Manning Corridor and Safety Management (424)	2019 Street and Utility Project (426)	CSAH 13 Phase 2 (427)	Railroad Crossing Improvements (430)	Old Village Phases 5 & 6 (431)	Stonegate Utility & Street Improvements (432)	CSAH 15 Manning Avenue Phase 3 (433)	Heritage Farms Street & Utility Improvements (434)	Manning and Highway 36 Interchange (435)	Total Nonmajor Capital Project Funds	
									2019	2018
									\$ -	\$ -
-	-	-	-	-	-	-	-	-	6,819	(1,927)
-	-	-	-	-	58,578	-	-	-	67,578	-
-	-	-	-	-	-	-	-	-	-	16,399
-	-	-	-	-	-	-	-	-	17,833	17,833
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$52,088</u>	<u>\$0</u>	<u>\$62,826</u>	<u>\$0</u>	<u>\$0</u>	<u>\$74,893</u>	<u>\$2,154,047</u>	<u>\$2,373,308</u>
\$ -	\$ -	\$ -	\$1,869	\$661	\$14,692	\$ -	\$32,366	\$ -	\$51,338	\$9,665
-	-	-	-	-	-	-	-	-	-	559,828
-	-	-	-	-	-	-	-	-	-	8,707
635	5,731	4,003	-	62,117	48,134	720	18,973	-	521,122	384,175
-	-	-	-	-	-	-	-	75,000	75,000	75,000
-	-	-	21,230	-	-	-	-	-	271,230	271,230
<u>635</u>	<u>5,731</u>	<u>4,003</u>	<u>23,099</u>	<u>62,778</u>	<u>62,826</u>	<u>720</u>	<u>51,339</u>	<u>75,000</u>	<u>948,417</u>	<u>1,308,605</u>
-	-	-	-	-	-	-	-	-	17,833	17,833
-	-	-	-	-	-	-	-	-	818,719	851,785
-	-	-	28,989	-	-	-	-	-	874,944	1,083,993
(635)	(5,731)	(4,003)	-	(62,778)	-	(720)	(51,339)	(107)	(505,866)	(888,908)
<u>(635)</u>	<u>(5,731)</u>	<u>(4,003)</u>	<u>28,989</u>	<u>(62,778)</u>	<u>0</u>	<u>(720)</u>	<u>(51,339)</u>	<u>(107)</u>	<u>1,187,797</u>	<u>1,046,870</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$52,088</u>	<u>\$0</u>	<u>\$62,826</u>	<u>\$0</u>	<u>\$0</u>	<u>\$74,893</u>	<u>\$2,154,047</u>	<u>\$2,373,308</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, 2019
With Comparative Totals For The Year Ended December 31, 2018

	Park Dedication (404)	Infrastructure Reserve (409)	City Facilities (411)	Village Project (413)	CSAH 15 / CSAH 14 Realignment (414)	Old Village Phase 4 (421)	2018 Street Improvements (422)	Manning and Hudson Future Stop Light (423)	Manning Corridor and Safety Management (424)
Revenues:									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$500,000	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-
Park dedication fees	123,500	-	-	-	-	-	-	-	-
Investment income	19,943	18,152	2,576	317	1,977	-	4,733	7,145	-
Miscellaneous	-	9,000	-	-	-	-	-	-	-
Total revenues	143,443	27,152	2,576	317	501,977	0	4,733	7,145	0
Expenditures:									
Current:									
Public works	-	908	-	-	-	-	-	-	-
Capital outlay:									
Public works	55,287	303,668	-	-	-	192,430	58,639	-	635
Culture and recreation	205,841	-	-	-	-	-	-	-	-
Debt service:									
Interest and fiscal charges	-	-	-	-	-	16,154	23,595	-	-
Total expenditures	261,128	304,576	0	0	0	208,584	82,234	0	635
Other financing sources (uses):									
Transfers in	-	-	-	-	-	394,600	-	-	-
Issuance of debt	-	-	-	-	-	876,118	1,280,746	-	-
Total other financing sources (uses)	0	0	0	0	0	1,270,718	1,280,746	0	0
Net change in fund balance	(117,685)	(277,424)	2,576	317	501,977	1,062,134	1,203,245	7,145	(635)
Fund balances - January 1, as previously reported	851,785	991,412	92,581	(379,053)	(503,794)	(1,037,202)	(1,113,893)	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-
Fund balances - January 1, as restated	851,785	991,412	92,581	(379,053)	(503,794)	(1,037,202)	(1,113,893)	0	0
Fund balances - ending	\$734,100	\$713,988	\$95,157	(\$378,736)	(\$1,817)	\$24,932	\$89,352	\$7,145	(\$635)

2019 Street and Utility Project (426)	CSAH 13 Phase 2 (427)	Railroad Crossing Improvements (430)	Old Village Phases 5 & 6 (431)	Stonegate Utility & Street Improvements (432)	CSAH 15 Manning Avenue Phase 3 (433)	Heritage Farms Street & Utility Improvements (434)	Manning and Highway 36 Interchange (435)	Total Nonmajor Capital Project Funds	
								2019	2018
\$ -	\$ -	\$ -	\$ -	\$62,826	\$ -	\$ -	\$ -	\$562,826	\$ -
-	-	42,460	-	-	-	-	-	42,460	-
-	-	-	-	-	-	-	-	123,500	502,802
-	-	-	-	-	-	-	-	54,843	(5,432)
-	-	-	-	-	-	-	-	9,000	-
0	0	42,460	0	62,826	0	0	0	792,629	497,370
-	-	-	-	-	-	-	-	908	68,737
-	3,673	13,471	62,778	62,826	720	51,339	107	805,573	976,444
-	-	-	-	-	-	-	-	205,841	307,145
-	-	-	-	-	-	-	-	39,749	-
0	3,673	13,471	62,778	62,826	720	51,339	107	1,052,071	1,352,326
-	-	-	-	-	-	-	-	394,600	-
-	-	-	-	-	-	-	-	2,156,864	-
0	0	0	0	0	0	0	0	2,551,464	0
0	(3,673)	28,989	(62,778)	0	(720)	(51,339)	(107)	2,292,022	(854,956)
(5,731)	(330)	-	-	-	-	-	-	(1,104,225)	878,148
-	-	-	-	-	-	-	-	-	1,023,678
(5,731)	(330)	0	0	0	0	0	0	(1,104,225)	1,901,826
<u>(\$5,731)</u>	<u>(\$4,003)</u>	<u>\$28,989</u>	<u>(\$62,778)</u>	<u>\$0</u>	<u>(\$720)</u>	<u>(\$51,339)</u>	<u>(\$107)</u>	<u>\$1,187,797</u>	<u>\$1,046,870</u>

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

Prior year ending fund balance reported above	1,046,870
Reclassification of the Old Village Phase 4 fund balance, now presented as non-major	(1,037,202)
Reclassification of the 2018 Street Improvements fund balance, now presented as non-major	(1,113,893)
Fund balance - January 1, 2019 as reported on this statement	<u>(\$1,104,225)</u>

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
DEBT SERVICE FUND BY BOND ISSUE
December 31, 2019
With Comparative Totals For December 31, 2018

	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)
Assets					
Cash and investments	\$72,281	\$91,934	\$165,452	\$280,248	\$ -
Accrued interest receivable	287	324	582	986	-
Special assessments receivable:					
Due from county	-	-	-	-	202
Delinquent	-	-	-	-	648
Deferred	5,803	14,000	-	20,080	56,640
Total assets	\$78,371	\$106,258	\$166,034	\$301,314	\$57,490
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	26,169
Total liabilities	0	0	0	0	26,169
Deferred inflows of resources:					
Unavailable revenue	5,803	14,000	-	20,080	57,288
Fund balance (deficit):					
Restricted	72,568	92,258	166,034	281,234	(25,967)
Total liabilities, deferred inflows of resources, and fund balance	\$78,371	\$106,258	\$166,034	\$301,314	\$57,490

2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	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)	Total Debt Service Fund	
							2019	2018
\$1,161,255	\$995,053	\$355,918	\$684,760	\$469,392	\$440,227	\$ -	\$4,716,520	\$4,461,692
3,153	3,434	1,314	2,424	1,703	1,549	-	15,756	11,012
8	-	-	736	301	-	-	1,247	1,997
-	-	-	2,020	-	-	-	2,668	1,181
16,320	245,284	423,810	751,959	604,934	398,955	-	2,537,785	3,120,521
<u>\$1,180,736</u>	<u>\$1,243,771</u>	<u>\$781,042</u>	<u>\$1,441,899</u>	<u>\$1,076,330</u>	<u>\$840,731</u>	<u>\$0</u>	<u>\$7,273,976</u>	<u>\$7,596,403</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$400	\$ -	\$400	\$ -
-	-	-	-	-	-	70	26,239	22,548
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>400</u>	<u>70</u>	<u>26,639</u>	<u>22,548</u>
16,320	245,284	423,810	753,979	604,934	398,955	-	2,540,453	3,121,702
1,164,416	998,487	357,232	687,920	471,396	441,376	(70)	4,706,884	4,452,153
<u>\$1,180,736</u>	<u>\$1,243,771</u>	<u>\$781,042</u>	<u>\$1,441,899</u>	<u>\$1,076,330</u>	<u>\$840,731</u>	<u>\$0</u>	<u>\$7,273,976</u>	<u>\$7,596,403</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, 2019
With Comparative Totals For The Year Ended December 31, 2018

	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)
Revenues:						
General property taxes	\$43,580	\$59,356	\$205,989	\$76,719	\$65,275	\$ -
Special assessments	6,320	9,606	-	7,131	23,533	5,006
Investment income	2,197	2,488	4,503	7,604	14	24,003
Total revenues	<u>52,097</u>	<u>71,450</u>	<u>210,492</u>	<u>91,454</u>	<u>88,822</u>	<u>29,009</u>
Expenditures:						
Debt service:						
Principal	65,000	75,000	160,000	85,000	85,000	105,000
Interest and fiscal charges	3,316	5,576	33,475	7,285	7,201	31,806
Total expenditures	<u>68,316</u>	<u>80,576</u>	<u>193,475</u>	<u>92,285</u>	<u>92,201</u>	<u>136,806</u>
Revenues over (under) expenditures	<u>(16,219)</u>	<u>(9,126)</u>	<u>17,017</u>	<u>(831)</u>	<u>(3,379)</u>	<u>(107,797)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(16,219)</u>	<u>(9,126)</u>	<u>17,017</u>	<u>(831)</u>	<u>(3,379)</u>	<u>(107,797)</u>
Fund balances - January 1, as previously reported	88,787	101,384	149,017	282,065	(22,588)	1,272,213
Prior period adjustment	-	-	-	-	-	-
Fund balances - January 1, as restated	<u>88,787</u>	<u>101,384</u>	<u>149,017</u>	<u>282,065</u>	<u>(22,588)</u>	<u>1,272,213</u>
Fund balances - ending	<u>\$72,568</u>	<u>\$92,258</u>	<u>\$166,034</u>	<u>\$281,234</u>	<u>(\$25,967)</u>	<u>\$1,164,416</u>

2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	2018A Taxable Lease Revenue Bonds (328)	2019 Improvement Bonds (329)	2018A GO Equipment Cert. Bonds (330)	Total Debt Service Fund	
							2019	2018
\$203,885	\$25,113	\$189,419	\$346,598	\$ -	\$ -	\$ -	\$1,215,934	\$1,213,788
212,791	79,251	128,068	106,248	-	71,533	-	649,487	1,377,039
26,609	10,077	18,719	13,153	-	12,163	-	121,530	34,776
443,285	114,441	336,206	465,999	0	83,696	0	1,986,951	2,625,603
210,000	170,000	250,000	410,000	-	-	-	1,615,000	1,175,000
56,538	27,238	46,400	109,001	43,638	9,400	20,163	401,037	204,739
266,538	197,238	296,400	519,001	43,638	9,400	20,163	2,016,037	1,379,739
176,747	(82,797)	39,806	(53,002)	(43,638)	74,296	(20,163)	(29,086)	1,245,864
-	-	-	47,766	43,638	-	20,093	111,497	1,317
-	-	-	-	-	-	-	-	(30,144)
-	-	-	-	-	4,152	-	4,152	-
-	-	-	-	-	168,168	-	168,168	-
0	0	0	47,766	43,638	172,320	20,093	283,817	(28,827)
176,747	(82,797)	39,806	(5,236)	0	246,616	(70)	254,731	1,217,037
821,740	440,029	648,114	476,632	-	194,760	-	4,452,153	3,224,987
-	-	-	-	-	-	-	-	10,129
821,740	440,029	648,114	476,632	0	194,760	0	4,452,153	3,235,116
\$998,487	\$357,232	\$687,920	\$471,396	\$0	\$441,376	(\$70)	\$4,706,884	\$4,452,153

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STATISTICAL SECTION (UNAUDITED)

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STATISTICAL SECTION (UNAUDITED)

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

Contents	Table Number
Financial Trends 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
Revenue Capacity 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
Debt Capacity 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
Demographic and Economic Information 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
Operating Information 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)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities:				
Net investment in capital assets	\$24,771,065	\$15,396,520	\$8,883,320	\$9,032,535
Restricted	8,596,759	10,121,648	5,057,169	4,704,133
Unrestricted	4,231,363	1,086,636	4,818,383	4,136,292
Total governmental activities net position	<u>\$37,599,187</u>	<u>\$26,604,804</u>	<u>\$18,758,872</u>	<u>\$17,872,960</u>
Business-type activities:				
Net investment in capital assets	\$33,052,649	\$18,382,934	\$12,180,378	\$12,506,474
Restricted	-	-	2,695,734	1,473,164
Unrestricted	16,528,968	13,842,382	9,151,417	6,400,375
Total business-type activities net position	<u>\$49,581,617</u>	<u>\$32,225,316</u>	<u>\$24,027,529</u>	<u>\$20,380,013</u>
Primary government:				
Net investment in capital assets	\$57,823,714	\$33,779,454	\$21,063,698	\$21,539,009
Restricted	8,596,759	10,121,648	7,752,903	6,177,297
Unrestricted	20,760,331	14,929,018	13,969,800	10,536,667
Total primary government net position	<u>\$87,180,804</u>	<u>\$58,830,120</u>	<u>\$42,786,401</u>	<u>\$38,252,973</u>

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

2015	2014	2013	2012	2011	2010
\$8,723,329	\$7,957,840	\$9,056,353	\$8,782,840	\$8,553,984	\$8,368,479
3,446,142	1,106,200	1,225,849	4,205,247	2,664,689	2,057,467
3,942,646	5,405,920	4,593,463	918,996	2,555,596	3,439,106
<u>\$16,112,117</u>	<u>\$14,469,960</u>	<u>\$14,875,665</u>	<u>\$13,907,083</u>	<u>\$13,774,269</u>	<u>\$13,865,052</u>
\$10,170,351	\$10,567,418	\$6,855,807	\$6,788,377	\$6,422,782	\$6,713,292
1,876,119	2,387,312	2,612,569	39,153	-	-
3,577,285	1,100,422	1,846,681	1,105,847	1,449,340	1,193,509
<u>\$15,623,755</u>	<u>\$14,055,152</u>	<u>\$11,315,057</u>	<u>\$7,933,377</u>	<u>\$7,872,122</u>	<u>\$7,906,801</u>
\$18,893,680	\$18,525,258	\$15,912,160	\$15,571,217	\$14,976,766	\$15,081,771
5,322,261	3,493,512	3,838,418	4,244,400	2,664,689	2,057,467
7,519,931	6,506,342	6,440,144	2,024,843	4,004,936	4,632,615
<u>\$31,735,872</u>	<u>\$28,525,112</u>	<u>\$26,190,722</u>	<u>\$21,840,460</u>	<u>\$21,646,391</u>	<u>\$21,771,853</u>

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	2019	2018	2017	2016
Expenses				
Governmental activities:				
General government	\$1,181,219	\$1,266,269	\$1,503,251	\$1,358,370
Public safety	2,058,419	2,161,082	1,528,253	1,308,360
Public works	3,728,247	2,192,092	2,800,044	1,698,566
Culture and recreation	361,730	524,445	1,299,551	660,947
Economic Development Authority	71,609	47,702	-	-
Interest and fees on long-term debt	395,106	352,376	225,910	178,266
Total governmental activities expenses	<u>7,796,330</u>	<u>6,543,966</u>	<u>7,357,009</u>	<u>5,204,509</u>
Business-type activities:				
Water	1,940,148	2,068,178	2,022,446	1,409,832
Sewer	1,082,997	846,032	1,030,058	380,650
Storm sewer	469,765	315,967	213,514	150,302
Total business-type activities expenses	<u>3,492,910</u>	<u>3,230,177</u>	<u>3,266,018</u>	<u>1,940,784</u>
Total primary government expenses	<u><u>\$11,289,240</u></u>	<u><u>\$9,774,143</u></u>	<u><u>\$10,623,027</u></u>	<u><u>\$7,145,293</u></u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$553,870	\$379,378	\$206,856	\$51,009
Public safety	1,574,359	1,938,163	2,101,890	1,752,522
Public works	126,721	-	-	-
Culture and recreation	1,430	-	-	-
Economic Development Authority	99,690	78,573	-	-
Operating grants and contributions	795,483	248,915	229,960	235,214
Capital grants and contributions	11,076,353	4,970,565	2,290,265	1,452,469
Total governmental activities program revenues	<u>14,227,906</u>	<u>7,615,594</u>	<u>4,828,971</u>	<u>3,491,214</u>
Business-type activities:				
Charges for services:				
Water	962,003	951,985	2,628,848	1,801,228
Sewer	306,041	252,614	2,435,749	1,315,948
Storm sewer	380,645	322,700	289,375	213,233
Operating grants and contributions	122,350	-	-	-
Capital grants and contributions	14,114,787	7,466,627	1,489,922	3,464,567
Total business-type activities	<u>15,885,826</u>	<u>8,993,926</u>	<u>6,843,894</u>	<u>6,794,976</u>
Total primary government program revenues	<u><u>\$30,113,732</u></u>	<u><u>\$16,609,520</u></u>	<u><u>\$11,672,865</u></u>	<u><u>\$10,286,190</u></u>

Table 2
Page 1 of 2

2015	2014	2013	2012	2011	2010
\$1,134,132	\$1,072,888	\$1,103,337	\$1,093,204	\$1,036,038	\$980,456
1,344,282	1,530,609	1,277,798	1,302,857	1,107,050	1,171,158
1,377,969	1,032,426	1,273,977	891,169	1,008,686	1,135,351
639,006	448,361	424,687	362,432	247,845	239,389
-	-	-	-	-	-
215,611	165,028	133,694	316,039	266,730	222,404
<u>4,711,000</u>	<u>4,249,312</u>	<u>4,213,493</u>	<u>3,965,701</u>	<u>3,666,349</u>	<u>3,748,758</u>
1,363,043	1,069,511	958,870	872,786	845,474	898,319
250,866	353,438	119,370	53,903	73,797	61,513
103,536	149,887	86,989	73,590	142,517	151,384
<u>1,717,445</u>	<u>1,572,836</u>	<u>1,165,229</u>	<u>1,000,279</u>	<u>1,061,788</u>	<u>1,111,216</u>
<u>\$6,428,445</u>	<u>\$5,822,148</u>	<u>\$5,378,722</u>	<u>\$4,965,980</u>	<u>\$4,728,137</u>	<u>\$4,859,974</u>
\$42,706	\$45,161	\$32,778	\$48,476	\$22,058	\$18,296
866,708	496,916	414,472	379,557	283,813	320,242
3,615	-	2,647	3,256	3,058	3,425
26,214	10,753	17,000	9,341	-	10,800
-	-	-	-	-	-
249,094	204,462	208,276	160,060	184,476	168,491
2,038,940	557,601	1,364,622	160,444	222,488	1,090,419
<u>3,227,277</u>	<u>1,314,893</u>	<u>2,039,795</u>	<u>761,134</u>	<u>715,893</u>	<u>1,611,673</u>
1,850,240	1,291,091	596,421	699,159	575,534	562,585
1,523,067	741,054	53,142	65,737	53,012	48,508
229,252	214,915	191,087	171,229	235,252	185,425
-	-	-	-	17,000	32,721
-	1,159,222	3,781,528	115,127	75,885	418,400
<u>3,602,559</u>	<u>3,406,282</u>	<u>4,622,178</u>	<u>1,051,252</u>	<u>956,683</u>	<u>1,247,639</u>
<u>\$6,829,836</u>	<u>\$4,721,175</u>	<u>\$6,661,973</u>	<u>\$1,812,386</u>	<u>\$1,672,576</u>	<u>\$2,859,312</u>

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	2019	2018	2017	2016
Net (expense) revenue:				
Governmental activities	\$6,431,576	\$1,071,628	(\$2,528,038)	(\$1,713,295)
Business-type activities	12,392,916	5,763,749	3,577,876	4,854,192
Total primary government, net	18,824,492	6,835,377	1,049,838	3,140,897
General revenues and other changes in net position:				
Governmental activities:				
General property taxes	4,181,914	3,610,106	3,040,413	3,226,739
Unrestricted grants and contributions	4,956	6,868	2,749	8,584
Unrestricted investment earnings	331,010	115,583	48,987	43,228
Miscellaneous	-	-	158,350	52,479
Gain on disposal of capital assets	44,927	8,991	-	-
Transfers	-	840	-	143,105
Total governmental activities	4,562,807	3,742,388	3,250,499	3,474,135
Business-type activities:				
Unrestricted grants and contributions	-	956	-	748
Unrestricted investment earnings	411,206	96,425	46,757	44,423
Extraordinary item	4,552,179	-	-	-
Transfers	-	(840)	-	(143,105)
Total business-type activities	4,963,385	96,541	46,757	(97,934)
Total primary government	\$9,526,192	\$3,838,929	\$3,297,256	\$3,376,201
Change in net position:				
Governmental activities	\$10,994,383	\$4,814,016	\$722,461	\$1,760,840
Business-type activities	17,356,301	5,860,290	3,624,633	4,756,258
Total primary government change in net position	\$28,350,684	\$10,674,306	\$4,347,094	\$6,517,098

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.

2015	2014	2013	2012	2011	2010
(\$1,483,723)	(\$2,934,419)	(\$2,173,698)	(\$3,204,567)	(\$2,950,456)	(\$2,137,085)
1,885,114	1,833,446	3,456,949	50,973	(105,105)	136,423
401,391	(1,100,973)	1,283,251	(3,153,594)	(3,055,561)	(2,000,662)
3,204,119	3,200,291	3,231,609	3,183,078	2,793,776	2,711,067
2,749	2,749	2,749	-	10,628	9,771
46,589	87,586	35,259	111,705	94,501	113,989
73,738	125,400	1,833	42,599	20,405	17,311
-	-	8,979	-	-	-
220,842	(887,312)	-	-	(59,637)	(57,947)
3,548,037	2,528,714	3,280,429	3,337,382	2,859,673	2,794,191
-	-	-	-	-	-
39,757	19,337	30,346	10,282	10,789	11,129
-	-	-	-	-	-
(220,842)	887,312	-	-	59,637	57,947
(181,085)	906,649	30,346	10,282	70,426	69,076
\$3,366,952	\$3,435,363	\$3,310,775	\$3,347,664	\$2,930,099	\$2,863,267
\$2,064,314	(\$405,705)	\$1,106,731	\$132,815	(\$90,783)	\$657,106
1,704,029	2,740,095	3,487,295	61,255	(34,679)	205,499
\$3,768,343	\$2,334,390	\$4,594,026	\$194,070	(\$125,462)	\$862,605

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

	2019	2018	2017	2016
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	28,162	18,951	410,193	409,222
Committed	-	-	200,000	200,000
Unassigned	4,286,022	4,756,695	3,499,133	3,279,815
Total general fund	<u>4,314,184</u>	<u>4,775,646</u>	<u>4,109,326</u>	<u>3,889,037</u>
All other governmental funds:				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Nonspendable	-	395	675,000	-
Restricted	5,973,451	6,133,168	2,849,956	3,248,230
Committed	24,070	11,003	-	-
Assigned	1,746,202	1,198,909	1,307,216	1,504,656
Unassigned	(757,968)	(3,043,623)	(681,681)	(418,169)
Total all other governmental funds	<u>6,985,755</u>	<u>4,299,852</u>	<u>4,150,491</u>	<u>4,334,717</u>
Total governmental funds	<u><u>\$11,299,939</u></u>	<u><u>\$9,075,498</u></u>	<u><u>\$8,259,817</u></u>	<u><u>\$8,223,754</u></u>

The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011. Information for years prior to 2011 is presented in accordance with fund balance classifications in effect at that time.

Table 3

2015	2014	2013	2012	2011	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,068,950
-	-	-	-	-	1,617,211
432,306	638,963	859,072	1,024,433	1,206,209	-
-	-	-	-	-	-
2,754,976	2,542,038	2,318,310	2,414,692	1,707,711	-
<u>3,187,282</u>	<u>3,181,001</u>	<u>3,177,382</u>	<u>3,439,125</u>	<u>2,913,920</u>	<u>2,686,161</u>
-	-	-	-	-	3,605,250
-	-	-	-	-	504,106
3,908	-	-	-	-	-
2,477,730	717,781	743,976	3,959,111	4,691,748	-
-	-	-	-	7,114	-
1,768,742	2,943,525	2,252,931	1,244,900	654,358	-
(431,755)	(693,904)	(885,360)	(1,670,915)	(1,353,754)	-
<u>3,818,625</u>	<u>2,967,402</u>	<u>2,111,547</u>	<u>3,533,096</u>	<u>3,999,466</u>	<u>4,109,356</u>
<u>\$7,005,907</u>	<u>\$6,148,403</u>	<u>\$5,288,929</u>	<u>\$6,972,221</u>	<u>\$6,913,386</u>	<u>\$6,795,517</u>

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

	2019	2018	2017	2016
Revenues:				
General property taxes	\$4,182,327	\$3,610,508	\$3,042,074	\$3,231,674
Licenses and permits	1,055,038	1,317,648	2,046,462	1,713,918
Intergovernmental	2,819,961	247,178	1,023,864	282,874
Charges for services	1,079,342	899,808	137,920	38,608
Fines and forfeits	36,696	49,203	41,418	49,505
Special assessments	649,487	1,398,155	455,493	897,323
Park dedication fees	123,500	502,802	265,783	171,708
Refunds and reimbursements	-	-	-	21,390
Investment earnings	331,010	115,583	48,987	43,228
Miscellaneous	201,494	129,455	265,133	56,101
Total revenues	10,478,855	8,270,340	7,327,134	6,506,329
Expenditures:				
Current:				
General government	1,136,908	1,208,145	1,502,904	1,358,306
Public safety	1,948,269	1,644,159	1,470,726	1,262,040
Public works	1,875,606	1,227,521	1,185,828	893,644
Culture and recreation	265,260	241,761	603,292	500,689
Economic Development Authority	71,609	47,702	-	-
Debt service:				
Principal	1,615,000	1,175,000	910,000	826,219
Interest and fiscal charges	454,814	230,822	463,570	242,392
Capital outlay	4,354,643	4,552,089	5,860,917	3,126,782
Total expenditures	11,722,109	10,327,199	11,997,237	8,210,072
Excess (deficiency) of revenues over expenditures	<u>(1,243,254)</u>	<u>(2,056,859)</u>	<u>(4,670,103)</u>	<u>(1,703,743)</u>
Other financing sources (uses):				
Issuance of debt	2,860,000	1,866,000	4,565,000	2,690,000
Premium on issuance of debt	168,168	-	166,068	102,877
(Discount) on issuance of debt	-	-	(26,302)	(14,392)
Proceeds from sale of capital assets	44,927	8,991	1,400	-
Transfers in	1,181,173	56,209	-	143,105
Transfers out	(786,573)	(173,190)	-	-
Total other financing sources (uses)	3,467,695	1,758,010	4,706,166	2,921,590
Net change in fund balance	<u>\$2,224,441</u>	<u>(\$298,849)</u>	<u>\$36,063</u>	<u>\$1,217,847</u>
Debt service as a percentage of noncapital expenditures	26.1%	24.2%	22.4%	21.0%
Debt service as a percentage of total expenditures	17.7%	13.6%	11.4%	13.0%

Table 4

2015	2014	2013	2012	2011	2010
\$3,222,216	\$3,203,111	\$3,231,609	\$3,221,733	\$2,790,773	\$2,737,225
828,494	451,953	374,974	330,819	230,419	261,450
296,902	413,968	1,704,178	237,254	276,638	239,244
35,796	30,192	6,113	5,726	14,691	22,416
48,739	48,647	52,110	58,385	63,819	68,897
1,316,239	115,424	180,023	136,150	153,536	134,257
138,158	274,257	-	-	-	-
-	-	-	-	-	-
46,415	87,467	35,127	111,737	94,066	113,033
99,055	165,319	57,260	87,562	48,217	84,860
<u>6,032,014</u>	<u>4,790,338</u>	<u>5,641,394</u>	<u>4,189,366</u>	<u>3,672,159</u>	<u>3,661,382</u>
1,094,723	1,046,906	1,527,732	1,034,712	1,016,898	921,590
1,203,765	1,198,546	1,174,145	1,109,937	996,733	1,064,176
686,401	585,071	614,270	446,541	447,629	473,293
457,749	368,276	301,404	260,404	168,747	168,971
-	-	-	-	-	-
667,342	585,000	3,348,000	406,000	344,000	313,000
226,611	157,649	179,018	309,081	285,712	291,400
<u>2,729,512</u>	<u>2,881,437</u>	<u>1,784,914</u>	<u>1,428,856</u>	<u>1,029,183</u>	<u>1,203,309</u>
<u>7,066,103</u>	<u>6,822,885</u>	<u>8,929,483</u>	<u>4,995,531</u>	<u>4,288,902</u>	<u>4,435,739</u>
<u>(1,034,089)</u>	<u>(2,032,547)</u>	<u>(3,288,089)</u>	<u>(806,165)</u>	<u>(616,743)</u>	<u>(774,357)</u>
1,620,000	2,850,000	1,604,797	865,000	845,000	2,680,000
32,137	31,520	-	-	-	4,356
(11,386)	-	-	-	-	-
30,000	-	-	-	-	-
220,842	10,501	-	-	204,972	314,698
-	-	-	-	(315,360)	(364,698)
<u>1,891,593</u>	<u>2,892,021</u>	<u>1,604,797</u>	<u>865,000</u>	<u>734,612</u>	<u>2,634,356</u>
<u>\$857,504</u>	<u>\$859,474</u>	<u>(\$1,683,292)</u>	<u>\$58,835</u>	<u>\$117,869</u>	<u>\$1,859,999</u>
20.6%	18.8%	49.4%	20.0%	19.3%	18.7%
12.7%	10.9%	39.5%	14.3%	14.7%	13.6%

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				
2010	\$1,201,213,400	\$13,394,423	\$202,299	\$13,596,722	\$13,596,722	20.479	1.13%
2011	1,142,936,500	12,678,177	221,613	12,899,790	12,899,790	21.882	1.13%
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%

(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	
2010	18.033	2.446	20.479	19.734 - 26.389	27.775	1.511 - 4.153	2.558	72.057 - 81.354
2011	19.448	2.384	21.832	20.300 - 34.330	29.772	1.725 - 4.275	2.664	76.293 - 92.873
2012	23.679 (1)	3.592	27.271	22.333 - 38.360	31.939	2.340 - 4.906	2.909	86.792 - 105.385
2013	23.555	5.704	29.259	22.017 - 37.104	31.548	0.779 - 5.306	4.857	88.460 - 108.074
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556 - 107.481
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484 - 96.301
2016	18.184	4.937	23.121	19.849 - 35.569	27.860	0.075 - 5.111	4.568	75.473 - 96.229
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

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

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

Table 7

Taxpayer	2019			2010		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
HSRE-MN High Pointe LLC	\$290,136	1	1.57%	\$239,610	1	1.76%
Xcel Energy	237,868	2	1.28%	171,806	3	1.26%
Dakota Upreit LP	226,956	3	1.22%	-	-	-
Bremer Financial Services Inc	220,998	4	1.19%	195,538	2	1.44%
MHC Cimarron LLC	145,360	5	0.78%	-	-	-
HOA Hotels LLC	143,396	6	0.77%	-	-	-
Eagle Point Medical Building LLC	144,160	7	0.78%	-	-	-
HC Golf Land LLC	130,608	8	0.70%	-	-	-
Auto-Owners Life Insurance Co.	94,068	9	0.51%	-	-	-
Danate Proper Inv I LLC	77,250	10	0.42%	-	-	-
Moline Plow	-	-	-	139,208	4	1.02%
Lake Elmo Foundation, Inc	-	-	-	138,922	5	1.02%
Lakeland Harbor SPE LLC	-	-	-	134,090	6	0.99%
United Land LLC	-	-	-	119,478	7	0.88%
United Properties Inv, LLC	-	-	-	109,468	8	0.81%
Davis Estates LTD	-	-	-	81,328	9	0.60%
Bri-mar Co Inc. Etal.	-	-	-	63,518	10	0.47%
Total	\$1,710,800		9.23%	\$1,392,966		10.24%

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
2010	\$2,743,346	\$2,705,782	\$2,645,536	97.77%
2011	2,789,559	2,745,785	2,692,423	98.06%
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	4,149,590	99.38%

(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		
\$60,231	\$2,705,767	100.00%	\$15	0.00%
53,348	2,745,771	100.00%	14	0.00%
39,267	3,110,469	100.00%	9	0.00%
26,760	3,160,524	100.00%	-	0.00%
31,590	3,160,285	100.00%	-	0.00%
19,874	3,132,863	99.99%	274	0.01%
42,044	3,110,160	99.93%	2,044	0.07%
12,010	2,947,183	99.89%	3,243	0.11%
11,588	3,586,447	99.83%	6,044	0.17%
-	4,149,590	99.38%	26,530	0.64%

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

Table 9

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water (in millions of gallons):										
Residential	173.925	96.882	93.513	98.044	84.007	98.573	120.676	154.747	105.290	95.704
Commercial service	87.935	22.189	16.603	29.379	21.653	12.156	8.253	10.405	6.872	7.261
Total gallons	261.860	119.071	110.116	127.423	105.660	110.729	128.929	165.152	112.162	102.965
Total direct rate per 1,000 gallons:										
Residential	2.20	2.20	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.10
Commercial service	3.30	3.30	3.20	3.11	3.11	3.11	3.11	3.11	3.11	3.05
Sanitary Sewer (in millions of gallons):										
Residential (1)	41.003	32.409	38.340	6.812	3.794	-	-	-	-	-
Commercial service	12.943	12.267	6.807	9.125	8.179	6.532	6.149	6.172	6.961	7.086
Total gallons	53.946	44.676	45.147	15.937	11.973	6.532	6.149	6.172	6.961	7.086
Total direct rate per 1,000 gallons	4.60	4.55	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.35

(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
2010	\$1,725,000	\$240,000	\$5,345,000	\$ -
2011	2,440,000	196,000	5,175,000	-
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

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
\$7,310,000	\$4,680,000	\$11,990,000	3.1%	\$1,486
7,811,000	4,640,000	12,451,000	3.0%	1,543
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

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
2010	\$1,725,000	\$240,000	\$5,345,000	\$4,680,000
2011	2,440,000	196,000	5,175,000	4,640,000
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

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)
\$11,990,000	(\$3,605,250)	\$8,384,750	0.70%	\$1,039
12,451,000	(3,534,742)	8,916,258	0.78%	1,105
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

CITY OF LAKE ELMO, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2019

Table 12

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt:			
Independent School District # 622	\$385,025,000	3.1%	\$11,935,775
Independent School District # 832	45,805,000	4.7%	2,152,835
Independent School District # 834	93,370,000	14.1%	13,165,170
Washington County	136,685,000	4.8%	6,560,880
Metropolitan Council	1,555,384,035	1.1%	17,109,224
Total overlapping debt			<u>50,923,884</u>
City direct debt	\$18,347,323	100%	<u>17,628,425</u>
Total direct and overlapping debt			<u><u>\$68,552,309</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 2019

Market value	\$1,648,277,500
Applicable percentage	3%
Debt limit	<u>49,448,325</u>
Debt applicable to limit:	
Total bonded debt	39,148,570
Less:	
Special assessment bonds	(14,697,425)
Lease revenue bonds	(926,000)
Utility revenue bonds	(21,520,145)
Amount set aside for repayment of G.O. debt	<u>(165,452)</u>
	<u>1,839,548</u>
Legal debt margin	<u><u>\$47,608,777</u></u>

Legal Debt Margin Calculation for Fiscal Years 2010 Through 2019

<u>Fiscal Year</u>	<u>Population</u>	<u>Debt Limit</u>	<u>Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Amount of Debt Applicable to Debt Limit</u>	<u>Net Debt Applicable to Limit Per Capita</u>
2010	8,069	\$34,288,095	\$2,195,153	\$32,092,942	6.40%	\$272
2011	8,069	31,126,713	2,148,203	28,978,510	6.90%	266
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

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	
2010	\$920,768	\$563,896	\$356,872	\$35,000	\$191,156	158%
2011	891,587	516,157	375,430	40,000	190,094	163%
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%

- (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 (2) (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>State Unemployment Rate (3)</u>	<u>City Unemployment Rate (3)</u>
2010	8,069	\$383,915	\$47,579	7.0%	6.4%
2011	8,069	409,203	50,713	5.8%	5.2%
2012	8,069	420,242	52,081	5.4%	4.9%
2013	8,069	420,879	52,160	4.6%	4.0%
2014	8,069	357,723	44,333	3.8%	3.7%
2015	8,069	371,602	46,053	3.2%	2.9%
2016	8,069	374,345	46,393	3.8%	3.3%
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%

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

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CITY OF LAKE ELMO, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 16

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
3M Company (Maplewood)	12,000	1	52.4%	10,100	1	56.4%
Andersen Corp (Bayport)	2,622	2	11.4%	-	-	-
Healtheast Care/St. Johns Hospital (Maplewood)	1,429	3	6.2%	-	-	-
Washington County (Stillwater)	1,258	4	5.5%	-	-	-
ISD 834 (Stillwater)	1,143	5	5.0%	1,005	3	5.6%
Woodwinds Health (Woodbury)	1,100	6	4.8%	485	5	2.7%
MN Correctional Facility (Oak Park Hts)	515	7	2.2%	-	-	-
Ecowater Systems, Inc. (Woodbury)	440	8	1.9%	400	6	2.2%
Bremer Bank Operations Ctr (Lake Elmo)	425	9	1.9%	400	7	2.2%
DiaSorin, Inc. (Stillwater)	350	10	1.5%	-	-	-
The Hartford (Woodbury)	-	-	-	1,021	2	5.7%
Imation (Oakdale)	-	-	-	500	4	2.8%
High Pointe Health Campus (Lake Elmo)	-	-	-	180	8	1.0%
Lake Elmo Inn Inc.	-	-	-	125	9	0.7%
Machine Shed/Wildwood Inn (Lake Elmo)	-	-	-	110	10	0.6%

⁽¹⁾City staff estimate

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

	Full-Time-Equivalent Employees as of December 31,			
	2019	2018	2017	2016
General Government:				
Administration	2.70	2.70	2.45	2.45
Finance	1.05	1.05	1.20	1.20
Planning and Zoning	2.10	2.10	2.21	2.21
Total General Government	5.85	5.85	5.86	5.86
Public Safety:				
Fire	3.80	3.80	3.80	3.80
Building Inspections	4.20	4.20	4.21	4.21
Total Public Safety	8.00	8.00	8.01	8.01
Public Works:				
Streets and Roadways	4.80	4.80	4.55	4.55
Parks and Recreation:				
Parks	2.20	2.20	3.00	3.00
Communications	0.50	0.50	-	-
Total Governmental Activities	21.35	21.35	21.42	21.42
Business-type Activities:				
Water Utility	2.50	2.50	2.00	2.00
Sewer Utility	1.15	1.15	1.66	1.66
Storm Sewer Utility	0.80	0.80	0.80	0.00
Total Business-Type Activities	4.45	4.45	4.46	3.66
Total	25.80	25.80	25.88	25.08

Source: City's Adopted Budgets

Table 17

Full-Time-Equivalent Employees as of December 31,						
2015	2014	2013	2012	2011	2010	
3.20	3.55	3.55	3.15	3.15	3.15	
0.80	1.25	1.25	0.50	0.50	0.50	
2.75	2.70	2.95	1.55	1.55	1.55	
6.75	7.50	7.75	5.20	5.20	5.20	
1.50	1.55	2.05	1.60	1.10	1.10	
3.15	1.55	1.30	0.95	0.95	0.95	
4.65	3.10	3.35	2.55	2.05	2.05	
3.90	3.20	3.21	3.05	3.05	3.05	
1.85	3.30	2.74	2.52	2.52	2.52	
0.70	0.35	0.40	0.15	0.15	0.15	
17.85	17.45	17.45	13.47	12.97	12.97	
2.45	2.60	2.10	1.85	1.85	1.85	
1.30	0.70	0.70	0.30	0.30	0.30	
0.00	0.00	0.00	0.00	0.00	0.00	
3.75	3.30	2.80	2.15	2.15	2.15	
21.60	20.75	20.25	15.62	15.12	15.12	

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

	2019	2018	2017	2016
Planning and Zoning:				
Conditional use permits	6	6	5	3
Interim use permits	-	-	2	2
Minor subdivisions	1	1	1	2
Plats / planned unit developments	13	13	10	11
Rezoning	4	4	5	3
Site plans	-	-	1	1
Variations	6	6	6	4
Fire:				
Total emergency responses	461	461	456	430
EMS responses	317	317	313	268
Fire responses	144	144	143	162
Building Inspections:				
Residential permit valuations (thousands of dollars)	\$113,913	\$113,913	\$86,710	\$119,301
Commercial permit valuations (thousands of dollars)	\$3,217	\$3,217	\$1,185	\$2,003
New residential units (1)	245	245	299	240
New commercial units	-	-	1	1
Water Utility:				
Number of customers	2,317	2,317	1,727	1,538
Average quarterly consumption (2) (millions of gallons)	56	56	28	18
Sanitary Sewer Utility:				
Number of customers	1,253	1,253	712	321
Average quarterly flow (3) (millions of gallons)	11	11	12	14

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 flows

Table 18

2015	2014	2013	2012	2011	2010
2	4	2	3	-	-
1	1	1	-	3	1
2	-	2	1	-	-
9	17	1	-	-	-
2	11	2	7	-	-
-	-	2	1	-	1
2	2	5	4	6	2
429	358	448	399	315	361
274	237	280	262	195	211
32	21	28	28	24	14
\$50,401	\$23,032	\$19,979	\$20,320	\$16,133	\$15,889
\$1,952	\$7,309	\$966	\$2,351	\$2,590	\$2,013
140	41	32	31	24	26
1	3	-	-	-	1
1,234	1,073	1,051	1,016	998	967
18	19	21	15	14	18
96	45	29	29	29	29
74	77	77	75	71	72

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

Table 19

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works:										
Bituminous streets (miles)	112	112	103	103	65	65	63	63	63	62
Gravel streets (miles)	0.5	0.5	2	2	2	2	2	2	2	2
Storm sewer (miles)	33	33	30	30	25	25	25	25	25	25
Parks & Recreation:										
Acres of parkland	427	427	420	420	420	420	420	420	420	420
Number of parks	24	24	17	17	17	17	17	17	17	17
Water Utility:										
Water towers	3	3	3	3	3	3	2	2	2	2
Miles of watermain	58	58	50	50	43	40	39	37	37	37
Number of fire hydrants	559	559	415	415	378	351	293	280	280	280
Sanitary Sewer Utility:										
Miles of sanitary sewer	29	29	8	8	4	3	3	3	3	3
Lift Stations	5	5	4	4	4	4	3	3	3	3

Sources: Various City Department's annual financial report statistics



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, 2019, 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 26, 2020.

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, except as described in the Schedule of Findings and Responses as item 2019-004. 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 26, 2020

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2019

2019-004 Prompt Payment of Bills

Criteria: Minnesota Statute 471.425, subdivisions 2a reads as follows:

471.425 PROMPT PAMENT OF LOCAL GOVERNMENT BILLS.

Subd. 2. Payment required.

A municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. Standard payment period is defined as follows:

(a) For municipalities who have governing boards which have regularly scheduled meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.

Condition and context: During our audit, we noted the payment to Metropolitan Council for August 2019 waste water services was not made until June 2020.

Cause: The invoice was transmitted to the City in July 2019 during a time of staff turnover.

Effect: Untimely payments may subject the City to interest and late fees, although no such fees were charged in this instance.

Recommendation: We recommend the City pay all vendor invoices in accordance with Minnesota Statute 471.425.

Views of Responsible Officials and Corrective Action Plan: Staff will review and investigate any significant variances when completing quarterly financial reports.



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, 2019, 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 26, 2020.

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) to determine the 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify 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 deficiencies described

in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 to be material weaknesses.

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 the attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-003 to be a significant deficiency.

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 determination of financial statement amounts. 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

The City of Lake Elmo, Minnesota's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Lake Elmo, Minnesota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 26, 2020

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2019

2019-001 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: While preparing for the 2019 audit, City staff detected that infrastructure assets totalling \$10,904,086 were contributed by developers to the City during 2017 and 2018. These assets were previously unrecorded. As a result, a prior period adjustment was made to restate beginning equity balances.

In addition, auditors detected material audit adjustments to grant receivables, capital assets, accounts payable and contracts payable.

Cause: Accounting complexities relating to rapid development, staff turnover and continued clean up and reconciliation of all balance sheet accounts contributed to the cause of many adjustments.

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: Once subdivision improvements are accepted by the City Council, finance department staff will contact engineering to get data to record those assets in the appropriate fund.

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, 2019

2019-002 Maintaining an Accurate List of Outstanding Escrows

Criteria: A listing of outstanding escrow balances should be maintained, and the total outstanding balance should be reconciled to the general ledger.

Condition: The City maintains a listing of outstanding amounts held for each customer and tracks receipts and disbursements of escrow activity using its general ledger software. However, the amount reported in the general ledger is approximately \$843,000 greater than the amount held according to the escrow listings.

Cause: Prior to rapid development occurring in the City, receipt and disbursement information available in the general ledger was likely sufficient. However, additional procedures to better track and reconcile escrows appear to have never been implemented to keep pace with the increased activity of the corresponding accounts.

Effect: By not maintaining a system to track each customer's outstanding balance, there is an increased risk that expenses incurred by the City may not be applied to the customer's escrow balance, or that the incorrect amount may be refunded to the customer. Additionally, it can be difficult to track the rightful owner of any old, unclaimed escrows.

Recommendation: We understand City staff have reconciled the escrow activity since 2015. During the last year, staff have also compiled a listing of outstanding escrow balances in an attempt to reconcile it to the general ledger. We recommend these efforts be continued.

Views of Responsible Officials and Corrective Action Plan: Building permit escrow and developer escrow information will be updated at least monthly going forward. Monthly statements will be sent to developers.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2019

2019-003 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 (the City) for the year ended December 31, 2019. 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 January 6, 2020. 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 are described in Note 1 to the financial statements. As described in Note 16 to the financial statements, the City implemented GASB Statement No. 84, *Fiduciary Activities* for the year ended December 31, 2019. As a result, escrow deposits held by the City are now reported on the Statement of Net Position (Statement 1) and in the General Fund (Statement 3).

We noted no transactions entered into by the City 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. We believe the most sensitive estimates affecting the City's financial statements were the discount rate and other pension related assumptions used to measure the net pension asset / liability, pension related deferred inflows and outflows, and pension expense, as well as assumptions used to measure the OPEB

liability. The discount rate and other pension and OPEB assumptions are based on actuarial studies. We evaluated the key factors and assumptions used to develop these 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, Note 18 – Prior Period Adjustment, and Note 19 – Extraordinary Item.

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. Material misstatements detected as a result of audit procedures are summarized in the Schedule of Findings and Responses as Finding 2019-001.

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 26, 2020.

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'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'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, 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 the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restrictions on Use

This information is intended solely for the 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 26, 2020