

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED

DECEMBER 31, 2018

Prepared By: Finance Department

Sue Iverson, Finance Director

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INTRODUCTORY SECTION

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September 9, 2019

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

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Government Accounting Standard Board (GASB), and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2018.

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, 2018 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, 2018 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, 2018 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 10,521 which represents 3,619 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 2018 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 29, 2017. 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 2,664 have been approved. The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2018 population estimates of 10,521 or an increase of 30% since the 2010 census.

New housing starts in 2018 numbered 273 with a total value of \$113,913,615 and an average value of \$417,265. There was no new Commercial construction in 2018, but rather a number of remodels and expansions. All these new starts have been built in 2018 or will be finished in 2019, which will greatly strengthen the existing tax base of the City.

LONG TERM FINANCIAL PLANNING

Total unassigned General Fund balance as of December 31, 2018 was 85% 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. 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

2018 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 2018 infrastructure projects included the following:

- The Old Village Improvement project is well underway and Phase IV was substantially completed in 2018. Phases V & VI of the project will be started 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 2018 Street Reconstruction program substantially completed in 2018 continuing the City's investment in capital expenditures and upkeep of its street infrastructure.
- Phase II – Ideal Avenue included reconstruction of streets and sewer infrastructure.
- 2018 seal coating and crack filling project.
- Use of Parkland dedication fees to continue to make improvements to existing and new parks.
- Purchase of Brookfield building for future city hall and fire station.
- Completion of the Salt Shed at Public Works.

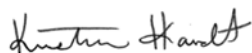
AWARDS AND ACKNOWLEDGEMENTS

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, 2017. 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, 2018. 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



Susan K Iverson
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, 2017

Christopher P. Morrill

Executive Director/CEO

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CITY OF LAKE ELMO, MINNESOTA

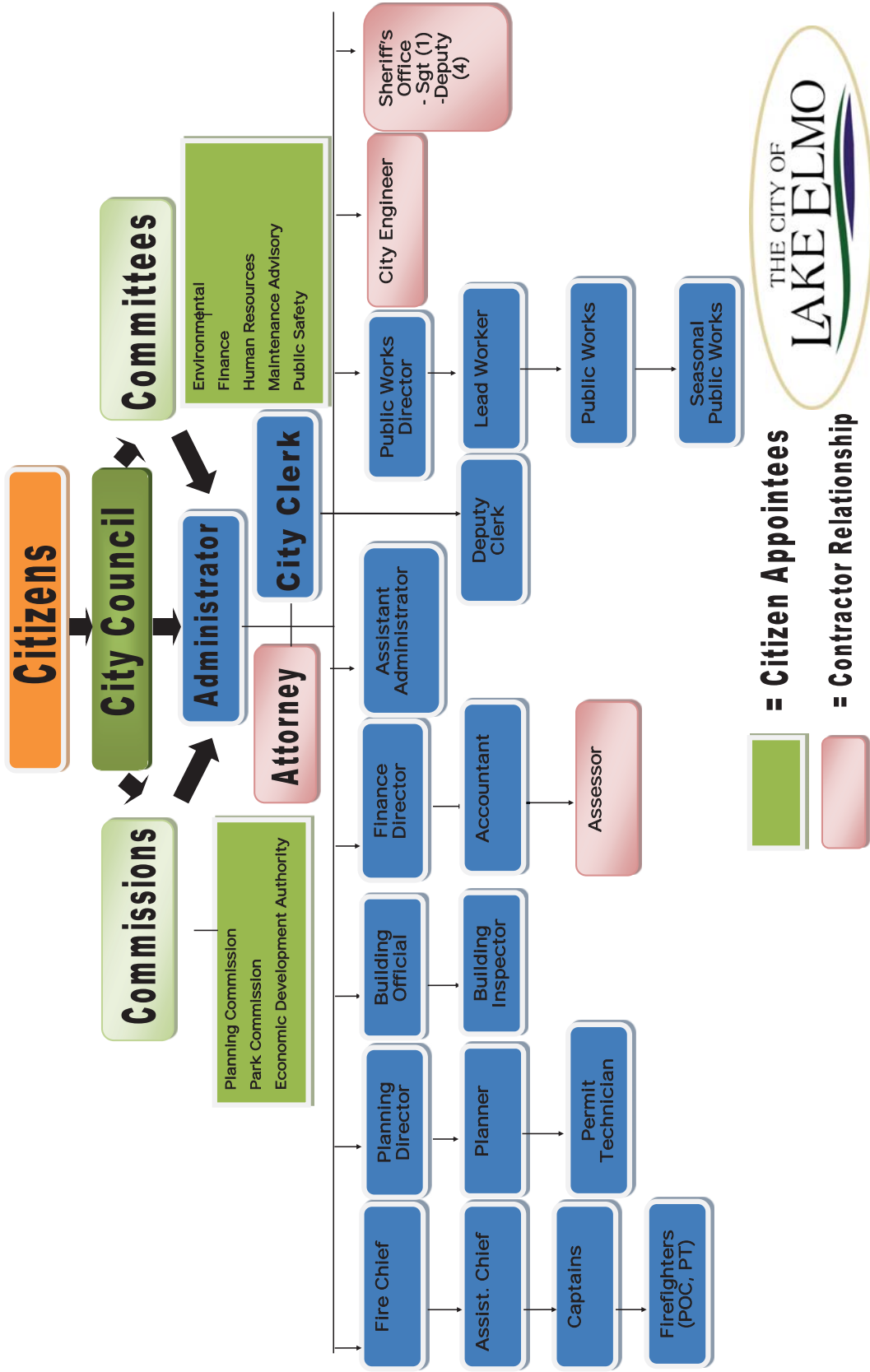
PRINCIPAL CITY OFFICIALS

December 31, 2018



		<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

CITY OF LAKE ELMO ORGANIZATIONAL CHART 2018



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, 2018, 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, 2018, 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.

Emphasis of Matter

As described in Note 17 to the financial statements, the City of Lake Elmo, Minnesota adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

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 information, 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 the 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 section and the statistical section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019, 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

September 9, 2019

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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, 2018. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$48,198,180 (net position). Of this amount, \$14,929,018 (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 \$5,213,136.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,075,498, a decrease of \$298,849. Of this amount, \$6,133,168 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 \$4,775,646. Unassigned fund balance for the general fund was \$4,756,695, or 85% of the next year's total general fund expenditures and other financing uses.

Total outstanding debt decreased by \$604,000 during 2018. Taxable Lease Revenue Bonds were issued in the amount of \$926,000 and General Obligation Equipment Certificates were issued in the amount of \$940,000. Payments on outstanding debt during the year totaled \$2,470,000.

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 a 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 five 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
- Old Village Phase 4
- 2018 Street Improvements

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.

Fiduciary Funds. Fiduciary funds are used to account for resources held by the City as an agent for individuals, private organizations, or other governments. Fiduciary funds are not reflected by the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund statements are Statements 10 and 27.

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 10.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary

Management's Discussion and Analysis

information. Combining and individual fund statements and schedules are presented as Statements 19 through 26.

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 exceeded liabilities by \$48,198,180 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$23,147,514, or 48%) 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' Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$13,997,050	\$12,381,583	\$15,262,935	\$14,443,394	\$29,259,985	\$26,824,977
Capital assets	27,140,392	24,394,812	34,234,655	33,741,028	61,375,047	58,135,840
Total assets	<u>41,137,442</u>	<u>36,776,395</u>	<u>49,497,590</u>	<u>48,184,422</u>	<u>90,635,032</u>	<u>84,960,817</u>
Deferred outflows of resources	805,439	330,948	36,680	88,562	842,119	419,510
Liabilities:						
Long-term liabilities outstanding	17,510,865	16,954,320	21,835,082	23,103,352	39,345,947	40,057,672
Other liabilities	1,655,900	1,418,646	1,460,036	1,152,033	3,115,936	2,570,679
Total liabilities	<u>19,166,765</u>	<u>18,372,966</u>	<u>23,295,118</u>	<u>24,255,385</u>	<u>42,461,883</u>	<u>42,628,351</u>
Deferred inflows of resources	784,982	138,956	32,106	12,953	817,088	151,909
Net position:						
Net investment in capital assets	10,782,850	8,883,320	12,364,664	12,180,378	23,147,514	21,063,698
Restricted	10,121,648	5,057,169	-	2,695,734	10,121,648	7,752,903
Unrestricted	1,086,636	4,654,932	13,842,382	9,128,534	14,929,018	13,783,466
Total net position	<u>\$21,991,134</u>	<u>\$18,595,421</u>	<u>\$26,207,046</u>	<u>\$24,004,646</u>	<u>\$48,198,180</u>	<u>\$42,600,067</u>

\$10,121,648 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 (\$14,929,018) 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

The City's net position increased by \$5,213,136 during 2018. Key elements of this increase are as follows:

Governmental Activities

- Charges for Services increased by \$87,368 primarily due to increased building permits issued and development fees.
- Capital Grants and Contributions increased by \$543,309 due to increased special assessment revenue from development and street improvements.
- General Property taxes increased by \$569,693.
- Investment Earnings increased by \$66,596 as a result of actively managing the investment portfolio.
- Public Safety expenses increased \$632,829 as a result of changing to a new staffing model and adding Part-time Firefighters; \$50,255 from the increase in contract policing from the Washington County Sheriff contract; and \$388,000 due to a change in the Fire Relief net pension and deferred inflows.
- Public Works decreased as a result of deferred road maintenance of \$309,982 for Sealcoat and Cracksealing and decreased capital costs that were expensed compared to the prior year.
- Culture and Recreation decreased as the Library was transferred back to Washington County in 2018.

Business-Type Activities

- Revenues decreased by \$1,123,523 as availability charges are paid at the time of platting developments for residential areas.
- Investment earnings increased by \$49,720.
- Operating expenses decreased by \$139,678 for contract services and repairs and maintenance.

On May 21, 2019, the City and 3M Company, Inc (3M) reached an agreement to settle a lawsuit over groundwater contamination. As part of the settlement, the City will accept \$2.7 million to be deposited into its Water Fund. 3M will also transfer ownership of 180 acres of farmland valued at approximately \$1.8 million to the City.

Management's Discussion and Analysis

City of Lake Elmo' Changes in Net Position

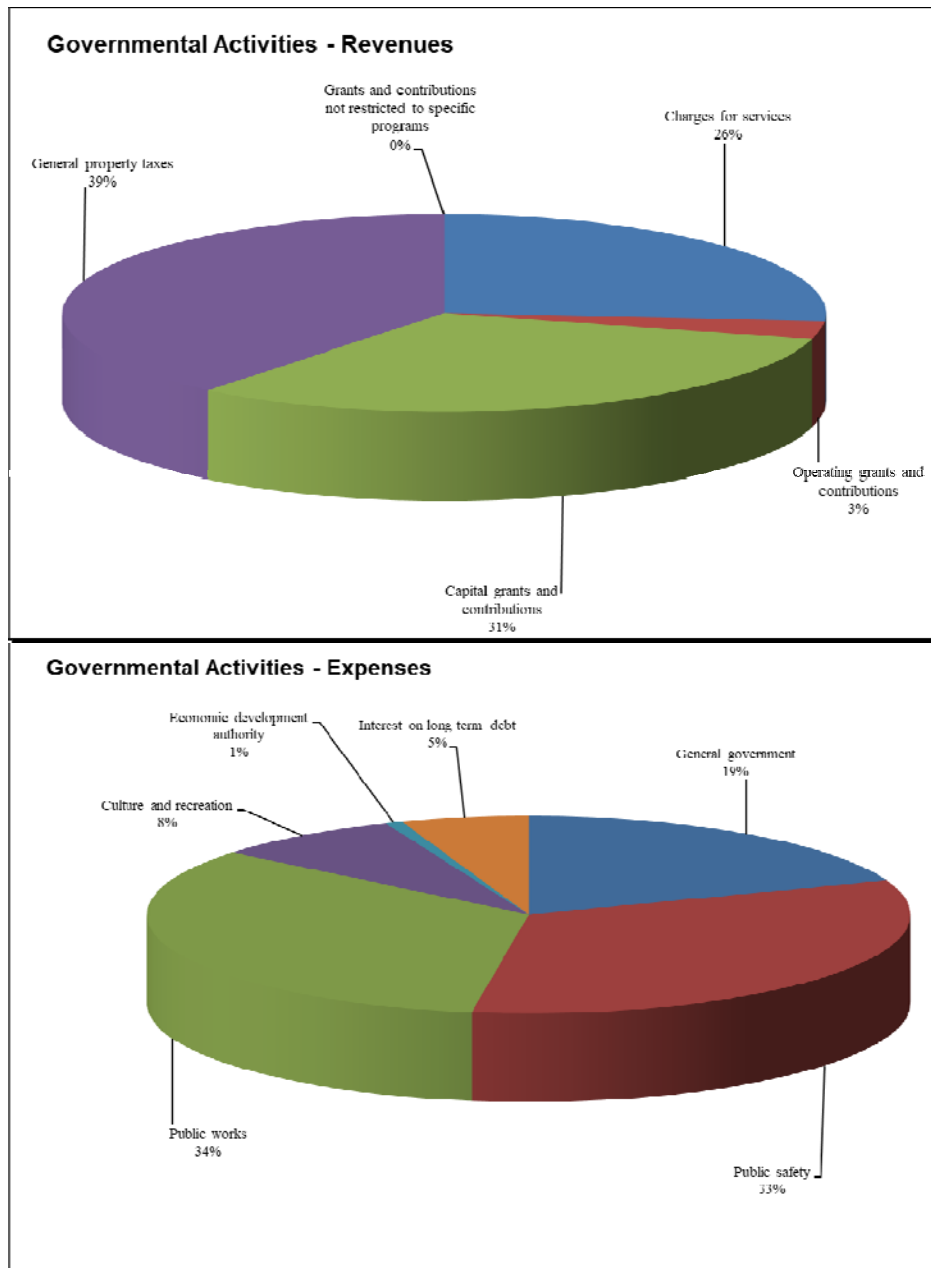
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$2,396,114	\$2,308,746	\$1,527,299	\$5,353,972	\$3,923,413	\$7,662,718
Operating grants and contributions	248,915	229,960	-	-	248,915	229,960
Capital grants and contributions	2,833,574	2,290,265	4,142,448	1,489,922	6,976,022	3,780,187
General revenues:						
General property taxes	3,610,106	3,040,413	-	-	3,610,106	3,040,413
Grants and contributions not restricted to specific programs	6,868	2,749	956	-	7,824	2,749
Unrestricted investment earnings	115,583	48,987	96,425	46,705	212,008	95,692
Gain on disposal of assets	8,991	-	-	-	8,991	-
Miscellaneous	-	158,350	-	52	-	158,402
Total revenues	<u>9,220,151</u>	<u>8,079,470</u>	<u>5,767,128</u>	<u>6,890,651</u>	<u>14,987,279</u>	<u>14,970,121</u>
Expenses:						
General government	1,266,269	1,503,251	-	-	1,266,269	1,503,251
Public safety	2,161,082	1,528,253	-	-	2,161,082	1,528,253
Public works	2,192,092	2,800,044	-	-	2,192,092	2,800,044
Culture and recreation	524,445	1,299,551	-	-	524,445	1,299,551
Economic development authority	47,702	-	-	-	47,702	-
Interest on long-term debt	352,376	225,910	-	-	352,376	225,910
Water	-	-	2,068,178	2,022,446	2,068,178	2,022,446
Sewer	-	-	846,032	1,030,058	846,032	1,030,058
Storm sewer	-	-	315,967	213,514	315,967	213,514
Total expenses	<u>6,543,966</u>	<u>7,357,009</u>	<u>3,230,177</u>	<u>3,266,018</u>	<u>9,774,143</u>	<u>10,623,027</u>
Increase in net position before transfers	2,676,185	722,461	2,536,951	3,624,633	5,213,136	4,347,094
Transfers	840	-	(840)	-	-	-
Change in net position	<u>2,677,025</u>	<u>722,461</u>	<u>2,536,111</u>	<u>3,624,633</u>	<u>5,213,136</u>	<u>4,347,094</u>
Net position - January 1, as previously reported	18,595,421	17,872,960	24,004,646	20,380,013	42,600,067	38,252,973
Prior period adjustment	718,688	-	(333,711)	-	384,977	-
Net position - January 1, as restated	<u>19,314,109</u>	<u>17,872,960</u>	<u>23,670,935</u>	<u>20,380,013</u>	<u>42,985,044</u>	<u>38,252,973</u>
Net position - December 31	<u>\$21,991,134</u>	<u>\$18,595,421</u>	<u>\$26,207,046</u>	<u>\$24,004,646</u>	<u>\$48,198,180</u>	<u>\$42,600,067</u>

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the City's net position by \$2,677,025 during 2018. The cumulative effect of increased capital grants and contributions, property taxes, investment earnings, increase in public safety expenses, decreases in public works expenses, and decreases in culture and recreation expenses account for the increase in 2018.

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

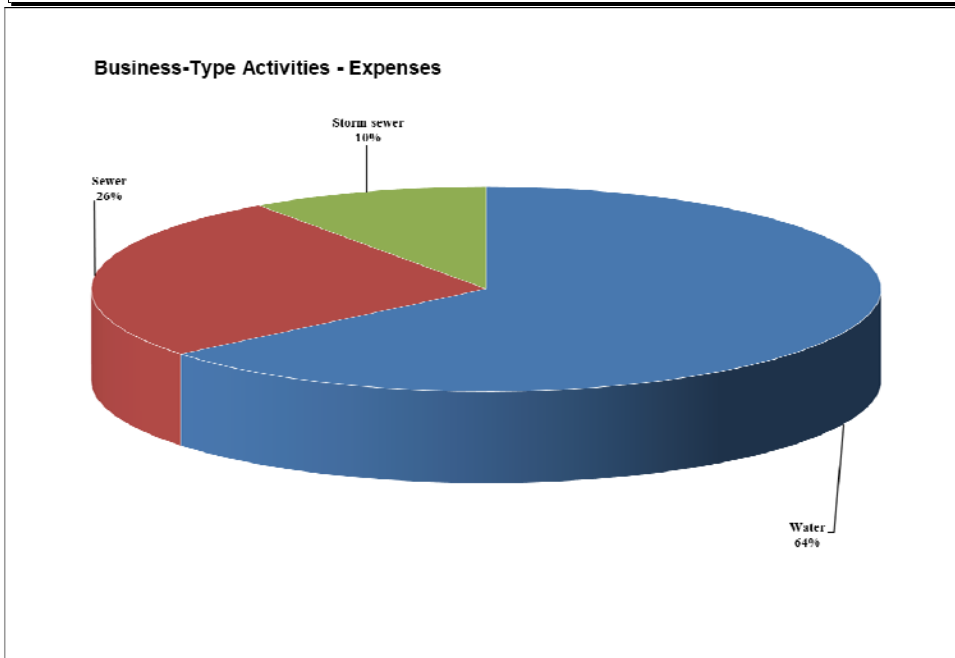
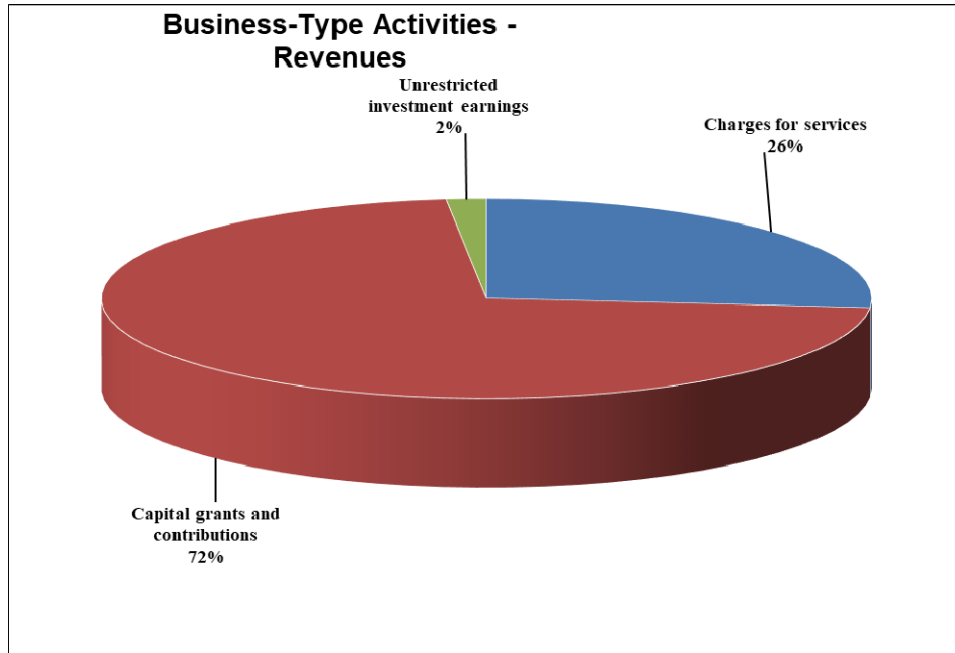


Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased the City's net position by \$2,536,111 during 2018. The increase was due mainly to capital grants and contributions and charges for services exceeding the expenses of each business-type fund.

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 \$9,075,498. Approximately 68% of this total amount (\$6,133,168) constitutes fund balance restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions. \$19,346 of fund balance is not in a spendable form, \$11,003 has been committed, \$1,198,909 has been assigned, and \$1,713,072 is unassigned.

The fund balance of the General Fund increased by \$581,973 in 2018, while the City anticipated the use of \$194,000 of the general fund balance. Overall, signs of continued economic recovery are being seen with steady building and development activities taking place which resulted in increased building permit revenues for the year. The City also saw a slight decrease in number general permits issued during the year as the previous year saw an increase due to a storm causing significant damage throughout the City in June of 2017. Finally, reduced expenditures, primarily for personal services through vacant positions, and professional and contractual services helped to increase the year end fund balance.

The Debt Service fund balance increased by \$1,217,037. The 2002, 2006A and 2009A series were closed out in 2018. The 2019A series will be issued in 2019, however special assessments were collected in 2018 for this issue. Significant special assessment prepayments related to the 2015A and 2017A bonds were also received in 2018.

The Vehicle Acquisition fund balance increased by \$864,009. The 2018A series bonds were issued in 2018 to finance the purchase of a new fire truck and public works vehicle.

The Old Village Phase 4 fund balance decreased by \$1,037,202. Bonds for this project will be issued in 2019 as the City internally financed these costs with reserves for the short-term.

The 2018 Street Improvements fund balance decreased by \$1,122,043. Bonds for this project will be issued in 2019 as the City internally financed these costs with reserves for the short-term.

The combined fund balance of other governmental funds decreased \$802,623 during 2018. Primary reasons for the decrease include infrastructure projects for CSAH 15/CSAH 14 realignment, 2017 Street Improvements, Old Village Phase 3, CSAH 13-Ideal Ave, construction of a City salt shed, and improvements to City parks.

Management's Discussion and Analysis

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 \$14,133,240, of which \$4,471,791 is unrestricted. The increase in net position of \$296,818 was primarily due to capital contributions, partially offset by a net operating loss and interest and fees on long term debt.

The sewer fund has total net position at year-end of \$10,376,847, of which \$8,022,075 is unrestricted. The increase in net position of \$2,215,213 was primarily due to capital contributions, 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 \$1,696,959, of which \$1,348,516 is unrestricted. The increase in net position of \$24,080 was primarily due to net operating income, offset by interest and fees on long-term debt.

Budgetary Highlights

General Fund

The General Fund budget was not amended during the year. The City budgeted for a \$194,000 decrease in fund balance, while the actual increase in fund balance was \$581,973.

Revenues were \$558,162 over budget for the year. This is mainly due to license and permit revenue, which was over budget by \$323,248, and charges for services, which was over budget by \$177,510.

Expenditures came in under budget by \$360,857 due to many factors including lower than expected personal service costs from vacant positions and deferred expenditures for Sealcoating and Cracksealing until 2019 of \$309,982. The purchase of an Inspection Vehicle for \$24,000 was also deferred until 2019.

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, 2018, amounted to \$61,375,047 (net of accumulated depreciation), an increase of \$3,241,207 from the prior year. This investment in capital assets includes land, construction in progress, buildings, other improvements, machinery and equipment, and infrastructure. The City completed the Old Village Phase 3 project and the 2017 Streets project. The City has continued to work to complete the Lions Park project. In addition, the City began the Trunk Highway 36/CSAH 15 Interchange project, the 2018 Street Improvement project, and the Old Village Phase 4 project.

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$3,453,979	\$3,453,979	\$248,869	\$248,869	\$3,702,848	\$3,702,848
Construction in progress	5,497,408	4,218,535	3,003,858	2,933,887	8,501,266	7,152,422
Buildings	3,124,409	2,504,533	-	-	3,124,409	2,504,533
Improvements other than buildings	394,950	376,336	-	-	394,950	376,336
Machinery and equipment	1,532,330	1,689,088	84,780	68,409	1,617,110	1,757,497
Infrastructure	13,137,316	12,150,341	30,897,148	30,489,863	44,034,464	42,640,204
Total	<u>\$27,140,392</u>	<u>\$24,392,812</u>	<u>\$34,234,655</u>	<u>\$33,741,028</u>	<u>\$61,375,047</u>	<u>\$58,133,840</u>

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 \$37,226,000, a decrease of \$604,000. The key factors for the change include the issuance of \$1,866,000 of Taxable Lease Revenue Bonds and General Obligation Equipment Certificates to finance capital equipment purchases and City projects, as well as principal retired in the amount of \$2,470,000 during the year.

City of Lake Elmo' Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
G.O. Improvement bonds	\$14,105,000	\$15,280,000	\$21,255,000	\$22,550,000	\$35,360,000	\$37,830,000
G.O. Equipment certificates	940,000	-	-	-	940,000	-
Taxable lease revenue bonds	926,000	-	-	-	926,000	-
Total	<u>\$15,971,000</u>	<u>\$15,280,000</u>	<u>\$21,255,000</u>	<u>\$22,550,000</u>	<u>\$37,226,000</u>	<u>\$37,830,000</u>

Additional information on the City's long-term debt can be found in Note 6.

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
December 31, 2018

Statement 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$10,444,281	\$11,548,359	\$21,992,640
Accrued interest receivable	31,548	30,279	61,827
Due from other governmental units	9,254	-	9,254
Accounts receivable - net	3,985	530,315	534,300
Prepaid items	19,346	14,113	33,459
Property taxes receivable	76,402	-	76,402
Special assessments receivable	3,141,827	3,139,869	6,281,696
Net pension asset	270,407	-	270,407
Capital assets - nondepreciable	8,951,387	3,252,727	12,204,114
Capital assets - net of accumulated depreciation	18,189,005	30,981,928	49,170,933
Total assets	41,137,442	49,497,590	90,635,032
Deferred outflows of resources related to pensions	805,439	36,680	842,119
Liabilities:			
Accounts payable	125,231	79,102	204,333
Due to other governmental units	659,240	267,247	926,487
Salaries and benefits payable	93,034	8,804	101,838
Contracts and retainage payable	92,505	189,865	282,370
Deposits payable	228,050	-	228,050
Accrued interest payable	186,610	211,018	397,628
Unearned revenue	271,230	704,000	975,230
Compensated absences payable:			
Due within one year	52,995	14,884	67,879
Due in more than one year	17,665	4,962	22,627
Bonds payable:			
Due within one year	1,615,000	1,360,000	2,975,000
Due in more than one year	14,663,054	20,320,126	34,983,180
Other postemployment benefits:			
Due in more than one year	54,021	9,909	63,930
Net pension liability:			
Due in more than one year	1,108,130	125,201	1,233,331
Total liabilities	19,166,765	23,295,118	42,461,883
Deferred inflows of resources related to pensions	784,982	32,106	817,088
Net position:			
Net investment in capital assets	10,782,850	12,364,664	23,147,514
Restricted for:			
Debt service	8,216,475	-	8,216,475
Vehicle acquisition	806,427	-	806,427
Park improvements	851,785	-	851,785
Fire Relief Association pension plan	246,961	-	246,961
Unrestricted	1,086,636	13,842,382	14,929,018
Total net position	\$21,991,134	\$26,207,046	\$48,198,180

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, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$1,266,269	\$379,378
Public safety	2,161,082	1,938,163
Public works	2,192,092	-
Culture and recreation	524,445	-
Economic development authority	47,702	78,573
Interest and fees on long-term debt	352,376	-
Total governmental activities	<u>6,543,966</u>	<u>2,396,114</u>
Business-type activities:		
Water	2,068,178	951,985
Sewer	846,032	252,614
Storm sewer	315,967	322,700
Total business-type activities	<u>3,230,177</u>	<u>1,527,299</u>
Total primary government	<u>\$9,774,143</u>	<u>\$3,923,413</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
\$7,138	\$ -	(\$879,753)	\$ -	(\$879,753)
77,318	-	(145,601)	-	(145,601)
158,795	2,330,772	297,475	-	297,475
5,664	502,802	(15,979)	-	(15,979)
-	-	30,871	-	30,871
-	-	(352,376)	-	(352,376)
<u>248,915</u>	<u>2,833,574</u>	<u>(1,065,363)</u>	<u>0</u>	<u>(1,065,363)</u>
-	1,381,842	-	265,649	265,649
-	2,760,245	-	2,166,827	2,166,827
-	361	-	7,094	7,094
<u>0</u>	<u>4,142,448</u>	<u>0</u>	<u>2,439,570</u>	<u>2,439,570</u>
<u>\$248,915</u>	<u>\$6,976,022</u>	<u>(1,065,363)</u>	<u>2,439,570</u>	<u>1,374,207</u>
General revenues:				
General property taxes		3,610,106	-	3,610,106
Grants and contributions not restricted to specific programs		6,868	956	7,824
Unrestricted investment earnings		115,583	96,425	212,008
Gain on disposal of capital assets		8,991	-	8,991
Transfers		840	(840)	-
Total general revenues and transfers		<u>3,742,388</u>	<u>96,541</u>	<u>3,838,929</u>
Change in net position		<u>2,677,025</u>	<u>2,536,111</u>	<u>5,213,136</u>
Net position - January 1, as previously reported		18,595,421	24,004,646	42,600,067
Prior period adjustment - Note 17		718,688	(333,711)	384,977
Net position - January 1, as restated		<u>19,314,109</u>	<u>23,670,935</u>	<u>42,985,044</u>
Net position - December 31		<u>\$21,991,134</u>	<u>\$26,207,046</u>	<u>\$48,198,180</u>

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

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

Statement 3

	General Fund (101)	Debt Service (300s)	Vehicle Acquisition (410)	Old Village Phase 4 (421)	2018 Street Improvements (422)	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$2,679,286	\$4,461,692	\$901,652	\$ -	\$ -	\$2,401,651	\$10,444,281
Accrued interest receivable	20,056	11,012	2,249	-	20	(1,789)	31,548
Due from other governmental units	2,536	-	-	-	-	6,718	9,254
Accounts receivable - net	3,985	-	-	-	-	-	3,985
Prepaid items	18,951	-	-	-	-	395	19,346
Due from other funds	2,467,979	-	-	-	-	16,399	2,484,378
Property taxes receivable:							
Due from county	34,377	-	-	-	-	-	34,377
Delinquent	42,025	-	-	-	-	-	42,025
Special assessments receivable:							
Due from county	-	1,997	-	-	-	-	1,997
Delinquent	295	1,181	-	-	-	-	1,476
Deferred	-	3,120,521	-	-	-	17,833	3,138,354
Total assets	\$5,269,490	\$7,596,403	\$903,901	\$0	\$20	\$2,441,207	\$16,211,021
Liabilities, Deferred Inflows of Resources, and Fund Balance							
Liabilities:							
Accounts payable	\$106,028	\$ -	\$7,837	\$ -	\$ -	\$11,366	\$125,231
Due to other governmental units	99,412	-	-	-	-	559,828	659,240
Salaries and benefits payable	93,034	-	-	-	-	-	93,034
Contracts and retainage payable	-	-	-	37,496	46,302	8,707	92,505
Due to other funds	-	22,548	-	999,706	1,067,611	394,513	2,484,378
Deposits payable	153,050	-	-	-	-	75,000	228,050
Unearned revenue	-	-	-	-	-	271,230	271,230
Total liabilities	451,524	22,548	7,837	1,037,202	1,113,913	1,320,644	3,953,668
Deferred inflows of resources:							
Unavailable revenue	42,320	3,121,702	-	-	-	17,833	3,181,855
Fund balance:							
Nonspendable	18,951	-	-	-	-	395	19,346
Restricted	-	4,452,153	806,427	-	-	874,588	6,133,168
Committed	-	-	-	-	-	11,003	11,003
Assigned	-	-	89,637	-	-	1,109,272	1,198,909
Unassigned	4,756,695	-	-	(1,037,202)	(1,113,893)	(892,528)	1,713,072
Total fund balance	4,775,646	4,452,153	896,064	(1,037,202)	(1,113,893)	1,102,730	9,075,498
Total liabilities, deferred inflows of resources, and fund balance	\$5,269,490	\$7,596,403	\$903,901	\$0	\$20	\$2,441,207	\$16,211,021

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, 2018

Statement 4

	General Fund (101)	Debt Service (300s)	Vehicle Acquisition (410)	Old Village Phase 4 (421)	2018 Street Improvements (422)	Other Governmental Funds	Total Governmental Funds
Revenues:							
General property taxes	\$2,396,720	\$1,213,788	\$ -	\$ -	\$ -	\$ -	\$3,610,508
Licenses and permits	1,317,648	-	-	-	-	-	1,317,648
Intergovernmental	232,885	-	-	-	-	14,293	247,178
Charges for services	821,235	-	-	-	-	78,573	899,808
Fines and forfeits	49,203	-	-	-	-	-	49,203
Special assessments	21,116	1,377,039	-	-	-	-	1,398,155
Park dedication fees	-	-	-	-	-	502,802	502,802
Investment income	78,634	34,776	6,924	-	66	(4,817)	115,583
Miscellaneous	117,455	-	12,000	-	-	-	129,455
Total revenues	<u>5,034,896</u>	<u>2,625,603</u>	<u>18,924</u>	<u>0</u>	<u>66</u>	<u>590,851</u>	<u>8,270,340</u>
Expenditures:							
Current:							
General government	1,208,145	-	-	-	-	-	1,208,145
Public safety	1,644,159	-	-	-	-	-	1,644,159
Public works	1,140,678	-	-	-	-	86,843	1,227,521
Culture and recreation	238,449	-	-	-	-	3,312	241,761
Economic development authority	-	-	-	-	-	47,702	47,702
Capital outlay:							
Public safety	-	-	7,837	-	-	-	7,837
Public works	57,443	-	121,236	1,037,202	1,122,109	976,444	3,314,434
Culture and recreation	21,003	-	-	-	-	307,145	328,148
Economic development authority	-	-	-	-	-	901,670	901,670
Debt service:							
Principal	-	1,175,000	-	-	-	-	1,175,000
Interest and fiscal charges	-	204,739	4,500	-	-	21,583	230,822
Total expenditures	<u>4,309,877</u>	<u>1,379,739</u>	<u>133,573</u>	<u>1,037,202</u>	<u>1,122,109</u>	<u>2,344,699</u>	<u>10,327,199</u>
Revenues over (under) expenditures	<u>725,019</u>	<u>1,245,864</u>	<u>(114,649)</u>	<u>(1,037,202)</u>	<u>(1,122,043)</u>	<u>(1,753,848)</u>	<u>(2,056,859)</u>
Other financing sources (uses):							
Transfers in	-	1,317	29,667	-	-	25,225	56,209
Transfers out	(143,046)	(30,144)	-	-	-	-	(173,190)
Issuance of debt	-	-	940,000	-	-	926,000	1,866,000
Proceeds from sale of capital assets	-	-	8,991	-	-	-	8,991
Total other financing sources (uses)	<u>(143,046)</u>	<u>(28,827)</u>	<u>978,658</u>	<u>0</u>	<u>0</u>	<u>951,225</u>	<u>1,758,010</u>
Net change in fund balance	<u>581,973</u>	<u>1,217,037</u>	<u>864,009</u>	<u>(1,037,202)</u>	<u>(1,122,043)</u>	<u>(802,623)</u>	<u>(298,849)</u>
Fund balance - January 1, as previously reported	4,109,326	3,224,987	31,840	-	8,122	885,542	8,259,817
Prior period adjustment - Note 17	84,347	10,129	215	-	28	1,019,811	1,114,530
Fund balance - January 1, as restated	<u>4,193,673</u>	<u>3,235,116</u>	<u>32,055</u>	<u>0</u>	<u>8,150</u>	<u>1,905,353</u>	<u>9,374,347</u>
Fund balance - December 31	<u>\$4,775,646</u>	<u>\$4,452,153</u>	<u>\$896,064</u>	<u>(\$1,037,202)</u>	<u>(\$1,113,893)</u>	<u>\$1,102,730</u>	<u>\$9,075,498</u>

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, 2018

Statement 5

Fund balance - total governmental funds (Statement 3)	\$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	27,140,392
Net pension asset	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	42,025
Delinquent special assessments receivable	1,476
Deferred special assessments receivable	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	(15,971,000)
Unamortized bond premiums	(307,054)
Accrued interest payable	(186,610)
Compensated absences payable	(70,660)
Other postemployment benefits	(54,021)
Net pension liability	(1,108,130)
<p>Deferred outflows and inflows of resources related to pensions and OPEB 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	805,439
Deferred inflows of resources	(784,982)
Net position of governmental activities (Statement 1)	\$21,991,134

CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2018

Statement 6

Net change in fund balance - total governmental funds (Statement 4)	(\$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	(1,122,854)
Capital outlay	4,552,089
Capital outlay not capitalized	(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:	
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	(402)
Change in delinquent special assessments receivable	1,476
Change in deferred special assessments receivable	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	(1,866,000)
Repayment of principal	1,175,000
Amortization of bond premiums	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	(160,334)
Change in compensated absences payable	(8,823)
Change other post employment benefits liability	(11,053)
Pension expense in governmental funds is measured by current year employee contributions. Pension expense in the Statement of Activities is measured by the change in the net pension liability and related deferred inflows and outflows of resources. This is the amount by which pension expense differed from pension contributions.	
	(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)	<u>\$2,677,025</u>

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

Statement 7

	Business-Type Activities - Enterprise Funds			
	Water (601)	Sewer (602)	Storm Sewer (603)	Total
Assets:				
Current assets:				
Cash and investments	\$4,970,049	\$5,548,853	\$1,029,457	\$11,548,359
Accrued interest receivable	9,817	15,173	5,289	30,279
Accounts receivable - net	137,012	79,612	313,691	530,315
Prepaid items	-	14,113	-	14,113
Total current assets	<u>5,116,878</u>	<u>5,657,751</u>	<u>1,348,437</u>	<u>12,123,066</u>
Noncurrent assets:				
Special assessments receivable	304,332	2,791,034	44,503	3,139,869
Capital assets:				
Land	248,869	-	-	248,869
Construction in progress	1,512,884	1,319,102	171,872	3,003,858
Machinery and equipment	316,011	14,034	-	330,045
Infrastructure	25,666,898	9,043,010	3,290,101	38,000,009
Total capital assets	<u>27,744,662</u>	<u>10,376,146</u>	<u>3,461,973</u>	<u>41,582,781</u>
Less: Allowance for depreciation	(5,953,481)	(1,110,369)	(284,276)	(7,348,126)
Net capital assets	<u>21,791,181</u>	<u>9,265,777</u>	<u>3,177,697</u>	<u>34,234,655</u>
Total assets	<u>27,212,391</u>	<u>17,714,562</u>	<u>4,570,637</u>	<u>49,497,590</u>
Deferred outflows of resources related to pensions	<u>26,991</u>	<u>6,454</u>	<u>3,235</u>	<u>36,680</u>
Liabilities:				
Current liabilities:				
Accounts payable	75,427	3,334	341	79,102
Due to other governmental units	8,786	257,285	1,176	267,247
Salaries and benefits payable	5,917	1,669	1,218	8,804
Contracts and retainage payable	118,977	70,888	-	189,865
Accrued interest payable	100,502	84,198	26,318	211,018
Unearned revenue	654,000	50,000	-	704,000
Compensated absences payable - current portion	7,940	4,592	2,352	14,884
Bonds payable - current portion	760,000	425,000	175,000	1,360,000
Total current liabilities	<u>1,731,549</u>	<u>896,966</u>	<u>206,405</u>	<u>2,834,920</u>
Noncurrent liabilities:				
Compensated absences payable - noncurrent portion	2,647	1,531	784	4,962
Bonds payable - noncurrent portion	11,250,755	6,415,117	2,654,254	20,320,126
Other postemployment benefits	5,434	2,877	1,598	9,909
Net pension liability	92,131	22,029	11,041	125,201
Total noncurrent liabilities	<u>11,350,967</u>	<u>6,441,554</u>	<u>2,667,677</u>	<u>20,460,198</u>
Total liabilities	<u>13,082,516</u>	<u>7,338,520</u>	<u>2,874,082</u>	<u>23,295,118</u>
Deferred inflows of resources related to pensions	<u>23,626</u>	<u>5,649</u>	<u>2,831</u>	<u>32,106</u>
Net position:				
Net investment in capital assets	9,661,449	2,354,772	348,443	12,364,664
Unrestricted	4,471,791	8,022,075	1,348,516	13,842,382
Total net position	<u>\$14,133,240</u>	<u>\$10,376,847</u>	<u>\$1,696,959</u>	<u>\$26,207,046</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
For The Year Ended December 31, 2018

Statement 8

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Sewer (603)	Totals	
Operating revenues:					
Charges for services	\$835,164	\$244,383	\$285,775	\$1,365,322	\$ -
Water meter sales	115,036	-	-	115,036	-
Other operating revenue	1,785	8,231	36,925	46,941	-
Total operating revenues	951,985	252,614	322,700	1,527,299	0
Operating expenses:					
Personal services	168,785	58,412	29,566	256,763	-
Materials and supplies	168,140	7,451	5,276	180,867	-
Professional services	285,962	56,862	22,965	365,789	-
Repairs and maintenance	152,990	26,155	48,762	227,907	-
Insurance	7,981	3,187	5,001	16,169	-
Utilities	106,022	103,922	-	209,944	-
Depreciation	902,049	414,735	149,901	1,466,685	-
Other	8,720	8,229	4,959	21,908	-
Total operating expenses	1,800,649	678,953	266,430	2,746,032	0
Operating income (loss)	(848,664)	(426,339)	56,270	(1,218,733)	0
Nonoperating revenues (expenses):					
Investment income	31,305	48,218	16,902	96,425	-
Intergovernmental revenue	704	168	84	956	-
Interest and fees on long-term debt	(267,529)	(167,079)	(49,537)	(484,145)	-
Contribution of capital assets to governmental activities	-	-	-	-	(144,582)
Total nonoperating operating revenues (expenses)	(235,520)	(118,693)	(32,551)	(386,764)	(144,582)
Income (loss) before contributions and transfers	(1,084,184)	(545,032)	23,719	(1,605,497)	(144,582)
Contributions and transfers:					
Capital contributions:					
Special assessments	48,742	1,427,565	361	1,476,668	-
Connection charges	1,333,100	1,332,680	-	2,665,780	-
Transfer in	-	-	-	-	117,821
Transfer out	(840)	-	-	(840)	-
Total contributions and transfers	1,381,002	2,760,245	361	4,141,608	117,821
Change in net position	296,818	2,215,213	24,080	2,536,111	(26,761)
Net position - January 1, as previously reported	14,108,157	8,297,958	1,598,531	24,004,646	26,761
Prior period adjustment - Note 17	(271,735)	(136,324)	74,348	(333,711)	-
Net position - January 1, as restated	13,836,422	8,161,634	1,672,879	23,670,935	26,761
Net position - December 31	\$14,133,240	\$10,376,847	\$1,696,959	\$26,207,046	\$0

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, 2018

Statement 9

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Sewer (603)	Totals	
Cash flows from operating activities:					
Receipts from customers and users	\$894,590	\$212,264	\$278,255	\$1,385,109	\$ -
Payment to suppliers	(761,225)	(432,822)	(88,666)	(1,282,713)	-
Payment to employees	(173,066)	(72,016)	(40,726)	(285,808)	-
Net cash flows provided by operating activities	<u>(39,701)</u>	<u>(292,574)</u>	<u>148,863</u>	<u>(183,412)</u>	<u>0</u>
Cash flows from noncapital financing activities:					
Transfers in	-	-	-	-	117,821
Transfers out	(840)	-	-	(840)	-
Interfund loan payments from other funds		54,305	23,915	78,220	-
Interfund loan payments to other funds	(795)	-	-	(795)	(117,821)
Net cash flows provided by (used in) noncapital financing activities	<u>(1,635)</u>	<u>54,305</u>	<u>23,915</u>	<u>76,585</u>	<u>0</u>
Cash flows from capital and related financing activities:					
Special assessments	57,624	887,414	(5,452)	939,586	-
Connection charges	1,508,100	1,332,680	-	2,840,780	-
Principal paid on long-term debt	(465,000)	(160,000)	-	(625,000)	-
Interest and fees paid on long-term debt	(191,071)	(93,452)	(28,137)	(312,660)	-
Acquisition of capital assets	(354,059)	(533,411)	(27,399)	(914,869)	-
Net cash flows provided by (used in) capital and related financing activities	<u>555,594</u>	<u>1,433,231</u>	<u>(60,988)</u>	<u>1,927,837</u>	<u>-</u>
Cash flows from investing activities:					
Investment earnings	21,488	33,045	11,613	66,146	-
Net increase (decrease) in cash and cash equivalents	<u>535,746</u>	<u>1,228,007</u>	<u>123,403</u>	<u>1,887,156</u>	<u>0</u>
Cash and cash equivalents - January 1	<u>4,434,303</u>	<u>4,320,846</u>	<u>906,054</u>	<u>9,661,203</u>	<u>-</u>
Cash and cash equivalents - December 31	<u>\$4,970,049</u>	<u>\$5,548,853</u>	<u>\$1,029,457</u>	<u>\$11,548,359</u>	<u>\$0</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	<u>(\$848,664)</u>	<u>(\$426,339)</u>	<u>\$56,270</u>	<u>(\$1,218,733)</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Miscellaneous revenue	704	168	84	956	-
Depreciation	902,049	414,735	149,901	1,466,685	-
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable - net	(59,049)	(40,518)	(45,565)	(145,132)	-
Decrease (increase) in due from other governmental units	950	-	1,036	1,986	-
Decrease (increase) in prepaid items	-	(6,435)	-	(6,435)	-
Decrease (increase) in deferred outflows of resources	1,245	3,505	3,144	7,894	-
Increase (decrease) in accounts payable	(20,569)	(299,546)	5,697	(314,418)	-
Increase (decrease) in due to other governmental units	(10,841)	78,965	(7,400)	60,724	-
Increase (decrease) in salaries and benefits payable	1,847	515	275	2,637	-
Increase (decrease) in compensated absences	1,662	1,188	683	3,533	-
Increase (decrease) in other post employment benefits	1,080	572	318	1,970	-
Increase (decrease) in net pension liability	(27,101)	(21,324)	(15,807)	(64,232)	-
Increase (decrease) in deferred inflows of resources	16,986	1,940	227	19,153	-
Total adjustments	<u>808,963</u>	<u>133,765</u>	<u>92,593</u>	<u>1,035,321</u>	<u>0</u>
Net cash provided by operating activities	<u>(\$39,701)</u>	<u>(292,574)</u>	<u>\$148,863</u>	<u>(\$183,412)</u>	<u>\$0</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets to governmental activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$144,582)</u>

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2018

Statement 10

	<u>Agency Fund</u>
Assets:	
Cash and investments	<u>\$2,916,175</u>
Liabilities:	
Accounts payable	\$31,149
Deposits payable	<u>2,885,026</u>
Total liabilities	<u>\$2,916,175</u>

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lake Elmo, Minnesota (the City) is a statutory City under Optional Plan A as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The basic financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies:

A. FINANCIAL REPORTING ENTITY

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

COMPONENT UNITS

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

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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 funds for the purchase of vehicles to be used by various City departments. Although this fund did not meet the requirements to be considered a major fund, management has elected to include this fund as a major fund as of and for the year ended December 31, 2018.

Old Village Phase 4 Fund accounts for the accumulation of funds for the Old Village Phase 4 project, which includes extending sanitary sewer to replace the use of private on-site sewage properties, replacing aged watermain pipes, and reconstructing the affected properties.

2018 Street Improvements Fund accounts for the accumulation of funds for 2018 improvements to the streets in Lake Elmo.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for the replacement of radios, information technology and furniture, fixtures and equipment expenses of the governmental activities. Internal service funds operate in a manner similar to enterprise funds; however they accumulate funding primarily

from other departments within the City on a cost reimbursement basis. The internal service funds were closed in 2018.

Agency Funds are fiduciary funds that are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The City's agency funds are used to record the receipt and remittance of monies held by the City as an agent primarily for land developers and builders that will be refunded to the respective depositors when the conditions are satisfied in accordance with the respective agreements.

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. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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. 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, 2018, 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;
- 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, 2018, the carrying amount of the City’s deposits with financial institutions was \$4,273,656.

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
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

At December 31, 2018, 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	\$96,153	\$96,153	\$ -	\$ -
Northland Securities money market	Not rated	204,520	204,520	-	-
4M Fund money market	Not rated	5,974,522	5,974,522	-	-
Brokered certificates of deposit	Not rated	10,191,693	4,345,530	5,601,163	245,000
Municipal bonds	Aaa	209,256	-	209,256	-
Federal Farm Credit Bank notes	Aaa	601,350	-	-	601,350
Federal Home Loan Bank notes	Aaa	1,227,507	-	224,557	1,002,950
Federal Home Loan Mortgage Corp. notes	Aaa	1,565,938	-	1,315,925	250,013
Federal National Mortgage Assn. notes	Aaa	562,472	-	562,472	-
Total		<u>\$20,633,411</u>	<u>\$10,620,725</u>	<u>\$7,913,373</u>	<u>\$2,099,313</u>
			Total investments		\$20,633,411
			Deposits		4,273,656
			Petty cash		1,748
			Total cash and investments		<u>\$24,908,815</u>

These amounts are presented in the financial statements as follows:

Cash and investments:	
Governmental and business-type (Statement 1)	\$21,992,640
Fiduciary (Statement 10)	2,916,175
Total	<u>\$24,908,815</u>

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

The City has the following recurring fair value measurements at December 31, 2018:

Investment Type	12/31/2018	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered certificates of deposit	\$10,191,693	\$ -	\$10,191,693	\$ -
Municipal bonds	209,256	-	209,256	-
Federal Farm Credit Bank notes	601,350	-	601,350	-
Federal Home Loan Bank notes	1,227,507	-	1,227,507	-
Federal Home Loan Mortgage Corp. notes	1,565,938	-	1,565,938	-
Federal National Mortgage Assn. notes	562,472	-	562,472	-
	<u>\$14,358,216</u>	<u>\$0</u>	<u>\$14,358,216</u>	<u>\$0</u>
Investments not categorized:				
Wells Fargo money market	96,153			
Northland Securities money market	204,520			
4M Fund money market	5,974,522			
Total investments	<u>\$20,633,411</u>			

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018, 7.6% and 5.9% of the City’s investments were invested in the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, respectively.

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2018 are as follows:

	Property Taxes Receivable	Special Assessments Receivable	Total
Major Funds:			
General Fund	\$24,268	\$ -	\$24,268
Debt Service Fund	-	2,548,409	2,548,409
Water Fund	-	195,174	195,174
Sewer Fund	-	2,438,894	2,438,894
Nonmajor Funds	-	17,833	17,833
	<u>\$24,268</u>	<u>\$5,200,310</u>	<u>\$5,224,578</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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
	<u> </u>	<u> </u>	<u> </u>
Major Funds:			
General Fund	\$42,025	\$295	\$42,320
Debt Service Fund	-	3,121,702	3,121,702
Nonmajor Funds	-	17,833	17,833
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$42,025</u>	<u>\$3,139,830</u>	<u>\$3,181,855</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 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	4,230,887	3,572,242	(2,305,721)	5,497,408
Total capital assets, not being depreciated	<u>7,684,866</u>	<u>3,572,242</u>	<u>(2,305,721)</u>	<u>8,951,387</u>
Capital assets, being depreciated:				
Buildings	3,533,542	901,670	(241,137)	4,194,075
Improvements other than buildings	1,415,398	67,038	-	1,482,436
Machinery and equipment	4,219,244	53,683	(49,812)	4,223,115
Infrastructure	15,509,251	2,238,683	-	17,747,934
Total capital assets, being depreciated	<u>24,677,435</u>	<u>3,261,074</u>	<u>(290,949)</u>	<u>27,647,560</u>
Less accumulated depreciation for:				
Building	1,029,008	67,585	(26,927)	1,069,666
Improvements other than buildings	1,037,062	50,424	-	1,087,486
Machinery and equipment	2,504,865	235,731	(49,812)	2,690,784
Infrastructure	3,841,505	769,114	-	4,610,619
Total accumulated depreciation	<u>8,412,440</u>	<u>1,122,854</u>	<u>(76,739)</u>	<u>9,458,555</u>
Total capital assets being depreciated - net	<u>16,264,995</u>	<u>2,138,220</u>	<u>(214,210)</u>	<u>18,189,005</u>
Governmental activities capital assets - net	<u>\$23,949,861</u>	<u>\$5,710,462</u>	<u>(\$2,519,931)</u>	<u>\$27,140,392</u>
	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$248,869	\$ -	\$ -	\$248,869
Construction in progress	2,936,488	1,090,527	(1,023,157)	3,003,858
Total capital assets, not being depreciated	<u>3,185,357</u>	<u>1,090,527</u>	<u>(1,023,157)</u>	<u>3,252,727</u>
Capital assets, being depreciated:				
Machinery and shop equipment	300,586	29,459	-	330,045
Infrastructure	36,994,704	1,005,305	-	38,000,009
Total capital assets, being depreciated	<u>37,295,290</u>	<u>1,034,764</u>	<u>0</u>	<u>38,330,054</u>
Less accumulated depreciation for:				
Machinery and equipment	232,178	13,087	-	245,265
Infrastructure	5,649,263	1,453,598	-	7,102,861
Total accumulated depreciation	<u>5,881,441</u>	<u>1,466,685</u>	<u>0</u>	<u>7,348,126</u>
Total capital assets being depreciated - net	<u>31,413,849</u>	<u>(431,921)</u>	<u>0</u>	<u>30,981,928</u>
Business-type activities capital assets - net	<u>\$34,599,206</u>	<u>\$658,606</u>	<u>(\$1,023,157)</u>	<u>\$34,234,655</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Governmental activities:

General government	\$14,212
Public safety	107,296
Public works	934,539
Culture & recreation	66,807
Total depreciation expense - governmental activities	<u>\$1,122,854</u>

Business-type activities:

Water	\$902,049
Sewer	414,735
Storm sewer	149,901
Total depreciation expense - business-type activities	<u>\$1,466,685</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018 is as follows:

	Issue Date	Interest Rates	Maturity Date	Payable 12/31/18
<u>Governmental Activities:</u>				
General obligation improvement bonds:				
2009B Improvement bonds	10/01/09	3.00% - 3.05%	01/15/20	\$125,000
2010A Improvement bonds	11/15/10	2.35% - 2.80%	02/01/21	225,000
2010B CIP refunding bonds	11/15/10	2.05% - 3.20%	02/01/25	1,225,000
2011A Improvement bonds	10/01/11	1.25% - 2.30%	02/01/22	355,000
2012B Improvement bonds	08/16/12	1.25% - 1.90%	02/01/23	455,000
2013A Improvement bonds	10/01/13	2.00% - 3.75%	07/15/28	1,135,000
2014A Improvement bonds	07/15/14	2.00% - 3.5%	01/15/30	2,250,000
2015A Improvement bonds	08/13/15	2.00% - 3.00%	01/15/26	1,325,000
2016A Improvement bonds	06/01/16	2.00%	01/15/27	2,445,000
2017A Improvement bonds	06/08/17	2.50% - 3.00%	01/15/28	4,565,000
Total general obligation improvement bonds				<u>14,105,000</u>
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				<u>307,054</u>
Compensated absences payable				<u>70,660</u>
Total governmental activities				<u>\$16,348,714</u>
<u>Business-Type Activities:</u>				
General obligation revenue bonds:				
2012A Refunding bonds	08/13/12	2.00% - 2.50%	12/01/30	\$3,435,000
2013A Improvement bonds	10/01/13	2.00% - 4.00%	07/15/33	3,015,000
2014A Improvement bonds	07/15/14	2.00% - 3.50%	01/15/30	2,800,000
2015A Improvement bonds	08/13/15	2.00% - 3.00%	01/15/31	1,065,000
2016A Improvement bonds	06/01/16	2.00%	01/15/32	6,460,000
2017A Improvement bonds	06/01/16	2.50% - 3.00%	01/15/33	4,480,000
Total general obligation revenue bonds				<u>21,255,000</u>
Unamortized bond premiums				425,126
Compensated absences payable				19,846
Total business-type activities				<u>\$21,699,972</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

CHANGES IN LONG-TERM DEBT

The following is a schedule of changes in City indebtedness for the year ended December 31, 2018:

	Beginning Balance, As Restated	Additions	Deletions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
G.O. Improvement bonds	\$15,280,000	\$ -	\$1,175,000	\$14,105,000	\$1,615,000
G.O. Equipment certificates	-	940,000	-	940,000	-
Taxable lease revenue bonds	-	926,000	-	926,000	-
Unamortized bond premiums	345,834	-	38,780	307,054	-
Compensated absences payable	61,837	117,538	108,715	70,660	52,995
Total governmental activities	<u>\$15,687,671</u>	<u>\$1,983,538</u>	<u>\$1,322,495</u>	<u>\$16,348,714</u>	<u>\$1,667,995</u>
<u>Business-type activities:</u>					
G.O. Revenue bonds	\$22,550,000	\$ -	\$1,295,000	\$21,255,000	\$1,360,000
Unamortized bond premiums	457,536	-	32,410	425,126	-
Compensated absences payable	16,313	26,248	22,715	19,846	14,884
Total business-type activities:	<u>\$23,023,849</u>	<u>\$26,248</u>	<u>\$1,350,125</u>	<u>\$21,699,972</u>	<u>\$1,374,884</u>

CITY OF LAKE ELMO, MINNESOTA
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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
2019	\$1,615,000	\$325,856	\$ -	\$20,093	\$ -	\$43,638	\$1,360,000	\$509,863
2020	1,655,000	289,874	90,000	24,165	45,000	40,658	1,380,000	481,188
2021	1,615,000	253,250	95,000	21,668	47,000	38,588	1,395,000	452,088
2022	1,570,000	217,086	100,000	19,036	49,000	36,428	1,495,000	422,073
2023	1,515,000	181,060	100,000	16,336	51,000	34,178	1,495,000	389,363
2024-2028	5,810,000	399,251	555,000	38,135	290,000	133,697	7,945,000	1,394,213
2029-2033	325,000	11,164	-	-	362,000	60,660	6,185,000	388,757
2034-2038	-	-	-	-	82,000	1,841	-	-
Total	<u>\$14,105,000</u>	<u>\$1,677,541</u>	<u>\$940,000</u>	<u>\$139,433</u>	<u>\$926,000</u>	<u>\$389,688</u>	<u>\$21,255,000</u>	<u>\$4,037,545</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		Remaining Principal and Interest	Current Year	
		Type	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2009B G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2010 - 2019	\$128,736	\$66,906	\$58,534
2010A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2011 - 2020	\$234,281	\$76,785	\$72,756
2010B G.O. CIP Refunding	Infrastructure improvements	Ad valorem taxes	2011 - 2024	\$1,358,204	\$191,369	\$204,519
2011A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2012 - 2021	\$370,970	\$93,171	\$82,462
2012A G.O. Refunding	Water system improvements	Water usage charges	2012 - 2030	\$3,974,290	\$293,344	\$835,164
2012B G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments	2013 - 2022	\$476,092	\$93,264	\$83,897
2013A G.O. Improvement	Infrastructure improvements	Special assessments, Water & Sewer charges	2014 - 2033	\$5,206,464	\$453,970	\$1,084,744
2014A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water & sewer charges	2015 - 2029	\$5,933,614	\$553,628	\$1,370,025
2015A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assessments, Water & sewer charges	2016 - 2030	\$2,710,205	\$283,164	\$1,816,251
2016A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assmts, Water, Sewer, Storm charges	2017 - 2031	\$10,076,250	\$824,500	\$1,710,394
2017A G.O. Improvement	Infrastructure improvements	Ad valorem taxes, Special assmts, Water, Sewer, Storm charges	2018 - 2032	\$10,605,980	\$255,997	\$1,883,130
2018A G.O. Equipment Certificates	Purchase of fire truck, dump truck	Ad valorem taxes	2019 - 2027	\$1,079,433	\$ -	\$ -
2018A Taxable Lease Revenue	Purchase of city hall	Lease revenues	2018 - 2033	\$1,315,688	\$ -	\$78,573

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% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% for all years of service. The accrual rates for former Minneapolis Employees Retirement Fund (MERF) members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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 bases from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Beginning in 2019, the COLA will be fixed at 1%. Under funding measurements from 2017, the 2.5 % COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

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 2018; the City was required to contribute 7.5% for Coordinated Plan members. The City contributions to the GERS for the year ended December 31, 2018 were \$96,960. The City contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City contributions to the PEPFF for the year ended December 31, 2018 were \$30,990. The City contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERF Pension Costs

At December 31, 2018, the City reported a liability of \$1,059,590 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 2018. 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 \$34,710. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0191%, which was an increase of 0.0002% from its proportionate share measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of \$89,076 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$8,094 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, 2018, 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	\$28,045	\$31,065
Changes in actuarial assumptions	101,747	119,056
Difference between projected and actual investment earnings	-	106,409
Changes in proportion	130,602	15,193
Contributions paid to PERA subsequent to the measurement date	50,023	-
Total	<u>\$310,417</u>	<u>\$271,723</u>

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\$50,023 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 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Pension</u> <u>Expense</u>
2019	\$86,601
2020	6,215
2021	(82,031)
2022	(22,114)
2023	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$173,741 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0163%, which was an increase of 0.0063% from its proportion measured as of June 30, 2017. The City also recognized \$1,467 for the year ended December 31, 2018 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.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

For the year ended December 31, 2018, the City recognized pension expense of \$46,557 for its proportionate share of the PEPFF's pension expense.

CITY OF LAKE ELMO, MINNESOTA
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At December 31, 2018, 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	\$7,002	\$48,858
Changes in actuarial assumptions	236,876	255,770
Difference between projected and actual investment earnings	-	28,234
Changes in proportion	192,375	108,635
Contributions paid to PERA subsequent to the measurement date	15,027	-
Total	<u>\$451,280</u>	<u>\$441,497</u>

A total of \$15,027 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 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as outflows:

<u>Year Ended December 31,</u>	<u>Pension Expense</u>
2019	\$17,089
2020	5,745
2021	(7,952)
2022	(58,028)
2023	37,902
Thereafter	-

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

CITY OF LAKE ELMO, MINNESOTA
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E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	GERF	PEPFF
Inflation	2.50% per year	2.50% per year
Salary Growth	3.25% per year after 26 years of service	3.25% per year after 25 years of service
Investment rate of return	7.50%	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 11.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA’s experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year expense study for the Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- 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.

Police and Fire Fund

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36%	5.10%
Cash	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Totals	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2018 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 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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERF net pension liability	\$1,721,969	\$1,059,590	\$512,815
City's proportionate share of the PEPFF net pension liability	\$372,512	\$173,741	\$9,366

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, 2018 is as follows:

GERF	\$97,170
PEPFF	46,557
Fire Pension Plan (Note 8)	<u>355,097</u>
Total	<u><u>\$498,824</u></u>

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

A. PLAN DESCRIPTION

The Lake Elmo Firefighters Relief Association (The Association) is the administrator of a single employer Public Employee Retirement System (PERS) 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, 2018, Plan participants consisted of the following:

Retired members entitled to benefits, but have not received them	6
Current members:	
Fully vested (20 years or more)	1
Partially vested (10 years to 19 years)	5
Nonvested (less than 10 years)	<u>10</u>
Total	<u><u>22</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

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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	\$5,000
10 years to 30 years	That amount the deceased had earned as retirement benefit had she/he retired on the date of death and been fifty (50) years of age.

State Supplemental Benefits

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

C. CONTRIBUTIONS

Minnesota Statute Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State Aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). Contributions totaling \$65,533 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2018.

D. CHANGES IN THE NET PENSION ASSET

At December 31, 2018, the City reported a net pension asset of \$270,407. The net pension asset was measured as of December 31, 2018. 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.

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance December 31, 2017	\$681,802	\$1,279,379	(\$597,577)
Changes for the year:			
Service cost	28,420	-	28,420
Interest cost	36,119	-	36,119
Assumption changes	8,730	-	8,730
Plan Changes	325,127	-	325,127
Projected investment earnings	-	68,895	(68,895)
Contributions - State of MN	-	65,533	(65,533)
Asset (gain) / loss	(80,312)	(130,122)	49,810
Benefit payments	(100,987)	(100,987)	-
Administrative expenses	-	(13,392)	13,392
Net changes	217,097	(110,073)	327,170
Balance end of year December 31, 2018	\$898,899	\$1,169,306	(\$270,407)

During 2018, the benefit level increased from \$3,400 to \$5,850 for each year of service. For the year ended December 31, 2018, the City recognized pension expense of \$355,097.

At December 31, 2018, the City reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$64,479	\$ -
Assumption changes	15,943	-
Liability gains	-	103,868
Total	\$80,422	\$103,868

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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
2019	\$15,758
2020	(6,895)
2021	(4,689)
2022	14,602
2023	(11,425)
Thereafter	(30,797)

E. ACTUARIAL ASSUMPTIONS

The total pension asset was determined by an actuarial valuation as of December 31, 2018 using the following actuarial assumptions, applied to all periods in the measurement:

Valuation date	1/1/2019
Measurement date (assets and funded status)	12/31/2018
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 morality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The expected investment return and discount rate for 2018 is 5.25%, a decrease of .25% from 2017.

The long-term expected rate of return on pension plan investments were 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

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available) and by adding expected inflation. All results are then rounded to the nearest quarter percentage point.

The best-estimate of expeted 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 deverse views regarding anticipated future returns. The expected inflation assumptions was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

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

Asset Class	Portfolio Weight	Expected Class Return
Cash	20.00%	2.25%
Fixed income	25.00%	3.40%
Equities	55.00%	7.40%
Other	0.00%	6.00%
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%, a decrease of .25% from the rate used in 2017. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” The determination of the discount rate assumed that the plan’s current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, the plan’s long-term expected return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY (ASSET) SENSITIVITY

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

	1% Decrease in Discount Rate (4.25%)	Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net pension asset	(\$234,452)	(\$270,407)	(\$304,685)

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the Association plan's fiduciary net position at December 31, 2018 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)

For the year ended December 31, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established new accounting and financial reporting requirements for governments whose employees are provided OPEB. Net position has been restated as a result of the change in accounting principle.

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

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.

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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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>1</u>
Total	<u><u>18</u></u>

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City's total OPEB liability of \$63,930 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date. Changes in the total OPEB liability during 2018 were:

Balance - beginning of year	\$51,220
Changes for the year:	
Service cost	8,200
Interest	2,264
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	2,246
Benefit payments	-
Net changes	<u>12,710</u>
Balance - end of year	<u><u>\$63,930</u></u>

For governmental activities, the OPEB liability is liquidated by the General Fund.

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	3.31%
Investment rate of return	3.31%
Healthcare cost trend rates	6.90% for 2018; 6.30% for 2019; 5.80% for 2020; 5.20% for 2021-2054; transition to ultimate rate of 4.40% for 2074

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, 2017.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 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 (2.31%) or 1% higher (4.31%) than the current discount rate:

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$68,698	\$63,930	\$59,529

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 (5.9% decreasing to 3.4%)	Healthcare Cost Trend Rates (6.9% decreasing to 4.4%)	1% Increase (7.9% decreasing to 5.4%)
Total OPEB liability	\$57,810	\$63,930	\$71,318

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

For the year ended December 31, 2018, the City recognized \$12,710 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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

were expected to retire during 2018. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2018.

Note 10 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

The City has deficit fund balances at December 31, 2018 as follows:

	<u>Fund Balance Deficit</u>
Major Governmental Funds:	
Old Village Phase 4	(\$1,037,202)
2018 Street Improvements	(1,113,893)
Nonmajor Governmental Funds:	
State Highway 36 Corridor Plan	(3,620)
Village Project	(379,053)
CSAH 15/CSAH 14 Realignment	(503,794)
2019 Street and Utility Project	(5,731)
CSAH 13 Phase 2	(330)
2012B GO Improvement Bonds	

The City intends to fund these deficits during 2019 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	\$715,343	\$730,652	\$15,309
Communications	87,120	90,987	3,867
Public safety:			
Police	665,675	667,109	1,434
Fire protection	617,444	626,163	8,719
Animal control	7,725	10,930	3,205

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 11 DUE FROM AND DUE TO OTHER FUNDS

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

A summary of due from and due to balances at December 31, 2018 is as follows:

	<u>Due from other Funds</u>	<u>Due to other Funds</u>
Major Funds:		
General Fund	\$2,467,979	\$ -
Debt Service Fund	-	22,548
Old Village Phase 4	-	999,706
2018 Street Improvements	-	1,067,611
Nonmajor Funds:		
State Highway 36 Corridor Plan	-	10,338
Infrastructure Reserve	16,399	-
Village Project	-	378,114
2019 Street and Utility Project	-	5,731
CSAH 13 Phase 2	-	330
	<u>\$2,484,378</u>	<u>\$2,484,378</u>

Note 12 INTERFUND TRANSFERS

Individual fund transfers for fiscal year 2018 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$143,046
Debt Service Fund	1,317	30,144
Vehicle Acquisition	29,667	-
Water Fund	-	840
Nonmajor funds:		
Economic Development Authority	25,225	-
Radio Replacement internal service fund	41,740	-
FFE Replacement internal service fund	76,081	-
	<u>\$174,030</u>	<u>\$174,030</u>

During 2018, transfers were made to close funds and to provide financing for capital purchases. 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, 2018

Note 13 FUND BALANCE

At December 31, 2018, a summary of the governmental fund balance classifications is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Vehicle Acquisition</u>	<u>Old Village Phase 4</u>	<u>2018 Street Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:							
Prepaid items	<u>\$18,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$395</u>	<u>\$19,346</u>
Restricted:							
Debt Service	-	4,452,153	-	-	-	22,803	4,474,956
Vehicle acquisition	-	-	806,427	-	-	-	806,427
Park improvements	-	-	-	-	-	851,785	851,785
Total restricted	<u>0</u>	<u>4,452,153</u>	<u>806,427</u>	<u>0</u>	<u>0</u>	<u>874,588</u>	<u>6,133,168</u>
Committed for:							
Economic development	-	-	-	-	-	10,815	10,815
Lions Park	-	-	-	-	-	188	188
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,003</u>	<u>11,003</u>
Assigned for:							
Lions Park	-	-	-	-	-	30	30
Infrastructure improvements	-	-	-	-	-	991,412	991,412
City facilities	-	-	-	-	-	92,581	92,581
Economic development	-	-	-	-	-	25,249	25,249
Vehicle acquisition	-	-	89,637	-	-	-	89,637
Total assigned	<u>0</u>	<u>0</u>	<u>89,637</u>	<u>0</u>	<u>0</u>	<u>1,109,272</u>	<u>1,198,909</u>
Unassigned	<u>4,756,695</u>	<u>-</u>	<u>-</u>	<u>(1,037,202)</u>	<u>(1,113,893)</u>	<u>(892,528)</u>	<u>1,713,072</u>
Total fund balance	<u>\$4,775,646</u>	<u>\$4,452,153</u>	<u>\$896,064</u>	<u>(\$1,037,202)</u>	<u>(\$1,113,893)</u>	<u>\$1,102,730</u>	<u>\$9,075,498</u>

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain unassigned fund balance in the General Fund with a target floor of 50-60% of the subsequent budgeted fiscal year expenditures.

Note 14 COMMITMENTS AND CONTINGENCIES

A. LITIGATION

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

B. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2018.

C. COMMITTED CONTRACTS

At December 31, 2018, the City had commitments of \$1,364,199 for uncompleted construction contracts. In addition, the City has entered into construction contracts totaling approximately \$3,929,000 during 2019.

Note 15 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters.

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

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

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

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

Note 16 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 83 *Certain Asset Retirement Obligations*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90 *Majority Equity Interests*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91 *Conduit Debt Obligations*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.

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 17 PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established new accounting and financial reporting requirements for governments whose employees are provided OPEB. See Note 9 for further information. The standard required retroactive implementation which resulted in a restatement of net position, as shown in the table below.

The City has also reported several additional prior period adjustments due to correction of errors. The primary causes were incorrect fair market value adjustments, overstated utility accounts receivable, understated allowance for an assessment appeal, mis-allocation of capital expenditures, miscellaneous over/under accruals, recognition of a developer reimbursement as revenue, and adjustments to correct unamortized bond premiums, discounts, and issuance costs.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Details of the prior period adjustments are as follows:

	Governmental Activities	General Fund	Debt Service	Vehicle Acquisition	2018 Street Improvements	Other Gov't Funds
Net position / fund balance, as previously reported	\$18,595,421	\$4,109,326	\$3,224,987	\$31,840	\$8,122	\$885,542
Prior period adjustments:						
Cash and investments	712,365	65,200	10,129	215	28	636,793
Accounts payable	(11,982)	-	-	-	-	(11,982)
Due to other governmental units	395,000	-	-	-	-	395,000
Salaries and benefits payable	(6,728)	(6,728)	-	-	-	-
Capital assets - net	(444,951)	-	-	-	-	-
Deferred outflows of resources	(22,427)	-	-	-	-	-
Contracts payable	25,875	25,875	-	-	-	-
Other postemployment benefits	163,451	-	-	-	-	-
Unamortized bond premium	(13,017)	-	-	-	-	-
Unamortized bond discounts	(78,898)	-	-	-	-	-
Total prior period adjustments	718,688	84,347	10,129	215	28	1,019,811
Net position / fund balance, as restated	\$19,314,109	\$4,193,673	\$3,235,116	\$32,055	\$8,150	\$1,905,353

	Business-type Activities	Water	Sewer	Storm Sewer
Net position, as previously reported	\$24,004,646	\$14,108,157	\$8,297,958	\$1,598,531
Prior period adjustments:				
Cash and investments	(604,466)	981,267	(527,871)	(1,057,862)
Accounts receivable	(300,584)	(326,666)	(2)	26,084
Special assessments receivable	(132,082)	(859)	(131,368)	145
Capital assets - net	855,578	(824,069)	573,975	1,105,672
Deferred outflows of resources	(43,988)	(43,988)	-	-
Accounts payable	11,476	2,900	-	8,576
Salaries and benefits payable	(1,776)	(888)	(444)	(444)
Other postemployment benefits	22,883	13,145	3,100	6,638
Unamortized bond premium	(37,330)	(9,347)	(27,983)	-
Unamortized bond discounts	(103,422)	(63,230)	(25,731)	(14,461)
Total prior period adjustments	(333,711)	(271,735)	(136,324)	74,348
Net position, as restated	\$23,670,935	\$13,836,422	\$8,161,634	\$1,672,879

Note 18 SUBSEQUENT EVENTS

On May 21, 2019, the City and 3M Company, Inc (3M) reached an agreement to settle a lawsuit over groundwater contamination. As part of the settlement, the City will accept \$2.7 million to be deposited into its Water Fund. 3M will also transfer ownership of 180 acres of farmland valued at approximately \$1.8 million to the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE ELMO, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$2,382,813	\$2,382,813	\$2,396,720	\$13,907
Licenses and permits:				
Business	9,400	9,400	17,650	8,250
Non-business	985,000	985,000	1,299,998	314,998
Total licenses and permits	994,400	994,400	1,317,648	323,248
Intergovernmental:				
MSA - maintenance	135,561	135,561	144,502	8,941
Fire state aid	47,000	47,000	64,533	17,533
Other state aid	7,569	7,569	19,660	12,091
County and local	15,766	15,766	4,190	(11,576)
Total intergovernmental	205,896	205,896	232,885	26,989
Charges for services	643,725	643,725	821,235	177,510
Fines and forfeits	49,000	49,000	49,203	203
Special assessments	-	-	21,116	21,116
Investment income	40,000	40,000	78,634	38,634
Miscellaneous	160,900	160,900	117,455	(43,445)
Total revenues	4,476,734	4,476,734	5,034,896	558,162

CITY OF LAKE ELMO, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General government:				
Mayor and city council:				
Current:				
Personal services	\$27,854	\$27,854	\$27,893	(\$39)
Supplies	330	330	1,000	(670)
Other services and charges	20,220	20,220	18,268	1,952
Total mayor and city council	48,404	48,404	47,161	1,243
Finance and Administration:				
Current:				
Personal services	328,355	328,355	398,435	(70,080)
Supplies	106,360	106,360	142,482	(36,122)
Other services and charges	280,628	280,628	189,735	90,893
Total finance and administration	715,343	715,343	730,652	(15,309)
Elections:				
Current:				
Personal services	7,500	7,500	6,397	1,103
Other services and charges	2,660	2,660	2,354	306
Total elections	10,160	10,160	8,751	1,409
Communications:				
Current:				
Personal services	40,620	40,620	39,126	1,494
Other services and charges	46,500	46,500	51,861	(5,361)
Total communications	87,120	87,120	90,987	(3,867)
City Facilities:				
Current:				
Supplies	800	800	801	(1)
Other services and charges	67,353	67,353	43,695	23,658
Total city facilities	68,153	68,153	44,496	23,657
Engineering:				
Current:				
Other services and charges	36,216	36,216	31,770	4,446
Planning and Zoning:				
Current:				
Personal services	203,930	203,930	184,984	18,946
Supplies	800	800	752	48
Other services and charges	66,840	66,840	68,592	(1,752)
Total planning and zoning	271,570	271,570	254,328	17,242
Total general government	1,236,966	1,236,966	1,208,145	28,821

CITY OF LAKE ELMO, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public safety:				
Police:				
Current:				
Contracted services	\$664,675	\$664,675	\$665,309	(\$634)
Other services and charges	1,000	1,000	1,800	(800)
Total public safety	<u>665,675</u>	<u>665,675</u>	<u>667,109</u>	<u>(1,434)</u>
Fire protection:				
Current:				
Personnel services	401,803	401,803	368,849	32,954
Fire state aid	47,000	47,000	64,533	(17,533)
Supplies	35,375	35,375	42,741	(7,366)
Other services and charges	133,266	133,266	150,040	(16,774)
Total fire protection	<u>617,444</u>	<u>617,444</u>	<u>626,163</u>	<u>(8,719)</u>
Building inspection:				
Current:				
Personnel services	369,228	369,228	276,737	92,491
Supplies	5,700	5,700	3,706	1,994
Other services and charges	20,570	20,570	16,450	4,120
Capital outlay	24,000	24,000	-	24,000
Total building inspection	<u>419,498</u>	<u>419,498</u>	<u>296,893</u>	<u>122,605</u>
Animal control:				
Current:				
Other services and charges	<u>7,725</u>	<u>7,725</u>	<u>10,930</u>	<u>(3,205)</u>
Prosecution:				
Current:				
Other services and charges	<u>44,996</u>	<u>44,996</u>	<u>42,164</u>	<u>2,832</u>
Emergency communications:				
Current:				
Other services and charges	<u>1,780</u>	<u>1,780</u>	<u>900</u>	<u>880</u>
Total public safety	<u>1,757,118</u>	<u>1,757,118</u>	<u>1,644,159</u>	<u>112,959</u>

CITY OF LAKE ELMO, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public works:				
Current:				
Personnel services	\$467,620	\$467,620	\$518,636	(\$51,016)
Supplies	579,850	579,850	376,186	203,664
Other services and charges	208,300	208,300	245,856	(37,556)
Capital outlay	145,000	145,000	57,443	87,557
Total public works	<u>1,400,770</u>	<u>1,400,770</u>	<u>1,198,121</u>	<u>202,649</u>
Culture and Recreation:				
Parks:				
Current:				
Personnel services	170,380	170,380	113,248	57,132
Supplies	13,800	13,800	8,702	5,098
Other services and charges	66,700	66,700	116,499	(49,799)
Capital outlay	25,000	25,000	21,003	3,997
Total culture and recreation	<u>275,880</u>	<u>275,880</u>	<u>259,452</u>	<u>16,428</u>
Total expenditures	<u>4,670,734</u>	<u>4,670,734</u>	<u>4,309,877</u>	<u>360,857</u>
Revenue over (under) expenditures	<u>(194,000)</u>	<u>(194,000)</u>	<u>725,019</u>	<u>(919,019)</u>
Other financing (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(143,046)</u>	<u>143,046</u>
Net change in fund balance	<u>(\$194,000)</u>	<u>(\$194,000)</u>	<u>581,973</u>	<u>(\$775,973)</u>
Fund balance, January 1, as previously reported			4,109,326	
Prior period adjustment - Note 17			84,347	
Fund balance, January 1, as restated			<u>4,193,673</u>	
Fund balance, December 31			<u>\$4,775,646</u>	

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

Statement 12

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

CITY OF LAKE ELMO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

Statement 13

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)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (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%

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 14

SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT 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	\$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%

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

Measurement Date June 30,	Fiscal Year Ending December 31,	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	2014	0.0090%	\$97,204	\$84,098	115.6%	87.1%
2015	2015	0.0090%	102,261	86,600	118.1%	86.6%
2016	2016	0.0090%	361,186	87,111	414.6%	63.9%
2017	2017	0.0100%	135,012	105,846	127.6%	85.4%
2018	2018	0.0163%	173,741	172,287	100.8%	88.8%

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 16

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	15.3%
2015	14,257	14,257	-	88,005	16.2%
2016	13,967	13,967	-	86,216	16.2%
2017	20,327	20,327	-	125,475	16.2%
2018	30,990	30,990	-	191,406	16.2%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 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 17

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, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total pension liability:				
Service cost	\$28,420	\$27,727	\$27,579	\$28,520
Interest	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 payment	(100,987)	-	-	(191,582)
Net change in total pension liability	217,097	63,271	29,842	(125,932)
Total pension liability - beginning	681,802	618,531	588,689	714,621
Total pension liability - ending (a)	<u>\$898,899</u>	<u>\$681,802</u>	<u>\$618,531</u>	<u>\$588,689</u>
Plan fiduciary net position:				
Contributions - State of Minnesota	\$65,533	\$61,147	\$59,136	\$61,166
Net investment income	(61,227)	156,879	70,101	(48,240)
Benefit payments	(100,987)	-	-	(191,582)
Administrative expense	(13,392)	(14,093)	(17,419)	(13,314)
Net change in plan fiduciary net position	(110,073)	203,933	111,818	(191,970)
Plan fiduciary net position - beginning	1,279,379	1,075,446	963,628	1,155,598
Plan fiduciary net position - ending (b)	<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>(\$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	130.1%	187.6%	173.9%	163.7%
Covered payroll*	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

*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 18

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

*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, 2018

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. There are no factors that affect trends in the amounts reported, such as changes of benefit terms or assumptions.

Note C PENSION INFORMATION

PERA – General Employees Retirement Fund

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.

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

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.

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, 2018

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, 2018

Statement 19

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$60,648	\$2,341,003	\$2,401,651
Accrued interest receivable	138	(1,927)	(1,789)
Due from other governmental units	6,718	-	6,718
Prepaid items	395	-	395
Due from other funds	-	16,399	16,399
Special assessments receivable:			
Deferred	-	17,833	17,833
Total assets	\$67,899	\$2,373,308	\$2,441,207
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$1,701	\$9,665	\$11,366
Due to other governmental units	-	559,828	559,828
Contracts and retainage payable	-	8,707	8,707
Due to other funds	10,338	384,175	394,513
Deposits payable	-	75,000	75,000
Unearned revenue	-	271,230	271,230
Total liabilities	12,039	1,308,605	1,320,644
Deferred inflows of resources:			
Unavailable revenue	-	17,833	17,833
Fund balance:			
Nonspendable	395	-	395
Restricted	22,803	851,785	874,588
Committed	11,003	-	11,003
Assigned	25,279	1,083,993	1,109,272
Unassigned	(3,620)	(888,908)	(892,528)
Total fund balance	55,860	1,046,870	1,102,730
Total liabilities, deferred inflows of resources, and fund balance	\$67,899	\$2,373,308	\$2,441,207

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2018

Statement 20

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$14,293	\$ -	\$14,293
Charges for services	78,573	-	78,573
Park dedication fees	-	502,802	502,802
Investment income	615	(5,432)	(4,817)
Total revenues	<u>93,481</u>	<u>497,370</u>	<u>590,851</u>
Expenditures:			
Current:			
Public works	18,106	68,737	86,843
Culture and recreation	3,312	-	3,312
Economic development authority	47,702	-	47,702
Capital outlay:			
Public works	-	976,444	976,444
Culture and recreation	-	307,145	307,145
Economic development authority	901,670	-	901,670
Debt service:			
Interest and fiscal charges	21,583	-	21,583
Total expenditures	<u>992,373</u>	<u>1,352,326</u>	<u>2,344,699</u>
Revenues over (under) expenditures	<u>(898,892)</u>	<u>(854,956)</u>	<u>(1,753,848)</u>
Other financing sources:			
Transfers in	25,225	-	25,225
Issuance of debt	926,000	-	926,000
Total other financing sources	<u>951,225</u>	<u>0</u>	<u>951,225</u>
Net change in fund balance	<u>52,333</u>	<u>(854,956)</u>	<u>(802,623)</u>
Fund balance - January 1, as previously reported	7,394	878,148	885,542
Prior period adjustment - Note 17	(3,867)	1,023,678	1,019,811
Fund balance - January 1, as restated	<u>3,527</u>	<u>1,901,826</u>	<u>1,905,353</u>
Fund balance - December 31	<u>\$55,860</u>	<u>\$1,046,870</u>	<u>\$1,102,730</u>

CITY OF LAKE ELMO, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2018

Statement 21

	Lions Park Sign Program (207)	State Hwy 36 Corridor Plan (208)	Economic Development Authority (221)	Total Nonmajor Special Revenue Funds
Assets				
Cash and investments	\$217	\$ -	\$60,431	\$60,648
Accrued interest receivable	1	-	137	138
Due from other governmental units	-	6,718	-	6,718
Prepaid items	-	-	395	395
Total assets	\$218	\$6,718	\$60,963	\$67,899
Liabilities and Fund Balance				
			-	
			-	
Liabilities:				
Accounts payable	\$ -	\$ -	\$1,701	\$1,701
Due to other funds	-	10,338	-	10,338
Total liabilities	0	10,338	1,701	12,039
Fund balance:				
Nonspendable	-	-	395	395
Restricted	-	-	22,803	22,803
Committed	188	-	10,815	11,003
Assigned	30	-	25,249	25,279
Unassigned	-	(3,620)	-	(3,620)
Total fund balance	218	(3,620)	59,262	55,860
Total liabilities and fund balance	\$218	\$6,718	\$60,963	\$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, 2018

Statement 22

	City Events (204)	Library (206)	Lions Park Sign Program (207)	State Hwy 36 Corridor Plan (208)	Economic Development Authority (221)	Total Nonmajor Special Revenue Funds
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$14,293	\$ -	\$14,293
Charges for services	-	-	-	-	78,573	78,573
Investment income	-	-	3	193	419	615
Total revenues	<u>0</u>	<u>0</u>	<u>3</u>	<u>14,486</u>	<u>78,992</u>	<u>93,481</u>
Expenditures:						
Current:						
Public works	-	-	-	18,106	-	18,106
Culture and recreation	-	-	3,312	-	-	3,312
Economic development authority	-	-	-	-	47,702	47,702
Capital outlay:						
Economic development authority	-	-	-	-	901,670	901,670
Debt service:						
Interest and fiscal charges	-	-	-	-	21,583	21,583
Total expenditures	<u>0</u>	<u>0</u>	<u>3,312</u>	<u>18,106</u>	<u>970,955</u>	<u>992,373</u>
Revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>(3,309)</u>	<u>(3,620)</u>	<u>(891,963)</u>	<u>(898,892)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	25,225	25,225
Issuance of debt	-	-	-	-	926,000	926,000
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>951,225</u>	<u>951,225</u>
Net change in fund balance	<u>0</u>	<u>0</u>	<u>(3,309)</u>	<u>(3,620)</u>	<u>59,262</u>	<u>52,333</u>
Fund balances - January 1, as previously reported	(607)	4,486	3,515	-	-	7,394
Prior period adjustment - Note 17	607	(4,486)	12	-	-	(3,867)
Fund balances - January 1, as restated	<u>0</u>	<u>0</u>	<u>3,527</u>	<u>0</u>	<u>0</u>	<u>3,527</u>
Fund balances - ending	<u>\$0</u>	<u>\$0</u>	<u>\$218</u>	<u>(\$3,620)</u>	<u>\$59,262</u>	<u>\$55,860</u>

CITY OF LAKE ELMO, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2018

	Park Dedication (404)	Infrastructure Reserve (409)	City Facilities (411)
Assets			
Cash and investments	\$859,874	\$1,046,581	\$92,351
Accrued interest receivable	2,146	(3,603)	230
Due from other funds	-	16,399	-
Special assessments receivable:			
Deferred	-	17,833	-
Total assets	\$862,020	\$1,077,210	\$92,581
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$1,528	\$8,137	\$ -
Due to other governmental units	-	59,828	-
Contracts and retainage payable	8,707	-	-
Due to other funds	-	-	-
Deposits payable	-	-	-
Unearned revenue	-	-	-
Total liabilities	10,235	67,965	0
Deferred inflows of resources:			
Unavailable revenue	-	17,833	-
Fund balance (deficit):			
Restricted	851,785	-	-
Assigned	-	991,412	92,581
Unassigned	-	-	-
Total fund balance (deficit)	851,785	991,412	92,581
Total liabilities, deferred inflows of resources, and fund balance	\$862,020	\$1,077,210	\$92,581

Village Project (413)	CSAH 15 / CSAH 14 Realignment (414)	Manning and Hudson Future Stop Light (423)	2019 Street and Utility Project (426)	CSAH 13 Phase 2 (427)	Railroad Crossing Improvements (430)	Total
\$ -	\$71,030	\$249,937	\$ -	\$ -	21,230	\$2,341,003
(939)	176	63	-	-	-	(1,927)
-	-	-	-	-	-	16,399
-	-	-	-	-	-	17,833
<u>(\$939)</u>	<u>\$71,206</u>	<u>\$250,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,230</u>	<u>\$2,373,308</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$9,665
-	500,000	-	-	-	-	559,828
-	-	-	-	-	-	8,707
378,114	-	-	5,731	330	-	384,175
-	75,000	-	-	-	-	75,000
-	-	250,000	-	-	21,230	271,230
<u>378,114</u>	<u>575,000</u>	<u>250,000</u>	<u>5,731</u>	<u>330</u>	<u>21,230</u>	<u>1,308,605</u>
-	-	-	-	-	-	17,833
-	-	-	-	-	-	851,785
-	-	-	-	-	-	1,083,993
<u>(379,053)</u>	<u>(503,794)</u>	<u>-</u>	<u>(5,731)</u>	<u>(330)</u>	<u>-</u>	<u>(888,908)</u>
<u>(379,053)</u>	<u>(503,794)</u>	<u>0</u>	<u>(5,731)</u>	<u>(330)</u>	<u>0</u>	<u>1,046,870</u>
<u>(\$939)</u>	<u>\$71,206</u>	<u>\$250,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,230</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, 2018

	Park Dedication (404)	Infrastructure Reserve (409)	City Facilities (411)
Revenues:			
Park dedication fees	\$502,802	\$ -	\$ -
Investment income	6,814	(10,758)	799
Total revenues	<u>509,616</u>	<u>(10,758)</u>	<u>799</u>
Expenditures:			
Current:			
Public works	-	68,407	-
Capital outlay:			
Public works	-	287,475	183,238
Culture and recreation	307,145	-	-
Total expenditures	<u>307,145</u>	<u>355,882</u>	<u>183,238</u>
Net change in fund balance	<u>202,471</u>	<u>(366,640)</u>	<u>(182,439)</u>
Fund balances - January 1, as previously reported	646,955	338,235	274,063
Prior period adjustment - Note 17	2,359	1,019,817	957
Fund balances - January 1, as restated	<u>649,314</u>	<u>1,358,052</u>	<u>275,020</u>
Fund balances - ending	<u><u>\$851,785</u></u>	<u><u>\$991,412</u></u>	<u><u>\$92,581</u></u>

Village Project (413)	CSAH 15 / CSAH 14 Realignment (414)	Manning and Hudson Future Stop Light (423)	2019 Street and Utility Project (426)	CSAH 13 Phase 2 (427)	Railroad Crossing Improvements (430)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$502,802
(2,852)	565	-	-	-	-	(5,432)
<u>(2,852)</u>	<u>565</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>497,370</u>
-	-	-	-	330	-	68,737
-	500,000	-	5,731	-	-	976,444
-	-	-	-	-	-	307,145
<u>0</u>	<u>500,000</u>	<u>0</u>	<u>5,731</u>	<u>330</u>	<u>0</u>	<u>1,352,326</u>
<u>(2,852)</u>	<u>(499,435)</u>	<u>0</u>	<u>(5,731)</u>	<u>(330)</u>	<u>0</u>	<u>(854,956)</u>
(376,500)	(4,605)	-	-	-	-	878,148
299	246	-	-	-	-	1,023,678
<u>(376,201)</u>	<u>(4,359)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,901,826</u>
<u>(\$379,053)</u>	<u>(\$503,794)</u>	<u>\$0</u>	<u>(\$5,731)</u>	<u>(\$330)</u>	<u>\$0</u>	<u>\$1,046,870</u>

CITY OF LAKE ELMO, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2018

Statement 25

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
Operating revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses	-	-	-	-
Operating income	0	0	0	0
Nonoperating revenues (expenses):				
Contribution of capital assets to governmental activities	(74,127)	(13,606)	(56,849)	(144,582)
Income (loss) before contributions and transfers	(74,127)	(13,606)	(56,849)	(144,582)
Contributions and transfers:				
Transfer in	41,740	-	76,081	117,821
Change in net position	(32,387)	(13,606)	19,232	(26,761)
Net position - January 1	32,387	13,606	(19,232)	26,761
Net position - December 31	\$0	\$0	\$0	\$0

CITY OF LAKE ELMO, MINNESOTA
SUBCOMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2018

Statement 26

	Radio Replacement (701)	IT Replacement (702)	FFE Replacement (703)	Total
Cash flows from operating activities	\$ -	\$ -	\$ -	\$ -
Cash flows from noncapital financing activities:				
Transfers in	41,740	-	76,081	117,821
Repayment of interfund loans	(41,740)	-	(76,081)	(117,821)
Net cash flows provided by (used in) noncapital financing activities	-	-	-	-
Cash flows from capital and related financing activities	-	-	-	-
Cash flows from investing activities	-	-	-	-
Net increase in cash and cash equivalents	0	0	0	0
Cash and cash equivalents - January 1	-	-	-	-
Cash and cash equivalents - December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets to governmental activities	<u>(\$74,127)</u>	<u>(\$13,606)</u>	<u>(\$56,849)</u>	<u>(\$144,582)</u>

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CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 December 31, 2018

Statement 27

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2018</u>
Agency Fund				
Assets:				
Cash and investments	\$2,712,949	\$1,599,476	(\$1,396,250)	\$2,916,175
Accounts receivable	128	-	(128)	-
Total assets	<u>\$2,713,077</u>	<u>\$1,599,476</u>	<u>(\$1,396,378)</u>	<u>\$2,916,175</u>
Liabilities:				
Accounts payable	\$38,858	\$31,149	(\$38,858)	\$31,149
Deposits payable	2,674,219	1,568,327	(1,357,520)	2,885,026
Total liabilities	<u>\$2,713,077</u>	<u>\$1,599,476</u>	<u>(\$1,396,378)</u>	<u>\$2,916,175</u>

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
DEBT SERVICE FUND BY BOND ISSUE
December 31, 2018

	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)	2010B GO CIP Bonds (318)	2011A GO Improvement Bonds (319)
Assets				
Cash and investments	\$88,435	\$101,133	\$148,648	\$281,367
Accrued interest receivable	244	251	369	698
Special assessments receivable:				
Due from county	108	-	-	-
Delinquent	-	-	-	-
Deferred	11,430	22,390	-	26,253
Total assets	\$100,217	\$123,774	\$149,017	\$308,318
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources:				
Unavailable revenue	11,430	22,390	-	26,253
Fund balance (deficit):				
Restricted	88,787	101,384	149,017	282,065
Total liabilities, deferred inflows of resources, and fund balance	\$100,217	\$123,774	\$149,017	\$308,318

2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	2019 Improvement Bonds (329)	Total
\$ -	\$1,268,840	\$819,705	\$438,939	\$645,140	\$475,168	\$194,317	\$4,461,692
(44)	3,150	2,035	1,090	1,642	1,134	443	11,012
4	223	-	-	1,332	330	-	1,997
839	-	342	-	-	-	-	1,181
76,620	20,400	438,655	474,900	908,622	696,299	444,952	3,120,521
<u>\$77,419</u>	<u>\$1,292,613</u>	<u>\$1,260,737</u>	<u>\$914,929</u>	<u>\$1,556,736</u>	<u>\$1,172,931</u>	<u>\$639,712</u>	<u>\$7,596,403</u>
\$22,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$22,548
77,459	20,400	438,997	474,900	908,622	696,299	444,952	3,121,702
(22,588)	1,272,213	821,740	440,029	648,114	476,632	194,760	4,452,153
<u>\$77,419</u>	<u>\$1,292,613</u>	<u>\$1,260,737</u>	<u>\$914,929</u>	<u>\$1,556,736</u>	<u>\$1,172,931</u>	<u>\$639,712</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, 2018

	2002 GO Improvement Bonds (312)	2006A GO Equipment Certificates (314)	2009A GO Refunding Bonds (315)	2009B GO Improvement Bonds (316)	2010A GO Improvement Bonds (317)	2010B GO CIP Bonds (318)
Revenues:						
General property taxes	\$ -	\$ -	\$ -	\$50,911	\$61,206	\$204,519
Special assessments	-	-	-	7,623	11,550	-
Investment income	-	-	-	760	805	1,179
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,294</u>	<u>73,561</u>	<u>205,698</u>
Expenditures:						
Debt service:						
Principal	-	-	-	65,000	70,000	155,000
Interest and fiscal charges	-	-	-	1,906	6,785	36,864
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,906</u>	<u>76,785</u>	<u>191,864</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,612)</u>	<u>(3,224)</u>	<u>13,834</u>
Other financing sources (uses):						
Transfers in	-	-	1,317	-	-	-
Transfers out	(477)	(29,667)	-	-	-	-
Total other financing sources (uses)	<u>(477)</u>	<u>(29,667)</u>	<u>1,317</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(477)</u>	<u>(29,667)</u>	<u>1,317</u>	<u>(7,612)</u>	<u>(3,224)</u>	<u>13,834</u>
Fund balances - January 1, as previously reported	477	29,667	(1,317)	96,290	104,244	134,713
Prior period adjustment - Note 17	-	-	-	109	364	470
Fund balances - January 1, as restated	<u>477</u>	<u>29,667</u>	<u>(1,317)</u>	<u>96,399</u>	<u>104,608</u>	<u>135,183</u>
Fund balances - ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$88,787</u>	<u>\$101,384</u>	<u>\$149,017</u>

2011A GO Improvement Bonds (319)	2012B GO Improvement Bonds (321)	2013A GO Improvement Bonds (322)	2014A GO Improvement Bonds (323)	2015A GO Improvement Bonds (324)	2016A GO Improvement Bonds (326)	2017A GO Improvement Bonds (327)	2019 Improvement Bonds (329)	Total
\$73,254	\$61,141	\$ -	\$203,045	\$28,683	\$189,419	\$341,610	\$ -	\$1,213,788
9,208	22,756	5,197	87,433	708,021	155,653	176,198	193,400	1,377,039
2,239	(133)	10,157	6,431	3,345	5,148	3,485	1,360	34,776
84,701	83,764	15,354	296,909	740,049	350,220	521,293	194,760	2,625,603
85,000	85,000	105,000	210,000	155,000	245,000	-	-	1,175,000
8,666	8,264	16,953	29,319	14,469	24,450	57,063	-	204,739
93,666	93,264	121,953	239,319	169,469	269,450	57,063	0	1,379,739
(8,965)	(9,500)	(106,599)	57,590	570,580	80,770	464,230	194,760	1,245,864
-	-	-	-	-	-	-	-	1,317
-	-	-	-	-	-	-	-	(30,144)
0	0	0	0	0	0	0	0	(28,827)
(8,965)	(9,500)	(106,599)	57,590	570,580	80,770	464,230	194,760	1,217,037
290,017	(13,101)	1,373,745	762,222	(130,551)	566,222	12,359	-	3,224,987
1,013	13	5,067	1,928	-	1,122	43	-	10,129
291,030	(13,088)	1,378,812	764,150	(130,551)	567,344	12,402	0	3,235,116
\$282,065	(\$22,588)	\$1,272,213	\$821,740	\$440,029	\$648,114	\$476,632	\$194,760	\$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)

	2018	2017	2016	2015
Governmental activities:				
Net investment in capital assets	\$10,782,850	\$8,883,320	\$9,032,535	\$8,723,329
Restricted	10,121,648	5,057,169	4,704,133	3,446,142
Unrestricted	1,086,636	4,818,383	4,136,292	3,942,646
Total governmental activities net position	\$21,991,134	\$18,758,872	\$17,872,960	\$16,112,117
Business-type activities:				
Net investment in capital assets	\$12,364,664	\$12,180,378	\$12,506,474	\$10,170,351
Restricted	-	2,695,734	1,473,164	1,876,119
Unrestricted	13,842,382	9,151,417	6,400,375	3,577,285
Total business-type activities net position	\$26,207,046	\$24,027,529	\$20,380,013	\$15,623,755
Primary government:				
Net investment in capital assets	\$23,147,514	\$21,063,698	\$21,539,009	\$18,893,680
Restricted	10,121,648	7,752,903	6,177,297	5,322,261
Unrestricted	14,929,018	13,969,800	10,536,667	7,519,931
Total primary government net position	\$48,198,180	\$42,786,401	\$38,252,973	\$31,735,872

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

2014	2013	2012	2011	2010	2009
\$7,957,840	\$9,056,353	\$8,782,840	\$8,553,984	\$8,368,479	\$7,983,822
1,106,200	1,225,849	4,205,247	2,664,689	2,057,467	1,399,968
5,405,920	4,593,463	918,996	2,555,596	3,439,106	3,824,156
<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>	<u>\$13,207,946</u>
\$10,567,418	\$6,855,807	\$6,788,377	\$6,422,782	\$6,713,292	\$6,644,334
2,387,312	2,612,569	39,153	-	-	-
1,100,422	1,846,681	1,105,847	1,449,340	1,193,509	1,056,968
<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>	<u>\$7,701,302</u>
\$18,525,258	\$15,912,160	\$15,571,217	\$14,976,766	\$15,081,771	\$14,628,156
3,493,512	3,838,418	4,244,400	2,664,689	2,057,467	1,399,968
6,506,342	6,440,144	2,024,843	4,004,936	4,632,615	4,881,124
<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>	<u>\$20,909,248</u>

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

	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government	\$1,266,269	\$1,503,251	\$1,358,370	\$1,134,132
Public safety	2,161,082	1,528,253	1,308,360	1,344,282
Public works	2,192,092	2,800,044	1,698,566	1,377,969
Culture and recreation	524,445	1,299,551	660,947	639,006
Economic Development Authority	47,702	-	-	-
Interest and fees on long-term debt	352,376	225,910	178,266	215,611
Total governmental activities expenses	<u>6,543,966</u>	<u>7,357,009</u>	<u>5,204,509</u>	<u>4,711,000</u>
Business-type activities:				
Water	2,068,178	2,022,446	1,409,832	1,363,043
Sewer	846,032	1,030,058	380,650	250,866
Storm sewer	315,967	213,514	150,302	103,536
Total business-type activities expenses	<u>3,230,177</u>	<u>3,266,018</u>	<u>1,940,784</u>	<u>1,717,445</u>
Total primary government expenses	<u>\$9,774,143</u>	<u>\$10,623,027</u>	<u>\$7,145,293</u>	<u>\$6,428,445</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$379,378	\$206,856	\$51,009	\$42,706
Public safety	1,938,163	2,101,890	1,752,522	866,708
Public works	-	-	-	3,615
Culture and recreation	-	-	-	26,214
Economic Development Authority	78,573	-	-	-
Operating grants and contributions	248,915	229,960	235,214	249,094
Capital grants and contributions	2,833,574	2,290,265	1,452,469	2,038,940
Total governmental activities program revenues	<u>5,478,603</u>	<u>4,828,971</u>	<u>3,491,214</u>	<u>3,227,277</u>
Business-type activities:				
Charges for services:				
Water	951,985	2,628,848	1,801,228	1,850,240
Sewer	252,614	2,435,749	1,315,948	1,523,067
Storm sewer	322,700	289,375	213,233	229,252
Operating grants and contributions	-	-	-	-
Capital grants and contributions	4,142,448	1,489,922	3,464,567	-
Total business-type activities	<u>5,669,747</u>	<u>6,843,894</u>	<u>6,794,976</u>	<u>3,602,559</u>
Total primary government program revenues	<u>\$11,148,350</u>	<u>\$11,672,865</u>	<u>\$10,286,190</u>	<u>\$6,829,836</u>

Table 2
Page 1 of 2

2014	2013	2012	2011	2010	2009
\$1,072,888	\$1,103,337	\$1,093,204	\$1,036,038	\$980,456	\$971,677
1,530,609	1,277,798	1,302,857	1,107,050	1,171,158	1,125,464
1,032,426	1,273,977	891,169	1,008,686	1,135,351	872,045
448,361	424,687	362,432	247,845	239,389	248,856
-	-	-	-	-	-
165,028	133,694	316,039	266,730	222,404	218,319
<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>	<u>3,436,361</u>
1,069,511	958,870	872,786	845,474	898,319	857,014
353,438	119,370	53,903	73,797	61,513	59,243
149,887	86,989	73,590	142,517	151,384	140,365
<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>1,056,622</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>	<u>\$4,492,983</u>
\$45,161	\$32,778	\$48,476	\$22,058	\$18,296	\$15,631
496,916	414,472	379,557	283,813	320,242	270,653
-	2,647	3,256	3,058	3,425	6,584
10,753	17,000	9,341	-	10,800	-
-	-	-	-	-	-
204,462	208,276	160,060	184,476	168,491	174,433
557,601	1,364,622	160,444	222,488	1,090,419	798,687
<u>1,314,893</u>	<u>2,039,795</u>	<u>761,134</u>	<u>715,893</u>	<u>1,611,673</u>	<u>1,265,988</u>
1,291,091	596,421	699,159	575,534	562,585	479,430
741,054	53,142	65,737	53,012	48,508	45,146
214,915	191,087	171,229	235,252	185,425	149,407
-	-	-	17,000	32,721	30,100
1,159,222	3,781,528	115,127	75,885	418,400	776,473
<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>1,480,556</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>	<u>\$2,746,544</u>

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

	2018	2017	2016	2015
Net (expense) revenue:				
Governmental activities	(\$1,065,363)	(\$2,528,038)	(\$1,713,295)	(\$1,483,723)
Business-type activities	2,439,570	3,577,876	4,854,192	1,885,114
Total primary government, net	1,374,207	1,049,838	3,140,897	401,391
General revenues and other changes in net position:				
Governmental activities:				
General property taxes	3,610,106	3,040,413	3,226,739	3,204,119
Unrestricted grants and contributions	6,868	2,749	8,584	2,749
Unrestricted investment earnings	115,583	48,987	43,228	46,589
Miscellaneous	-	158,350	52,479	73,738
Gain on disposal of capital assets	8,991	-	-	-
Transfers	840	-	143,105	220,842
Total governmental activities	3,742,388	3,250,499	3,474,135	3,548,037
Business-type activities:				
Unrestricted grants and contributions	956	-	748	-
Unrestricted investment earnings	96,425	46,757	44,423	39,757
Transfers	(840)	-	(143,105)	(220,842)
Total business-type activities	96,541	46,757	(97,934)	(181,085)
Total primary government	\$3,838,929	\$3,297,256	\$3,376,201	\$3,366,952
Change in net position:				
Governmental activities	\$2,677,025	\$722,461	\$1,760,840	\$2,064,314
Business-type activities	2,536,111	3,624,633	4,756,258	1,704,029
Total primary government change in net position	\$5,213,136	\$4,347,094	\$6,517,098	\$3,768,343

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.

Table 2
Page 2 of 2

2014	2013	2012	2011	2010	2009
(\$2,934,419)	(\$2,173,698)	(\$3,204,567)	(\$2,950,456)	(\$2,137,085)	(\$2,170,373)
1,833,446	3,456,949	50,973	(105,105)	136,423	423,934
(1,100,973)	1,283,251	(3,153,594)	(3,055,561)	(2,000,662)	(1,746,439)
3,200,291	3,231,609	3,183,078	2,793,776	2,711,067	2,718,691
2,749	2,749	-	10,628	9,771	8,764
87,586	35,259	111,705	94,501	113,989	160,679
125,400	1,833	42,599	20,405	17,311	41,827
-	8,979	-	-	-	8,517
(887,312)	-	-	(59,637)	(57,947)	(129,177)
2,528,714	3,280,429	3,337,382	2,859,673	2,794,191	2,809,301
-	-	-	-	-	-
19,337	30,346	10,282	10,789	11,129	15,343
887,312	-	-	59,637	57,947	129,177
906,649	30,346	10,282	70,426	69,076	144,520
\$3,435,363	\$3,310,775	\$3,347,664	\$2,930,099	\$2,863,267	\$2,953,821
(\$405,705)	\$1,106,731	\$132,815	(\$90,783)	\$657,106	\$638,928
2,740,095	3,487,295	61,255	(34,679)	205,499	568,454
\$2,334,390	\$4,594,026	\$194,070	(\$125,462)	\$862,605	\$1,207,382

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	18,951	410,193	409,222	432,306
Committed	-	200,000	200,000	-
Unassigned	4,756,695	3,499,133	3,279,815	2,754,976
Total general fund	<u>\$4,775,646</u>	<u>\$4,109,326</u>	<u>\$3,889,037</u>	<u>\$3,187,282</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	395	675,000	-	3,908
Restricted	6,133,168	2,849,956	3,248,230	2,477,730
Committed	11,003	-	-	-
Assigned	1,198,909	1,307,216	1,504,656	1,768,742
Unassigned	(3,043,623)	(681,681)	(418,169)	(431,755)
Total all other governmental funds	<u>\$4,299,852</u>	<u>\$4,150,491</u>	<u>\$4,334,717</u>	<u>\$3,818,625</u>
Total governmental funds	<u><u>\$9,075,498</u></u>	<u><u>\$8,259,817</u></u>	<u><u>\$8,223,754</u></u>	<u><u>\$7,005,907</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

2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$1,068,950	\$1,032,570
-	-	-	-	1,617,211	1,403,240
638,963	859,072	1,024,433	1,206,209	-	-
-	-	-	-	-	-
2,542,038	2,318,310	2,414,692	1,707,711	-	-
<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>	<u>\$2,435,810</u>
\$ -	\$ -	\$ -	\$ -	\$3,605,250	\$ -
-	-	-	-	504,106	1,422,049
-	-	-	-	-	1,077,659
717,781	743,976	3,959,111	4,691,748	-	-
-	-	-	7,114	-	-
2,943,525	2,252,931	1,244,900	654,358	-	-
(693,904)	(885,360)	(1,670,915)	(1,353,754)	-	-
<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>\$2,499,708</u>
<u><u>\$6,148,403</u></u>	<u><u>\$5,288,929</u></u>	<u><u>\$6,972,221</u></u>	<u><u>\$6,913,386</u></u>	<u><u>\$6,795,517</u></u>	<u><u>\$4,935,518</u></u>

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

	2018	2017	2016	2015
Revenues:				
General property taxes	\$3,610,508	\$3,042,074	\$3,231,674	\$3,222,216
Licenses and permits	1,317,648	2,046,462	1,713,918	828,494
Intergovernmental	247,178	1,023,864	282,874	296,902
Charges for services	899,808	137,920	38,608	35,796
Fines and forfeits	49,203	41,418	49,505	48,739
Special assessments	1,398,155	455,493	897,323	1,316,239
Park dedication fees	502,802	265,783	171,708	138,158
Refunds and reimbursements	-	-	21,390	-
Investment earnings	115,583	48,987	43,228	46,415
Miscellaneous	129,455	265,133	56,101	99,055
Total revenues	8,270,340	7,327,134	6,506,329	6,032,014
Expenditures:				
Current:				
General government	1,208,145	1,502,904	1,358,306	1,094,723
Public safety	1,644,159	1,470,726	1,262,040	1,203,765
Public works	1,227,521	1,185,828	893,644	686,401
Culture and recreation	241,761	603,292	500,689	457,749
Economic Development Authority	47,702	-	-	-
Debt service:				
Principal	1,175,000	910,000	826,219	667,342
Interest and fiscal charges	230,822	463,570	242,392	226,611
Capital outlay	4,552,089	5,860,917	3,126,782	2,729,512
Total expenditures	10,327,199	11,997,237	8,210,072	7,066,103
Excess (deficiency) of revenues over expenditures	<u>(2,056,859)</u>	<u>(4,670,103)</u>	<u>(1,703,743)</u>	<u>(1,034,089)</u>
Other financing sources (uses):				
Issuance of debt	1,866,000	4,565,000	2,690,000	1,620,000
Premium on issuance of debt	-	166,068	102,877	32,137
(Discount) on issuance of debt	-	(26,302)	(14,392)	(11,386)
Payment to bond escrow agent	-	-	-	-
Loan payable reapportionment	-	-	-	-
Proceeds from sale of capital assets	8,991	1,400	-	30,000
Transfers in	56,209	-	143,105	220,842
Transfers out	(173,190)	-	-	-
Total other financing sources (uses)	1,758,010	4,706,166	2,921,590	1,891,593
Net change in fund balance	<u>(\$298,849)</u>	<u>\$36,063</u>	<u>\$1,217,847</u>	<u>\$857,504</u>
Debt service as a percentage of noncapital expenditures	24.2%	22.4%	21.0%	20.6%
Debt service as a percentage of total expenditures	13.6%	11.4%	13.0%	12.7%

Table 4

2014	2013	2012	2011	2010	2009
\$3,203,111	\$3,231,609	\$3,221,733	\$2,790,773	\$2,737,225	\$2,685,894
451,953	374,974	330,819	230,419	261,450	225,166
413,968	1,704,178	237,254	276,638	239,244	288,881
30,192	6,113	5,726	14,691	22,416	11,433
48,647	52,110	58,385	63,819	68,897	54,052
115,424	180,023	136,150	153,536	134,257	73,013
274,257	-	-	-	-	-
-	-	-	-	-	-
87,467	35,127	111,737	94,066	113,033	160,679
165,319	57,260	87,562	48,217	84,860	61,533
<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>	<u>3,560,651</u>
1,046,906	1,527,732	1,034,712	1,016,898	921,590	929,960
1,198,546	1,174,145	1,109,937	996,733	1,064,176	988,082
585,071	614,270	446,541	447,629	473,293	459,703
368,276	301,404	260,404	168,747	168,971	180,965
-	-	-	-	-	-
585,000	3,348,000	406,000	344,000	313,000	361,000
157,649	179,018	309,081	285,712	291,400	274,231
<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>998,031</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>4,191,972</u>
<u>(2,032,547)</u>	<u>(3,288,089)</u>	<u>(806,165)</u>	<u>(616,743)</u>	<u>(774,357)</u>	<u>(631,321)</u>
2,850,000	1,604,797	865,000	845,000	2,680,000	1,110,000
31,520	-	-	-	4,356	17,756
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(525,000)
-	-	-	-	-	9,190
10,501	-	-	204,972	314,698	1,466,041
-	-	-	(315,360)	(364,698)	(1,626,041)
<u>2,892,021</u>	<u>1,604,797</u>	<u>865,000</u>	<u>734,612</u>	<u>2,634,356</u>	<u>451,946</u>
<u>\$859,474</u>	<u>(\$1,683,292)</u>	<u>\$58,835</u>	<u>\$117,869</u>	<u>\$1,859,999</u>	<u>(\$179,375)</u>
18.8%	49.4%	20.0%	19.3%	18.7%	19.9%
10.9%	39.5%	14.3%	14.7%	13.6%	15.2%

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				
2009	\$1,208,072,300	\$13,490,182	\$201,896	\$13,692,078	\$13,692,078	19.810	1.13%
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%

(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				Special Taxing Districts	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	Range of Total Direct and Overlapping Tax Rates		Range of Total Direct and Overlapping Tax Rates	
2009	17.059	2.751	19.810	17.714 - 24.480	26.371	1.545 - 4.002	2.351	67.791	77.014	
2010	18.033	2.446	20.479	19.734 - 26.389	27.775	1.511 - 4.153	2.558	72.057	81.354	
2011	19.448	2.384	21.832	20.300 - 34.330	29.772	1.725 - 4.275	2.664	76.293	92.873	
2012	23.679 (1)	3.592	27.271	22.333 - 38.360	31.939	2.340 - 4.906	2.909	86.792	105.385	
2013	23.555	5.704	29.259	22.017 - 37.104	31.548	0.779 - 5.306	4.857	88.460	108.074	
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556	107.481	
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484	96.301	
2016	18.184	4.937	23.121	19.849 - 35.569	27.860	0.075 - 5.111	4.568	75.473	96.229	
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	

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	2018			2009		
	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	\$278,948	1	1.82%	\$239,610	1	1.75%
Xcel Energy	247,132	2	1.61%	171,806	3	1.25%
Dakota Upreit LP	218,198	3	1.42%	-		-
Bremer Financial Services Inc	212,330	4	1.38%	195,538	2	1.43%
MHC Cimarron LLC	139,714	5	0.91%	-		-
HOA Hotels LLC	137,850	6	0.90%	-		-
Eagle Point Medical Building LLC	134,896	7	0.88%	-		-
HC Golf Land LLC	94,949	8	0.62%	-		-
Danate Proper Inv I LLC	74,250	9	0.48%	-		-
Norman James LLC	68,628	10	0.45%	-		-
Moline Plow	-		-	139,208	4	1.02%
Lake Elmo Foundation, Inc	-		-	138,922	5	1.01%
Lakeland Harbor SPE LLC	-		-	134,090	6	0.98%
United Land LLC	-		-	119,478	7	0.87%
United Properties Inv, LLC	-		-	109,468	8	0.80%
Davis Estates LTD	-		-	81,328	9	0.59%
Bri-mar Co Inc. Etal.	-		-	63,518	10	0.46%
Total	\$1,606,895		10.46%	\$1,392,966		10.17%

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
2009	\$2,708,155	\$2,672,623	\$2,624,026	98.18%
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%

(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		
\$48,595	\$2,672,621	100.00%	\$2	0.00%
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%
19,868	3,132,857	99.99%	280	0.01%
42,088	3,110,204	99.94%	2,000	0.06%
12,379	2,947,552	99.90%	2,874	0.10%
-	3,574,859	99.51%	17,632	0.49%

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

Table 9

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010*</u>	<u>2009</u>
Water (in millions of gallons):										
Residential	96.882	93.513	98.044	84.007	98.573	120.676	154.747	105.290	95.704	122.461
Commercial service	22.189	16.603	29.379	21.653	12.156	8.253	10.405	6.872	7.261	7.989
Total gallons	<u>119.071</u>	<u>110.116</u>	<u>127.423</u>	<u>105.660</u>	<u>110.729</u>	<u>128.929</u>	<u>165.152</u>	<u>112.162</u>	<u>102.965</u>	<u>130.450</u>
Total direct rate per 1,000 gallons:										
Residential	2.20	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.10	2.15
Commercial service	3.30	3.20	3.11	3.11	3.11	3.11	3.11	3.11	3.05	3.10
Sanitary Sewer (in millions of gallons):										
Residential (1)	32.409	38.340	6.812	3.794	-	-	-	-	-	-
Commercial service	12.267	6.807	9.125	8.179	6.532	6.149	6.172	6.961	7.086	5.381
Total gallons	<u>44.676</u>	<u>45.147</u>	<u>15.937</u>	<u>11.973</u>	<u>6.532</u>	<u>6.149</u>	<u>6.172</u>	<u>6.961</u>	<u>7.086</u>	<u>5.381</u>
Total direct rate per 1,000 gallons	4.55	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.35	4.08

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

(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
2009	\$1,120,000	\$283,000	\$3,540,000	\$ -
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

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
\$4,943,000	\$4,715,000	\$9,658,000	3.0%	\$1,407
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

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
2009	\$1,120,000	\$283,000	\$3,540,000	\$4,715,000
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

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)
\$9,658,000	(\$1,422,049)	\$8,235,951	0.68%	\$1,200
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

CITY OF LAKE ELMO, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2018

Table 12

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt:			
Independent School District # 622	\$97,480,000	3.1%	\$3,021,880
Independent School District # 832	51,850,000	4.7%	2,436,950
Independent School District # 834	108,130,000	14.1%	15,246,330
Washington County	126,060,000	4.8%	6,050,880
Metropolitan Council	1,484,038,432	1.1%	16,324,423
Total overlapping debt			<u>43,080,463</u>
City direct debt	\$15,045,000	100%	<u>15,045,000</u>
Total direct and overlapping debt			<u><u>\$58,125,463</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 2018

Market value	\$1,452,554,500
Applicable percentage	3%
Debt limit	<u>43,576,635</u>
Debt applicable to limit:	
Total bonded debt	37,958,180
Less:	
Special assessment bonds	(13,185,126)
Lease revenue bonds	(926,000)
Utility revenue bonds	(21,680,126)
Amount set aside for repayment of G.O. debt	<u>(148,648)</u>
	<u>2,018,280</u>
Legal debt margin	<u>\$41,558,355</u>

Legal Debt Margin Calculation for Fiscal Years 2009 Through 2018

Fiscal Year	Population	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Debt Applicable to Limit Per Capita
2009	6,863	\$36,036,402	\$271,142	\$35,765,260	0.75%	\$40
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

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	
2009	\$776,899	\$513,226	\$263,673	\$530,000	\$208,303	36%
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%

- (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>
2009	6,863	\$317,997	\$46,335	7.6%	7.1%
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%

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	2018			2009		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
3M Company (Maplewood)	9,100	1	41.4%	10,100	1	56.4%
Andersen Corp (Bayport)	2,622	2	11.9%	-	-	-
Healtheast Care/St. Johns Hospital (Maplewood)	1,200	3	5.5%	-	-	-
Washington County (Stillwater)	1,188	4	5.4%	-	-	-
Woodwinds Health (Woodbury)	1,100	5	5.0%	485	5	2.7%
ISD 834 (Stillwater)	1,049	6	4.8%	1,005	3	5.6%
Bremer Bank Operations Ctr (Lake Elmo)	425	7	1.9%	400	6	2.2%
MN Correctional Facility (Oak Park Hts)	355	8	1.6%	-	-	-
SunAmerica Financial Group (Woodbury)	310	9	1.4%	-	-	-
Minnco Industries (Bayport)	250	10	1.1%	-	-	-
The Hartford (Woodbury)	-	-	-	1,021	2	5.7%
Imation (Oakdale)	-	-	-	500	4	2.8%
Ecowater Systems, Inc. (Woodbury)	-	-	-	400	7	2.2%
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,			
	2018	2017	2016	2015
General Government:				
Administration	2.70	2.45	2.45	3.20
Finance	1.05	1.20	1.20	0.80
Planning and Zoning	2.10	2.21	2.21	2.75
Total General Government	5.85	5.86	5.86	6.75
Public Safety:				
Fire	3.80	3.80	3.80	1.50
Building Inspections	4.20	4.21	4.21	3.15
Total Public Safety	8.00	8.01	8.01	4.65
Public Works:				
Streets and Roadways	4.80	4.55	4.55	3.90
Parks and Recreation:				
Parks	2.20	3.00	3.00	1.85
Communications	0.50	-	-	0.70
Total Governmental Activities	21.35	21.42	21.42	17.85
Business-type Activities:				
Water Utility	2.50	2.00	2.00	2.45
Sewer Utility	1.15	1.66	1.66	1.30
Storm Sewer Utility	0.80	0.80	0.00	0.00
Total Business-Type Activities	4.45	4.46	3.66	3.75
Total	25.80	25.88	25.08	21.60

Source: City's Adopted Budgets

Table 17

Full-Time-Equivalent Employees as of December 31,						
2014	2013	2012	2011	2010	2009	
3.55	3.55	3.15	3.15	3.15	3.18	
1.25	1.25	0.50	0.50	0.50	0.50	
2.70	2.95	1.55	1.55	1.55	1.75	
7.50	7.75	5.20	5.20	5.20	5.43	
1.55	2.05	1.60	1.10	1.10	1.10	
1.55	1.30	0.95	0.95	0.95	1.95	
3.10	3.35	2.55	2.05	2.05	3.05	
3.20	3.21	3.05	3.05	3.05	3.05	
3.30	2.74	2.52	2.52	2.52	3.10	
0.35	0.40	0.15	0.15	0.15	0.19	
17.45	17.45	13.47	12.97	12.97	14.82	
2.60	2.10	1.85	1.85	1.85	1.85	
0.70	0.70	0.30	0.30	0.30	0.30	
0.00	0.00	0.00	0.00	0.00	0.00	
3.30	2.80	2.15	2.15	2.15	2.15	
20.75	20.25	15.62	15.12	15.12	16.97	

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

	2018	2017	2016	2015
Planning and Zoning:				
Conditional use permits	6	5	3	2
Interim use permits	-	2	2	1
Minor subdivisions	1	1	2	2
Plats / planned unit developments	13	10	11	9
Rezoning	4	5	3	2
Site plans	-	1	1	-
Variances	6	6	4	2
Fire:				
Total emergency responses	461	456	430	429
EMS responses	317	313	268	274
Fire responses	144	143	162	32
Building Inspections:				
Residential permit valuations (thousands of dollars)	\$113,913	\$86,710	\$119,301	\$50,401
Commercial permit valuations (thousands of dollars)	\$3,217	\$1,185	\$2,003	\$1,952
New residential units (1)	245	299	240	140
New commercial units	-	1	1	1
Water Utility:				
Number of customers	2,317	1,727	1,538	1,234
Average quarterly consumption (2) (millions of gallons)	56	28	18	18
Sanitary Sewer Utility:				
Number of customers	1,253	712	321	96
Average quarterly flow (3) (millions of gallons)	11	12	14	74

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

2014	2013	2012	2011	2010	2009
4	2	3	-	-	2
1	1	-	3	1	-
-	2	1	-	-	2
17	1	-	-	-	-
11	2	7	-	-	1
-	2	1	-	1	1
2	5	4	6	2	5
358	448	399	315	361	319
237	280	262	195	211	205
21	28	28	24	14	24
\$23,032	\$19,979	\$20,320	\$16,133	\$15,889	\$12,903
\$7,309	\$966	\$2,351	\$2,590	\$2,013	\$1,617
41	32	31	24	26	29
3	-	-	-	1	1
1,073	1,051	1,016	998	967	941
19	21	15	14	18	24
45	29	29	29	29	28
77	77	75	71	72	68

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

Table 19

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works:										
Bituminous streets (miles)	112	103	103	65	65	63	63	63	62	62
Gravel streets (miles)	0.5	2	2	2	2	2	2	2	2	3
Storm sewer (miles)	33	30	30	25	25	25	25	25	25	25
Parks & Recreation:										
Acres of parkland	427	420	420	420	420	420	420	420	420	420
Number of parks	24	17	17	17	17	17	17	17	17	17
Water Utility:										
Water towers	3	3	3	3	3	2	2	2	2	2
Miles of watermain	58	50	50	43	40	39	37	37	37	37
Number of fire hydrants	559	415	415	378	351	293	280	280	280	280
Sanitary Sewer Utility:										
Miles of sanitary sewer	29	8	8	4	3	3	3	3	3	3
Lift Stations	5	4	4	4	4	3	3	3	3	3

Sources: Various City Department's annual financial report statistics