

**CITY OF LAKE ELMO, MINNESOTA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

**PREPARED BY:  
FINANCE DIRECTOR'S OFFICE  
FINANCE DIRECTOR  
CATHY BENDEL**



**CITY OF LAKE ELMO, MINNESOTA  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2015**

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FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2015**

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**CITY OF LAKE ELMO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2015**

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

**June 9, 2016**

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lake Elmo, Minnesota for the year ended December 31, 2015.

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, 2015.

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

The City of Lake Elmo's financial statements have been audited by Smith, Schafer and Associates, Ltd, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2015 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, 2015 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, 2015 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 8,872 which represents 3,059 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/emergency 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 at the first meeting in September each year so that the preliminary tax levy can be submitted to Washington County by the annual due date. The preliminary tax levy may be lowered but not increased. The 2015 final budget and tax levy was required to be adopted by and submitted to Washington County by December 28, 2015. Included in the City annual budget process is the compilation of a Capital Improvement Plan which allows for strategic planning of City infrastructure and equipment needs while maintaining a reasonable level of debt and a strong undesignated fund balance. Monthly budget to actual comparison reports are provided to the Finance Committee and the City Council to keep them apprised of results to date so they are aware of performance results compared to plans.

## **FACTORS AFFECTING FINANCIAL CONDITION**

To put the financial statements contained in this report in context, a cursory analysis of the current environment within which Lake Elmo operates is warranted.

### **LOCAL ECONOMY**

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New developments platted for approximately 1,900 new homes have been approved and are underway. The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2015 population estimates of 8,872, or an increase of 10% since the 2010 census.

New housing starts in 2015 numbered 139 with a total value of \$46,784,101 and an average value of \$336,576. Commercial plans were presented for a new Insurance Agency, a special needs K-12 school and a new senior center, all of which will be built in 2016 and will greatly strengthen the existing tax base of the City.

### **LONG TERM FINANCIAL PLANNING**

Total unassigned General Fund balance as of December 31, 2015 was 85.7% of the total 2015 General Fund expenditures. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

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

During 2015, Moody's Investors Service maintained the City's long term debt rating of Aa2. In their assessment of the City, Moody's noted the following:

- Strong Finances supported by conservative budget strategies
- Healthy unassigned fund balance
- Strong Financial operations and healthy financial reserves and liquidity
- Moderate debt burden
- Affluent tax base favorably located in Twin Cities metropolitan area

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

### **RELEVANT FINANCIAL POLICIES**

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

## MAJOR INITIATIVES

2015 was a very busy year for the City due to continuation of on-going infrastructure upgrades and projects as well as oversight of the on-going residential and commercial development activity.

The 2015 infrastructure projects included the following:

- Phase I of the joint project with Washington County on CSAH 17. This project included the replacement of old watermain and installation of sanitary sewer and storm sewer while reconstructing the streets.
- 39<sup>th</sup> Street project for street improvements and connection to City Sewer
- Eagle Point Boulevard street reconstruction project
- Continued work with the Union Pacific Railroad regarding the downtown project and a new development impacting the Railroad at various locations.
- Inwood Avenue water and sewer line
- Diligent collection, tracking and reporting related to developer escrows to minimize taxpayer risk.
- 2015 seal coating and crack filling project
- Use of Parkland dedication fees to continue to make improvements to existing parks and providing oversight to the new City parks being constructed by developers.

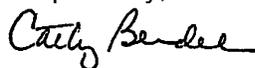
## AWARDS AND ACKNOWLEDGEMENTS

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, 2014. 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, 2015. This submittal culminates extensive financial work and stringent oversight by the City of Lake Elmo City Council, Finance Committee, Northland Strategies and professional staff. Lake Elmo wishes to thank the staff of Smith, Schafer and Associates, Ltd. for their assistance and review of the document.

Respectfully,



Cathy Bendel  
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, 2014**

Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2015**

POSITION	NAME	TERM EXPIRES
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**ELECTED OFFICIALS**

City Council:

Mayor	Mike Pearson	December 31, 2016
Council Member	Justin Bloyer	December 31, 2016
Council Member	Julie Fliflet	December 31, 2018
Council Member	Jill Lundgren	December 31, 2018
Council Member	Anne Smith	December 31, 2016

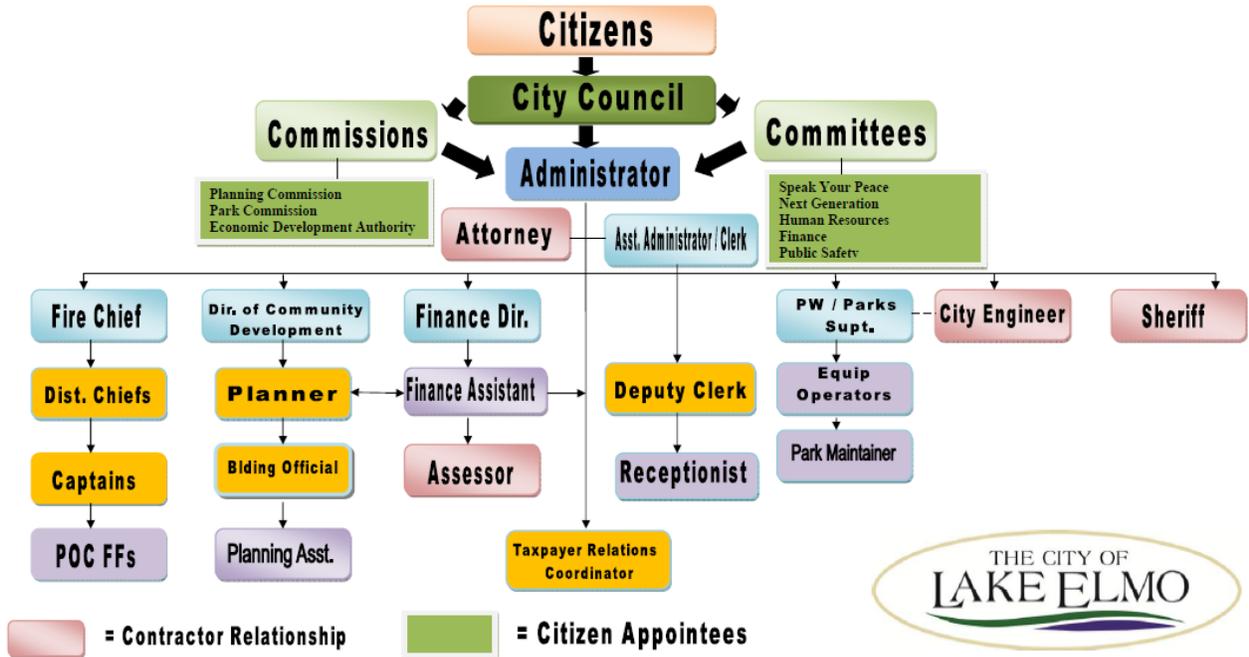
**APPOINTED OFFICIALS**

Interim City Administrator	Clark Schroeder	Continuous
Finance Director	Cathy Bendel	Continuous
City Clerk	Julie Johnson	Continuous

**FINANCE COMMITTEE**

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

**CITY OF LAKE ELMO, MINNESOTA ORGANIZATIONAL CHART**



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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 5 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinions are 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 on pages 3 through 13 and the required supplemental information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Smith, Schafu and Associates, Ltd.*

Maplewood, Minnesota  
June 9, 2016

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

As management of the City of Lake Elmo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lake Elmo, Minnesota for the fiscal year ended December 31, 2015.

**New Accounting Pronouncement.** The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These Statements established accounting and financial reporting standards for pensions.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Lake Elmo, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$31,735,872 (*net position*). Of this amount, \$7,519,931 (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 \$3,768,343 during 2015.
- As of the close of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$7,005,907, an increase of \$857,504 from the prior year. This increase was due primarily to property taxes and special assessments collected in excess of capital outlay expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,754,976, or 85.7% of total general fund expenditures. The nonspendable portion of the general fund balance as of December 31, 2015 (\$432,306) related to the interfund loan to the Village Project fund and prepaid expenses.
- The City's total noncurrent liabilities decreased by \$879,005 or 4% during the current fiscal year.
- The City was recognized by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting for the City's 2014 Comprehensive Annual Financial Report.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Lake Elmo, Minnesota's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government-wide financial statements, providing information for the City as a whole, 2) fund financial statements, providing detailed information for the City's significant funds, and 3) notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lake Elmo, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lake Elmo, Minnesota include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Lake Elmo, Minnesota include the water, sewer and storm sewer funds.

The government-wide financial statements can be found on pages 17-19 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lake Elmo, Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lake Elmo, Minnesota can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

The City of Lake Elmo, Minnesota maintains twenty-two individual governmental funds, twelve of which are debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the infrastructure reserve fund and the vehicle acquisition fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City of Lake Elmo, Minnesota adopts an annual budget for its general fund. Budgetary comparison statements have been provided for this fund (pages 30 to 33) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

**Proprietary funds.** There are two different types of proprietary funds - enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lake Elmo, Minnesota uses three enterprise funds to account for its water, sewer and storm sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Lake Elmo, Minnesota's various functions. The City of Lake Elmo, Minnesota uses three internal service funds to account for certain capital acquisition activities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and storm sewer funds, all of which are considered to be major funds of the City of Lake Elmo, Minnesota.

The proprietary fund financial statements can be found on pages 34-41 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 42 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-88 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds, debt service funds and internal service funds can be found on pages 96-111 of this report.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake Elmo, Minnesota, assets exceeded liabilities by \$31,735,872 at the close of the most recent fiscal year.

The largest portion of the City of Lake Elmo, Minnesota's net position, \$18,893,680 (60%) reflects its investment in capital assets (e.g. land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lake Elmo, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lake Elmo, Minnesota's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Lake Elmo, Minnesota's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,687,510	\$ 7,399,479	\$ 6,221,558	\$ 8,094,107	\$ 15,909,068	\$ 15,493,586
Capital assets	18,527,639	16,737,433	22,792,835	22,037,175	41,320,474	38,774,608
Total assets	28,215,149	24,136,912	29,014,393	30,131,282	57,229,542	54,268,194
Deferred outflows of resources	171,032		67,075		238,107	
Long-term liabilities outstanding	10,889,186	9,001,835	12,793,216	15,559,572	23,682,402	24,561,407
Other liabilities	1,265,752	665,117	645,372	516,558	1,911,124	1,181,675
Total liabilities	12,154,938	9,666,952	13,438,588	16,076,130	25,593,526	25,743,082
Deferred inflows of resources	119,126		19,125		138,251	
Net position:						
Net investment in capital assets	8,723,329	7,957,840	10,170,351	10,567,418	18,893,680	18,525,258
Restricted	3,446,142	1,106,200	1,876,119	2,387,312	5,322,261	3,493,512
Unrestricted	3,942,646	5,405,920	3,577,285	1,100,422	7,519,931	6,506,342
Total net position	\$ 16,112,117	\$ 14,469,960	\$ 15,623,755	\$ 14,055,152	\$ 31,735,872	\$ 28,525,112

An additional portion of the City of Lake Elmo, Minnesota's net position (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,519,931) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake Elmo, Minnesota is able to report positive balances in all categories of net position for the City as a whole.

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

**Governmental activities.** Governmental activities increased the City of Lake Elmo, Minnesota's net position by \$2,064,314 during 2015. Key elements of this increase include:

- Capital grants increased by \$1,481,339 from the prior year due primarily to special assessments related to the 2014 construction project.
- Charges for services increased by \$386,413 from the prior year due primarily to an increase in the amount of building permits issued by the City.

**Business-type activities.** Business-type activities increased the City of Lake Elmo, Minnesota's net position by \$1,704,029. This increase is due primarily to the requirement for developments to prepay the water and sewer access fees as the time they submit their final plat to the City.

A condensed version of the Statement of Activities follows:

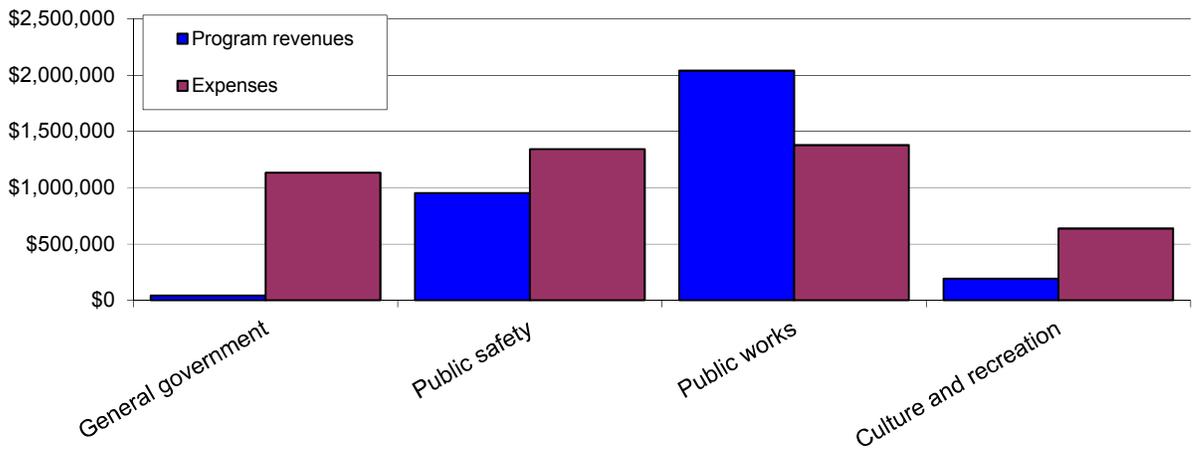
**City of Lake Elmo, Minnesota's Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 939,243	\$ 552,830	\$ 3,602,559	\$ 2,247,060	\$ 4,541,802	\$ 2,799,890
Operating grants and contributions	249,094	204,462			249,094	204,462
Capital grants and contributions	2,038,940	557,601		1,159,222	2,038,940	1,716,823
General revenues:						
Property taxes	3,204,119	3,200,291			3,204,119	3,200,291
Other	123,076	215,735	39,757	19,337	162,833	235,072
Total revenues	<u>6,554,472</u>	<u>4,730,919</u>	<u>3,642,316</u>	<u>3,425,619</u>	<u>10,196,788</u>	<u>8,156,538</u>
Expenses:						
General government	1,134,132	1,072,888			1,134,132	1,072,888
Public safety	1,344,282	1,530,609			1,344,282	1,530,609
Public works	1,377,969	1,032,426			1,377,969	1,032,426
Culture and recreation	639,006	448,361			639,006	448,361
Interest on long-term debt	215,611	165,028			215,611	165,028
Water			1,363,043	1,069,511	1,363,043	1,069,511
Sewer			250,866	353,438	250,866	353,438
Storm sewer			103,536	149,887	103,536	149,887
Total expenses	<u>4,711,000</u>	<u>4,249,312</u>	<u>1,717,445</u>	<u>1,572,836</u>	<u>6,428,445</u>	<u>5,822,148</u>
Increase in net position before transfers	1,843,472	481,607	1,924,871	1,852,783	3,768,343	2,334,390
Transfers	<u>220,842</u>	<u>(887,312)</u>	<u>(220,842)</u>	<u>887,312</u>		
Change in net position	2,064,314	(405,705)	1,704,029	2,740,095	3,768,343	2,334,390
Net position - beginning of year as restated	<u>14,047,803</u>	<u>14,875,665</u>	<u>13,919,726</u>	<u>11,315,057</u>	<u>27,967,529</u>	<u>26,190,722</u>
Net position - end of year	<u>\$ 16,112,117</u>	<u>\$ 14,469,960</u>	<u>\$ 15,623,755</u>	<u>\$ 14,055,152</u>	<u>\$ 31,735,872</u>	<u>\$ 28,525,112</u>

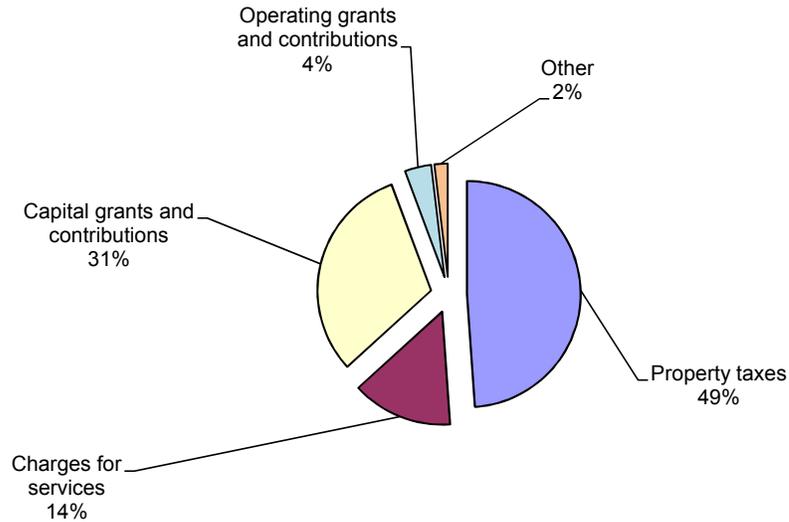
## CITY OF LAKE ELMO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Expenses and Program Revenues - Governmental Activities**



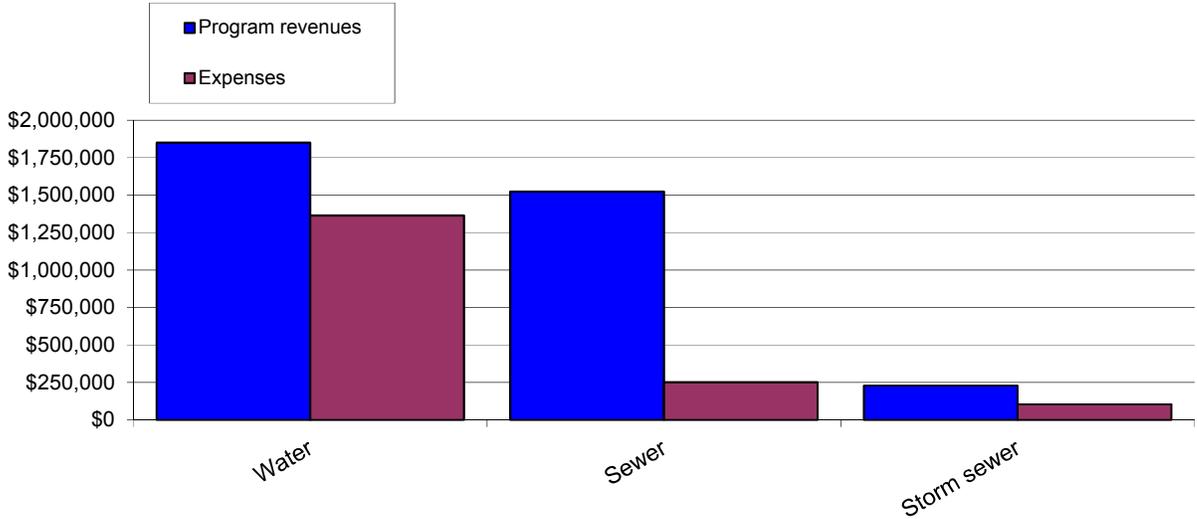
**Revenues by Source - Governmental Activities**



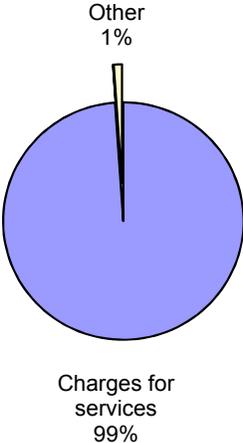
**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs related the business-type activity's program revenues with its expenditures. Since this activity requires significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Governmental Activities**



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

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Lake Elmo, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Lake Elmo, Minnesota's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lake Elmo, Minnesota's governmental funds reported combined ending fund balances of \$7,005,907, an increase of \$857,504 in comparison with the prior year. Approximately \$4,091,963 of this total fund balance, or 58%, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$2,913,944) is *restricted and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments, has been expensed for prepaid items, or is unavailable because the funds have been loaned to another fund.

The general fund is the chief operating fund of City of Lake Elmo, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,754,976. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represented 85.7% of total 2015 general fund expenditures. The general fund's total fund balance increased by \$6,281 during the current fiscal year due primarily to an increase in building permits and related revenue during the year.

The debt service fund increased its fund balance by \$1,782,808 due to property taxes, special assessments and intergovernmental revenues allocated to this fund in excess of debt service expenditures.

The infrastructure reserve fund decreased its fund balance by \$552,341 due primarily to capital outlay expenditures in excess of revenue allocated to this fund and transfers from this fund to other funds.

The vehicle acquisition fund decreased its fund balance by \$655,175 due primarily to the City taking delivery in 2015 for the Fire Truck, which was funded through debt issuance in 2014.

The special revenue funds increased their overall fund balances by \$32,588 due primarily to property taxes allocated to those funds in excess of current expenditures for culture and recreation.

The capital projects funds, other than the infrastructure reserve fund and vehicle acquisition fund described previously, increased their collective fund balance by \$243,343 due primarily to transfers received from other funds.

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

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

Unrestricted net position for water operations, sewer operations and storm sewer operations at the end of the year amounted to \$1,883,661, \$999,140 and \$694,484, respectively. The water fund, sewer fund and storm sewer fund increased their net position by \$307,338, \$1,135,930 and \$260,761, respectively, for the year ended December 31, 2015. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Lake Elmo, Minnesota's business-type activities.

**General Fund Budgetary Highlights**

The City's General Fund budget was not amended during the year. The budget called for no change in General Fund balance. The actual net change to the General Fund balance was an increase of \$6,281. Revenues were less than budget by \$130,451 for the year ended December 31, 2015 due primarily to a decrease in property taxes collected. This was a result of the budget assuming a higher average home valuation than those being built.

Total expenditures were less than budget by \$136,732 for the year. Two departments had expenditures in excess of budget: general government expenditures exceeded budget by \$41,257 and culture and recreation exceeded budget by \$76,567. The over expenditures in the general government department were primarily related to legal expenses incurred over the amounts budgeted. The over expenditures in the culture and recreation department related primarily to staffing changes which were not reflected in the 2015 budget.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lake Elmo, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$41,320,474 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Total capital assets increased by \$2,545,866, or 7%, for the year ended December 31, 2015, due primarily to completed construction projects and additional construction in progress on various capital projects within the City.

**City of Lake Elmo, Minnesota's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,453,979	\$ 3,453,979	\$ 248,869	\$ 54,675	\$ 3,702,848	\$ 3,508,654
Construction in progress	2,857,416	3,510,704	4,193,729	6,668,232	7,051,145	10,178,936
Buildings	2,649,349	2,760,350			2,649,349	2,760,350
Improvements other than buildings	439,669	510,821			439,669	510,821
Machinery and equipment	1,609,507	854,912	100,512	116,565	1,710,019	971,477
Infrastructure	7,517,719	5,646,667	18,249,725	15,197,703	25,767,444	20,844,370
Total	\$ 18,527,639	\$ 16,737,433	\$ 22,792,835	\$ 22,037,175	\$ 41,320,474	\$ 38,774,608

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

Additional information on the City of Lake Elmo, Minnesota's capital assets can be found in Note 3D beginning on page 61 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Lake Elmo, Minnesota had \$22,296,219 in bonds, certificates and notes outstanding. The entire outstanding comprises debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 9,740,000	\$ 8,735,000	\$ 12,535,000	\$ 15,505,000	\$ 22,275,000	\$ 24,240,000
General obligation certificates		52,000				52,000
General obligation notes payable	21,219				21,219	
Total	<u>\$ 9,761,219</u>	<u>\$ 8,787,000</u>	<u>\$ 12,535,000</u>	<u>\$ 15,505,000</u>	<u>\$ 22,296,219</u>	<u>\$ 24,292,000</u>

The City of Lake Elmo, Minnesota's total bonds and certificates payable decreased by \$1,995,781 during the current fiscal year. The decrease was due primarily to the refunding of the City's 2005A water revenue bonds. A more detailed breakdown of these obligations can be found in Note 3E beginning on page 63 of this report.

The City of Lake Elmo, Minnesota maintains an AA2 bond rating from Moody's Investor Service for general obligation debt. The City has also recently been upgraded by Standard and Poor's to a AA+ bond rating.

State statutes limit the amount of general obligation debt a Minnesota City may issue to 3% of its market value of taxable property. Net debt is payable solely from ad valorem taxes. The City is currently well within this limit.

**Economic Factors and Next Year's Budgets and Rates**

- The City planned a new minor collector road to be built (5<sup>th</sup> Street) in the I-94 Corridor and many segments were completed in 2015. A new minor collector road (Village Parkway) in the Old Village has been planned out by the City with initial sections having been built out in 2015.
- Plans continue with subsequent phases of the multi-phased developments which were approved by the City.
- The Cities taxable market value increased 13% from 2014 to 2015 and 4% from 2015 to 2016.

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

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

- There was a slight reduction in the amount of total property taxes levied in 2016. This was comprised of the General Fund budget being 10% lower than 2015, which helped to offset increases to the debt service and library components of the tax levy.
- Development continues to be strong in the new development areas. The 2016 budget anticipates the building of 140 new homes and the continuation of commercial expansion.
- The Lake Elmo Avenue Downtown project with Washington County is well underway and Phase I was completed in 2015. Phase II of the project will be completed in 2016. The project covers full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
- The Inwood Avenue segment of the water line (for which the \$3.5M in State Bonding proceeds were secured) has moved into construction. This includes the construction of a new water tower, booster station and the truck water main improvements.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lake Elmo, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Lake Elmo, Minnesota, 3800 Laverne Avenue North, Lake Elmo, Minnesota, 55042.

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**CITY OF LAKE ELMO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,026,696	\$ 3,335,904	\$ 11,362,600
Receivables, net of allowance	1,211,879	2,804,927	4,016,806
Due from other governmental units	120,605	2,012	122,617
Internal balances	(77,425)	77,425	
Prepaid expenses	30,816	1,290	32,106
Net pension asset	374,939		374,939
Capital assets:			
Nondepreciable	6,311,395	4,442,598	10,753,993
Depreciable, net	12,216,244	18,350,237	30,566,481
Total Assets	28,215,149	29,014,393	57,229,542
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized deferred amount on refunding	27,609	48,858	76,467
Deferred outflows from pension activity	143,423	18,217	161,640
Total Deferred Outflows of Resources	171,032	67,075	238,107
<b>LIABILITIES</b>			
Accounts payable	1,025,536	353,044	1,378,580
Accrued expenses	58,992	5,469	64,461
Accrued interest	99,424	108,475	207,899
Escrow deposits	75,000		75,000
Due to other governmental units		14,384	14,384
Unearned revenue	6,800	164,000	170,800
Noncurrent liabilities:			
Due within one year	847,559	620,953	1,468,512
Due in more than one year	9,201,194	12,034,591	21,235,785
Net pension liability	840,433	137,672	978,105
Total Liabilities	12,154,938	13,438,588	25,593,526
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	119,126	19,125	138,251
<b>NET POSITION</b>			
Net investment in capital assets	8,723,329	10,170,351	18,893,680
Restricted			
Debt service	3,446,142	1,876,119	5,322,261
Unrestricted	3,942,646	3,577,285	7,519,931
Total Net Position	\$ 16,112,117	\$ 15,623,755	\$ 31,735,872

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

<b><u>Functions/Programs</u></b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 1,134,132	\$ 42,706	\$	\$
Public safety	1,344,282	866,708	85,261	
Public works	1,377,969	3,615	135,152	1,900,782
Culture and recreation	639,006	26,214	28,681	138,158
Interest on long-term debt	215,611			
 Total governmental activities	 <u>4,711,000</u>	 <u>939,243</u>	 <u>249,094</u>	 <u>2,038,940</u>
<b>Business-Type activities:</b>				
Water	1,363,043	1,850,240		
Sewer	250,866	1,523,067		
Storm sewer	103,536	229,252		
 Total business-type activities	 <u>1,717,445</u>	 <u>3,602,559</u>		
 Total	 <u>\$ 6,428,445</u>	 <u>\$ 4,541,802</u>	 <u>\$ 249,094</u>	 <u>\$ 2,038,940</u>

General revenues:

    General property taxes

    Grants and contributions not restricted to specific programs

    Interest earnings

    Miscellaneous

Transfers

    Total general revenues and transfers

Change in net position

Net position - beginning, as originally stated

Restatement due to change in accounting standards (Note 5)

Net position - beginning, as restated

Net position - ending

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,091,426)		\$ (1,091,426)
(392,313)		(392,313)
661,580		661,580
(445,953)		(445,953)
(215,611)		(215,611)
<u>(1,483,723)</u>		<u>(1,483,723)</u>
	\$ 487,197	487,197
	1,272,201	1,272,201
	125,716	125,716
	<u>1,885,114</u>	<u>1,885,114</u>
<u>(1,483,723)</u>	<u>1,885,114</u>	<u>401,391</u>
3,204,119		3,204,119
2,749		2,749
46,589	39,757	86,346
73,738		73,738
220,842	(220,842)	
<u>3,548,037</u>	<u>(181,085)</u>	<u>3,366,952</u>
<u>2,064,314</u>	<u>1,704,029</u>	<u>3,768,343</u>
14,469,960	14,055,152	28,525,112
(422,157)	(135,426)	(557,583)
<u>14,047,803</u>	<u>13,919,726</u>	<u>27,967,529</u>
<u>\$ 16,112,117</u>	<u>\$ 15,623,755</u>	<u>\$ 31,735,872</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**CITY OF LAKE ELMO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2015

	General Fund	Debt Service	Infrastructure Reserve
<b>ASSETS</b>			
Cash and investments	\$ 2,994,027	\$ 2,568,653	\$ 769,626
Receivables (Net of allowance for uncollectibles)			
Accounts	8,470		70,497
Delinquent taxes	43,188		
Special assessments		950,579	17,833
Accrued interest	13,758		
Due from other funds	158,195		
Advances to other funds	405,398		
Due from other governmental units	40,595	70,458	9,552
Prepaid expenses	26,908		
	\$ 3,690,539	\$ 3,589,690	\$ 867,508
<b>TOTAL ASSETS</b>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 397,699	\$	\$ 602,151
Escrow deposits payable			
Accrued liabilities	55,570		
Due to other funds		94,603	7,032
Unearned revenue	6,800		
Advances from other funds			
Total liabilities	460,069	94,603	609,183
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Property taxes	43,188		
Special assessments		950,579	17,833
Accounts receivable			
Intergovernmental revenue		70,000	
Total deferred inflows of resources	43,188	1,020,579	17,833
<b>FUND BALANCE</b>			
Nonspendable	432,306		
Restricted		2,477,730	
Assigned			240,492
Unassigned	2,754,976	(3,222)	
Total Fund Balance	3,187,282	2,474,508	240,492
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
	\$ 3,690,539	\$ 3,589,690	\$ 867,508

**See Notes to Financial Statements**

Vehicle Acquisition	Other Governmental Funds	Total
\$ 66,684	\$ 1,600,443	\$ 7,999,433
	107,554	186,521
		43,188
		968,412
		13,758
		158,195
		405,398
		120,605
	3,908	30,816
<u>\$ 66,684</u>	<u>\$ 1,711,905</u>	<u>\$ 9,926,326</u>
\$	\$ 26,401	\$ 1,026,251
	75,000	75,000
	2,707	58,277
	57,904	159,539
		6,800
	405,398	405,398
	<u>567,410</u>	<u>1,731,265</u>
		43,188
		968,412
	107,554	107,554
		70,000
	<u>107,554</u>	<u>1,189,154</u>
	3,908	436,214
		2,477,730
66,684	1,461,566	1,768,742
	(428,533)	2,323,221
<u>66,684</u>	<u>1,036,941</u>	<u>7,005,907</u>
<u>\$ 66,684</u>	<u>\$ 1,711,905</u>	<u>\$ 9,926,326</u>

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**CITY OF LAKE ELMO, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS**

December 31, 2015

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

Total governmental fund balances (pages 22-23)		\$ 7,005,907
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$ 24,518,596	
Accumulated depreciation	<u>(6,118,955)</u>	18,399,641
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$ 43,188	
Special assessments	968,412	
Accounts receivable	107,554	
Due from other governmental units	<u>70,000</u>	1,189,154
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds and notes payable	\$ (9,761,219)	
Net pension liability (asset), deferred outflows and inflows from pension activity	(441,197)	
Compensated absences	(70,161)	
Post employment benefit obligation	(174,282)	
Accrued interest	(99,424)	
Unamortized deferred amount on refunding	27,609	
Unamortized bond premiums	(93,353)	
Unamortized bond discounts	<u>50,262</u>	(10,561,765)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position.		
		<u>79,180</u>
Net position of governmental activities (page 17)		<u><u>\$ 16,112,117</u></u>

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

For the Year Ended December 31, 2015

	General Fund	Debt Service	Infrastructure Reserve
<b>REVENUES</b>			
Taxes	\$ 2,506,141	\$ 484,814	\$
Licenses and permits	828,494		
Intergovernmental	222,352	74,550	
Charges for services	35,796		
Fines and forfeitures	48,739		
Special assessments		1,263,642	52,597
Dedication fees			
Investment earnings	23,501	8,199	5,422
Miscellaneous revenue	2,860		
	<u>3,667,883</u>	<u>1,831,205</u>	<u>58,019</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,025,320		
Public safety	1,203,765		
Public works	686,401		
Culture and recreation	229,595		
Unallocated	69,403		
<b>Capital Outlay</b>			
Public safety			
Public works			1,747,493
Culture and recreation			
<b>Debt Service</b>			
Principal		667,000	
Interest and other charges		203,702	
Bond issuance costs			21,037
	<u>3,214,484</u>	<u>870,702</u>	<u>1,768,530</u>
<b>TOTAL EXPENDITURES</b>			
Excess (deficiency) of revenues over (under) expenditures	<u>453,399</u>	<u>960,503</u>	<u>(1,710,511)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt			1,490,000
Premium on issuance of debt			29,558
(Discount) on issuance of debt			(10,472)
Sale of capital assets			
Transfers	(447,118)	822,305	(350,916)
	<u>(447,118)</u>	<u>822,305</u>	<u>1,158,170</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
Net change in fund balances	6,281	1,782,808	(552,341)
<b>FUND BALANCES, Beginning</b>	<u>3,181,001</u>	<u>691,700</u>	<u>792,833</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 3,187,282</u>	<u>\$ 2,474,508</u>	<u>\$ 240,492</u>

**See Notes to Financial Statements**

Vehicle Acquisition	Other Governmental Funds	Total
\$	\$ 231,261	\$ 3,222,216
		828,494
		296,902
		35,796
		48,739
		1,316,239
	138,158	138,158
525	8,768	46,415
	96,195	99,055
<u>525</u>	<u>474,382</u>	<u>6,032,014</u>
		1,025,320
		1,203,765
		686,401
	228,154	457,749
		69,403
811,722		811,722
		1,747,493
	170,297	170,297
342		667,342
36		203,738
1,836		22,873
<u>813,936</u>	<u>398,451</u>	<u>7,066,103</u>
<u>(813,411)</u>	<u>75,931</u>	<u>(1,034,089)</u>
130,000		1,620,000
2,579		32,137
(914)		(11,386)
30,000		30,000
(3,429)	200,000	220,842
<u>158,236</u>	<u>200,000</u>	<u>1,891,593</u>
(655,175)	275,931	857,504
<u>721,859</u>	<u>761,010</u>	<u>6,148,403</u>
<u>\$ 66,684</u>	<u>\$ 1,036,941</u>	<u>\$ 7,005,907</u>

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**CITY OF LAKE ELMO, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2015

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

Net change in fund balances - total governmental funds (pages 26-27)	\$	857,504
Governmental funds report capital outlay as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay capitalized	\$ 2,595,264	
Depreciation expense	<u>(789,356)</u>	
		1,805,908
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets		
		(38,593)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Special assessments	\$ 579,993	
Property taxes	(18,097)	
Intergovernmental revenue	<u>(70,000)</u>	
		491,896
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences, end of year	\$ (70,161)	
Compensated absences, beginning of year	83,085	
Post employment benefit obligation, end of year	(174,282)	
Post employment benefit obligation, beginning of year	<u>139,158</u>	
		(22,200)
Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Principal retirement on long-term debt	\$ 667,342	
Issuance of long-term debt	(1,620,000)	
Change in net pension liability	(19,040)	
Change in deferred amount on refunding	27,609	
Change in accrued interest, bond premiums and bond discounts	<u>(60,286)</u>	
		(1,004,375)
Internal service funds are used by management to charge the costs of capital equipment replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements		
		<u>(25,826)</u>
Change in net position of governmental activities (page 19)	\$	<u><u>2,064,314</u></u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 2,718,180	\$ 2,718,180	\$ 2,434,229	\$ (283,951)
Franchise	47,500	47,500	71,912	24,412
Total Taxes	2,765,680	2,765,680	2,506,141	(259,539)
Licenses and Permits				
Business	12,530	12,530	12,781	251
Nonbusiness	785,614	785,614	815,713	30,099
Total Licenses and Permits	798,144	798,144	828,494	30,350
Intergovernmental				
MSA - maintenance	101,696	101,696	119,464	17,768
Fire state aid	41,500	41,500	58,166	16,666
Other	2,749	2,749	29,034	26,285
County and local	15,500	15,500	15,688	188
Total Intergovernmental	161,445	161,445	222,352	60,907
Charges for Services	10,425	10,425	35,796	25,371
Fines and forfeits	48,000	48,000	48,739	739
Investment earnings	10,000	10,000	23,501	13,501
Miscellaneous Revenue	4,640	4,640	2,860	(1,780)
<b>TOTAL REVENUES</b>	<b>\$ 3,798,334</b>	<b>\$ 3,798,334</b>	<b>\$ 3,667,883</b>	<b>\$ (130,451)</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	\$ 27,955	\$ 27,955	\$ 27,665	\$ 290
Other services and charges	13,000	13,000	21,452	(8,452)
Total Mayor and Council	40,955	40,955	49,117	(8,162)
Election				
Other services and charges	1,050	1,050	1,880	(830)
Finance and Administration				
Personnel services	372,668	372,668	393,984	(21,316)
Supplies	6,500	6,500	8,379	(1,879)
Other services and charges	52,795	52,795	36,236	16,559
Total Finance and Administration	431,963	431,963	438,599	(6,636)
Communications				
Personnel services	51,191	51,191	16,579	34,612
Other services and charges	19,651	19,651	11,771	7,880
Total Communications	70,842	70,842	28,350	42,492
City Facilities				
Supplies	350	350	478	(128)
Other services and charges	49,885	49,885	60,523	(10,638)
Total City Facilities	50,235	50,235	61,001	(10,766)
Professional Services				
Assessor	32,000	32,000	46,659	(14,659)
Accounting and auditing	33,000	33,000	36,056	(3,056)
Legal	45,000	45,000	100,075	(55,075)
Engineering	54,800	54,800	33,146	21,654
Total Professional Services	164,800	164,800	215,936	(51,136)

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Planning and Zoning				
Personnel services	\$ 192,818	\$ 192,818	\$ 185,187	\$ 7,631
Supplies	2,550	2,550	2,619	(69)
Other services and charges	28,850	28,850	42,631	(13,781)
Total Planning and Zoning	<u>224,218</u>	<u>224,218</u>	<u>230,437</u>	<u>(6,219)</u>
Total General Government	<u>984,063</u>	<u>984,063</u>	<u>1,025,320</u>	<u>(41,257)</u>
<b>Public Safety</b>				
Police				
Contracted services	517,799	517,799	527,462	(9,663)
Fire Protection				
Personnel services	237,507	237,507	234,450	3,057
2% fire aid	37,324	37,324	58,166	(20,842)
Supplies	41,142	41,142	33,317	7,825
Other services and charges	106,663	106,663	97,153	9,510
Total Fire Protection	<u>422,636</u>	<u>422,636</u>	<u>423,086</u>	<u>(450)</u>
Building Inspector				
Personnel services	201,382	201,382	134,715	66,667
Supplies	8,300	8,300	1,858	6,442
Other services and charges	113,875	113,875	45,774	68,101
Total Building Inspector	<u>323,557</u>	<u>323,557</u>	<u>182,347</u>	<u>141,210</u>
Animal Control				
Other services and charges	6,800	6,800	11,415	(4,615)
Criminal Legal	50,000	50,000	55,710	(5,710)
Emergency Communications	7,000	7,000	3,745	3,255
Total Public Safety	<u>\$ 1,327,792</u>	<u>\$ 1,327,792</u>	<u>\$ 1,203,765</u>	<u>\$ 124,027</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Works</b>				
General				
Personnel services	\$ 241,595	\$ 241,595	\$ 212,881	\$ 28,714
Supplies	356,278	356,278	328,696	27,582
Other services and charges	109,900	109,900	117,414	(7,514)
Total General	707,773	707,773	658,991	48,782
Trees	6,000	6,000	1,500	4,500
Street Lighting	28,000	28,000	25,910	2,090
Total Public Works	741,773	741,773	686,401	55,372
<b>Culture and Recreation</b>				
Parks				
Personnel services	120,728	120,728	195,242	(74,514)
Supplies	7,750	7,750	9,463	(1,713)
Other services and charges	24,550	24,550	24,890	(340)
Total Culture and Recreation	153,028	153,028	229,595	(76,567)
<b>Other Unallocated</b>				
Compensation adjustments	35,000	35,000	*	35,000
IT and telephone expense	109,560	109,560	69,403	40,157
Total Other Unallocated	144,560	144,560	69,403	75,157
Total Expenditures	3,351,216	3,351,216	3,214,484	136,732
Excess (deficiency) of revenues over (under) expenditures	447,118	447,118	453,399	6,281
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(447,118)	(447,118)	(447,118)	
NET CHANGE IN FUND BALANCE			6,281	6,281
FUND BALANCE, January 1	3,181,001	3,181,001	3,181,001	
FUND BALANCE, December 31	\$ 3,181,001	\$ 3,181,001	\$ 3,187,282	\$ 6,281

\* Actual compensation adjustments were \$34,297 which are reflected in the departmental budgets.

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position**  
December 31, 2015

	Water	Sewer	Storm Sewer
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 2,038,821	\$ 850,198	\$ 446,885
Receivables			
Accounts	357,771	296,810	244,474
Special assessments	487,294	1,401,674	16,904
Due from other governments	703	1,295	14
Due from other funds		54,305	23,915
Prepaid expenses		1,290	
	<u>2,884,589</u>	<u>2,605,572</u>	<u>732,192</u>
<b>Total Current Assets</b>			
<b>Noncurrent Assets</b>			
Property and Equipment			
Land	248,869		
Machinery and equipment	300,587		
Infrastructure	18,803,656	2,761,352	611,337
Construction in progress	406,826	3,654,702	132,201
Total Property and Equipment	<u>19,759,938</u>	<u>6,416,054</u>	<u>743,538</u>
Less: Accumulated depreciation	<u>3,774,797</u>	<u>249,448</u>	<u>102,450</u>
Net Property and Equipment	<u>15,985,141</u>	<u>6,166,606</u>	<u>641,088</u>
<b>Total Assets</b>	<u>18,869,730</u>	<u>8,772,178</u>	<u>1,373,280</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	48,858		
Deferred outflows from pension activity	11,014	4,416	2,787
<b>Total Deferred Outflows of Resources</b>	<u>\$ 59,872</u>	<u>\$ 4,416</u>	<u>\$ 2,787</u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,335,904	\$ 27,263
899,055	
1,905,872	
2,012	
78,220	
1,290	
<u>6,222,353</u>	<u>27,263</u>
248,869	
300,587	585,689
22,176,345	
4,193,729	
<u>26,919,530</u>	<u>585,689</u>
<u>4,126,695</u>	<u>457,691</u>
<u>22,792,835</u>	<u>127,998</u>
<u>29,015,188</u>	<u>155,261</u>
48,858	
18,217	
<u>\$ 67,075</u>	<u>\$</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Net Position (Continued)**  
December 31, 2015

	Water	Sewer	Storm Sewer
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 243,094	\$ 106,865	\$ 3,085
Accrued salaries payable	3,398	1,266	805
Accrued interest payable	58,677	49,798	
Due to other funds	795		
Due to other governments	2,293	7,455	4,636
Unearned revenue	164,000		
Current portion of compensated absences	3,543	1,567	843
Current portion of bonds payable	415,000	200,000	
	<u>890,800</u>	<u>366,951</u>	<u>9,369</u>
<b>Long-term Liabilities</b>			
Other postemployment benefits payable	14,005	3,885	6,806
Compensated absences payable	1,747	330	334
Net pension liability	83,240	33,372	21,060
Bonds payable and unamortized premium on bonds, net of unamortized discount on bonds	8,342,715	3,664,769	
	<u>8,441,707</u>	<u>3,702,356</u>	<u>28,200</u>
<b>Total Long-term Liabilities</b>	<u>8,441,707</u>	<u>3,702,356</u>	<u>28,200</u>
<b>Total Liabilities</b>	<u>9,332,507</u>	<u>4,069,307</u>	<u>37,569</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	11,563	4,636	2,926
	<u>11,563</u>	<u>4,636</u>	<u>2,926</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,227,426	2,301,837	641,088
Restricted			
Debt service	474,445	1,401,674	
Unrestricted	1,883,661	999,140	694,484
	<u>1,883,661</u>	<u>999,140</u>	<u>694,484</u>
<b>Total Net Position</b>	<u>\$ 9,585,532</u>	<u>\$ 4,702,651</u>	<u>\$ 1,335,572</u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
\$ 353,044	\$
5,469	
108,475	
795	76,081
14,384	
164,000	
5,953	
615,000	
<u>1,267,120</u>	<u>76,081</u>
24,696	
2,411	
137,672	
<u>12,007,484</u>	
<u>12,172,263</u>	
<u>13,439,383</u>	<u>76,081</u>
<u>19,125</u>	
10,170,351	127,998
1,876,119	
<u>3,577,285</u>	<u>(48,818)</u>
<u>\$ 15,623,755</u>	<u>\$ 79,180</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
For the Year Ended December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
<b>Operating Revenues</b>	\$ 562,998	\$ 128,147	\$ 219,127
<b>Operating Expenses</b>			
Personnel services	128,647	51,275	35,908
Supplies	118,762	926	4,423
Professional services	36,652	21,653	47,242
Repairs and maintenance	10,140	1,131	
Insurance	6,799		
Utilities	141,214	23,205	
Depreciation	557,627	42,224	15,963
Total Operating Expenses	<u>999,841</u>	<u>140,414</u>	<u>103,536</u>
<b>Operating Income (Loss)</b>	<u>(436,843)</u>	<u>(12,267)</u>	<u>115,591</u>
<b>Other Revenue (Expense)</b>			
Investment earnings	26,985	9,928	2,844
Rents	49,742		
Future infrastructure charges	1,237,500	1,394,920	
Miscellaneous revenue			10,125
Bond issuance costs	(12,919)	(3,953)	
Interest and fiscal expense	(350,283)	(106,499)	
Total Other Revenue (Expense)	<u>951,025</u>	<u>1,294,396</u>	<u>12,969</u>
Income (Loss) Before Transfers and Contributions	514,182	1,282,129	128,560
Capital contributions - special assessments			
Transfers in	84,569	94,845	132,201
Transfers out	(291,413)	(241,044)	
Change in net position	<u>307,338</u>	<u>1,135,930</u>	<u>260,761</u>
<b>Net Position, Beginning, as originally stated</b>	9,360,075	3,599,549	1,095,528
Restatement (Note 5)	(81,881)	(32,828)	(20,717)
<b>Net Position, Beginning, as restated</b>	<u>9,278,194</u>	<u>3,566,721</u>	<u>1,074,811</u>
<b>Net Position, End of Year</b>	<u>\$ 9,585,532</u>	<u>\$ 4,702,651</u>	<u>\$ 1,335,572</u>

**See Notes to Financial Statements**

<u>Total</u>	<u>Internal Service Funds</u>
<u>\$ 910,272</u>	<u>\$</u>
215,830	
124,111	
105,547	
11,271	
6,799	
164,419	
615,814	<u>26,000</u>
<u>1,243,791</u>	<u>26,000</u>
<u>(333,519)</u>	<u>(26,000)</u>
39,757	174
49,742	
2,632,420	
10,125	
(16,872)	
(456,782)	
<u>2,258,390</u>	<u>174</u>
1,924,871	(25,826)
311,615	
(532,457)	
<u>1,704,029</u>	<u>(25,826)</u>
14,055,152	105,006
(135,426)	
<u>13,919,726</u>	
<u>\$ 15,623,755</u>	<u>\$ 79,180</u>

**CITY OF LAKE ELMO, MINNESOTA  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows  
 For the Year Ended December 31, 2015**

	Water	Sewer	Storm Sewer	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 1,945,846	\$ 1,415,374	\$ 207,496	\$ 3,568,716	\$
Cash payments to suppliers	(308,194)	(89,610)	(47,463)	(445,267)	
Cash payments to employees	(122,496)	(50,862)	(34,501)	(207,859)	
Net Cash Provided By (Used In) Operating Activities	<u>1,515,156</u>	<u>1,274,902</u>	<u>125,532</u>	<u>2,915,590</u>	
<b>Cash Flows From Investing Activities</b>					
Interest earnings received	<u>26,985</u>	<u>9,928</u>	<u>2,844</u>	<u>39,757</u>	<u>174</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Rents received	49,742			49,742	
Increase in due to other funds					27,330
Transfers from other funds	84,569	94,845	132,201	311,615	
Transfers to other funds	(291,413)	(241,044)		(532,457)	
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(157,102)</u>	<u>(146,199)</u>	<u>132,201</u>	<u>(171,100)</u>	<u>27,330</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(652,351)	(586,922)	(132,201)	(1,371,474)	(27,330)
Special assessments	298,753	214,304	5,763	518,820	
Proceeds from issuance of long-term debt	915,000	280,000		1,195,000	
Bond issuance costs	(12,919)	(3,953)		(16,872)	
Increase in unamortized bond premiums	10,261	2,723		12,984	
Principal paid on long-term debt	(4,015,000)	(150,000)		(4,165,000)	
Interest paid on long-term debt	(355,648)	(105,177)		(460,825)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(3,811,904)</u>	<u>(349,025)</u>	<u>(126,438)</u>	<u>(4,287,367)</u>	<u>(27,330)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(2,426,865)</u>	<u>789,606</u>	<u>134,139</u>	<u>(1,503,120)</u>	<u>174</u>
<b>Cash and Cash Equivalents, January 1</b>	<u>4,465,686</u>	<u>60,592</u>	<u>312,746</u>	<u>4,839,024</u>	<u>27,089</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 2,038,821</u>	<u>\$ 850,198</u>	<u>\$ 446,885</u>	<u>\$ 3,335,904</u>	<u>\$ 27,263</u>

**See Notes to Financial Statements**

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows (Continued)**  
For the Year Ended December 31, 2015

<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating income (loss)	\$ (436,843)	\$ (12,267)	\$ 115,591	\$ (333,519)	\$ (26,000)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	557,627	42,224	15,963	615,814	26,000
Change in net pension liability	1,908	764	482		
Future infrastructure charges, included in nonoperating revenue	1,237,500	1,394,920		2,632,420	
Miscellaneous revenue, included in nonoperating revenue			10,125		
(Increase) decrease in:					
Accounts receivable	(20,938)	(106,398)	(21,910)	(149,246)	
Due from other governments	2,286	(1,295)	154	1,145	
Prepaid expenses		(1,290)		(1,290)	
Increase (decrease) in:					
Accounts payable	5,036	(11,958)	(434)	(7,356)	
Accrued salaries payable	837	47	(197)	687	
Due to other governments	337	(29,447)	4,636	(24,474)	
Unearned revenue	164,000			164,000	
Other postemployment benefits payable	2,546	79	1,044	3,669	
Compensated absences payable	860	(477)	78	461	
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 1,515,156</u>	<u>\$ 1,274,902</u>	<u>\$ 125,532</u>	<u>\$ 2,915,590</u>	<u>\$</u>
 Noncash Capital and Related Financing Activities					
Amortization of deferred charges	\$ 4,479	\$ 342	\$	\$ 4,821	\$
Amortization of bond premiums	5,938	1,205		7,143	

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
December 31, 2015

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,827,170
Accounts receivable	128
<b>TOTAL ASSETS</b>	<b>\$ 1,827,298</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 99,952
Deposits payable	1,727,346
<b>TOTAL LIABILITIES</b>	<b>\$ 1,827,298</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

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

##### *Related Organizations*

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

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

The City reports the following major governmental funds:

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

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

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

The *vehicle acquisition fund* accounts for the accumulation of funds for the purchase of vehicles to be used by various City departments.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

1. Cash and investments (including cash equivalents)

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

2. Receivables and payables

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

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

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

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

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

2. Receivables and payables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from ten to twenty years with interest charged at 2% over the borrowing rate. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

3. Capital assets (continued)

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

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

4. Postemployment benefits other than pensions

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

5. Long-term obligations

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

5. Long-term obligations (continued)

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

6. Pensions

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

7. Net Position and Fund Balance

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

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

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

7. Net Position and Fund Balance (continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

---

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

7. Net Position and Fund Balance (continued)

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

8. Interfund transactions

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

E. Concentration of Credit Risk

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

F. Use of Estimates

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Stewardship, Compliance and Accountability**

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**A. Budgetary Information**

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

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

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

All budget amounts presented as a basic financial statement or in the accompanying supplementary information reflect the original budget and the final budget (which were the same for the year ended December 31, 2015).

The City does not use encumbrance accounting.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. Stewardship, Compliance, and Accountability**

**B. Expenditures Exceeding Appropriations**

For the year ended December 31, 2015, the General Fund total expenditures were \$95,192 more than budget. The following funds and General Fund departments had expenditures exceeding the latest amended budget:

	<u>2015 Budgeted Expenditures</u>	<u>2015 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General Fund:			
General government	\$ 984,063	\$ 1,025,320	\$ 41,257
Culture and recreation	153,028	229,595	76,567
City Events Fund		2,380	2,380

The above listed over expenditures in the general government department were due primarily to legal expenses incurred over the amounts budgeted. The above listed over expenditures in the culture and recreation department were primarily related to a staffing changes not factored into the 2015 budget. The expenditures in excess of budget for the City Events fund were related to unanticipated expenditures in the current year.

All overexpenditures were approved by the City Council.

**C. Fund Balance Deficits**

As of December 31, 2015, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
City Events Special Revenue	\$ 1,144
Village Project Capital Project	422,169
Manning Avenue/Highway 36 Capital Project	5,220

The fund balance deficits will be eliminated by future revenue and financing sources.

## CITY OF LAKE ELMO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds

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##### A. Deposits and Investments

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

Minnesota statutes require that all deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes certain state or local government obligations and legal investments described in the investment policy section. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than the institution furnishing the collateral.

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2015.

##### Investment Policy

The City does not maintain a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or that would limit its investment choices as a means of managing its exposure to credit risk.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
  - (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
  - (c) General obligations of the State of Minnesota or its municipalities.
  - (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
  - (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
  - (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
  - (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
  - (h) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies and with a credit quality in one of the top two highest categories.
-

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

A. Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.

The following is a summary of the City of Lake Elmo, Minnesota's cash and investment portfolio including the range of maturities and investment ratings by type of investment:

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 6,758,782
Certificates of Deposit	10/22	N/A	4,932,107
Municipal Bonds	12/18	A	365,072
U.S. Government Agencies and State and Local Government Securities	8/21	AAA	<u>1,133,809</u>
Total cash and investments			<u><u>\$ 13,189,770</u></u>

N/A Not applicable or not available

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

Carrying amount of deposits	\$ 6,758,782
Investments	<u>6,430,988</u>
Total	<u><u>\$ 13,189,770</u></u>
Government-wide	
Cash and investments	\$ 11,362,600
Fiduciary	
Cash and investments	<u>1,827,170</u>
Total	<u><u>\$ 13,189,770</u></u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investments are rated by various credit rating agencies, where applicable, to indicate the associated credit risk. Investment ratings by investment type (as applicable) are included in the preceding summary of investments.

Concentration of Credit Risk

Investments in any one issuer that represented 5% or more of total investments as of December 31, 2015 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
Lake Elmo Bank	Money Market Savings	\$ 5,864,891
Lake Elmo Bank	Certificates of Deposit	2,000,000

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2015, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

**B. Due from Other Governmental Units**

Amounts due from other governmental units as of December 31, 2015 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>Valley Branch Watershed District</u>	<u>Minnesota Department of Transportation</u>	<u>Total</u>
General Fund	\$ 40,595	\$	\$	\$ 40,595
Debt Service Fund	458		70,000	70,458
Infrastructure Reserve Fund	552	9,000		9,552
Water Fund	703			703
Sewer Fund	1,295			1,295
Storm Sewer Fund	14			14
Total	<u>\$ 43,617</u>	<u>\$ 9,000</u>	<u>\$ 70,000</u>	<u>\$ 122,617</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**C. Accounts and Loans Receivable**

Accounts receivable as of December 31, 2015 are expected to be collected in full. Based upon management's assessment of the creditworthiness of the customers comprising the receivable balance, no allowance for uncollectible accounts is necessary.

**D. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2015 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,453,979	\$	\$	\$ 3,453,979
Construction in progress	3,510,704	1,725,305	2,378,593	2,857,416
Total capital assets, not being depreciated	6,964,683	1,725,305	2,378,593	6,311,395
Capital assets, being depreciated:				
Buildings	3,634,483		100,941	3,533,542
Improvements other than buildings	1,347,650			1,347,650
Machinery and equipment	2,995,642	918,850	177,417	3,737,075
Infrastructure	7,796,030	2,378,593		10,174,623
Total capital assets, being depreciated	15,773,805	3,297,443	278,358	18,792,890
Less accumulated depreciation for:				
Building	874,133	72,408	62,348	884,193
Improvements other than buildings	836,829	71,152		907,981
Machinery and equipment	2,140,730	164,255	177,417	2,127,568
Infrastructure	2,149,363	507,541		2,656,904
Total accumulated depreciation	6,001,055	815,356	239,765	6,576,646
Total capital assets, being depreciated, net	9,772,750	2,482,087	38,593	12,216,244
Governmental activities capital assets, net	\$ 16,737,433	\$ 4,207,392	\$ 2,417,186	\$ 18,527,639

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

**D. Capital Assets (Continued)**

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 54,675	\$ 194,194	\$	\$ 248,869
Construction in progress	6,668,232	1,177,280	3,651,783	4,193,729
Total capital assets, not being depreciated	6,722,907	1,371,474	3,651,783	4,442,598
Capital assets, being depreciated:				
Machinery and equipment	300,587			300,587
Infrastructure	18,524,562	3,651,783		22,176,345
Total capital assets, being depreciated	18,825,149	3,651,783		22,476,932
Less accumulated depreciation for:				
Machinery and equipment	184,022	16,053		200,075
Infrastructure	3,326,859	599,761		3,926,620
Total accumulated depreciation	3,510,881	615,814		4,126,695
Total capital assets, being depreciated, net	15,314,268	3,035,969		18,350,237
Business-type activities capital assets, net	\$ 22,037,175	\$ 4,407,443	\$ 3,651,783	\$ 22,792,835

Certain assets in the City's business-type activities have been partially funded by grants from the State of Minnesota and therefore are considered jointly owned property. In the unlikely event the City would sell these assets, the City would be required to reimburse the State up to the full amount of the grants.

Depreciation expense for the year ended December 31, 2015 was charged to functions/programs as follows:

**Governmental Activities**

General government	\$ 10,574
Public safety	98,666
Public works	626,982
Culture and recreation	79,134
Total	\$ 815,356

**Business-Type Activities**

Water	\$ 557,627
Sewer	42,224
Storm sewer	15,963
Total	\$ 615,814

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Long-Term Debt

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital assets including infrastructure. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued to provide funds for business-type activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation improvement bonds are expected to be repaid, in part, from assessments to the benefited properties. A summary of long-term debt outstanding at December 31, 2015 is as follows:

	Issue Date	Range of Interest Rates	Final Maturity	Balance 12/31/15
General obligation bonds:				
2009A Refunding Bonds	5/1/2009	3.00%	2016	\$ 70,000
2009B Improvement Bonds	10/1/2009	2.00% - 3.05%	2020	310,000
2010A Improvement Bonds	11/15/2010	1.85% - 2.80%	2021	435,000
2010B CIP Crossover Refunding Bonds	11/15/2010	1.40% - 3.20%	2025	1,685,000
2011A Improvement Bonds	10/1/2011	1.25% - 2.30%	2022	610,000
2012B Improvement Bonds	8/16/2012	0.75% - 1.90%	2023	710,000
2013A Improvement Bonds	10/1/2013	2.00% - 3.75%	2028	1,450,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	2,850,000
2015A Improvement Bonds	8/13/2015	2.00% - 3.00%	2031	1,620,000
General obligation note payable:				
Note Payable - Lake Elmo Bank	11/20/2015	1.99%	2020	21,219
General obligation revenue bonds:				
2009A Refunding Bonds	5/1/2009	3.00% - 3.85%	2021	280,000
2012A Refunding Bonds	8/13/2012	2.00% - 2.50%	2030	4,035,000
2013A Improvement Bonds	10/1/2013	2.00% - 4.00%	2033	3,640,000
2014A Improvement Bonds	7/15/2014	2.00% - 3.50%	2030	3,385,000
2015A Improvement Bonds	8/13/2015	2.00% - 3.00%	2031	1,195,000
Other Liabilities:				
Compensated Absences				78,525
Post Employment Benefit Obligation				198,978
Unamortized premium				231,360
Less: Unamortized discount				(100,785)
Total Long-Term Debt				<u>\$ 22,704,297</u>

Liquidation of the compensated absences liability occurs within the department and fund for which the corresponding employees are assigned. The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2015, the City had not utilized \$35,161,610 of its net legal debt margin.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2009A Refunding Bonds	\$ 140,000	\$	\$ 70,000	\$ 70,000	\$ 70,000
2009B Improvement Bonds	370,000		60,000	310,000	60,000
2010A Improvement Bonds	505,000		70,000	435,000	70,000
2010B CIP Crossover Refunding Bonds	1,835,000		150,000	1,685,000	150,000
2011A Improvement Bonds	690,000		80,000	610,000	85,000
2012B Improvement Bonds	790,000		80,000	710,000	85,000
2013A Improvement Bonds	1,555,000		105,000	1,450,000	105,000
2014A Improvement Bonds	2,850,000			2,850,000	180,000
2015A Improvement Bonds		1,620,000		1,620,000	
General obligation certificates:					
2006A Equipment Certificates	52,000		52,000		
General obligation note payable:					
Note Payable - Lake Elmo Bank		21,561	342	21,219	4,153
Other Liabilities:					
Compensated Absences	83,085	71,931	84,855	70,161	38,406
Post Employment Benefit Obligation	139,158	35,124		174,282	
Unamortized premium	66,045	32,137	4,829	93,353	
Less: Unamortized (discount)	(73,453)	(11,386)	(34,577)	(50,262)	
Governmental Activities					
Long-Term Liabilities	<u>9,001,835</u>	<u>1,769,367</u>	<u>722,449</u>	<u>10,048,753</u>	<u>847,559</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation revenue bonds:					
2005A Water Revenue Bonds	3,925,000		3,925,000		
2009A Refunding Bonds	320,000		40,000	280,000	40,000
2012A Refunding Bonds	4,035,000			4,035,000	195,000
2013A Improvement Bonds	3,840,000		200,000	3,640,000	205,000
2014A Improvement Bonds	3,385,000			3,385,000	175,000
2015A Improvement Bonds		1,195,000		1,195,000	
Other Liabilities:					
Compensated Absences	7,903	23,175	22,714	8,364	5,953
Post Employment Benefit Obligation	21,027	3,669		24,696	
Unamortized premium	121,445	23,706	7,144	138,007	
Less: Unamortized (discount)	(95,803)	(8,398)	(53,678)	(50,523)	
Business-Type Activities					
Long-Term Liabilities	<u>15,559,572</u>	<u>1,237,152</u>	<u>4,141,180</u>	<u>12,655,544</u>	<u>620,953</u>
Total	<u>\$ 24,561,407</u>	<u>\$ 3,006,519</u>	<u>\$ 4,863,629</u>	<u>\$ 22,704,297</u>	<u>\$ 1,468,512</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

In August 2012, the City issued \$4,035,000 in general obligation water revenue crossover refunding bonds with interest rates ranging from 2.00% to 2.50%. Proceeds from this bond issuance were used to refund the remaining principal of the 2005A water revenue bonds in 2015. This refunding resulted in a \$455,000 reduction to total debt service payments over the next sixteen years. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$366,000.

Debt service requirements to maturity for long-term debt, excluding compensated absences and post employment benefit obligation, as of December 31, 2015 were as follows:

Year	General Obligation Improvement Bonds		General Obligation Note Payable		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 805,000	\$ 219,667	\$ 4,153	\$ 385	\$ 615,000	\$ 316,957
2017	910,000	204,652	4,236	301	705,000	303,642
2018	930,000	187,305	4,321	216	750,000	289,355
2019	955,000	168,603	4,408	129	760,000	274,106
2020	975,000	148,508	4,101	41	765,000	258,525
2021-2025	3,865,000	447,843			3,920,000	1,037,004
2026-2030	1,300,000	91,458			4,300,000	507,351
2031-2033					720,000	52,144
Totals	<u>\$ 9,740,000</u>	<u>\$ 1,468,034</u>	<u>\$ 21,219</u>	<u>\$ 1,072</u>	<u>\$ 12,535,000</u>	<u>\$ 3,039,082</u>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2015:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 158,195	\$
Debt Service		94,603
Infrastructure Reserve		7,032
Subtotal	<u>158,195</u>	<u>101,635</u>
Nonmajor Governmental Funds:		
City Events		1,144
Village Project		56,760
Subtotal		<u>57,904</u>
Proprietary Funds:		
Water		795
Sewer	54,305	
Storm Sewer	23,915	
Subtotal	<u>78,220</u>	<u>795</u>
Internal Service Funds:		
FFE Replacement		<u>76,081</u>
Total All Funds	<u>\$ 236,415</u>	<u>\$ 236,415</u>

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Receivables and Payables (continued)

The City established an interfund loan from the General Fund to the Village Project fund. At December 31, 2015, the outstanding balance was \$405,398. The loan carries an interest rate of 4 percent.

G. Interfund Transfers

The following schedule reports the interfund transfers within the City's funds as of December 31, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$	\$ 447,118
Debt Service	822,305	
Infrastructure Reserve		350,916
Vehicle Acquisition		3,429
Non-Major Governmental Funds	200,000	
Proprietary Funds:		
Water	84,569	291,413
Sewer	94,845	241,044
Storm sewer	132,201	
	<hr/>	<hr/>
Total All Funds	\$ 1,333,920	\$ 1,333,920

Transfers are used to move unassigned revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

H. Fund Equity

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2015:

	General	Debt Service	Infrastructure Reserve	Vehicle Acquisition	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid items	\$ 26,908	\$	\$	\$	\$ 3,908	\$ 30,816
Advance to other funds	405,398					405,398
Total Nonspendable	<u>432,306</u>				<u>3,908</u>	<u>436,214</u>
Restricted						
Debt service		2,477,730				2,477,730
Assigned						
Library					231,581	231,581
City facilities					271,669	271,669
Infrastructure improvements			240,492		8,051	248,543
Park improvements					950,265	950,265
Vehicle acquisition				66,684		66,684
Total Assigned			<u>240,492</u>	<u>66,684</u>	<u>1,461,566</u>	<u>1,768,742</u>
Unassigned						
	<u>2,754,976</u>	<u>(3,222)</u>			<u>(428,533)</u>	<u>2,323,221</u>
Total Fund Balance	<u>\$ 3,187,282</u>	<u>\$ 2,474,508</u>	<u>\$ 240,492</u>	<u>\$ 66,684</u>	<u>\$ 1,036,941</u>	<u>\$ 7,005,907</u>

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information**

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A. Risk Management

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

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

B. Commitments and Contingencies

General Litigation:

Although the City is occasionally involved in litigation, management was unaware of any pending lawsuits in which the City was involved as of December 31, 2015. It is the opinion of management that any potential claim regarding any lawsuits against the City would be covered by the liability insurance of the City and that any potential claim against the City would not affect the financial statements.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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B. Commitments and Contingencies (Continued)

Operating Lease:

The City is obligated under a lease agreement for office space accounted for as an operating lease. Expenditures under this operating lease for the year ended December 31, 2015 totaled \$29,532. The following is a schedule by year of future minimum rental payments required under the lease as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 30,147
2017	31,992
2018	32,301
2019	<u>24,921</u>
Total	<u>\$ 119,361</u>

C. Other Post Employment Benefits

Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. During 2015, there were 24 active participants and no retiree participants. Benefit provisions are established by the Council. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Other Post Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligations

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

Annual required contribution	\$ 47,328
Interest on net OPEB obligations	1,820
Adjustment to ARC	<u>(10,357)</u>
Annual OPEB cost	38,791
Contributions during the year	<u>                    </u>
Increase in net OPEB obligation	38,791
Net OPEB, beginning of year	<u>160,185</u>
Net OPEB, ending of year	<u><u>\$ 198,976</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended December 31, 2015, 2014 and 2013 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2013	\$ 79,198	0%	\$ 157,701
12/31/2014	2,484	0%	160,185
12/31/2015	38,791	0%	198,976

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Funded Status and Funding Progress

As of January 1, 2015, the actuarial accrued liability for benefits was \$186,284, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,041,665, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.88 percent.

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Other Post Employment Benefits (Continued)

Methods and Assumptions (Continued)

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

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

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

*Health insurance premiums* - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 4.00 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected return of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was thirty years.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans

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

A. Plan Description

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

1. General Employees Retirement Fund (GERF) - All full-time and certain part-time employees of the City of Lake Elmo are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
2. Public Employees Police and Fire 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.

Benefits Provided

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

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

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

A. Plan Description (continued)

1. 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 and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

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

B. Contributions

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

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

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

B. Contributions (continued)

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015 were \$70,582. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015 were \$14,257. The City's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$875,846 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0169% at the end of the measurement period and .0191% for the beginning of the period.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

C. Pensions Costs (continued)

1. GERF Pension Costs (continued)

For the year ended December 31, 2015, the City recognized pension expense of \$90,912 for its proportionate share of the GERF's pension expense.

At December 31, 2015, 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	\$	\$ 44,158
Difference between projected and actual investment earnings	82,912	
Changes in proportion		77,510
Contributions paid to PERA subsequent to the measurement date	<u>32,981</u>	
Total	<u>\$ 115,893</u>	<u>\$ 121,668</u>

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

C. Pensions Costs (continued)

1. GERS Pension Costs (continued)

\$32,981 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2016	\$ (19,827)
2017	(19,827)
2018	(19,829)
2019	20,727

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$102,261 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .009% at the end of the measurement period and .009% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$17,622 for its proportionate share of the PEPFF's pension expense. The City also recognized \$810 for the year ended December 31, 2015, as pension expense (and grant revenue) 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.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

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

C. Pensions Costs (continued)

2. PEPFF Pension Costs (continued)

At December 31, 2015, 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	\$	\$ 16,583
Difference between projected and actual investment earnings	17,817	
Contributions paid to PERA subsequent to the measurement date	<u>7,219</u>	
Total	<u>\$ 25,036</u>	<u>\$ 16,583</u>

\$7,219 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2016	\$ (1,074)
2017	(1,074)
2018	(1,076)
2019	4,453

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actual assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the result of actuarial experience studies. The experience study in the GERP was for the period from July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually. There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

D. Actuarial Assumptions (continued)

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

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

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

F. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's proportionate share of the GERF net pension liability	\$ 1,377,141	\$ 875,845	\$ 461,853
City's proportionate share of the PEPFF net pension liability	<u>199,308</u>	<u>102,260</u>	<u>22,083</u>
Total	<u>\$ 1,576,449</u>	<u>\$ 978,105</u>	<u>\$ 483,936</u>

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF LAKE ELMO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association

A. Plan Description

The Lake Elmo Firefighter's Relief Association administers a single-employer defined benefit pension plan available to volunteer firefighters. As of December 31, 2015, the plan covered 20 active firefighters and 5 vested terminated firefighters whose pension benefits are deferred. The plan was established and is administered in accordance with Minnesota Statutes, Chapters 69 and 424A. The December 31, 2015 information is the latest reported for this Plan.

B. Benefits Provided

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

C. Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes, and voluntary City contributions. The State of Minnesota contributed \$61,166 in state aid to the plan on behalf of the Association for the year ended December 31, 2015. This contribution was recorded as a revenue and an expenditure in the City's general fund. The City levies property taxes for the benefit of the Association and passes through state aids allocated to the plan, all in accordance with State statutes. During 2015, at the Association's direction, the City did not levy any property taxes to be paid to the Association.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

D. Pension Costs

At December 31, 2015, the City reported a net pension asset of \$374,939 for the plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2015. The following table presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/14	\$ 714,621	\$ 1,155,598	\$ (440,977)
Changes for the Year			
Service cost	28,520		28,520
Interest on pension liability	37,130		37,130
Net investment income		(48,240)	48,240
Contributions (employer)			
Contributions (state)		61,166	(61,166)
Contributions (other)			
Benefit payouts	(191,582)	(191,582)	
Administrative expenses		(13,314)	13,314
Net Changes	(125,932)	(191,970)	66,038
Balance End of Year 12/31/15	\$ 588,689	\$ 963,628	\$ (374,939)

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

D. Pension Costs (continued)

At December 31, 2015, the Association reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	<u>\$ 20,711</u>	<u>\$</u>
Total	<u><u>\$ 20,711</u></u>	<u><u>\$</u></u>

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2016	\$ 5,178
2017	5,178
2018	5,178
2019	5,177

E. Actuarial Assumptions

The total pension liability at December 31, 2015 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0%
- Inflation rate 4.0%

There were no changes in actuarial assumptions in 2015.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the Plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate <u>(5.0%)</u>	Discount Rate <u>(6.0%)</u>	1% Increase in Discount Rate <u>(7.0%)</u>
Net pension liability (asset)	\$ (353,634)	\$ (374,939)	\$ (394,937)

H. Plan Investments

1. Investment Policy

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

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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D. Pension Plans (Continued)

2. Lake Elmo Firefighter's Relief Association (Continued)

2. Asset Allocation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	18.00%	2.00%
Fixed income	20.00%	4.50%
Equities	60.00%	7.50%
Other	2.00%	6.00%
Total	100%	6.00%

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

3. Description of significant investment policy changes during the year

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

I. Pension Plan Fiduciary Net Position

Detailed information about the Lake Elmo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2015 is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the Finance Director for the City of Lake Elmo.

CITY OF LAKE ELMO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**5. Change in Accounting Standards**

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During the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The cumulative effect of applying these statements is reported as a restatement of beginning net position.

Following is a reconciliation of the previously reported December 31, 2014 balances with the amounts reported on the December 31, 2015 financial statements:

<u>Activities/Fund</u>	<u>Net Position December 31, 2014, as Previously Reported</u>	<u>Restatement for Net Pension (Liability) Asset</u>	<u>Net Position December 31, 2014, as Restated</u>
Governmental Activities	<u>\$ 14,469,960</u>	<u>\$ (422,157)</u>	<u>\$ 14,047,803</u>
Business-Type Activities	<u>\$ 14,055,152</u>	<u>\$ (135,426)</u>	<u>\$ 13,919,726</u>
Proprietary Funds:			
Water Fund	\$ 9,360,075	\$ (81,881)	\$ 9,278,194
Sewer Fund	3,599,549	(32,828)	3,566,721
Storm Sewer Fund	<u>1,095,528</u>	<u>(20,717)</u>	<u>1,074,811</u>
Total Proprietary Funds	<u>\$ 14,055,152</u>	<u>\$ (135,426)</u>	<u>\$ 13,919,726</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**December 31, 2015**

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**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of City Contributions**  
**PERA General Employees Retirement Fund**  
**December 31, 2015**

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

**Schedule of City Contributions**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**December 31, 2015**

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

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Fund**  
**December 31, 2015**

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

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**December 31, 2015**

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

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Funding Progress for the Fire Relief Association**  
**December 31, 2015**

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

**CITY OF LAKE ELMO, MINNESOTA**  
**Schedule of Employer Contributions for the Fire Relief Association**  
**December 31, 2015**

	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$	\$
Actual contributions paid	<u>          </u>	<u>          </u>
Contributions deficiency (excess)	<u>\$</u>	<u>\$</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**For the Year Ended December 31, 2015**

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

Actuarial valuations are provided every one to three years unless events occur (e.g. plan changes, layoffs, etc.) that would materially impact results. See Note 4C in the Notes to Financial Statements for more details on this schedule.

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING AND INDIVIDUAL**  
**FUND STATEMENTS AND SCHEDULES**  
**December 31, 2015**

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2015**

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and investments	\$ 260,689	\$ 1,339,754	\$ 1,600,443
Receivables (net of allowance of uncollectibles)			
Accounts		107,554	107,554
Prepaid expenses	3,908		3,908
<b>TOTAL ASSETS</b>	<b>\$ 264,597</b>	<b>\$ 1,447,308</b>	<b>\$ 1,711,905</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 26,401	\$	\$ 26,401
Accrued liabilities	2,707		2,707
Due to other funds	1,144	56,760	57,904
Advances from other funds		405,398	405,398
Escrow deposits payable		75,000	75,000
Total liabilities	30,252	537,158	567,410
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Accounts receivable		107,554	107,554
 <b>FUND BALANCE (DEFICIT)</b>			
Nonspendable	3,908		3,908
Assigned	231,581	1,229,985	1,461,566
Unassigned	(1,144)	(427,389)	(428,533)
Total Fund Balance (Deficit)	234,345	802,596	1,036,941
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 264,597</b>	<b>\$ 1,447,308</b>	<b>\$ 1,711,905</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2015

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 231,261	\$	\$ 231,261
Dedication fees		138,158	138,158
Investment earnings	1,496	7,272	8,768
Miscellaneous revenue	27,985	68,210	96,195
<b>TOTAL REVENUES</b>	<u>260,742</u>	<u>213,640</u>	<u>474,382</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	228,154		228,154
<b>Capital Outlay</b>			
Culture and recreation		170,297	170,297
<b>TOTAL EXPENDITURES</b>	<u>228,154</u>	<u>170,297</u>	<u>398,451</u>
Excess (deficiency) of revenues over (under) expenditures	32,588	43,343	75,931
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers		200,000	200,000
Net change in fund balances	32,588	243,343	275,931
<b>FUND BALANCES, Beginning</b>	<u>201,757</u>	<u>559,253</u>	<u>761,010</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 234,345</u>	<u>\$ 802,596</u>	<u>\$ 1,036,941</u>

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

December 31, 2015

	<u>City Events</u>	<u>Library</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$	\$ 260,689	\$ 260,689
Prepaid expenses		3,908	3,908
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$ 264,597</b>	<b>\$ 264,597</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$ 26,401	\$ 26,401
Due to other funds	1,144		1,144
Accrued liabilities		2,707	2,707
Total liabilities	1,144	29,108	30,252
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable		3,908	3,908
Assigned		231,581	231,581
Unassigned	(1,144)		(1,144)
Total fund balance (deficit)	(1,144)	235,489	234,345
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$</b>	<b>\$ 264,597</b>	<b>\$ 264,597</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2015

	<u>City Events</u>	<u>Library</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$	\$ 231,261	\$ 231,261
Investment earnings		1,496	1,496
Miscellaneous revenue	<u>246</u>	<u>27,739</u>	<u>27,985</u>
<b>TOTAL REVENUES</b>	246	260,496	260,742
<b>EXPENDITURES</b>			
<b>Current</b>			
Culture and recreation	<u>2,380</u>	<u>225,774</u>	<u>228,154</u>
Net change in fund balances	(2,134)	34,722	32,588
<b>FUND BALANCES, Beginning</b>	<u>990</u>	<u>200,767</u>	<u>201,757</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ (1,144)</u>	<u>\$ 235,489</u>	<u>\$ 234,345</u>

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
December 31, 2015**

	Park Dedication	City Facilities	Village Project
<b>ASSETS</b>			
Cash and investments	\$ 950,265	\$ 271,669	\$ 39,989
Accounts receivable	107,554		
<b>TOTAL ASSETS</b>	<b>\$ 1,057,819</b>	<b>\$ 271,669</b>	<b>\$ 39,989</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Due to other funds	\$	\$	\$ 56,760
Advances from other funds			405,398
Escrow deposits payable			
Total liabilities			462,158
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Accounts receivable	107,554		
<b>FUND BALANCE (DEFICIT)</b>			
Assigned	950,265	271,669	
Unassigned			(422,169)
Total fund balance (deficit)	950,265	271,669	(422,169)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 1,057,819</b>	<b>\$ 271,669</b>	<b>\$ 39,989</b>

Manning Avenue/Hwy 36	Washington County Downtown Project	Total
\$ 69,780	\$ 8,051	\$ 1,339,754
		107,554
<u>\$ 69,780</u>	<u>\$ 8,051</u>	<u>\$ 1,447,308</u>
\$	\$	\$ 56,760
		405,398
75,000		75,000
<u>75,000</u>		<u>537,158</u>
		<u>107,554</u>
	8,051	1,229,985
<u>(5,220)</u>		<u>(427,389)</u>
<u>(5,220)</u>	<u>8,051</u>	<u>802,596</u>
<u>\$ 69,780</u>	<u>\$ 8,051</u>	<u>\$ 1,447,308</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
For the Year Ended December 31, 2015

	Park Dedication	City Facilities	Village Project
<b>REVENUES</b>			
Dedication fees	\$ 138,158	\$	\$
Investment earnings (loss)	6,064	1,734	(1,022)
Miscellaneous	19,200		41,010
<b>TOTAL REVENUES</b>	163,422	1,734	39,988
<b>EXPENDITURES</b>			
<b>Capital Outlay</b>			
Culture and recreation	170,297		
Excess (deficiency) of revenues over (under) expenditures	(6,875)	1,734	39,988
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers			200,000
Net change in fund balances	(6,875)	1,734	239,988
<b>FUND BALANCES (DEFICIT), Beginning</b>	957,140	269,935	(662,157)
<b>FUND BALANCES (DEFICIT), Ending</b>	\$ 950,265	\$ 271,669	\$ (422,169)

Manning Avenue/Hwy 36	Washington County Downtown Project	Total
\$ 445	\$ 51	\$ 138,158
	8,000	7,272
		68,210
445	8,051	213,640
		170,297
445	8,051	43,343
		200,000
445	8,051	243,343
(5,665)		559,253
<u>\$ (5,220)</u>	<u>\$ 8,051</u>	<u>\$ 802,596</u>

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

December 31, 2015

	Radio Replacement	IT Replacement	FFE Replacement	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 27,263	\$	\$	\$ 27,263
<b>Noncurrent Assets</b>				
Property and Equipment				
Machinery and equipment	99,851	95,355	390,483	585,689
Less: Accumulated depreciation	70,035	72,441	315,215	457,691
Net Property and Equipment	29,816	22,914	75,268	127,998
<b>TOTAL ASSETS</b>	<b>\$ 57,079</b>	<b>\$ 22,914</b>	<b>\$ 75,268</b>	<b>\$ 155,261</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Due to other funds	\$	\$	\$ 76,081	\$ 76,081
<b>Net Position</b>				
Net investment in capital assets	29,816	22,914	75,268	127,998
Unrestricted	27,263		(76,081)	(48,818)
Total Net Position	57,079	22,914	(813)	79,180
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 57,079</b>	<b>\$ 22,914</b>	<b>\$ 75,268</b>	<b>\$ 155,261</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2015

	<u>Radio Replacement</u>	<u>IT Replacement</u>	<u>FFE Replacement</u>	<u>Total</u>
<b>Operating Expenses</b>				
Depreciation	\$ 8,321	\$ 4,654	\$ 13,025	\$ 26,000
<b>Other Revenue (Expense)</b>				
Investment earnings (loss)	<u>174</u>			<u>174</u>
Net (Loss)	(8,147)	(4,654)	(13,025)	(25,826)
<b>Net Position, Beginning of Year</b>	<u>65,226</u>	<u>27,568</u>	<u>12,212</u>	<u>105,006</u>
<b>Net Position, End of Year</b>	<u>\$ 57,079</u>	<u>\$ 22,914</u>	<u>\$ (813)</u>	<u>\$ 79,180</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2015

	Radio Replacement	IT Replacement	FFE Replacement	Total
<b>Cash Flows From Investing Activities</b>				
Investment earnings (losses)	\$ 174	\$	\$	\$ 174
<b>Cash Flows From Noncapital Financing Activities</b>				
Increase in due to other funds			27,330	27,330
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition of capital assets			(27,330)	(27,330)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	174			174
<b>Cash and Cash Equivalents, Beginning of Year</b>	27,089			27,089
<b>Cash and Cash Equivalents, End of Year</b>	\$ 27,263	\$	\$	\$ 27,263
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (8,321)	\$ (4,654)	\$ (13,025)	\$ (26,000)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	8,321	4,654	13,025	26,000
<b>Net Cash Provided By (Used In) Operating Activities</b>	\$	\$	\$	\$

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**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
December 31, 2015

	2002 GO Improvement Bonds	2004 GO CIP Bonds	2006A GO Equipment Certificates	2009A GO Refunding Bonds	2009B GO Improvement Bonds
<b>ASSETS</b>					
Cash and investments	\$ 473	\$	\$ 29,408	\$ 2,075	\$ 116,733
Receivables (Net of allowance for uncollectibles)					
Special assessments					29,362
Due from other governmental units				70,000	3
	<u>473</u>	<u>\$</u>	<u>29,408</u>	<u>72,075</u>	<u>146,098</u>
<b>TOTAL ASSETS</b>					
	<u>\$ 473</u>	<u>\$</u>	<u>\$ 29,408</u>	<u>\$ 72,075</u>	<u>\$ 146,098</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Total liabilities					
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Special assessments					29,362
Intergovernmental revenue				70,000	
Total deferred inflows of resources				<u>70,000</u>	<u>29,362</u>
<b>FUND BALANCE (DEFICIT)</b>					
Restricted	473		29,408	2,075	116,736
Unassigned					
Total fund balance (deficit)	<u>473</u>		<u>29,408</u>	<u>2,075</u>	<u>116,736</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
	<u>\$ 473</u>	<u>\$</u>	<u>\$ 29,408</u>	<u>\$ 72,075</u>	<u>\$ 146,098</u>

2010A GO Improvement Bonds	2010B GO CIP Bonds	2011A GO Improvement Bonds	2012B GO Improvement Bonds	2013A GO Improvement Bonds	2014A GO Improvement Bonds	2015A GO Improvement Bonds	Total
\$ 124,122	\$ 112,711	\$ 311,600	\$ 13,499	\$ 1,106,834	\$ 676,949	\$ 74,249	\$ 2,568,653
48,480		45,790	141,600 455	32,640	652,707		950,579 70,458
<u>\$ 172,602</u>	<u>\$ 112,711</u>	<u>\$ 357,390</u>	<u>\$ 155,554</u>	<u>\$ 1,139,474</u>	<u>\$ 1,329,656</u>	<u>\$ 74,249</u>	<u>\$ 3,589,690</u>
\$	\$	\$	\$	\$	\$	\$	\$
			17,176	77,427			94,603
			17,176	77,427			94,603
48,480		45,790	141,600	32,640	652,707		950,579 70,000
<u>48,480</u>		<u>45,790</u>	<u>141,600</u>	<u>32,640</u>	<u>652,707</u>		<u>1,020,579</u>
124,122	112,711	311,600		1,029,407	676,949	74,249	2,477,730
			(3,222)				(3,222)
<u>124,122</u>	<u>112,711</u>	<u>311,600</u>	<u>(3,222)</u>	<u>1,029,407</u>	<u>676,949</u>	<u>74,249</u>	<u>2,474,508</u>
<u>\$ 172,602</u>	<u>\$ 112,711</u>	<u>\$ 357,390</u>	<u>\$ 155,554</u>	<u>\$ 1,139,474</u>	<u>\$ 1,329,656</u>	<u>\$ 74,249</u>	<u>\$ 3,589,690</u>

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

For the Year Ended December 31, 2015

	2002 GO Improvement Bonds	2004 GO CIP Bonds	2006A GO Equipment Certificates	2009A GO Refunding Bonds	2009B GO Improvement Bonds
<b>REVENUES</b>					
Taxes	\$	\$	\$ 56,784	\$	\$ 24,617
Intergovernmental				74,550	
Special assessments					8,918
Investment earnings	5		188	14	578
<b>TOTAL REVENUES</b>	<u>5</u>		<u>56,972</u>	<u>74,564</u>	<u>34,113</u>
<b>EXPENDITURES</b>					
<b>Debt Service</b>					
Principal			52,000	70,000	60,000
Interest and other charges			2,080	4,558	9,384
<b>TOTAL EXPENDITURES</b>			<u>54,080</u>	<u>74,558</u>	<u>69,384</u>
Excess (deficiency) of revenues over (under) expenditures	5		2,892	6	(35,271)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers		(53)			26,242
Net change in fund balances	5	(53)	2,892	6	(9,029)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>468</u>	<u>53</u>	<u>26,516</u>	<u>2,069</u>	<u>125,765</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 473</u>	<u>\$</u>	<u>\$ 29,408</u>	<u>\$ 2,075</u>	<u>\$ 116,736</u>

2010A GO Improvement Bonds	2010B GO CIP Bonds	2011A GO Improvement Bonds	2012B GO Improvement Bonds	2013A GO Improvement Bonds	2014A GO Improvement Bonds	2015A GO Improvement Bonds	Total
\$ 60,403	\$ 202,815	\$ 76,600	\$ 63,595	\$	\$	\$	\$ 484,814
12,939		20,980	27,119	695,598	498,088		74,550
792	713	1,989	86	450	3,384		1,263,642
<u>74,134</u>	<u>203,528</u>	<u>99,569</u>	<u>90,800</u>	<u>696,048</u>	<u>501,472</u>		<u>1,831,205</u>
70,000	150,000	80,000	80,000	105,000			667,000
10,682	44,312	11,367	10,315	40,205	70,799		203,702
<u>80,682</u>	<u>194,312</u>	<u>91,367</u>	<u>90,315</u>	<u>145,205</u>	<u>70,799</u>		<u>870,702</u>
(6,548)	9,216	8,202	485	550,843	430,673		960,503
	53			500,938	220,876	74,249	822,305
(6,548)	9,269	8,202	485	1,051,781	651,549	74,249	1,782,808
130,670	103,442	303,398	(3,707)	(22,374)	25,400		691,700
<u>\$ 124,122</u>	<u>\$ 112,711</u>	<u>\$ 311,600</u>	<u>\$ (3,222)</u>	<u>\$ 1,029,407</u>	<u>\$ 676,949</u>	<u>\$ 74,249</u>	<u>\$ 2,474,508</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**CITY EVENTS SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$	\$	\$	\$
Miscellaneous revenue			246	246
<b>TOTAL REVENUES</b>			246	246
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation			2,380	(2,380)
Net change in fund balances			(2,134)	(2,134)
<b>FUND BALANCES, Beginning</b>	990	990	990	
<b>FUND BALANCES, Ending</b>	\$ 990	\$ 990	\$ (1,144)	\$ (2,134)

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2015.

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**LIBRARY SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 231,261	\$ 231,261	\$ 231,261	\$
Investment earnings			1,496	1,496
Miscellaneous revenue	11,400	11,400	27,739	16,339
<b>TOTAL REVENUES</b>	242,661	242,661	260,496	17,835
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and recreation	242,661	242,661	225,774	16,887
Net change in fund balances			34,722	34,722
<b>FUND BALANCES, Beginning</b>	200,767	200,767	200,767	
<b>FUND BALANCES, Ending</b>	\$ 200,767	\$ 200,767	\$ 235,489	\$ 34,722

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

For the Year Ended December 31, 2015

	Balance January 1	Additions	Deletions	Balance December 31
<b>ESCROW</b>				
ASSETS				
Cash and investments	\$ 795,317	\$ 1,883,128	\$ 851,147	\$ 1,827,298
LIABILITIES				
Accounts payable	\$ 20,293	\$ 1,150,054	\$ 1,070,395	\$ 99,952
Deposits payable	775,024	2,127,974	1,175,652	1,727,346
TOTAL LIABILITIES	\$ 795,317	\$ 3,278,028	\$ 2,246,047	\$ 1,827,298
<b>YELLOW RIBBON</b>				
ASSETS				
Cash and investments	\$ (128)	\$	\$	\$ (128)
Accounts receivable	128			128
TOTAL ASSETS	\$	\$	\$	\$
<b>TOTAL AGENCY FUNDS</b>				
ASSETS				
Cash and investments	\$ 795,189	\$ 1,883,128	\$ 851,147	\$ 1,827,170
Accounts receivable	128			128
TOTAL ASSETS	\$ 795,317	\$ 1,883,128	\$ 851,147	\$ 1,827,298
LIABILITIES				
Accounts payable	\$ 20,293	\$ 1,150,054	\$ 1,070,395	\$ 99,952
Deposits payable	775,024	2,127,974	1,175,652	1,727,346
TOTAL LIABILITIES	\$ 795,317	\$ 3,278,028	\$ 2,246,047	\$ 1,827,298

**CITY OF LAKE ELMO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**December 31, 2015**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	126
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	134
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	143
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	146

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

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

	<b>Fiscal Year</b>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 8,723,329	\$ 7,957,840	\$ 9,056,353	\$ 8,782,840
Restricted	3,446,142	1,106,200	1,225,849	4,205,247
Unrestricted	<u>3,942,646</u>	<u>5,405,920</u>	<u>4,593,463</u>	<u>918,996</u>
Total governmental activities net position	<u>\$ 16,112,117</u>	<u>\$ 14,469,960</u>	<u>\$ 14,875,665</u>	<u>\$ 13,907,083</u>
Business-type activities				
Net investment in capital assets	\$ 10,170,351	\$ 10,567,418	\$ 6,855,807	\$ 6,788,377
Restricted	1,876,119	2,387,312	2,612,569	\$ 39,153
Unrestricted	<u>3,577,285</u>	<u>1,100,422</u>	<u>1,846,681</u>	<u>1,105,847</u>
Total business-type activities net position	<u>\$ 15,623,755</u>	<u>\$ 14,055,152</u>	<u>\$ 11,315,057</u>	<u>\$ 7,933,377</u>
Primary government				
Net investment in capital assets	\$ 18,893,680	\$ 18,525,258	\$ 15,912,160	\$ 15,571,217
Restricted	5,322,261	3,493,512	3,838,418	4,244,400
Unrestricted	<u>7,519,931</u>	<u>6,506,342</u>	<u>6,440,144</u>	<u>2,024,843</u>
Total primary government net position	<u>\$ 31,735,872</u>	<u>\$ 28,525,112</u>	<u>\$ 26,190,722</u>	<u>\$ 21,840,460</u>

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

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

Schedule 1

2011	2010	2009	2008	2007	2006
\$ 8,553,984	\$ 8,368,479	\$ 7,983,822	\$ 7,151,543	\$ 5,648,702	\$ 3,535,882
2,664,689	2,057,467	1,399,968	718,617	711,966	1,071,105
2,555,596	3,439,106	3,824,156	4,698,858	5,139,270	4,620,785
<u>\$ 13,774,269</u>	<u>\$ 13,865,052</u>	<u>\$ 13,207,946</u>	<u>\$ 12,569,018</u>	<u>\$ 11,499,938</u>	<u>\$ 9,227,772</u>
\$ 6,422,782	\$ 6,713,292	\$ 6,644,334	\$ 6,181,055	\$ 5,617,960	\$ 5,961,996
1,449,340	1,193,509	1,056,968	951,793	1,080,666	706,170
<u>\$ 7,872,122</u>	<u>\$ 7,906,801</u>	<u>\$ 7,701,302</u>	<u>\$ 7,132,848</u>	<u>\$ 6,698,626</u>	<u>\$ 6,668,166</u>
\$ 14,976,766	\$ 15,081,771	\$ 14,628,156	\$ 13,332,598	\$ 11,266,662	\$ 9,497,878
2,664,689	2,057,467	1,399,968	718,617	711,966	1,071,105
4,004,936	4,632,615	4,881,124	5,650,651	6,219,936	5,326,955
<u>\$ 21,646,391</u>	<u>\$ 21,771,853</u>	<u>\$ 20,909,248</u>	<u>\$ 19,701,866</u>	<u>\$ 18,198,564</u>	<u>\$ 15,895,938</u>

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

	Fiscal Year			
	2015	2014	2013	2012
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,134,132	\$ 1,072,888	\$ 1,103,337	\$ 1,093,204
Public safety	1,344,282	1,530,609	1,277,798	1,302,857
Public works	1,377,969	1,032,426	1,273,977	891,169
Culture and recreation	639,006	448,361	424,687	362,432
Interest on long-term debt	215,611	165,028	133,694	316,039
Total governmental activities expenses	<u>4,711,000</u>	<u>4,249,312</u>	<u>4,213,493</u>	<u>3,965,701</u>
Business-Type activities:				
Water	1,363,043	1,069,511	958,870	872,786
Sewer	250,866	353,438	119,370	53,903
Storm sewer	103,536	149,887	86,989	73,590
Total business-type activities expenses	<u>1,717,445</u>	<u>1,572,836</u>	<u>1,165,229</u>	<u>1,000,279</u>
Total primary government expenses	<u>\$ 6,428,445</u>	<u>\$ 5,822,148</u>	<u>\$ 5,378,722</u>	<u>\$ 4,965,980</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 42,706	\$ 45,161	\$ 32,778	\$ 48,476
Public safety	866,708	496,916	414,472	379,557
Public works	3,615		2,647	3,256
Culture and recreation	26,214	10,753	17,000	9,341
Operating grants and contributions	249,094	204,462	208,276	160,060
Capital grants and contributions	<u>2,038,940</u>	<u>557,601</u>	<u>1,364,622</u>	<u>160,444</u>
Total governmental activities program revenues	<u>3,227,277</u>	<u>1,314,893</u>	<u>2,039,795</u>	<u>761,134</u>
Business-type activities:				
Charges for services:				
Water	1,850,240	1,291,091	596,421	699,159
Sewer	1,523,067	741,054	53,142	65,737
Storm sewer	229,252	214,915	191,087	171,229
Operating grants and contributions				
Capital grants and contributions		<u>1,159,222</u>	<u>3,781,528</u>	<u>115,127</u>
Total business-type activities program revenues	<u>3,602,559</u>	<u>3,406,282</u>	<u>4,622,178</u>	<u>1,051,252</u>
Total primary government program revenues	<u>\$ 6,829,836</u>	<u>\$ 4,721,175</u>	<u>\$ 6,661,973</u>	<u>\$ 1,812,386</u>

Schedule 2

	2011	2010	2009	2008	2007	2006
\$	1,036,038	\$ 980,456	\$ 971,677	\$ 1,168,625	\$ 914,212	\$ 900,278
	1,107,050	1,171,158	1,125,464	1,002,408	956,649	1,009,494
	1,008,686	1,135,351	872,045	868,804	1,247,398	1,358,801
	247,845	239,389	248,856	228,393	333,164	232,878
	266,730	222,404	218,319	237,753	207,648	215,381
	<u>3,666,349</u>	<u>3,748,758</u>	<u>3,436,361</u>	<u>3,505,983</u>	<u>3,659,071</u>	<u>3,716,832</u>
	845,474	898,319	857,014	849,018	735,499	764,282
	73,797	61,513	59,243	63,400	125,773	55,827
	142,517	151,384	140,365	123,902	78,807	129,946
	1,061,788	1,111,216	1,056,622	1,036,320	940,079	950,055
\$	<u>4,728,137</u>	<u>4,859,974</u>	<u>4,492,983</u>	<u>4,542,303</u>	<u>4,599,150</u>	<u>4,666,887</u>
\$	22,058	\$ 18,296	\$ 15,631	\$ 19,430	\$ 28,890	\$ 29,612
	283,813	320,242	270,653	295,353	365,327	594,779
	3,058	3,425	6,584	3,833	18,573	4,035
		10,800			61,274	31,828
	184,476	168,491	174,433	140,176	94,185	163,421
	222,488	1,090,419	798,687	1,345,803	1,371,489	4,664,817
	<u>715,893</u>	<u>1,611,673</u>	<u>1,265,988</u>	<u>1,804,595</u>	<u>1,939,738</u>	<u>5,488,492</u>
	575,534	562,585	479,430	467,336	471,226	351,733
	53,012	48,508	45,146	44,568	99,581	139,057
	235,252	185,425	149,407	134,674	138,092	45
	17,000	32,721	30,100			
	75,885	418,400	776,473	684,400	298,928	1,112,374
	956,683	1,247,639	1,480,556	1,330,978	1,007,827	1,603,209
\$	<u>1,672,576</u>	<u>2,859,312</u>	<u>2,746,544</u>	<u>3,135,573</u>	<u>2,947,565</u>	<u>7,091,701</u>

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

	Fiscal Year			
	2015	2014	2013	2012
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (1,483,723)	\$ (2,934,419)	\$ (2,173,698)	\$ (3,204,567)
Business-type activities	1,885,114	1,833,446	3,456,949	50,973
Total primary government net revenue	<u>\$ 401,391</u>	<u>\$ (1,100,973)</u>	<u>\$ 1,283,251</u>	<u>\$ (3,153,594)</u>
<b>General Revenues and Other Changes In Net Position</b>				
Governmental activities:				
General property taxes	\$ 3,204,119	\$ 3,200,291	\$ 3,231,609	\$ 3,183,078
Grants and contributions not restricted to specific programs	2,749	2,749	2,749	
Interest income	46,589	87,586	35,259	111,705
Miscellaneous	73,738	125,400	1,833	42,599
Gain on sale of capital assets			8,979	
Transfers	220,842	(887,312)		
Total governmental activities	<u>3,548,037</u>	<u>2,528,714</u>	<u>3,280,429</u>	<u>3,337,382</u>
Business-type activities:				
Interest income	39,757	19,337	30,346	10,282
Transfers	(220,842)	887,312		
Total business-type activities	<u>(181,085)</u>	<u>906,649</u>	<u>30,346</u>	<u>10,282</u>
Total primary government	<u>\$ 3,366,952</u>	<u>\$ 3,435,363</u>	<u>\$ 3,310,775</u>	<u>\$ 3,347,664</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 2,064,314	\$ (405,705)	\$ 1,106,731	\$ 132,815
Business-type activities	1,704,029	2,740,095	3,487,295	61,255
Total primary government	<u>\$ 3,768,343</u>	<u>\$ 2,334,390</u>	<u>\$ 4,594,026</u>	<u>\$ 194,070</u>

**Schedule 2  
(continued)**

2011	2010	2009	2008	2007	2006
\$ (2,950,456)	\$ (2,137,085)	\$ (2,170,373)	\$ (1,701,388)	\$ (1,719,333)	\$ 1,771,660
(105,105)	136,423	423,934	294,658	67,748	653,154
<u>\$ (3,055,561)</u>	<u>\$ (2,000,662)</u>	<u>\$ (1,746,439)</u>	<u>\$ (1,406,730)</u>	<u>\$ (1,651,585)</u>	<u>\$ 2,424,814</u>
\$ 2,793,776	\$ 2,711,067	\$ 2,718,691	\$ 2,568,705	\$ 2,424,782	\$ 2,174,377
10,628	9,771	8,764	57,390	46,154	38,342
94,501	113,989	160,679	209,539	335,578	317,896
20,405	17,311	41,827	50,865	33,204	
		8,517			
<u>(59,637)</u>	<u>(57,947)</u>	<u>(129,177)</u>	<u>(116,031)</u>	<u>(424,940)</u>	<u>(4,066,113)</u>
<u>2,859,673</u>	<u>2,794,191</u>	<u>2,809,301</u>	<u>2,770,468</u>	<u>2,414,778</u>	<u>(1,535,498)</u>
10,789	11,129	15,343	23,533	94,325	153,918
<u>59,637</u>	<u>57,947</u>	<u>129,177</u>	<u>116,031</u>	<u>424,940</u>	<u>4,066,113</u>
<u>70,426</u>	<u>69,076</u>	<u>144,520</u>	<u>139,564</u>	<u>519,265</u>	<u>4,220,031</u>
<u>\$ 2,930,099</u>	<u>\$ 2,863,267</u>	<u>\$ 2,953,821</u>	<u>\$ 2,910,032</u>	<u>\$ 2,934,043</u>	<u>\$ 2,684,533</u>
\$ (90,783)	\$ 657,106	\$ 638,928	\$ 1,069,080	\$ 695,445	\$ 236,162
(34,679)	205,499	568,454	434,222	587,013	4,873,185
<u>\$ (125,462)</u>	<u>\$ 862,605</u>	<u>\$ 1,207,382</u>	<u>\$ 1,503,302</u>	<u>\$ 1,282,458</u>	<u>\$ 5,109,347</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General fund					
Reserved	\$	\$	\$	\$	\$
Unreserved					
Nonspendable	432,306	638,963	859,072	1,024,433	\$ 1,206,209
Unassigned	<u>2,754,976</u>	<u>2,542,038</u>	<u>2,318,310</u>	<u>2,414,692</u>	<u>1,707,711</u>
Total general fund	<u>3,187,282</u>	<u>3,181,001</u>	<u>3,177,382</u>	<u>3,439,125</u>	<u>2,913,920</u>
All other governmental funds					
Reserved					
Unreserved					
Nonspendable	3,908				
Restricted	2,477,730	717,781	743,976	3,959,111	4,691,748
Committed					7,114
Assigned	1,768,742	2,943,525	2,252,931	1,244,900	654,358
Unassigned	<u>(431,755)</u>	<u>(693,904)</u>	<u>(885,360)</u>	<u>(1,670,915)</u>	<u>(1,353,754)</u>
Total all other governmental funds	<u>3,818,625</u>	<u>2,967,402</u>	<u>2,111,547</u>	<u>3,533,096</u>	<u>3,999,466</u>
Total governmental funds	<u>\$ 7,005,907</u>	<u>\$ 6,148,403</u>	<u>\$ 5,288,929</u>	<u>\$ 6,972,221</u>	<u>\$ 6,913,386</u>

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

Schedule 3

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	1,068,950	\$ 1,032,570	\$ 1,015,753	\$ 1,003,823	\$ 503,823
	1,617,211	1,403,240	1,395,088	1,251,127	1,768,505
	<u>2,686,161</u>	<u>2,435,810</u>	<u>2,410,841</u>	<u>2,254,950</u>	<u>2,272,328</u>
	3,605,250	1,422,049	727,673	698,683	725,337
	504,106	1,077,659	1,976,379	2,554,808	2,419,112
	<u>4,109,356</u>	<u>2,499,708</u>	<u>2,704,052</u>	<u>3,253,491</u>	<u>3,144,449</u>
\$	<u>6,795,517</u>	<u>4,935,518</u>	<u>5,114,893</u>	<u>5,508,441</u>	<u>5,416,777</u>

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>					
Taxes	\$ 3,222,216	\$ 3,203,111	\$ 3,231,609	\$ 3,221,733	\$ 2,790,773
Licenses and permits	828,494	451,953	374,974	330,819	230,419
Intergovernmental	296,902	413,968	1,704,178	237,254	276,638
Charges for services	35,796	30,192	6,113	5,726	14,691
Fines and forfeitures	48,739	48,647	52,110	58,385	63,819
Special assessments	1,316,239	115,424	180,023	136,150	153,536
Dedication fees	138,158	274,257			
Investment earnings	46,415	87,467	35,127	111,737	94,066
Miscellaneous revenue	99,055	165,319	57,260	87,562	48,217
<b>Total Revenues</b>	<b>6,032,014</b>	<b>4,790,338</b>	<b>5,641,394</b>	<b>4,189,366</b>	<b>3,672,159</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,025,320	1,046,906	1,527,732	1,034,712	1,016,898
Public safety	1,203,765	1,198,546	1,174,145	1,109,937	996,733
Public works	686,401	585,071	614,270	446,541	447,629
Culture and recreation	457,749	368,276	301,404	260,404	168,747
Unallocated	69,403				
<b>Debt service</b>					
Principal	667,342	585,000	3,348,000	406,000	344,000
Interest and other charges	203,738	135,382	171,148	267,253	251,385
Bond issuance costs	22,873	22,267	7,870	41,828	34,327
<b>Capital outlay</b>	<b>2,729,512</b>	<b>2,881,437</b>	<b>1,784,914</b>	<b>1,428,856</b>	<b>1,029,183</b>
<b>Total Expenditures</b>	<b>7,066,103</b>	<b>6,822,885</b>	<b>8,929,483</b>	<b>4,995,531</b>	<b>4,288,902</b>
Excess (deficiency) of revenues over (under) expenditures	(1,034,089)	(2,032,547)	(3,288,089)	(806,165)	(616,743)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	1,620,000	2,850,000	1,604,797	865,000	845,000
Premium on issuance of debt	32,137	31,520			
(Discount) on issuance of debt	(11,386)				
Payment to bond escrow agent					
Sale of property	30,000				
Transfers in		10,501			204,972
Transfers out	220,842				(315,360)
<b>Total other financing sources (uses)</b>	<b>1,891,593</b>	<b>2,892,021</b>	<b>1,604,797</b>	<b>865,000</b>	<b>734,612</b>
<b>Net change in fund balances</b>	<b>\$ 857,504</b>	<b>\$ 859,474</b>	<b>\$ (1,683,292)</b>	<b>\$ 58,835</b>	<b>\$ 117,869</b>
Debt service as a percentage of noncapital expenditures	19.48%	17.67%	47.79%	18.66%	17.43%

Schedule 4

	2010	2009	2008	2007	2006
\$	2,737,225	\$ 2,685,894	\$ 2,523,332	\$ 2,416,861	\$ 2,164,117
	261,450	225,166	242,074	315,975	406,225
	239,244	288,881	261,743	384,160	255,018
	22,416	11,433	15,623	39,163	152,472
	68,897	54,052	60,919	57,652	69,729
	134,257	73,013	102,929	75,993	147,368
	113,033	160,679	209,539	335,578	317,896
	84,860	61,533	177,599	1,094,478	4,622,737
	<u>3,661,382</u>	<u>3,560,651</u>	<u>3,593,758</u>	<u>4,719,860</u>	<u>8,135,562</u>
	921,590	929,960	1,108,737	942,131	879,167
	1,064,176	988,082	882,135	984,090	950,669
	473,293	459,703	438,591	459,478	523,938
	168,971	180,965	154,011	160,940	129,806
	313,000	361,000	280,000	334,000	265,000
	216,820	229,175	235,450	206,020	220,115
	74,580	45,056			
	1,203,309	998,031	888,382	2,281,938	7,797,647
	<u>4,435,739</u>	<u>4,191,972</u>	<u>3,987,306</u>	<u>5,368,597</u>	<u>10,766,342</u>
	(774,357)	(631,321)	(393,548)	(648,737)	(2,630,780)
	2,680,000	1,110,000			443,000
	4,356	17,756			
		(525,000)			
		9,190			
	314,698	1,466,041	8,500	778,074	162,129
	(364,698)	(1,626,041)	(8,500)	(778,074)	(162,129)
	<u>2,634,356</u>	<u>451,946</u>			<u>443,000</u>
\$	<u>1,859,999</u>	<u>\$ (179,375)</u>	<u>\$ (393,548)</u>	<u>\$ (648,737)</u>	<u>\$ (2,187,780)</u>
	15.11%	17.81%	15.42%	14.69%	12.76%

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

Payable Year	Estimated 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				
2006	\$ 1,017,596,900	\$ 12,678,177	\$ 221,613	\$ 12,899,790	\$ 12,899,790	19.351	% 0.01
2007	1,131,010,100	12,506,910	207,913	12,714,823	12,714,823	19.274	0.01
2008	1,146,659,500	12,750,173	203,610	12,953,783	12,953,783	20.553	0.01
2009	1,208,072,300	13,490,182	201,896	13,692,078	13,692,078	19.810	0.01
2010	1,201,213,400	13,394,423	202,299	13,596,722	13,596,722	20.479	0.01
2011	1,142,936,500	12,678,177	221,613	12,899,790	12,899,790	21.832	0.01
2012	1,037,557,100	11,525,623	229,157	11,754,780	11,754,780	27.271	0.01
2013	1,028,011,400	11,392,876	237,584	11,630,460	11,630,460	29.259	0.01
2014	1,046,031,000	11,504,611	238,764	11,743,375	11,743,375	27.761	0.01
2015	1,184,578,800	12,938,515	243,104	13,181,619	13,181,619	23.798	0.01

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

NOTE - Valuations are determined as of January 1 of year preceding tax collection year.

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

**CITY OF LAKE ELMO, MINNESOTA**  
**PROPERTY TAX RATES AND TAX LEVIES**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
(Percent of Tax Capacity)

Fiscal Year	City of Lake Elmo			Overlapping Rates									
	Operating Tax Rate Urban	Debt Service Tax Rate Urban	Total City Tax Rate Urban	Range of Tax Rates for Independent School Districts 622, 832 and 834			Washington County	Range of Tax Rates for Watershed Districts			Special Taxing Districts	Range of Total Direct and Overlapping Tax Rates	
2006	16.477 %	2.874 %	19.351 %	19.471 - 23.075 %	26.968 %	1.794 - 4.408 %	2.427 %	70.011 - 76.229 %					
2007	19.274		19.274	17.698 - 22.628	25.673	1.315 - 4.580	2.331	66.291 - 74.486					
2008	20.553		20.553	17.404 - 22.691	25.936	1.608 - 4.532	2.367	67.868 - 76.079					
2009	17.059	2.751	19.810	17.714 - 24.480	26.371	1.545 - 4.002	2.351	67.791 - 77.014					
2010	18.033	2.446	20.479	19.734 - 26.389	27.775	1.511 - 4.153	2.558	72.057 - 81.354					
2011	19.448	2.384	21.832	20.300 - 34.330	29.772	1.725 - 4.275	2.664	76.293 - 92.873					
2012	23.679 (1)	3.592	27.271	22.333 - 38.360	31.939	2.340 - 4.906	2.909	86.792 - 105.385					
2013	23.555	5.704	29.259	22.017 - 37.104	31.548	0.779 - 5.306	4.857	88.460 - 108.074					
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556 - 107.481					
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484 - 96.301					

Source: Washington County Taxation Division

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

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

(1) Beginning in 2012, operating tax rate urban includes library levy component

SCHEDULE 7

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

Taxpayers (1)	2015			2006		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Xcel Energy	\$ 223,288	1	1.64 %	\$ 163,774	3	1.49 %
IRET Properties	205,342	2	1.50	224,440	1	2.04
Dakota Upreit LP	179,262	3	1.31			
Bremer Financial Services Inc	169,652	4	1.24	196,854	2	1.79
MHC Cimarron LLC	136,610	5	1.02	134,090	5	1.22
Heart of America	108,150	6	0.79	139,208	4	1.26
Tartan Park LLC	100,704	7	0.74			
Norman James LLC	64,976	8	0.48			
Davis Estates LTD	64,912	9	0.48			
Danate Proper Inv I LLC	59,250	10	0.43			
United Land LLC				108,508	6	0.99
Lake Elmo Foundation				91,591	7	0.83
United Properties Inv LLC				49,892	8	0.45
State Bank of Lake Elmo				33,276	9	0.30
Leonard Investments LLC				26,868	10	0.24
TOTAL	<u>\$ 1,312,146</u>		<u>9.63 %</u>	<u>\$ 1,168,501</u>		<u>10.61 %</u>

(1) Source: Washington County Taxation Division

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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2006	\$ 2,149,941	\$ 2,110,956	\$ 2,081,289	98.59	\$ 29,324
2007	2,428,644	2,394,822	2,357,634	98.45	37,188
2008	2,597,983	2,559,227	2,485,397	97.12	73,830
2009	2,708,155	2,672,623	2,624,026	98.18	48,591
2010	2,743,346	2,705,782	2,645,536	97.77	59,623
2011	2,789,559	2,745,785	2,692,423	98.06	52,281
2012	3,113,017	3,110,478	3,071,202	98.74	36,717
2013	3,163,359	3,160,524	3,133,764	99.15	23,724
2014	3,163,359	3,160,285	3,128,695	99.00	14,605
2015	3,113,017	3,133,137	3,112,989	99.36	

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

**Schedule 8**

	<u>Total Collections to Date</u>		<u>Total</u>	<u>Delinquent</u>
	<u>Amount</u>	<u>Percentage</u>	<u>Delinquent</u>	<u>Taxes As A</u>
		<u>of Net Levy</u>	<u>Taxes</u>	<u>% Of Total</u>
				<u>Net Tax Levy</u>
\$	2,110,613	99.98	\$ 343	0.02
	2,394,822	100.00		0.00
	2,559,227	100.00		0.00
	2,672,617	100.00	6	0.00
	2,705,159	99.98	623	0.02
	2,744,704	99.96	1,081	0.04
	3,107,919	99.92	2,559	0.08
	3,157,488	99.90	3,036	0.10
	3,143,300	99.46	16,985	0.54
	3,112,989	99.36	20,148	0.64

**CITY OF LAKE ELMO, MINNESOTA  
WATER AND SANITARY SEWER CHARGES BY CUSTOMER  
LAST TEN FISCAL YEARS**

**Water (in millions of gallons)**

<u>Type of Customer</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Residential	84.007	98.573	120.676	154.747	105.290
Commercial Service	21.653	12.156	8.253	10.405	6.872
Total gallons	<u>105.660</u>	<u>110.729</u>	<u>128.929</u>	<u>165.152</u>	<u>112.162</u>
Total direct rate per 1,000 gallons - residential	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14
Total direct rate per 1,000 gallons - commercial	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.11	\$ 3.11

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

<u>Type of Customer</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Residential (1)	3.794	0.000	0.000	0.000	0.000
Commercial Service	8.179	6.532	6.149	6.172	6.961
Total gallons	<u>11.973</u>	<u>6.532</u>	<u>6.149</u>	<u>6.172</u>	<u>6.961</u>
Total direct rate per 1,000 gallons	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50

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

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

**Schedule 9**

<u>2010*</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
95.704	122.461	120.986	108.649	70.255
7.261	7.989	7.851	8.746	6.126
102.965	130.450	128.837	117.395	76.381

\$ 2.10	\$ 2.15	\$ 2.05	\$ 2.05	\$ 1.75
\$ 3.05	\$ 3.10	\$ 3.00	\$ 3.00	\$ 2.60

<u>2010*</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
0.000	0.000	0.000	0.000	0.000
7.086	5.381	5.130	4.409	8.107
7.086	5.381	5.130	4.409	8.107

\$ 4.35	\$ 4.08	\$ 3.71	\$ 2.75	\$ 2.50
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**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

**Other Governmental Activities Debt**

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Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Note Payable	Total Governmental Activities Debt
2006	\$ 925,000	\$ 403,000	\$ 4,005,000	\$	\$ 5,333,000
2007	780,000	364,000	3,855,000		4,999,000
2008	695,000	324,000	3,700,000		4,719,000
2009	1,120,000	283,000	3,540,000		4,943,000
2010	1,725,000	240,000	5,345,000		7,310,000
2011	2,440,000	196,000	5,175,000		7,811,000
2012	3,100,092	150,000	4,969,153		8,219,245
2013	4,436,967	102,000	1,941,135		6,480,102
2014	6,919,568	52,000	1,808,024		8,779,592
2015	8,095,288		1,687,803	21,219	9,804,310

**Note:** Details of the city's outstanding debt can be found in the notes to the financial statements.

**Schedule 10**

**Business-Type Activities**

<u>Utility Revenue Bonds</u>	<u>Total Business Activities Debt</u>	<u>Total Primary Government Debt</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 5,015,000	\$ 5,015,000	\$ 10,348,000	0.03	\$ 1,508
4,810,000	4,810,000	9,809,000	0.03	1,429
4,730,000	4,730,000	9,449,000	0.03	1,377
4,715,000	4,715,000	9,658,000	0.03	1,407
4,680,000	4,680,000	11,990,000	0.03	1,486
4,640,000	4,640,000	12,451,000	0.03	1,543
8,314,837	8,314,837	16,534,082	0.04	2,049
12,476,920	12,476,920	18,957,022	0.05	2,349
15,530,642	15,530,642	24,310,234	0.03	3,013
12,622,484	12,622,484	22,426,794	N/A	2,779

**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

**General Bonded Debt Outstanding**

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Fiscal Year	Special Assessment Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Utility Revenue Bonds	Total
2006	\$ 955,000	\$ 40,000	\$ 4,005,000	\$ 5,015,000	\$ 10,015,000
2007	780,000	364,000	3,855,000	4,810,000	9,809,000
2008	695,000	324,000	3,700,000	4,730,000	9,449,000
2009	1,120,000	283,000	3,540,000	4,715,000	9,658,000
2010	1,725,000	240,000	5,345,000	4,680,000	11,990,000
2011	2,440,000	196,000	5,175,000	4,640,000	12,451,000
2012	3,100,092	150,000	4,969,153	8,314,837	16,534,082
2013	4,436,967	102,000	1,941,135	12,476,920	18,957,022
2014	6,919,568	52,000	1,808,024	15,530,642	24,310,234
2015	8,095,288		1,687,803	12,622,484	22,405,575

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See Schedule 15 for population data

See Schedule 5 for estimated market value information

Source: City of Lake Elmo Finance Department

**Schedule 11**

Less: Available in Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
\$ 725,337	\$ 9,289,663	0.91	\$ 1,354
698,683	9,110,317	0.81	1,327
727,673	8,721,327	0.76	1,271
1,422,049	8,235,951	0.68	1,200
3,605,250	8,384,750	0.70	1,039
3,534,742	8,916,258	0.78	1,105
3,500,799	13,033,283	1.26	1,615
726,753	18,230,269	1.77	2,259
691,700	23,618,534	2.26	2,927
2,477,730	19,927,845	1.68	2,470

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

December 31, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(a)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Independent School District #622	\$ 114,100,000	3.10%	\$ 3,537,100
Independent School District #832	50,740,000	4.70%	2,384,780
Independent School District #834	136,865,000	14.10%	19,297,965
<b>Other debt</b>			
Washington County	164,020,000	4.15%	6,806,830
Metropolitan Council	206,020,000	1.10%	<u>2,266,220</u>
Subtotal, overlapping debt			34,292,895
<b>City direct debt</b>	9,804,310	100.00%	<u>9,804,310</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 44,097,205</u></u>

**Sources:** Tax capacity data to estimate applicable percentages provided by Washington County.  
Debt outstanding data provided by each governmental unit.

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

<sup>(a)</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of another governmental unit's tax capacity value that is within the city's boundaries and dividing it by each unit's total tax capacity value.

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**CITY OF LAKE ELMO, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**  
(Dollars in Thousands)

	<b>Fiscal Year</b>				
	2015	2014	2013	2012	2011
Debt limit	\$36,733,899	\$35,537,364	\$32,470,203	\$32,054,064	\$31,126,713
Total net debt applicable to limit	<u>1,572,289</u>	<u>1,757,421</u>	<u>1,894,510</u>	<u>2,099,369</u>	<u>2,148,203</u>
Legal debt margin	\$35,161,610	\$33,779,943	\$30,575,693	\$29,954,695	\$28,978,510
Total net debt applicable to the limit as a percentage of debt limit	4.28%	4.95%	5.83%	6.55%	6.90%

The legal debt limit for municipalities in Minnesota was increased in 2008 from 2% to 3% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes special assessment, tax increment and tax abatement bonds.

**Schedule 13**

**Legal Debt Margin Calculation for the Fiscal Year 2015**

Taxable Market Value	\$1,224,463,300
Debt Limit (3% of market value)	36,733,899
Debt applicable to limit:	
General obligation bonds	1,685,000
Less: Amount set aside for repayment of general obligation debt	<u>112,711</u>
Total net debt applicable to limit	1,572,289
Legal debt margin	<u><u>\$ 35,161,610</u></u>

2010	2009	2008	2007	2006
\$34,288,095	\$36,036,402	\$36,242,169	\$22,620,202	\$ 20,351,938
<u>2,195,153</u>	<u>271,142</u>	<u>315,169</u>	<u>358,220</u>	<u>400,384</u>
\$32,092,942	\$35,765,260	\$35,927,000	\$22,261,982	\$ 19,951,554
6.40%	0.75%	0.87%	1.58%	1.97%

**CITY OF LAKE ELMO, MINNESOTA  
PLEGDED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Utility Revenue Bonds

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage
				Principal	Interest	
2006	\$ 1,757,127	\$ 529,313	\$ 1,227,814	\$ 200,000	\$ 223,214	2.90
2007	1,011,400	595,824	415,576	205,000	211,482	1.00
2008	715,611	536,475	179,136	80,000	202,224	0.63
2009	776,899	513,226	263,673	530,000	208,803	0.36
2010	920,768	563,896	356,872	35,000	191,156	1.58
2011	891,587	516,157	375,430	40,000	190,094	1.63
2012	946,407	426,118	520,289	40,000	221,129	1.99
2013	3,501,321	504,648	2,996,673	165,000	300,789	6.43
2014	2,266,397	678,394	1,588,003	365,000	424,080	2.01
2015	3,642,316	627,977	3,014,339	4,165,000	456,782	0.65

**Notes:** (1) Gross revenue includes investment earnings, hook-up charges and special assessments.

(2) Operating expenses do not include interest, depreciation, or amortization expense.

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

**CITY OF LAKE ELMO, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>YEAR</b>	<b>POPULATION (1)</b>	<b>PERSONAL INCOME</b> (thousands of dollars)	<b>PER CAPITA PERSONAL INCOME (2)</b>	<b>STATE UNEMPLOYMENT RATE (3)</b>	<b>CITY UNEMPLOYMENT RATE (3)</b>
2006	6,863	\$ 308,512	\$ 44,953	4.4	3.6
2007	6,863	323,426	47,126	5.0	4.2
2008	6,863	329,774	48,051	6.3	5.8
2009	6,863	317,997	46,335	7.6	7.1
2010	8,069	383,834	47,569	7.0	6.4
2011	8,069	409,203	50,713	5.8	5.2
2012	8,069	420,242	52,081	5.4	4.9
2013	8,069	420,879	52,160	4.6	4.0
2014	8,069	357,723	44,333	3.8	3.7
2015	8,069	N/A	N/A	3.2	2.9

Sources: (1) Metropolitan Council 2000/2010-Census Bureau

(2) Bureau of Economic Analysis - Washington County, Minnesota

(3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development

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

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>
3M Company (Maplewood)	9,100	1	39.0%	12,774	1	54.2%
Andersen Corp (Bayport)	2,400	2	10.3%			
Washington County (Stillwater)	1,600	3	6.9%			
Healtheast Care/St. Johns Hospital (Maplewood)	1,200	4	5.1%			
Woodwinds Health (Woodbury)	1,100	5	4.7%			
Fortis Company (Woodbury)				1,300	3	5.5%
ISD 834 (Stillwater)	1,050	6	4.5%	2,050	2	8.7%
3M Company (Woodbury)				940	4	4.0%
Ecowater Systems, Inc. (Woodbury)	440	7	1.9%	450	6	1.9%
Bremer Bank Operations Ctr (Lake Elmo)	425	8	1.8%	400	7	1.7%
MN Correctional Facility (Oak Park Hts)	355	9	1.5%			
SunAmerica Financial Group (Woodbury)	310	10	1.3%			
Imation (Oakdale)				500	5	2.1%
High Pointe Health Campus (Lake Elmo)				200	8	0.8%
Lake Elmo Inn Inc.				80	10	0.3%
Machine Shed/Wildwood Inn (Lake Elmo)				150	9	0.6%

(1) City staff estimate of total global employees for each employer

(2) City staff estimate

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

<u>Function</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Administration	3.20	3.55	3.55	3.15	3.15
Finance	0.80	1.25	1.25	0.50	0.50
Planning and Zoning	2.75	2.70	2.95	1.55	1.55
<b>General Government</b>	<u>6.75</u>	<u>7.50</u>	<u>7.75</u>	<u>5.20</u>	<u>5.20</u>
Fire	1.50	1.55	2.05	1.60	1.10
Building Inspections	3.15	1.55	1.30	0.95	0.95
<b>Public Safety</b>	<u>4.65</u>	<u>3.10</u>	<u>3.35</u>	<u>2.55</u>	<u>2.05</u>
Streets and Roadways	3.90	3.20	3.21	3.05	3.05
<b>Public Works</b>	<u>3.90</u>	<u>3.20</u>	<u>3.21</u>	<u>3.05</u>	<u>3.05</u>
Parks	1.85	3.30	2.74	2.52	2.52
<b>Parks and Recreation</b>	<u>1.85</u>	<u>3.30</u>	<u>2.74</u>	<u>2.52</u>	<u>2.52</u>
Communications	0.70	0.35	0.40	0.15	0.15
	0.70	0.35	0.40	0.15	0.15
<b>Total Governmental Activities</b>	<u>17.85</u>	<u>17.45</u>	<u>17.45</u>	<u>13.47</u>	<u>12.97</u>
Water Utility	2.45	2.60	2.10	1.85	1.85
Sewer Utility	1.30	0.70	0.70	0.30	0.30
<b>Total Business Activities</b>	<u>3.75</u>	<u>3.30</u>	<u>2.80</u>	<u>2.15</u>	<u>2.15</u>
<b>Totals for Organization</b>	<u><u>21.60</u></u>	<u><u>20.75</u></u>	<u><u>20.25</u></u>	<u><u>15.62</u></u>	<u><u>15.12</u></u>

Source: City's Adopted Budgets

**Schedule 17**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
3.15	3.18	3.75	2.40	2.44
0.50	0.50	1.00	1.29	1.30
1.55	1.75	1.75	2.15	1.95
<u>5.20</u>	<u>5.43</u>	<u>6.50</u>	<u>5.84</u>	<u>5.69</u>
1.10	1.10	1.10	1.26	0.23
0.95	1.95	1.20	2.68	2.18
<u>2.05</u>	<u>3.05</u>	<u>2.30</u>	<u>3.94</u>	<u>2.41</u>
3.05	3.05	3.05	2.78	3.08
<u>3.05</u>	<u>3.05</u>	<u>3.05</u>	<u>2.78</u>	<u>3.08</u>
2.52	3.10	2.72	3.40	3.00
<u>2.52</u>	<u>3.10</u>	<u>2.72</u>	<u>3.40</u>	<u>3.00</u>
0.15	0.19	0.00	0.00	0.00
<u>0.15</u>	<u>0.19</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>12.97</u>	<u>14.82</u>	<u>14.57</u>	<u>15.96</u>	<u>14.18</u>
1.85	1.85	2.30	2.02	2.02
0.30	0.30	0.35	0.22	0.20
<u>2.15</u>	<u>2.15</u>	<u>2.65</u>	<u>2.24</u>	<u>2.22</u>
<u>15.12</u>	<u>16.97</u>	<u>17.22</u>	<u>18.20</u>	<u>16.40</u>

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

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Planning and Zoning</b>					
Conditional use permits	2	4	2	3	0
Interim use permits	1	1	1	0	3
Minor subdivisions	2	0	2	1	0
Plats/Planned unit developments	9	17	1	0	0
Rezoning	2	11	2	7	0
Site plans	0	0	2	1	0
Variances	2	2	5	4	6
<b>Fire</b>					
Total emergency responses	429	358	448	399	315
EMS responses	274	237	280	262	195
Fire responses	32	21	28	28	24
<b>Building Inspections</b>					
Residential permit valuations (thousands of dollars)	50,401	23,032	19,979	20,320	16,133
Commercial permit valuations (thousands of dollars)	1,952	7,309	966	2,351	2,590
New residential units (1)	140	41	32	31	24
New commercial units	1	3	0	0	0
<b>Water Utility</b>					
Number of customers	1,234	1,073	1,051	1,016	998
Average daily consumption (2) (thousands of gallons)	18	19	21	15	14
<b>Sanitary Sewer Utility</b>					
Number of customers	82	45	29	29	29
Average daily flow (3) (thousands of gallons)	74	77	77	75	71

Sources: Various City Department's annual budget workload measurements

(1) Excludes fire/demolition rebuilds

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

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

**Schedule 18**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
0	2	1	3	3
1	0	1	1	0
0	2	1	1	0
0	0	0	0	3
0	1	1	1	0
1	1	0	1	12
2	5	6	8	9
361	319	294	369	313
211	205	204	244	202
14	24	20	46	26
15,889	12,903	16,525	22,739	18,727
2,013	1,617	1,370	3,600	25,744
26	29	23	29	30
1	1	0	1	6
967	941	935	918	735
18	24	28	26	24
29	28	28	26	18
72	68	73	66	49

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

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Bituminous streets (miles)	65	65	63	63	63	62	62	62	62	57
Gravel streets (miles)	2	2	2	2	2	2	3	3	3	3
Street lights	144	144	142	137	137	137	137	137	137	137
Storm sewer (miles)	25	25	25	25	25	25	25	23	23	22
Park & Recreation										
Acres of parkland	451	451	451	451	451	451	451	451	451	451
Number of parks	17	17	17	17	17	17	17	17	17	17
Water Utility										
Water towers	3	3	2	2	2	2	2	2	1	1
Miles of watermain	43	40	39	37	37	37	37	34	26	20
Number of fire hydrants	378	351	293	280	280	280	280	280	233	225
Sanitary Sewer Utility										
Miles of sanitary sewer	4	3	3	3	3	3	3	3	3	3
Lift stations	4	4	3	3	3	3	3	3	3	3

Sources: Various City Department's annual financial report statistics

**CITY OF LAKE ELMO, MINNESOTA**

**OTHER REPORT SECTION**

**December 31, 2015**

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota State Statutes Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City has not established a tax increment financing district.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake Elmo, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Lake Elmo, Minnesota's noncompliance with the above referenced provisions.

As of December 31, 2015, the City's records showed uncashed checks held for more than three years. These checks were not reported and paid to the State Commission of Commerce pursuant to Minn. Stat. Sections 345.41 and 345.43.

As of December 31, 2015, collateral pledged to secure the City's deposits did not equal at least on hundred ten percent of the uninsured amount on deposit.

This report is intended solely for the information and use of those charged with governance and management of the City of Lake Elmo, Minnesota and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Smith, Schaffer and Associates, Ltd.*

Maplewood, Minnesota  
June 9, 2016

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