

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

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INTRODUCTORY SECTION

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

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CITY OF LAKE ELMO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2011

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Johnston	Mayor	12/31/12
Brett H. Emmons	Council Member	12/31/12
Nicole Park	Council Member	12/31/14
Mike Pearson	Council Member	12/31/14
Anne Smith	Council Member	12/31/12

APPOINTED

Bruce Messelt	City Administrator
Tom Bouthilet	Finance Director/Treasurer

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FINANCIAL SECTION
CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2010 financial statements and, in our report dated June 7, 2011, we expressed unqualified opinions on the respective proprietary fund financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Note 9 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedules of Funding Progress on page 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

June 25, 2012
Minneapolis, Minnesota

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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Management's Discussion and Analysis

As management of the City of Lake Elmo (the City), Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$21,646,391 (net assets). Of this amount, \$4,004,936 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$125,462. The difference can be attributed to both business-type and governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,913,386, an increase of \$117,869 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General fund was \$1,707,711, or 58.9 percent of the 2012 General fund budgeted expenditures and transfers out. The total General fund balance as of December 31, 2011 was \$2,913,920, but \$1,205,398 is nonspendable related to the inter-fund loan with the Village Project fund.
- The City's total noncurrent liabilities increased \$440,305 or 3.6 percent during the current fiscal year. The key factor of this increase was the issuance of the 2011A G.O. Improvement Bonds.

Overview of the Financial Statements

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

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

**Figure 1
Required Components of the
City’s Annual Financial Report**

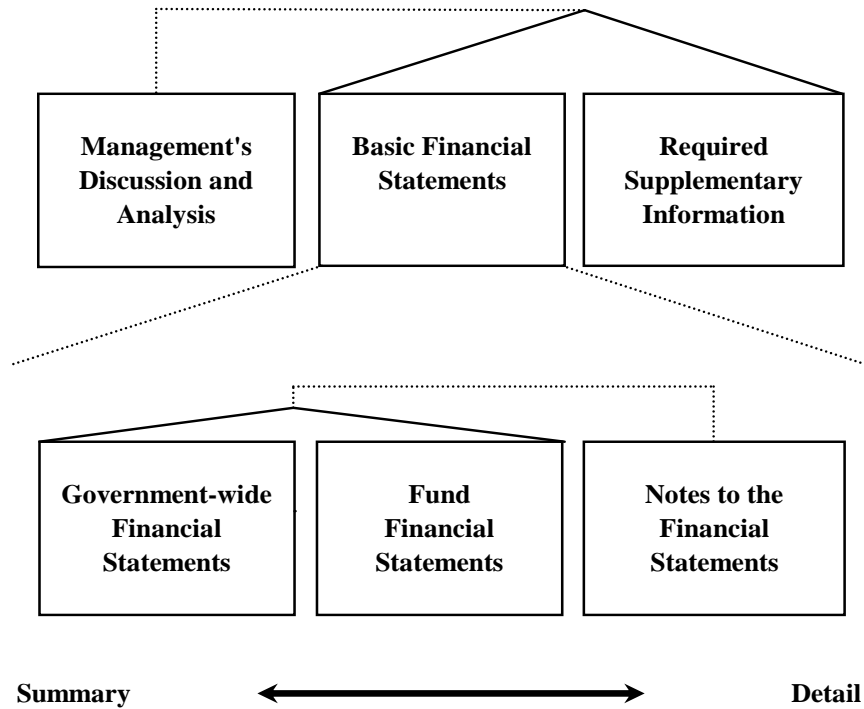


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 29 of this report.

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

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

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

The City maintains twenty-one individual governmental funds, seven 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 Village Project fund, and the 2011 Street Improvements 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 adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm sewer utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the funding of equipment replacement for radios, IT, furniture, fixtures, and other equipment. Because 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 funds financial statements provide separate information for the water, sewer, and storm sewer utility funds.

The basic proprietary funds financial statements start on page 42 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 used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 52 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 start on page 53 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 82 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities \$21,646,391 at the close of the most recent fiscal year.

The largest portion of the City's net assets (69.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12.3 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions are basically obligations for future debt service. The remaining balance of *unrestricted net assets* (\$4,004,936) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Lake Elmo's Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Assets						
Current and other assets	\$ 8,409,192	\$ 8,390,795	\$ 18,397	\$ 1,536,582	\$ 1,274,094	\$ 262,488
Capital assets (net of accumulated depreciation)	13,923,816	13,651,257	272,559	11,055,674	11,385,473	(329,799)
Total assets	22,333,008	22,042,052	290,956	12,592,256	12,659,567	(67,311)
Liabilities						
Noncurrent liabilities outstanding	7,911,429	7,424,188	487,241	4,665,125	4,712,061	(46,936)
Other liabilities	647,310	752,812	(105,502)	55,009	40,705	14,304
Total liabilities	8,558,739	8,177,000	381,739	4,720,134	4,752,766	(32,632)
Net assets						
Invested in capital assets, net of related debt	8,553,984	8,644,980	(90,996)	6,422,782	6,713,292	(290,510)
Restricted	2,664,689	2,771,969	(107,280)	-	-	-
Unrestricted	2,555,596	2,448,103	107,493	1,449,340	1,193,509	255,831
Total net assets	\$ 13,774,269	\$ 13,865,052	\$ (90,783)	\$ 7,872,122	\$ 7,906,801	\$ (34,679)

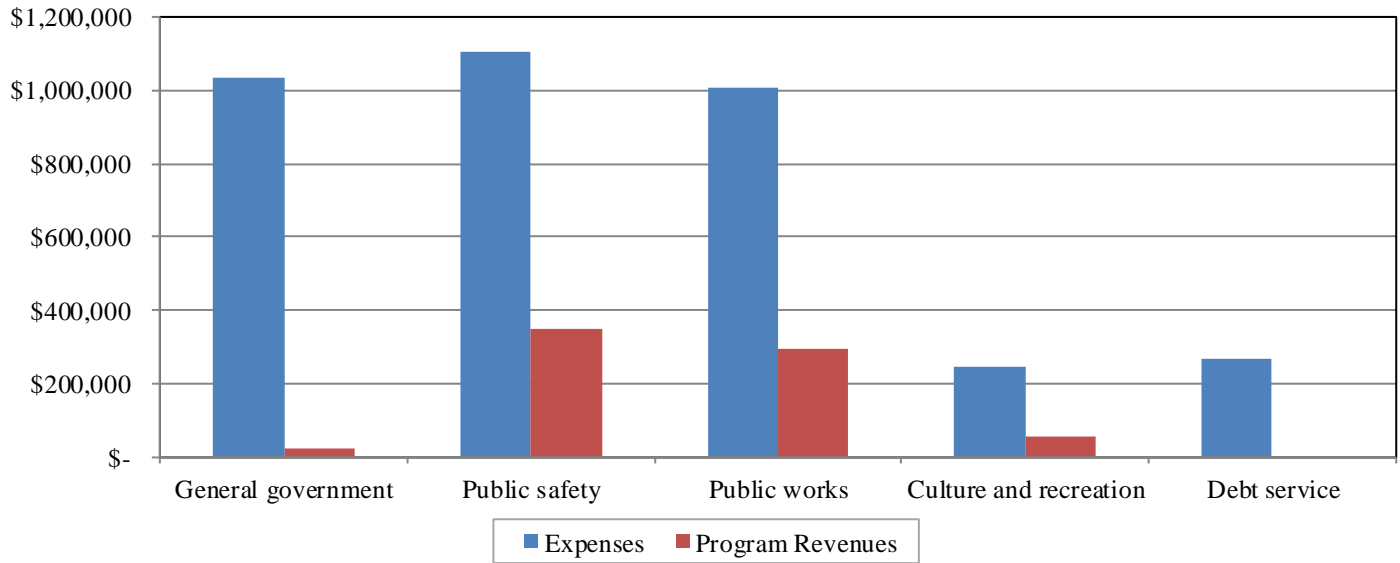
Governmental activities. Governmental activities decreased the City’s net assets \$90,783 thereby accounting for 72.4 percent of the total decline in the net assets of the City.

City of Lake Elmo’s Changes in Net Assets

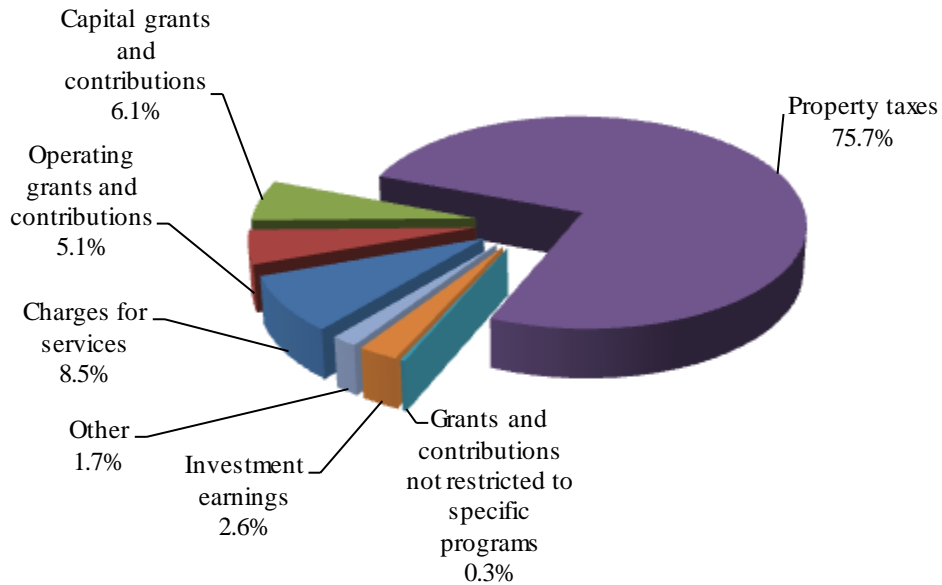
	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 308,929	\$ 352,763	\$ (43,834)	\$ 863,798	\$ 796,518	\$ 67,280
Operating grants and contributions	184,476	168,491	15,985	17,000	32,721	(15,721)
Capital grants and contributions	222,488	1,090,419	(867,931)	75,885	418,400	(342,515)
General revenues						
Taxes	2,793,776	2,711,067	82,709	-	-	-
Grants and contributions not restricted to specific programs	10,628	9,771	857	-	-	-
Unrestricted investment earnings	94,501	113,989	(19,488)	10,789	11,129	(340)
Miscellaneous	20,405	17,311	3,094	-	-	-
Total revenues	<u>3,635,203</u>	<u>4,463,811</u>	<u>(828,608)</u>	<u>967,472</u>	<u>1,258,768</u>	<u>(291,296)</u>
Expenses						
General government	1,036,038	980,456	55,582	-	-	-
Public safety	1,107,050	1,171,158	(64,108)	-	-	-
Public works	1,008,686	1,135,351	(126,665)	-	-	-
Culture and recreation	247,845	239,389	8,456	-	-	-
Interest on long-term debt	266,730	222,404	44,326	-	-	-
Water	-	-	-	845,474	898,319	(52,845)
Sewer	-	-	-	73,797	61,513	12,284
Storm sewer	-	-	-	142,517	151,384	(8,867)
Total expenses	<u>3,666,349</u>	<u>3,748,758</u>	<u>(82,409)</u>	<u>1,061,788</u>	<u>1,111,216</u>	<u>(49,428)</u>
Change in net assets before transfers	(31,146)	715,053	(746,199)	(94,316)	147,552	(241,868)
Transfers - capital assets	(9,637)	(7,947)	(1,690)	9,637	7,947	1,690
Transfers - internal activities	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Change in net assets	(90,783)	657,106	(747,889)	(34,679)	205,499	(240,178)
Net assets, January 1	<u>13,865,052</u>	<u>13,207,946</u>	<u>657,106</u>	<u>7,906,801</u>	<u>7,701,302</u>	<u>205,499</u>
Net assets, December 31	<u><u>\$ 13,774,269</u></u>	<u><u>\$ 13,865,052</u></u>	<u><u>\$ (90,783)</u></u>	<u><u>\$ 7,872,122</u></u>	<u><u>\$ 7,906,801</u></u>	<u><u>\$ (34,679)</u></u>

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

Expenses and Program Revenues – Governmental Activities

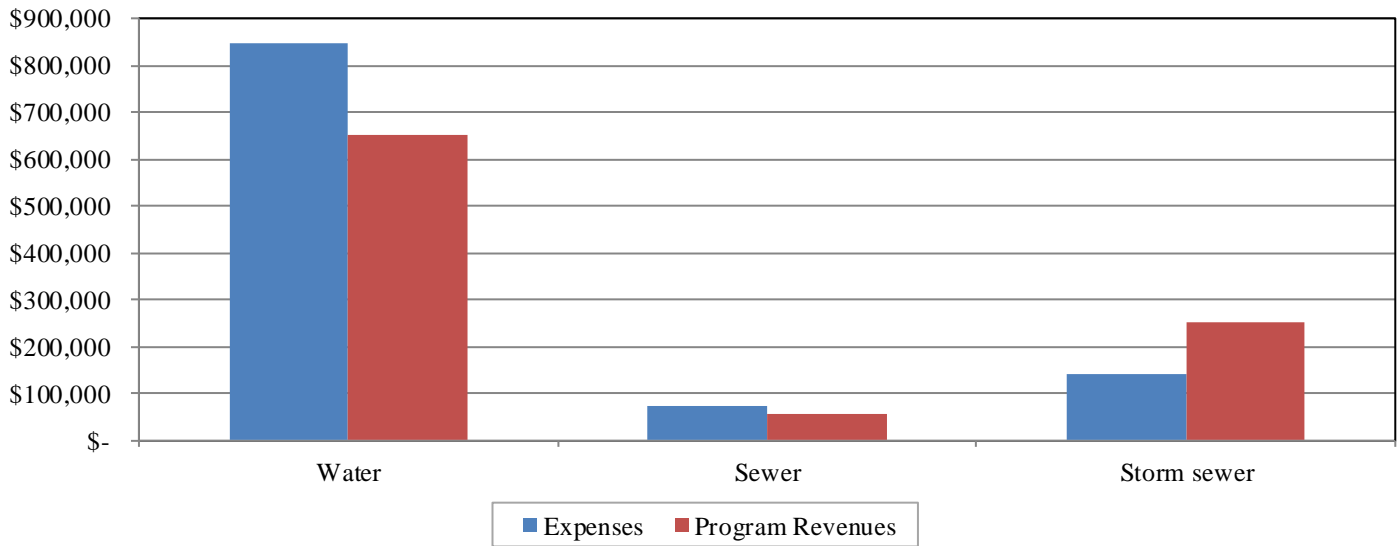


Revenues by Source – Governmental Activities

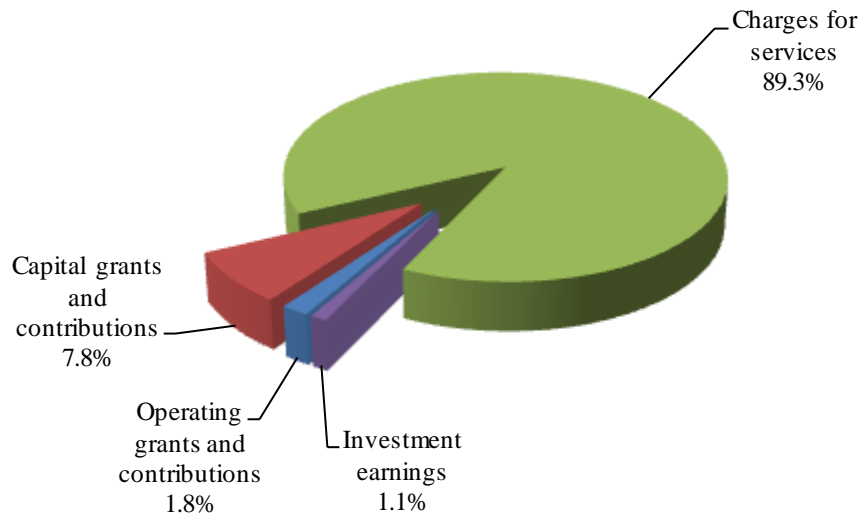


Business-type activities. Business-type activities decreased the City’s net assets by \$34,679, accounting for 27.6 percent of the total decline in the City’s net assets.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *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's governmental funds reported combined ending fund balances \$6,913,386, an increase of \$117,869 in comparison with the prior year. Approximately 5.1 percent of this total amount, \$353,957 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$6,559,429) is not available for new spending because it is either 1) nonspendable (\$1,206,209), 2) restricted (\$4,691,748), 3) committed (\$7,114), or 4) assigned (\$654,358). For further classification, refer to Note 3F on page 69 of this report.

Major funds	Fund Balances (deficits)		Increase (Decrease)
	December 31		
	2011	2010	
General	\$ 2,913,920	\$ 2,686,161	\$ 227,759
Revenues exceeded expenditures in the fund by \$458,264. The fund also transferred out of \$230,505 leading to an increase in fund balance of \$227,759.			
Debt Service	\$ 3,534,742	\$ 3,605,250	\$ (70,508)
The City levied for an anticipated decrease in fund balance across all Debt Service funds of approximately \$134,000. Actual fund balance in the Debt Service funds decreased \$70,508 in 2011. This variance is primarily due to nearly \$85,000 received for prepaid special assessments and net transfers out of \$24,298 to close funds.			
Village Project	\$ (1,205,398)	\$ (1,146,241)	\$ (59,157)
The Village Project fund expenditures exceeded revenues by \$96,414. The decrease was due to expenditures incurred on the Village project and interest on the advance from the General fund.			

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$1,449,340. The total decrease in net assets for the funds was \$34,679. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for no change in General fund balance. Actual net change to the General fund balance was an increase of \$227,759. Actual revenues exceeded budgeted amounts and expenditures were under budget. Revenues were over budget by \$143,349 mainly due to licenses and permits which were \$62,459 more than anticipated. Expenditures were under budget by \$132,915 during the year. All departments were under budget, with the exception of general government which was over budget by \$44,779. The largest positive variance was provided by public safety which was under budget by \$73,689.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$24,979,490 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and streets. The City's total capital assets decreased a total of \$57,240. Of that total, governmental net capital assets increased by 2.0 percent while Business-type activities decreased this figure by 2.9 percent.

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

- 2011 street improvements of approximately \$540,000.
- Completion of the 2010 street improvement project. Current additions were approximately \$28,000 and included in the total additions of nearly \$570,000 to governmental infrastructure.
- South of 10th street improvements of approximately \$123,000 were added to governmental construction in progress.
- Improvements including field lights and roof repair to Lions Park.

Additional information on the City's capital assets can be found in Note 3C starting on page 63 of this report.

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

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 3,453,979	\$ 3,439,986	\$ 13,993	\$ 36,573	\$ 36,573	\$ -
Buildings	2,764,709	2,836,898	(72,189)	-	-	-
Improvements other than buildings	558,332	572,840	(14,508)	-	-	-
Machinery and equipment	938,928	1,012,929	(74,001)	146,566	166,577	(20,011)
Infrastructure	4,809,905	3,891,841	918,064	10,446,752	10,774,860	(328,108)
Construction in progress	1,397,963	1,896,763	(498,800)	425,783	407,463	18,320
Total	<u>\$ 13,923,816</u>	<u>\$ 13,651,257</u>	<u>\$ 272,559</u>	<u>\$ 11,055,674</u>	<u>\$ 11,385,473</u>	<u>\$ (329,799)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,451,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Lake Elmo's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Other postemployment benefits payable	\$ 43,561	\$ 28,888	\$ 14,673	\$ 7,835	\$ 5,172	\$ 2,663
Compensated absences payable	41,731	67,747	(26,016)	10,182	19,070	(8,888)
Unamortized premium on bonds	15,137	17,553	(2,416)	7,108	7,819	(711)
Bonds payable	7,811,000	7,310,000	501,000	4,640,000	4,680,000	(40,000)
Total	<u>\$ 7,911,429</u>	<u>\$ 7,424,188</u>	<u>\$ 487,241</u>	<u>\$ 4,665,125</u>	<u>\$ 4,712,061</u>	<u>\$ (46,936)</u>

The City's total noncurrent liabilities increased \$440,305 during the current fiscal year, which is a result of the issuance of \$845,000 for the 2011A G.O. Improvement Bonds.

The City bond rating was placed at “Aa2” from Moody’s for its issuance of Bonds in 2011.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City is currently well within their limit.

Additional information on the City’s long-term debt can be found in Note 3E starting on page 66 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The City’s taxable market value decreased 4.9 percent from 2010 to 2011, and 8.5 percent from 2011 to 2012.
- Total property taxes levied for 2012 increased 10.8 percent over property taxes levied for 2011. This is primarily due to the City opting out of the Washington County Library system. Due to this move, the Library levy previously reported under the County levy has been moved to the City component.
- Plans are underway for extensive development in the following three areas:
 1. The I-94 Corridor where a mixed use development featuring commercial/retail business as well as residential (2012-2017).
 2. The Old Village re-development project of commercial and residential expansion (2013-2018).
 3. The Highway 36 Corridor residential expansion due to the completion of the new federally funded bridge linking Minnesota and Wisconsin (targeted completion in 2017).

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 4,537,364	\$ 783,037	\$ 5,320,401
Cash with fiscal agent	2,899,380	-	2,899,380
Receivables			
Current taxes	23,020	-	23,020
Delinquent taxes	102,760	-	102,760
Accrued interest	15,371	-	15,371
Accounts	1,235	539,648	540,883
Special assessments	232,700	95,876	328,576
Due from other governments	405,410	-	405,410
Unamortized deferred charges	191,952	118,021	309,973
Capital assets			
Land and construction in progress	4,851,942	462,356	5,314,298
Depreciable assets (net of accumulated depreciation)	9,071,874	10,593,318	19,665,192
TOTAL ASSETS	22,333,008	12,592,256	34,925,264
LIABILITIES			
Accounts payable	172,954	31,777	204,731
Accrued salaries payable	37,935	1,915	39,850
Accrued interest payable	89,536	15,808	105,344
Due to other governments	235,145	5,509	240,654
Deposits payable	75,000	-	75,000
Unearned revenue	36,740	-	36,740
Noncurrent liabilities			
Due within one year	414,346	42,037	456,383
Due in more than one year	7,497,083	4,623,088	12,120,171
TOTAL LIABILITIES	8,558,739	4,720,134	13,278,873
NET ASSETS			
Invested in capital assets, net of related debt	8,553,984	6,422,782	14,976,766
Restricted for			
Debt service	1,963,714	-	1,963,714
Park improvements	700,975	-	700,975
Unrestricted	2,555,596	1,449,340	4,004,936
TOTAL NET ASSETS	\$ 13,774,269	\$ 7,872,122	\$ 21,646,391

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,036,038	\$ 22,058	\$ -	\$ -
Public safety	1,107,050	283,813	63,516	-
Public works	1,008,686	3,058	98,606	190,625
Culture and recreation	247,845	-	22,354	31,863
Interest on long-term debt	266,730	-	-	-
Total governmental activities	3,666,349	308,929	184,476	222,488
Business-type activities				
Water	845,474	575,534	-	74,100
Sewer	73,797	53,012	-	1,785
Storm sewer	142,517	235,252	17,000	-
Total business-type activities	1,061,788	863,798	17,000	75,885
Total	\$ 4,728,137	\$ 1,172,727	\$ 201,476	\$ 298,373

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers - capital assets

Transfers - internal activities

Total general revenues and transfers

Change in net assets

Net assets, January 1

Net assets, December 31

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

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,013,980)	\$ -	\$ (1,013,980)
(759,721)	-	(759,721)
(716,397)	-	(716,397)
(193,628)	-	(193,628)
(266,730)	-	(266,730)
<u>(2,950,456)</u>	<u>-</u>	<u>(2,950,456)</u>
-	(195,840)	(195,840)
-	(19,000)	(19,000)
-	109,735	109,735
<u>-</u>	<u>(105,105)</u>	<u>(105,105)</u>
<u>(2,950,456)</u>	<u>(105,105)</u>	<u>(3,055,561)</u>
2,447,919	-	2,447,919
304,656	-	304,656
41,201	-	41,201
10,628	-	10,628
94,501	10,789	105,290
20,405	-	20,405
(9,637)	9,637	-
(50,000)	50,000	-
<u>2,859,673</u>	<u>70,426</u>	<u>2,930,099</u>
(90,783)	(34,679)	(125,462)
<u>13,865,052</u>	<u>7,906,801</u>	<u>21,771,853</u>
<u>\$ 13,774,269</u>	<u>\$ 7,872,122</u>	<u>\$ 21,646,391</u>

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FUND FINANCIAL STATEMENTS

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	101	300's	413	418
	<u>General</u>	<u>Debt Service</u>	<u>Village Project</u>	<u>2011 Street Improvements</u>
ASSETS				
Cash and temporary investments	\$ 1,904,656	\$ 635,241	\$ -	\$ 227,993
Cash with fiscal agent	-	2,899,380	-	-
Receivables				
Current taxes	23,020	-	-	-
Delinquent taxes	102,760	-	-	-
Accrued interest	15,371	-	-	-
Accounts	1,235	-	-	-
Special assessments	-	148,629	-	-
Due from other governments	41,043	340,000	-	-
Due from other funds	129,067	-	-	-
Advance to other funds	1,205,398	-	-	-
Prepaid items	811	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 3,423,361</u></u>	<u><u>\$ 4,023,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 227,993</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 96,861	\$ -	\$ -	\$ 43,047
Accrued salaries payable	37,935	-	-	-
Due to other governments	235,145	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	1,205,398	-
Deposits payable	-	-	-	-
Deferred revenue	139,500	488,508	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>509,441</u>	<u>488,508</u>	<u>1,205,398</u>	<u>43,047</u>
FUND BALANCES				
Nonspendable	1,206,209	-	-	-
Restricted	-	3,534,742	-	184,946
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,707,711	-	(1,205,398)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,913,920</u>	<u>3,534,742</u>	<u>(1,205,398)</u>	<u>184,946</u>
	<u><u>\$ 3,423,361</u></u>	<u><u>\$ 4,023,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 227,993</u></u>

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

Other Governmental Funds	Total Governmental Funds
\$ 1,690,440	\$ 4,458,330
-	2,899,380
-	23,020
-	102,760
-	15,371
-	1,235
84,071	232,700
24,367	405,410
-	129,067
-	1,205,398
-	811
<u>\$ 1,798,878</u>	<u>\$ 9,473,482</u>
\$ 26,076	\$ 165,984
-	37,935
-	235,145
129,067	129,067
-	1,205,398
75,000	75,000
83,559	711,567
<u>313,702</u>	<u>2,560,096</u>
-	1,206,209
972,060	4,691,748
7,114	7,114
654,358	654,358
(148,356)	353,957
<u>1,485,176</u>	<u>6,913,386</u>
<u>\$ 1,798,878</u>	<u>\$ 9,473,482</u>

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CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 6,913,386
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	17,391,971
Less accumulated depreciation	(3,712,237)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year end consist of	
Other postemployment benefits payable	(43,561)
Compensated absences payable	(41,731)
Bond principal payable	(7,811,000)
Less deferred charges, net of accumulated amortization	191,952
Add bond premium, net of accumulated amortization	(15,137)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Delinquent taxes receivable	102,760
Special assessments receivable	232,067
State contributions	340,000
Governmental funds do not report a liability for accrued interest until due and payable.	(89,536)
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 assets.	315,335
Total net assets - governmental activities	\$ 13,774,269

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	101	300's	413	417
	<u>General</u>	<u>Debt Service</u>	<u>Village Project</u>	<u>2011 Street Improvements</u>
REVENUES				
Taxes	\$ 2,486,117	\$ 304,656	\$ -	\$ -
Licenses and permits	230,419	-	-	-
Intergovernmental	172,750	72,025	-	-
Charges for services	14,691	-	-	-
Fines and forfeitures	63,819	-	-	-
Special assessments	-	118,261	-	-
Investment earnings	59,413	14,233	(1,771)	(482)
Miscellaneous	35,363	-	-	-
TOTAL REVENUES	<u>3,062,572</u>	<u>509,175</u>	<u>(1,771)</u>	<u>(482)</u>
EXPENDITURES				
Current				
General government	1,016,898	-	-	-
Public safety	996,733	-	-	-
Public works	447,629	-	-	-
Culture and recreation	143,048	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	54,643	583,297
Culture and recreation	-	-	-	-
Debt service				
Principal	-	344,000	-	-
Interest and other charges	-	211,385	40,000	-
Bond issuance costs	-	-	-	34,327
TOTAL EXPENDITURES	<u>2,604,308</u>	<u>555,385</u>	<u>94,643</u>	<u>617,624</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>458,264</u>	<u>(46,210)</u>	<u>(96,414)</u>	<u>(618,106)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	11,650	37,257	-
Bonds issued	-	-	-	845,000
Transfers out	(230,505)	(35,948)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(230,505)</u>	<u>(24,298)</u>	<u>37,257</u>	<u>845,000</u>
NET CHANGE IN FUND BALANCES	227,759	(70,508)	(59,157)	226,894
FUND BALANCES, JANUARY 1	<u>2,686,161</u>	<u>3,605,250</u>	<u>(1,146,241)</u>	<u>(41,948)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,913,920</u>	<u>\$ 3,534,742</u>	<u>\$ (1,205,398)</u>	<u>\$ 184,946</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,790,773
-	230,419
31,863	276,638
-	14,691
-	63,819
35,275	153,536
22,673	94,066
12,854	48,217
102,665	3,672,159
-	1,016,898
-	996,733
-	447,629
25,699	168,747
9,067	9,067
20,433	20,433
316,353	954,293
45,390	45,390
-	344,000
-	251,385
-	34,327
416,942	4,288,902
(314,277)	(616,743)
156,065	204,972
-	845,000
(48,907)	(315,360)
107,158	734,612
(207,119)	117,869
1,692,295	6,795,517
\$ 1,485,176	\$ 6,913,386

CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Total net change in fund balances - governmental funds	\$ 117,869
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	872,262
Depreciation expense	(547,822)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Capital assets transferred to enterprise funds.	(9,637)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.	
Debt issued	(845,000)
Less deferral of bond issuance costs	34,327
Principal repayments	344,000
Amortization of deferred charges	(17,828)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(15,345)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	25,064
Property taxes	3,003
State contributions	(60,000)
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.	
Other postemployment benefits	(14,673)
Compensated absences	26,016
Internal service funds are used by management to charge certain costs 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>(3,019)</u>
Change in net assets - governmental activities	<u><u>\$ (90,783)</u></u>

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,489,261	\$ 2,489,261	\$ 2,486,117	\$ (3,144)
Licenses and permits	167,960	167,960	230,419	62,459
Intergovernmental	132,473	132,473	172,750	40,277
Charges for services	8,400	8,400	14,691	6,291
Fines and forfeits	52,000	52,000	63,819	11,819
Investment earnings	50,000	50,000	59,413	9,413
Miscellaneous	19,129	19,129	35,363	16,234
TOTAL REVENUES	<u>2,919,223</u>	<u>2,919,223</u>	<u>3,062,572</u>	<u>143,349</u>
EXPENDITURES				
Current				
General government	972,119	972,119	1,016,898	(44,779)
Public safety	1,070,422	1,070,422	996,733	73,689
Public works	501,439	501,439	447,629	53,810
Culture and recreation	193,243	193,243	143,048	50,195
TOTAL EXPENDITURES	<u>2,737,223</u>	<u>2,737,223</u>	<u>2,604,308</u>	<u>132,915</u>
EXCESS OF REVENUES OVER EXPENDITURES	182,000	182,000	458,264	276,264
OTHER FINANCING USES				
Transfers out	<u>(182,000)</u>	<u>(182,000)</u>	<u>(230,505)</u>	<u>(48,505)</u>
NET CHANGE IN FUND BALANCES	-	-	227,759	227,759
FUND BALANCES, JANUARY 1	<u>2,686,161</u>	<u>2,686,161</u>	<u>2,686,161</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,686,161</u>	<u>\$ 2,686,161</u>	<u>\$ 2,913,920</u>	<u>\$ 227,759</u>

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

CITY OF LAKE ELMO, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 752,658	\$ 565,407	\$ 27,062	\$ 29,226
Receivables				
Accounts	214,652	174,845	40,423	49,093
Special assessments	60,214	72,507	516	516
Due from other governments	-	-	-	-
Due from other funds	-	56,226	-	-
	<u>1,027,524</u>	<u>868,985</u>	<u>68,001</u>	<u>78,835</u>
TOTAL CURRENT ASSETS				
	<u>1,027,524</u>	<u>868,985</u>	<u>68,001</u>	<u>78,835</u>
NONCURRENT ASSETS				
Unamortized deferred charges	118,021	125,439	-	-
Capital assets				
Land	36,573	36,573	-	-
Machinery and equipment	282,860	282,860	-	-
Infrastructure	11,745,589	11,745,589	346,607	346,607
Construction in progress	387,233	373,283	-	-
Less accumulated depreciation	<u>(2,159,492)</u>	<u>(1,835,300)</u>	<u>(177,930)</u>	<u>(169,190)</u>
	<u>10,292,763</u>	<u>10,603,005</u>	<u>168,677</u>	<u>177,417</u>
Total capital assets (net of accumulated depreciation)				
	<u>10,292,763</u>	<u>10,603,005</u>	<u>168,677</u>	<u>177,417</u>
TOTAL NONCURRENT ASSETS	<u>10,410,784</u>	<u>10,728,444</u>	<u>168,677</u>	<u>177,417</u>
TOTAL ASSETS	<u>11,438,308</u>	<u>11,597,429</u>	<u>236,678</u>	<u>256,252</u>

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

Business-type Activities - Enterprise Funds				Governmental Activities	
603		Totals		701, 702, 703	
Storm Sewer				Internal Service Funds	
2011	2010	2011	2010	2011	2010
\$ 3,317	\$ -	\$ 783,037	\$ 594,633	\$ 79,034	\$ 47,734
284,573	249,454	539,648	473,392	-	-
35,146	-	95,876	73,023	-	-
-	7,607	-	7,607	-	-
-	-	-	56,226	13,676	-
<u>323,036</u>	<u>257,061</u>	<u>1,418,561</u>	<u>1,204,881</u>	<u>92,710</u>	<u>47,734</u>
-	-	118,021	125,439	-	-
-	-	36,573	36,573	-	-
-	-	282,860	282,860	592,199	560,729
595,833	595,833	12,688,029	12,688,029	-	-
38,550	34,180	425,783	407,463	-	18,512
<u>(40,149)</u>	<u>(24,962)</u>	<u>(2,377,571)</u>	<u>(2,029,452)</u>	<u>(348,117)</u>	<u>(292,915)</u>
<u>594,234</u>	<u>605,051</u>	<u>11,055,674</u>	<u>11,385,473</u>	<u>244,082</u>	<u>286,326</u>
<u>594,234</u>	<u>605,051</u>	<u>11,173,695</u>	<u>11,510,912</u>	<u>244,082</u>	<u>286,326</u>
<u>917,270</u>	<u>862,112</u>	<u>12,592,256</u>	<u>12,715,793</u>	<u>336,792</u>	<u>334,060</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2011	2010	2011	2010
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 25,664	\$ 12,788	\$ 2,002	\$ 2,545
Accrued salaries payable	1,274	1,589	288	355
Accrued interest payable	15,808	15,908	-	-
Due to other funds	-	-	-	-
Due to other governments	4,973	2,176	-	-
Current portion of compensated absences payable	1,355	2,282	301	459
Current portion of bonds payable	40,000	40,000	-	-
TOTAL CURRENT LIABILITIES	89,074	74,743	2,591	3,359
NONCURRENT LIABILITIES				
Other postemployment benefits payable	4,814	3,175	1,213	804
Compensated absences payable	5,419	9,129	1,203	1,836
Unamortized premium on bonds	7,108	7,819	-	-
Bonds payable	4,600,000	4,640,000	-	-
TOTAL NONCURRENT LIABILITIES	4,617,341	4,660,123	2,416	2,640
TOTAL LIABILITIES	4,706,415	4,734,866	5,007	5,999
NET ASSETS				
Invested in capital assets, net of related debt	5,659,871	5,930,824	168,677	177,417
Unrestricted	1,072,022	931,739	62,994	72,836
TOTAL NET ASSETS	\$ 6,731,893	\$ 6,862,563	\$ 231,671	\$ 250,253

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

Business-type Activities - Enterprise Funds				Governmental Activities	
603				701, 702, 703	
Storm Sewer		Totals		Internal Service Funds	
2011	2010	2011	2010	2011	2010
\$ 4,111	\$ 4,187	\$ 31,777	\$ 19,520	\$ 7,781	\$ 15,706
353	639	1,915	2,583	-	-
-	-	15,808	15,908	-	-
-	56,226	-	56,226	13,676	-
536	518	5,509	2,694	-	-
381	1,073	2,037	3,814	-	-
-	-	40,000	40,000	-	-
<u>5,381</u>	<u>62,643</u>	<u>97,046</u>	<u>140,745</u>	<u>21,457</u>	<u>15,706</u>
1,808	1,193	7,835	5,172	-	-
1,523	4,291	8,145	15,256	-	-
-	-	7,108	7,819	-	-
-	-	4,600,000	4,640,000	-	-
<u>3,331</u>	<u>5,484</u>	<u>4,623,088</u>	<u>4,668,247</u>	<u>-</u>	<u>-</u>
<u>8,712</u>	<u>68,127</u>	<u>4,720,134</u>	<u>4,808,992</u>	<u>21,457</u>	<u>15,706</u>
594,234	605,051	6,422,782	6,713,292	244,082	286,326
314,324	188,934	1,449,340	1,193,509	71,253	32,028
<u>\$ 908,558</u>	<u>\$ 793,985</u>	<u>\$ 7,872,122</u>	<u>\$ 7,906,801</u>	<u>\$ 315,335</u>	<u>\$ 318,354</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for services	\$ 517,814	\$ 506,238	\$ 53,012	\$ 48,508
Water meter sales	9,165	11,121	-	-
TOTAL OPERATING REVENUES	526,979	517,359	53,012	48,508
OPERATING EXPENSES				
Personnel services	103,651	102,711	23,535	22,996
Supplies	18,940	95,164	-	-
Professional services	63,441	37,991	21,935	12,032
Repair and maintenance	12,006	11,550	508	12
Insurance	6,023	9,710	-	-
Utilities	119,709	117,801	19,079	17,733
Depreciation	324,192	324,818	8,740	8,740
TOTAL OPERATING EXPENSES	647,962	699,745	73,797	61,513
OPERATING INCOME (LOSS)	(120,983)	(182,386)	(20,785)	(13,005)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	9,903	10,580	418	632
Rents	48,555	45,226	-	-
Miscellaneous	-	-	-	-
Amortization of deferred charges	(7,418)	(7,418)	-	-
Interest expense	(190,094)	(191,156)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(139,054)	(142,768)	418	632
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(260,037)	(325,154)	(20,367)	(12,373)
TRANSFERS IN	50,000	50,000	-	-
CAPITAL CONTRIBUTIONS	74,100	261,000	1,785	2,400
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	5,267	4,401	-	-
CHANGE IN NET ASSETS	(130,670)	(9,753)	(18,582)	(9,973)
NET ASSETS, JANUARY 1	6,862,563	6,872,316	250,253	260,226
NET ASSETS, DECEMBER 31	\$ 6,731,893	\$ 6,862,563	\$ 231,671	\$ 250,253

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

Business-type Activities - Enterprise Funds				Governmental Activities	
603				701, 702, 703	
Storm Sewer		Totals		Internal Service Funds	
2011	2010	2011	2010	2011	2010
\$ 235,252	\$ 185,425	\$ 806,078	\$ 740,171	\$ -	\$ -
-	-	9,165	11,121	-	-
<u>235,252</u>	<u>185,425</u>	<u>815,243</u>	<u>751,292</u>	<u>-</u>	<u>-</u>
41,134	39,855	168,320	165,562	-	-
891	3,257	19,831	98,421	-	-
58,778	59,435	144,154	109,458	-	-
26,527	33,649	39,041	45,211	8,640	2,058
-	-	6,023	9,710	-	-
-	-	138,788	135,534	-	-
15,187	15,188	348,119	348,746	55,202	56,819
<u>142,517</u>	<u>151,384</u>	<u>864,276</u>	<u>912,642</u>	<u>63,842</u>	<u>58,877</u>
<u>92,735</u>	<u>34,041</u>	<u>(49,033)</u>	<u>(161,350)</u>	<u>(63,842)</u>	<u>(58,877)</u>
468	(83)	10,789	11,129	435	956
-	-	48,555	45,226	-	-
17,000	32,721	17,000	32,721	-	-
-	-	(7,418)	(7,418)	-	-
-	-	(190,094)	(191,156)	-	-
<u>17,468</u>	<u>32,638</u>	<u>(121,168)</u>	<u>(109,498)</u>	<u>435</u>	<u>956</u>
110,203	66,679	(170,201)	(270,848)	(63,407)	(57,921)
-	-	50,000	50,000	60,388	-
-	155,000	75,885	418,400	-	-
4,370	3,546	9,637	7,947	-	-
<u>114,573</u>	<u>225,225</u>	<u>(34,679)</u>	<u>205,499</u>	<u>(3,019)</u>	<u>(57,921)</u>
<u>793,985</u>	<u>568,760</u>	<u>7,906,801</u>	<u>7,701,302</u>	<u>318,354</u>	<u>376,275</u>
<u>\$ 908,558</u>	<u>\$ 793,985</u>	<u>\$ 7,872,122</u>	<u>\$ 7,906,801</u>	<u>\$ 315,335</u>	<u>\$ 318,354</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 499,465	\$ 475,808	\$ 61,682	\$ 30,083
Other income related to operating activities	-	-	-	-
Payments to suppliers	(200,298)	(290,641)	(42,065)	(28,848)
Payments to employees	(106,964)	(100,565)	(23,984)	(22,515)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>192,203</u>	<u>84,602</u>	<u>(4,367)</u>	<u>(21,280)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Rents received	48,555	45,226		
(Increase) decrease in due from other funds	56,226	23,928	-	-
Increase (decrease) in due to other funds	-	-	-	-
Transfers from other funds	50,000	50,000	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>154,781</u>	<u>119,154</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(12,831)	(33,320)	-	-
Connection fees received	74,100	78,000	1,785	2,400
Principal paid on long-term debt	(40,000)	(35,000)	-	-
Interest paid on long-term debt	(190,905)	(191,955)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(169,636)</u>	<u>(182,275)</u>	<u>1,785</u>	<u>2,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	9,903	10,580	418	632
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,251	32,061	(2,164)	(18,248)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>565,407</u>	<u>533,346</u>	<u>29,226</u>	<u>47,474</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 752,658</u></u>	<u><u>\$ 565,407</u></u>	<u><u>\$ 27,062</u></u>	<u><u>\$ 29,226</u></u>

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

Business-type Activities - Enterprise Funds				Governmental Activities	
603		Totals		701, 702, 703	
Storm Sewer				Internal Service Funds	
2011	2010	2011	2010	2011	2010
\$ 164,987	\$ 132,939	\$ 726,134	\$ 638,830	\$ -	\$ -
24,607	25,114	24,607	25,114	-	-
(86,254)	(94,821)	(328,617)	(414,310)	(859)	(2,058)
(44,265)	(39,221)	(175,213)	(162,301)	-	-
<u>59,075</u>	<u>24,011</u>	<u>246,911</u>	<u>87,333</u>	<u>(859)</u>	<u>(2,058)</u>
-	-	48,555	45,226	-	-
-	-	56,226	23,928	(13,676)	-
(56,226)	(23,928)	(56,226)	(23,928)	13,676	-
-	-	50,000	50,000	60,388	-
<u>(56,226)</u>	<u>(23,928)</u>	<u>98,555</u>	<u>95,226</u>	<u>60,388</u>	<u>-</u>
-	-	(12,831)	(33,320)	(28,664)	(11,164)
-	-	75,885	80,400	-	-
-	-	(40,000)	(35,000)	-	-
-	-	(190,905)	(191,955)	-	-
<u>-</u>	<u>-</u>	<u>(167,851)</u>	<u>(179,875)</u>	<u>(28,664)</u>	<u>(11,164)</u>
<u>468</u>	<u>(83)</u>	<u>10,789</u>	<u>11,129</u>	<u>435</u>	<u>956</u>
3,317	-	188,404	13,813	31,300	(12,266)
-	-	594,633	580,820	47,734	60,000
<u>\$ 3,317</u>	<u>\$ -</u>	<u>\$ 783,037</u>	<u>\$ 594,633</u>	<u>\$ 79,034</u>	<u>\$ 47,734</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (120,983)	\$ (182,386)	\$ (20,785)	\$ (13,005)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	324,192	324,818	8,740	8,740
Other income related to operations	-	-	-	-
(Increase) decrease in assets				
Accounts receivable	(39,807)	(68,946)	8,670	(18,425)
Special assessments	12,293	27,395	-	-
Due from other governments	-	-	-	-
Increase (decrease) in liabilities				
Accounts payable	17,024	(2,183)	(543)	929
Accrued salaries payable	(315)	297	(67)	81
Due to other governments	2,797	(16,242)	-	-
Other postemployment benefits payable	1,639	1,596	409	405
Compensated absences payable	(4,637)	253	(791)	(5)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 192,203	\$ 84,602	\$ (4,367)	\$ (21,280)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	\$ 5,267	\$ 187,401	\$ -	\$ -
Capital assets purchased on account	\$ -	\$ 4,148	\$ -	\$ -
Amortization of deferred charges	\$ 7,418	\$ 7,418	\$ -	\$ -
Amortization of bond premium	\$ 711	\$ 711	\$ -	\$ -

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

Business-type Activities - Enterprise Funds				Governmental Activities	
603				701, 702, 703	
Storm Sewer		Total		Internal Service Funds	
2011	2010	2011	2010	2011	2010
\$ 92,735	\$ 34,041	\$ (49,033)	\$ (161,350)	\$ (63,842)	\$ (58,877)
15,187	15,188	348,119	348,746	55,202	56,819
17,000	32,721	17,000	32,721	-	-
(35,119)	(52,486)	(66,256)	(139,857)	-	-
(35,146)	-	(22,853)	27,395	-	-
7,607	(7,607)	7,607	(7,607)	-	-
(76)	1,502	16,405	248	7,781	-
(286)	143	(668)	521	-	-
18	18	2,815	(16,224)	-	-
615	600	2,663	2,601	-	-
(3,460)	(109)	(8,888)	139	-	-
<u>\$ 59,075</u>	<u>\$ 24,011</u>	<u>\$ 246,911</u>	<u>\$ 87,333</u>	<u>\$ (859)</u>	<u>\$ (2,058)</u>
<u>\$ 4,370</u>	<u>\$ 158,546</u>	<u>\$ 9,637</u>	<u>\$ 345,947</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,148</u>	<u>\$ -</u>	<u>\$ 15,706</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,418</u>	<u>\$ 7,418</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 711</u>	<u>\$ 711</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and temporary investments	\$ 335,255
Accounts receivable	<u>128</u>
 TOTAL ASSETS	 <u><u>\$ 335,383</u></u>
 LIABILITIES	
Accounts payable	\$ 5,000
Deposits payable	<u>330,383</u>
 TOTAL LIABILITIES	 <u><u>\$ 335,383</u></u>

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *Village Project fund* accounts for engineering, planning and financing of the village area developments and redevelopments.

The *2011 Street Improvements fund* accounts for the accumulation of resources and costs associated with the 2011 Street Improvement project.

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 costs associated with the City's sewer system.

The *Storm Sewer fund* accounts costs associated with the City's storm sewer system, which are financed by the storm sewer surcharge.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the City reports the following fund types:

Internal Service funds are used to account for the replacement of radios, Information Technology (IT), and Furniture, Fixture, and Equipment (FFE) 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.

The *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.

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

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

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

D. Assets, liabilities, and net assets or equity

Deposits and investments

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

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value. The broker money market investment pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool share.

Property taxes

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

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

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2011. The City annually certifies delinquent water, sewer, and storm sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special assessments

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

Interfund 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 "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the General fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid items

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Compensated absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused personal time off. An employee leaving the service of the City in good standing will be compensated 100 percent for personal time off accrued, not to exceed 240 hours, to the day of separation provided the said employee has served at least twelve consecutive months prior to separation and has given the City at least two weeks' notice prior to the effective date of such separation. In governmental fund types, the cost of these benefits is recognized when payments are made to the employees. The General fund normally liquidates liabilities for governmental compensated absences, while the enterprise funds normally liquidate liabilities for business-type compensated absences.

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 liability was determined using the alternative measurement method, in accordance with GASB Statement 45, at January 1, 2009.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator or his/her designee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of the following year's budgeted expenditures for cash-flow timing needs.

Net assets

In the government-wide and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for the individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during 2011.

B. Deficit fund equity

The following funds had deficits at December 31, 2011:

Fund	Amount
Major	
Village Project	\$ 1,205,398
Nonmajor	
Library	7,483
Manning Avenue / Highway 36	6,794
2012 Street Improvements	10,650
South of 10th Street	123,429

The City plans to eliminate the deficits through future taxes, charges for services, transfers and other revenue collections.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City’s carrying amount of deposits was \$1,609,367 and the bank balance was \$1,644,625. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City’s name.

Investments

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City’s investments to the list on page 56 of the notes.
- *Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. As of December 31, 2011 the City had invested 5 percent or more of its total investment portfolio in the following issuer: Fox Valley Park District of Illinois – 6.8 percent.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not currently have a formal investment policy that addresses the above mentioned risks.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

<u>Type of Investment</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled investments			
Brokered money markets	N/A	Less than 6 months	\$ 973,925
Non-pooled investments			
Brokered certificates of deposit	N/A	Less than 6 months	586,575
Brokered certificates of deposit	N/A	6 months to 1 year	502,484
Brokered certificates of deposit	N/A	1 to 3 years	595,391
U.S. Treasuries	AAA	Less than 6 months	18,105
U.S. Treasuries	AAA	6 months to 1 year	18,124
U.S. Treasuries	AAA	1 to 3 years	2,863,151
Municipal bonds	AA2	1 to 3 years	805,776
U.S. Government Agencies	AAA	More than 3 years	<u>581,888</u>
Total investments			<u>\$ 6,945,419</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

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

Carrying amount of deposits	\$ 1,609,367
Investments	6,945,419
Petty cash	<u>250</u>
Total	<u>\$ 8,555,036</u>
Government-wide	
Cash and temporary investments	\$ 5,320,401
Cash with fiscal agent	2,899,380
Fiduciary	
Cash and temporary investments	<u>335,255</u>
Total	<u>\$ 8,555,036</u>

B. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

At the end of the current fiscal year, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

Fund	Unavailable	Unearned
General		
Delinquent taxes receivable	\$ 102,760	\$ -
Unspent grant proceeds	-	36,740
Debt Service		
Special assessments receivable	148,508	-
Due from other governments - state contributions	340,000	-
Nonmajor governmental		
Special assessments receivable	83,559	-
 Total	 <u>\$ 674,827</u>	 <u>\$ 36,740</u>

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,439,986	\$ 13,993	\$ -	\$ 3,453,979
Construction in progress	1,896,763	790,875	(1,289,675)	1,397,963
 Total capital assets not being depreciated	 <u>5,336,749</u>	 <u>804,868</u>	 <u>(1,289,675)</u>	 <u>4,851,942</u>
Capital assets being depreciated				
Buildings	3,388,076	5,270	-	3,393,346
Improvements other than buildings	1,151,029	48,512	-	1,199,541
Machinery and equipment	2,616,535	48,404	-	2,664,939
Infrastructure	4,616,198	1,258,204	-	5,874,402
 Total capital assets being depreciated	 <u>11,771,838</u>	 <u>1,360,390</u>	 <u>-</u>	 <u>13,132,228</u>
Less accumulated depreciation for				
Buildings	(551,178)	(77,459)	-	(628,637)
Improvements other than buildings	(578,189)	(63,020)	-	(641,209)
Machinery and equipment	(1,603,606)	(122,405)	-	(1,726,011)
Infrastructure	(724,357)	(340,140)	-	(1,064,497)
 Total accumulated depreciation	 <u>(3,457,330)</u>	 <u>(603,024)</u>	 <u>-</u>	 <u>(4,060,354)</u>
 Total capital assets being depreciated, net	 <u>8,314,508</u>	 <u>757,366</u>	 <u>-</u>	 <u>9,071,874</u>
 Governmental activities capital assets, net	 <u>\$ 13,651,257</u>	 <u>\$ 1,562,234</u>	 <u>\$ (1,289,675)</u>	 <u>\$ 13,923,816</u>

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 36,573	\$ -	\$ -	\$ 36,573
Construction in progress	<u>407,463</u>	<u>18,320</u>	<u>-</u>	<u>425,783</u>
Total capital assets not being depreciated	<u>444,036</u>	<u>18,320</u>	<u>-</u>	<u>462,356</u>
Capital assets being depreciated				
Machinery and equipment	282,860	-	-	282,860
Infrastructure	<u>12,688,029</u>	<u>-</u>	<u>-</u>	<u>12,688,029</u>
Total capital assets being depreciated	<u>12,970,889</u>	<u>-</u>	<u>-</u>	<u>12,970,889</u>
Less accumulated depreciation for				
Machinery and equipment	(116,283)	(20,011)	-	(136,294)
Infrastructure	<u>(1,913,169)</u>	<u>(328,108)</u>	<u>-</u>	<u>(2,241,277)</u>
Total accumulated depreciation	<u>(2,029,452)</u>	<u>(348,119)</u>	<u>-</u>	<u>(2,377,571)</u>
Total capital assets being depreciated, net	<u>10,941,437</u>	<u>(348,119)</u>	<u>-</u>	<u>10,593,318</u>
Business-type activities capital assets, net	<u>\$ 11,385,473</u>	<u>\$ (329,799)</u>	<u>\$ -</u>	<u>\$ 11,055,674</u>

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

Governmental activities		
General government		\$ 32,441
Public safety		107,669
Public works		396,724
Culture and recreation		<u>66,190</u>
Total depreciation expense - governmental activities		<u>\$ 603,024</u>
Business-type activities		
Water		\$ 324,192
Sewer		8,740
Storm sewer		<u>15,187</u>
Total depreciation expense - business-type activities		<u>\$ 348,119</u>

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

At December 31, 2011, the balance of the interfund loans from the General fund to the nonmajor governmental funds was \$129,067. These were done to fund deficit cash balances.

The City established an interfund loan from the General fund to the Village Project fund. At December 31, 2011, the outstanding balance was \$1,205,398. The loan carries an interest rate of 4 percent.

Interfund transfers

Fund	Transfers in		
	Debt Service	Village Project	Nonmajor Governmental Funds
Transfers out			
General	\$ -	\$ -	\$ 120,117
Debt Service	-	-	35,948
Nonmajor Governmental	11,650	37,257	-
Total	<u>\$ 11,650</u>	<u>\$ 37,257</u>	<u>\$ 156,065</u>
	Internal Service Funds	Water Enterprise	Total
Transfers out			
General	\$ 60,388	\$ 50,000	\$ 230,505
Debt Service	-	-	35,948
Nonmajor Governmental	-	-	48,907
Total	<u>\$ 60,388</u>	<u>\$ 50,000</u>	<u>\$ 315,360</u>

During the year ended December 31, 2011, the City made the following transfers:

- The following transfers were made to close funds: the General transferred \$9,117 to close the nonmajor governmental Development fund, the nonmajor governmental 2010 Street Improvements fund was closed with a \$11,650 transfer to the Debt Service fund, and the 2002 G.O. Improvement Bond Debt Service fund was closed with a transfer of \$35,948 to the nonmajor governmental Infrastructure Reserve fund.
- The General fund made the following budgeted transfers: \$111,000 to other governmental funds primarily for future capital purchases and projects, \$18,000 to the Internal Service funds for future capital purchases, and \$50,000 to the Water Enterprise fund to aid in offsetting a projected deficit cash balance.
- The General fund made a \$42,388 transfer to the Internal Service fund for the purchase of fire equipment.
- Nonmajor governmental funds transferred \$37,257 to the Village Project fund its portion of prior year engineering costs.

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation (G.O.) bonds

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

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

G.O. improvement bonds

The following bonds have been issued to finance various improvements and will be repaid with special assessment collections and ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. CIP Bonds, Series 2004A	\$ 4,090,000	3.10 - 3.45 %	11/01/04	02/01/13	\$ 3,205,000
G.O. Refunding Bonds, Series 2009A	535,000	2.50 - 3.85	05/01/09	12/01/16	340,000
G.O. Improvement Bonds, Series 2009B	575,000	2.00 - 3.05	10/01/09	01/15/20	545,000
G.O. Improvement Bonds, Series 2010A	710,000	0.75 - 2.80	11/15/10	02/01/21	710,000
G.O. CIP Crossover Refunding Bonds, Series 2010B	1,970,000	1.00 - 3.20	11/15/10	02/01/25	1,970,000
G.O. Improvement Bonds, Series 2011A	845,000	.50 - 2.30	10/01/11	02/01/22	<u>845,000</u>
Total G.O. improvement bonds					<u><u>\$ 7,615,000</u></u>

The annual debt service to maturity for G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 360,000	\$ 219,413	\$ 579,413
2013	3,300,000	153,411	3,453,411
2014	415,000	86,735	501,735
2015	430,000	80,100	510,100
2016	435,000	72,216	507,216
2017-2021	1,855,000	234,581	2,089,581
2022-2025	<u>820,000</u>	<u>47,378</u>	<u>867,378</u>
Total	<u><u>\$ 7,615,000</u></u>	<u><u>\$ 893,834</u></u>	<u><u>\$ 8,508,834</u></u>

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. equipment certificates of indebtedness

G.O. equipment certificates of indebtedness are direct obligations and pledge the full faith and credit of the City. The bonds have been issued to finance capital acquisitions. They will be repaid with ad valorem tax levies. G.O. equipment certificates of indebtedness currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of Indebtedness, Series 2006A	\$ 443,000	3.65-4.00 %	03/08/06	12/01/15	<u>\$ 196,000</u>

The annual debt service to maturity for G.O. equipment certificates of indebtedness are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 46,000	\$ 7,840	\$ 53,840
2013	48,000	6,000	54,000
2014	50,000	4,080	54,080
2015	52,000	2,080	54,080
Total	<u>\$ 196,000</u>	<u>\$ 20,000</u>	<u>\$ 216,000</u>

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the Water enterprise fund. They will be repaid from future net revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require nearly 45 percent of net revenues from the Water fund. For 2011, principal and interest paid and total customer net revenues for the Water fund were \$230,905 and \$517,814, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Revenue Bonds G.O. Water Revenue Bonds - 2005A	\$ 4,600,000	3.50 - 4.30 %	08/10/05	12/01/30	\$ 4,200,000
G.O. Refunding Bonds, Series 2009A	515,000	3.00 - 3.85	05/01/09	12/01/21	<u>440,000</u>
Total G.O. revenue bonds					<u>\$ 4,640,000</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The annual debt service to maturity for G.O. revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 40,000	\$ 189,705	\$ 229,705
2013	165,000	188,705	353,705
2014	190,000	183,130	373,130
2015	190,000	176,530	366,530
2016	190,000	169,580	359,580
2017-2021	1,090,000	731,464	1,821,464
2022-2026	1,400,000	484,725	1,884,725
2027-2030	<u>1,375,000</u>	<u>151,787</u>	<u>1,526,787</u>
Total	<u>\$ 4,640,000</u>	<u>\$ 2,275,626</u>	<u>\$ 6,915,626</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
G.O. improvement bonds	\$ 7,070,000	\$ 845,000	\$ (300,000)	\$ 7,615,000	\$ 360,000
G.O. equipment certificates of indebtedness	<u>240,000</u>	<u>-</u>	<u>(44,000)</u>	<u>196,000</u>	<u>46,000</u>
Total bonds payable	7,310,000	845,000	(344,000)	7,811,000	406,000
Unamortized premium on bonds	17,553	-	(2,416)	15,137	-
Other postemployment benefits payable	28,888	14,673	-	43,561	-
Compensated absences payable	<u>67,747</u>	<u>38,980</u>	<u>(64,996)</u>	<u>41,731</u>	<u>8,346</u>
Governmental activity long-term liabilities	<u>\$ 7,424,188</u>	<u>\$ 898,653</u>	<u>\$ (411,412)</u>	<u>\$ 7,911,429</u>	<u>\$ 414,346</u>
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 4,680,000	\$ -	\$ (40,000)	\$ 4,640,000	\$ 40,000
Unamortized premium on bonds	7,819	-	(711)	7,108	-
Other postemployment benefits payable	5,172	2,663	-	7,835	-
Compensated absences payable	<u>19,070</u>	<u>9,511</u>	<u>(18,399)</u>	<u>10,182</u>	<u>2,037</u>
Business-type long-term liabilities	<u>\$ 4,712,061</u>	<u>\$ 12,174</u>	<u>\$ (59,110)</u>	<u>\$ 4,665,125</u>	<u>\$ 42,037</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2011, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	2011 Street Improvement	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	\$ 811	\$ -	\$ -	\$ -	\$ 811
Advance to other funds	1,205,398	-	-	-	1,205,398
Total nonspendable	<u>\$ 1,206,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,206,209</u>
Restricted for					
Debt service	\$ -	\$ 3,534,742	\$ -	\$ -	\$ 3,534,742
Street improvement	-	-	184,946	-	184,946
Park improvements	-	-	-	700,975	700,975
City facilities	-	-	-	271,085	271,085
Total restricted	<u>\$ -</u>	<u>\$ 3,534,742</u>	<u>\$ 184,946</u>	<u>\$ 972,060</u>	<u>\$ 4,691,748</u>
Committed to					
Fall festival	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,114</u>	<u>\$ 7,114</u>
Assigned to					
Park improvements	\$ -	\$ -	\$ -	\$ 251,666	\$ 251,666
Infrastructure reserve	-	-	-	49,259	49,259
Vehicle acquisition	-	-	-	353,433	353,433
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,358</u>	<u>\$ 654,358</u>

Note 4: DEFINED PENSION PLANS - STATEWIDE

A. Plan description

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

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 4: DEFINED PENSION PLANS - STATEWIDE - CONTINUED

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a 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 2.20 percent of average salary for each of the first 10 years of service and 2.70 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first 10 years and 1.70 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.70 percent of average salary for Basic Plan members and 1.70 percent for Coordinated Plan members for each year of service. For all GERS members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members and 7.25 percent for Coordinated Plan GERS members. The City's contributions to the GERS for the years ending December 31, 2011, 2010 and 2009 were \$56,576, \$52,277, and \$56,136, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. 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. There are 10 active participants. Benefit provisions are established by the Council. The Retiree Health Plan does not issue a publicly available financial report.

B. 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. For fiscal year 2011, the City did not contribute anything to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

C. Annual other postemployment benefit cost and net other postemployment benefit obligation

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	\$	16,929
Interest on net OPEB obligation		1,703
Adjustment to annual required contribution		<u>(1,296)</u>
 Annual OPEB cost (expense)		 17,336
 Contributions made		 <u>-</u>
 Increase in net OPEB obligation		 17,336
 Net OPEB obligation, January 1		 <u>34,060</u>
 Net OPEB obligation, December 31	 \$	 <u><u>51,396</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 2011, 2010, and 2009 are as follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/11	\$ 17,336	- %	\$ 51,396
12/31/10	17,131	-	34,060
12/31/09	16,929	-	16,929

D. Funded status and funding progress

As of January 1, 2009, the actuarial accrued liability for benefits was \$112,761, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$892,528, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.6 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 revision 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 the 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.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

E. 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 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.

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

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating 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, rose to an ultimate rate of 6.0 percent after six years, was used.

Health insurance premiums - 2008 and 2009 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 4.09 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.0 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, 2011, was thirty years.

CITY OF LAKE ELMO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 6: LAKE ELMO VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION

A. Plan description

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

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

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

B. Funding policy

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

Annual pension cost	\$	47,867
Contributions made		
City		7,175
State aid		40,692
Actuarial valuation date		12/31/11
Actuarial cost method		Entry age normal
Amortization method		Level dollar closed
Remaining amortization period		
Normal cost		20 years
Prior service cost		10 years
Asset valuation method		Fair value
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 47,867	100.0 %	\$ -
12/31/10	55,081	100.0	-
12/31/09	36,217	100.0	-

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 7: DEFERRED COMPENSATION PLANS - STATEWIDE

Plan description

Under Minnesota statute 353.028, subdivision 2, City managers or administrators may elect to be excluded from membership in PERA. They must choose exclusion within six months of the day they begin employment. The law also provides for refunds of contributions made before the election. If they elect exclusion, they and their cities may agree that the cities will defer and contribute additional compensation on behalf of the employees to a deferred compensation program. The program must meet federal income tax laws. The City contribution cannot exceed the amount it would have made under the PERA contribution.

The City Administrator is covered by deferred compensation plan 457(b) administered by ICMA-RC. The City contributed \$6,230, \$6,759 and \$1,428 for the years ended December 31, 2011, 2010, and 2009, respectively.

In general, any amount of compensation deferred, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income is paid to the participant or other beneficiary.

Under federal requirements, a plan meets distribution requirements if under the plan amounts will not be made available to participants or beneficiaries earlier than (i) the calendar year in which the participant attains age 70 ½, (ii) when the participant has a severance from employment with the employer, or (iii) when the participant is faced with an unforeseeable emergency (determined in the manner prescribed by the Secretary in regulations).

ICMA-RC issues a publicly available financial report that includes financial statements and required supplementary information for the 457(b) plan. That report may be obtained by writing to ICMA-RC Headquarters, 777 North Capitol Street, NE Washington, DC 20002 or by calling 202-962-4600.

Note 8: OTHER INFORMATION

A. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The market value of taxable property totaled \$1,142,936,500 for an allowable margin of \$34,288,095. As of December 31, 2011, the City has \$196,000 of debt subject to this limit.

B. Risk management

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

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

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 9: ACCOUNTING CHANGE

GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for fiscal year end December 31, 2011. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1 and Note 3.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF LAKE ELMO, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2011

Schedule of Funding Progress for the Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/09	\$ -	\$ 112,761	\$ 112,761	- %	\$ 892,528	12.6 %

Schedule of Funding Progress for the Lake Elmo Volunteer Firefighter's Relief Association Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/11	*	*	*	*	*
12/31/10	\$ 846,373	\$ 715,984	\$ 130,389	118.2 %	\$ 3,100
12/31/09	920,405	857,341	63,064	107.4	3,100

* Information unavailable at the time of publication.

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

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 7,254	\$ 1,683,186	\$ 1,690,440
Receivables			
Special assessments			
Current	-	513	513
Delinquent	-	1,006	1,006
Deferred	-	48,376	48,376
Special deferred	-	34,176	34,176
Due from other governments	-	24,367	24,367
TOTAL ASSETS	\$ 7,254	\$ 1,791,624	\$ 1,798,878
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,985	\$ 24,091	\$ 26,076
Due to other funds	5,638	123,429	129,067
Deposits payable	-	75,000	75,000
Deferred revenue	-	83,559	83,559
TOTAL LIABILITIES	7,623	306,079	313,702
FUND BALANCES			
Restricted	-	972,060	972,060
Committed	7,114	-	7,114
Assigned	-	654,358	654,358
Unassigned	(7,483)	(140,873)	(148,356)
TOTAL FUND BALANCES	(369)	1,485,545	1,485,176
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,254	\$ 1,791,624	\$ 1,798,878

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 31,863	\$ 31,863
Special assessments	-	35,275	35,275
Investment earnings	226	22,447	22,673
Miscellaneous	8,854	4,000	12,854
	<u>9,080</u>	<u>93,585</u>	<u>102,665</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Culture and recreation	25,699	-	25,699
Capital outlay			
General government	-	9,067	9,067
Public safety	-	20,433	20,433
Public works	25,191	291,162	316,353
Culture and recreation	-	45,390	45,390
	<u>50,890</u>	<u>366,052</u>	<u>416,942</u>
TOTAL EXPENDITURES			
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(41,810)</u>	<u>(272,467)</u>	<u>(314,277)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	14,117	141,948	156,065
Transfers out	-	(48,907)	(48,907)
	<u>14,117</u>	<u>93,041</u>	<u>107,158</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	<u>(27,693)</u>	<u>(179,426)</u>	<u>(207,119)</u>
FUND BALANCES, JANUARY 1	<u>27,324</u>	<u>1,664,971</u>	<u>1,692,295</u>
FUND BALANCES, DECEMBER 31	<u>\$ (369)</u>	<u>\$ 1,485,545</u>	<u>\$ 1,485,176</u>

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	203	204	206	
	Development	Fall Festival	Library	Total
ASSETS				
Cash and temporary investments	\$ -	\$ 7,254	\$ -	\$ 7,254
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 140	\$ 1,845	\$ 1,985
Due to other funds	-	-	5,638	5,638
TOTAL LIABILITIES	-	140	7,483	7,623
FUND BALANCES				
Committed	-	7,114	-	7,114
Unassigned	-	-	(7,483)	(7,483)
TOTAL FUND BALANCES	-	7,114	(7,483)	(369)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 7,254	\$ -	\$ 7,254

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	203	204 Fall	206	
	<u>Development</u>	<u>Festival</u>	<u>Library</u>	<u>Total</u>
REVENUES				
Investment earnings	\$ 101	\$ 131	\$ (6)	\$ 226
Miscellaneous				
Donations	-	8,854	-	8,854
TOTAL REVENUES	<u>101</u>	<u>8,985</u>	<u>(6)</u>	<u>9,080</u>
EXPENDITURES				
Current				
Culture and recreation	-	18,222	7,477	25,699
Capital outlay				
Public works	<u>25,191</u>	<u>-</u>	<u>-</u>	<u>25,191</u>
TOTAL EXPENDITURES	<u>25,191</u>	<u>18,222</u>	<u>7,477</u>	<u>50,890</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(25,090)	(9,237)	(7,483)	(41,810)
OTHER FINANCING SOURCES				
Transfers in	<u>9,117</u>	<u>5,000</u>	<u>-</u>	<u>14,117</u>
NET CHANGE IN FUND BALANCES	(15,973)	(4,237)	(7,483)	(27,693)
FUND BALANCES, JANUARY 1	<u>15,973</u>	<u>11,351</u>	<u>-</u>	<u>27,324</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ 7,114</u>	<u>\$ (7,483)</u>	<u>\$ (369)</u>

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	404	409	410	411
	<u>Park Dedication</u>	<u>Infrastructure Reserve</u>	<u>Vehicle Acquisition</u>	<u>City Facilities</u>
ASSETS				
Cash and temporary investments	\$ 953,780	\$ 36,682	\$ 353,433	\$ 271,085
Receivables				
Special assessments				
Current	-	513	-	-
Delinquent	-	1,006	-	-
Deferred	-	48,376	-	-
Special deferred	-	34,176	-	-
Due from other governments	-	24,367	-	-
	<u>-</u>	<u>24,367</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 953,780</u></u>	<u><u>\$ 145,120</u></u>	<u><u>\$ 353,433</u></u>	<u><u>\$ 271,085</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,139	\$ 12,302	\$ -	\$ -
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Deferred revenue	-	83,559	-	-
	<u>-</u>	<u>83,559</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,139</u>	<u>95,861</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	700,975	-	-	271,085
Assigned	251,666	49,259	353,433	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>952,641</u>	<u>49,259</u>	<u>353,433</u>	<u>271,085</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 953,780</u></u>	<u><u>\$ 145,120</u></u>	<u><u>\$ 353,433</u></u>	<u><u>\$ 271,085</u></u>

414 Manning Avenue/ Highway 36	417 2010 Street Improvements	419 2012 Street Improvements	420 South of 10th Street	Total
\$ 68,206	\$ -	\$ -	\$ -	\$ 1,683,186
-	-	-	-	513
-	-	-	-	1,006
-	-	-	-	48,376
-	-	-	-	34,176
-	-	-	-	24,367
<u>\$ 68,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,791,624</u>
\$ -	\$ -	\$ 10,650	\$ -	\$ 24,091
-	-	-	123,429	123,429
75,000	-	-	-	75,000
-	-	-	-	83,559
<u>75,000</u>	<u>-</u>	<u>10,650</u>	<u>123,429</u>	<u>306,079</u>
-	-	-	-	972,060
-	-	-	-	654,358
(6,794)	-	(10,650)	(123,429)	(140,873)
<u>(6,794)</u>	<u>-</u>	<u>(10,650)</u>	<u>(123,429)</u>	<u>1,485,545</u>
<u>\$ 68,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,791,624</u>

CITY OF LAKE ELMO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	404	409	410	411
	Park Dedication	Infrastructure Reserve	Vehicle Acquisition	City Facilities
REVENUES				
Intergovernmental	\$ 31,863	\$ -	\$ -	\$ -
Special assessments	-	35,275	-	-
Investment earnings	12,823	546	4,854	3,651
Miscellaneous				
Other	4,000	-	-	-
TOTAL REVENUES	<u>48,686</u>	<u>35,821</u>	<u>4,854</u>	<u>3,651</u>
EXPENDITURES				
Capital outlay				
General government	-	-	-	9,067
Public safety	-	-	20,433	-
Public works	-	166,655	-	-
Culture and recreation	45,390	-	-	-
TOTAL EXPENDITURES	<u>45,390</u>	<u>166,655</u>	<u>20,433</u>	<u>9,067</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,296</u>	<u>(130,834)</u>	<u>(15,579)</u>	<u>(5,416)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	135,948	6,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>135,948</u>	<u>6,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,296	5,114	(9,579)	(5,416)
FUND BALANCES, JANUARY 1	<u>949,345</u>	<u>44,145</u>	<u>363,012</u>	<u>276,501</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 952,641</u></u>	<u><u>\$ 49,259</u></u>	<u><u>\$ 353,433</u></u>	<u><u>\$ 271,085</u></u>

414 Manning Avenue/ Highway 36	417 2010 Street Improvements	419 2012 Street Improvements	420 South of 10th Street	Total
\$ -	\$ -	\$ -	\$ -	\$ 31,863
-	-	-	-	35,275
907	438	-	(772)	22,447
-	-	-	-	4,000
907	438	-	(772)	93,585
-	-	-	-	9,067
-	-	-	-	20,433
-	28,457	10,650	85,400	291,162
-	-	-	-	45,390
-	28,457	10,650	85,400	366,052
907	(28,019)	(10,650)	(86,172)	(272,467)
-	-	-	-	141,948
-	(11,650)	-	(37,257)	(48,907)
-	(11,650)	-	(37,257)	93,041
907	(39,669)	(10,650)	(123,429)	(179,426)
(7,701)	39,669	-	-	1,664,971
<u>\$ (6,794)</u>	<u>\$ -</u>	<u>\$ (10,650)</u>	<u>\$ (123,429)</u>	<u>\$ 1,485,545</u>

CITY OF LAKE ELMO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	Governmental Activities - Internal Service Funds			
	701		702	
	Radio Replacement		IT Replacement	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 12,972	\$ 20,334	\$ 23,674	\$ 18,253
Due from other funds	13,676	-	-	-
TOTAL CURRENT ASSETS	26,648	20,334	23,674	18,253
NONCURRENT ASSETS				
Capital assets				
Machinery and equipment	99,851	99,851	129,195	129,195
Construction in progress	-	-	-	-
Less accumulated depreciation	(36,751)	(28,430)	(85,455)	(68,809)
Total capital assets (net of accumulated depreciation)	63,100	71,421	43,740	60,386
TOTAL ASSETS	89,748	91,755	67,414	78,639
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
NET ASSETS				
Invested in capital assets	63,100	71,421	43,740	60,386
Unrestricted	26,648	20,334	23,674	18,253
TOTAL NET ASSETS	\$ 89,748	\$ 91,755	\$ 67,414	\$ 78,639

Governmental Activities - Internal Service Funds

703

FFE Replacement		Totals	
2011	2010	2011	2010
\$ 42,388	\$ 9,147	\$ 79,034	\$ 47,734
-	-	13,676	-
<u>42,388</u>	<u>9,147</u>	<u>92,710</u>	<u>47,734</u>
363,153	331,683	592,199	560,729
-	18,512	-	18,512
<u>(225,911)</u>	<u>(195,676)</u>	<u>(348,117)</u>	<u>(292,915)</u>
<u>137,242</u>	<u>154,519</u>	<u>244,082</u>	<u>286,326</u>
<u>179,630</u>	<u>163,666</u>	<u>336,792</u>	<u>334,060</u>
7,781	15,706	7,781	15,706
<u>13,676</u>	<u>-</u>	<u>13,676</u>	<u>-</u>
<u>21,457</u>	<u>15,706</u>	<u>21,457</u>	<u>15,706</u>
137,242	154,519	244,082	286,326
<u>20,931</u>	<u>(6,559)</u>	<u>71,253</u>	<u>32,028</u>
<u>\$ 158,173</u>	<u>\$ 147,960</u>	<u>\$ 315,335</u>	<u>\$ 318,354</u>

CITY OF LAKE ELMO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Governmental Activities - Internal Service Funds			
	701		702	
	Radio Replacement		IT Replacement	
	2011	2010	2011	2010
OPERATING EXPENSES				
Repair and maintenance	\$ -	\$ -	\$ 859	\$ 2,058
Depreciation	8,321	8,321	16,646	18,737
TOTAL OPERATING EXPENSES	8,321	8,321	17,505	20,795
NONOPERATING REVENUES				
Investment earnings	314	334	280	311
LOSS BEFORE TRANSFERS	(8,007)	(7,987)	(17,225)	(20,484)
TRANSFERS IN	6,000	-	6,000	-
CHANGE IN NET ASSETS	(2,007)	(7,987)	(11,225)	(20,484)
NET ASSETS, JANUARY 1	91,755	99,742	78,639	99,123
NET ASSETS, DECEMBER 31	<u>\$ 89,748</u>	<u>\$ 91,755</u>	<u>\$ 67,414</u>	<u>\$ 78,639</u>

Governmental Activities - Internal Service Funds

703

FFE Replacement		Totals	
2011	2010	2011	2010
\$ 7,781	\$ -	\$ 8,640	\$ 2,058
30,235	29,761	55,202	56,819
38,016	29,761	63,842	58,877
(159)	311	435	956
(38,175)	(29,450)	(63,407)	(57,921)
48,388	-	60,388	-
10,213	(29,450)	(3,019)	(57,921)
147,960	177,410	318,354	376,275
<u>\$ 158,173</u>	<u>\$ 147,960</u>	<u>\$ 315,335</u>	<u>\$ 318,354</u>

CITY OF LAKE ELMO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Governmental Activities - Internal Service Funds			
	701		702	
	Radio Replacement		IT Replacement	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers	\$ -	\$ -	\$ (859)	\$ (2,058)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	(13,676)	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Transfers from other funds	6,000	-	6,000	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(7,676)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	314	334	280	311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,362)	334	5,421	(1,747)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>20,334</u>	<u>\$ 20,000</u>	<u>18,253</u>	<u>\$ 20,000</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 12,972</u></u>	<u><u>\$ 20,334</u></u>	<u><u>\$ 23,674</u></u>	<u><u>\$ 18,253</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating loss	\$ (8,321)	\$ (8,321)	\$ (17,505)	\$ (20,795)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation	8,321	8,321	16,646	18,737
Increase (decrease) in liabilities				
Accounts payable	-	-	-	-
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (859)</u></u>	<u><u>\$ (2,058)</u></u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased on account	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Governmental Activities - Internal Service Funds

703

FFE Replacement		Totals	
2011	2010	2011	2010
\$ -	\$ -	\$ (859)	\$ (2,058)
-	-	(13,676)	-
13,676	-	13,676	-
48,388	-	60,388	-
62,064	-	60,388	-
(28,664)	(11,164)	(28,664)	(11,164)
(159)	311	435	956
33,241	(10,853)	31,300	(12,266)
9,147	\$ 20,000	47,734	60,000
<u>\$ 42,388</u>	<u>\$ 9,147</u>	<u>\$ 79,034</u>	<u>\$ 47,734</u>
\$ (38,016)	\$ (29,761)	\$ (63,842)	\$ (58,877)
30,235	29,761	55,202	56,819
7,781	-	7,781	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (859)</u>	<u>\$ (2,058)</u>
<u>\$ -</u>	<u>\$ 15,706</u>	<u>\$ -</u>	<u>\$ 15,706</u>

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative totals for the year ended December 31, 2010)

	2011			Variance With Final Budget	2010
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property	\$ 2,452,261	\$ 2,452,261	\$ 2,444,916	\$ (7,345)	\$ 2,371,784
Franchise	37,000	37,000	41,201	4,201	37,725
Total	<u>2,489,261</u>	<u>2,489,261</u>	<u>2,486,117</u>	<u>(3,144)</u>	<u>2,409,509</u>
Licenses and permits					
Business	10,360	10,360	13,145	2,785	15,030
Nonbusiness	157,600	157,600	217,274	59,674	246,420
Total	<u>167,960</u>	<u>167,960</u>	<u>230,419</u>	<u>62,459</u>	<u>261,450</u>
Intergovernmental					
State					
Property tax credits	6,224	6,224	7,879	1,655	7,022
MSA - maintenance	68,500	68,500	83,018	14,518	77,347
Fire state aid	40,000	40,000	40,692	692	36,153
Other	2,749	2,749	25,573	22,824	19,183
County/Local	15,000	15,000	15,588	588	15,588
Total	<u>132,473</u>	<u>132,473</u>	<u>172,750</u>	<u>40,277</u>	<u>155,293</u>
Charges for services	<u>8,400</u>	<u>8,400</u>	<u>14,691</u>	<u>6,291</u>	<u>11,616</u>
Fines and forfeits	<u>52,000</u>	<u>52,000</u>	<u>63,819</u>	<u>11,819</u>	<u>68,897</u>
Investment earnings	<u>50,000</u>	<u>50,000</u>	<u>59,413</u>	<u>9,413</u>	<u>59,711</u>
Miscellaneous	<u>19,129</u>	<u>19,129</u>	<u>35,363</u>	<u>16,234</u>	<u>25,333</u>
TOTAL REVENUES	<u>2,919,223</u>	<u>2,919,223</u>	<u>3,062,572</u>	<u>143,349</u>	<u>2,991,809</u>

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative totals for the year ended December 31, 2010)

	2011			Variance With Final Budget	2010
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personnel services	\$ 17,692	\$ 17,692	\$ 17,692	\$ -	\$ 17,692
Other services and charges	16,300	16,300	18,726	(2,426)	17,202
Total	33,992	33,992	36,418	(2,426)	34,894
Election					
Personnel services	-	-	-	-	7,836
Supplies	-	-	-	-	56
Other services and charges	1,350	1,350	3,380	(2,030)	1,857
Total	1,350	1,350	3,380	(2,030)	9,749
Administration					
Personnel services	339,609	339,609	354,807	(15,198)	321,808
Supplies	9,000	9,000	7,093	1,907	4,780
Other services and charges	68,750	68,750	61,216	7,534	54,250
Total	417,359	417,359	423,116	(5,757)	380,838
Communications					
Personnel services	13,363	13,363	6,703	6,660	7,463
Other services and charges	44,900	44,900	39,561	5,339	44,214
Total	58,263	58,263	46,264	11,999	51,677
Building					
Supplies	1,550	1,550	689	861	943
Other services and charges	37,925	37,925	34,965	2,960	34,841
Total	39,475	39,475	35,654	3,821	35,784
Professional services					
Assessor	45,500	45,500	46,384	(884)	43,587
Accounting and auditing	59,500	59,500	77,972	(18,472)	75,371
Legal	60,000	60,000	95,081	(35,081)	55,739
Engineering	70,000	70,000	67,639	2,361	57,927
Total	235,000	235,000	287,076	(52,076)	232,624

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative totals for the year ended December 31, 2010)

	2011			Variance With Final Budget	2010
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Planning and zoning					
Personnel services	\$ 147,180	\$ 147,180	\$ 144,423	\$ 2,757	\$ 135,704
Supplies	1,000	1,000	679	321	401
Other services and charges	38,500	38,500	39,888	(1,388)	39,919
Total	<u>186,680</u>	<u>186,680</u>	<u>184,990</u>	<u>1,690</u>	<u>176,024</u>
Total general government	<u>972,119</u>	<u>972,119</u>	<u>1,016,898</u>	<u>(44,779)</u>	<u>921,590</u>
Public safety					
Police					
Contracted services	483,765	483,765	452,262	31,503	481,243
Fire protection					
Personnel services	215,179	215,179	180,907	34,272	180,125
2% fire aid	40,000	40,000	40,692	(692)	36,153
Supplies	25,200	25,200	24,108	1,092	22,879
Other services and charges	142,500	142,500	149,692	(7,192)	165,689
Total	<u>422,879</u>	<u>422,879</u>	<u>395,399</u>	<u>27,480</u>	<u>404,846</u>
Building inspector					
Personnel services	81,953	81,953	79,419	2,534	78,525
Supplies	4,350	4,350	717	3,633	-
Other services and charges	11,125	11,125	14,944	(3,819)	33,219
Total	<u>97,428</u>	<u>97,428</u>	<u>95,080</u>	<u>2,348</u>	<u>111,744</u>
Animal control					
Supplies	150	150	-	150	-
Other services and charges	12,700	12,700	2,302	10,398	10,996
Total	<u>12,850</u>	<u>12,850</u>	<u>2,302</u>	<u>10,548</u>	<u>10,996</u>
Criminal legal	<u>51,000</u>	<u>51,000</u>	<u>46,440</u>	<u>4,560</u>	<u>48,549</u>
Emergency communications					
Other services and charges	2,500	2,500	5,250	(2,750)	6,798
Total public safety	<u>1,070,422</u>	<u>1,070,422</u>	<u>996,733</u>	<u>73,689</u>	<u>1,064,176</u>

CITY OF LAKE ELMO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative totals for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public works					
General					
Personnel services	\$ 211,669	\$ 211,669	\$ 186,458	\$ 25,211	\$ 184,356
Supplies	134,500	134,500	120,227	14,273	142,304
Other services and charges	120,770	120,770	100,578	20,192	107,563
Total	466,939	466,939	407,263	59,676	434,223
Trees	10,500	10,500	10,358	142	15,665
Street lighting	24,000	24,000	30,008	(6,008)	23,405
Total public works	501,439	501,439	447,629	53,810	473,293
Culture and recreation					
Parks					
Personnel services	148,679	148,679	117,269	31,410	118,478
Supplies	12,550	12,550	5,056	7,494	5,931
Other services and charges	32,014	32,014	20,723	11,291	31,140
Total culture and recreation	193,243	193,243	143,048	50,195	155,549
TOTAL EXPENDITURES	2,737,223	2,737,223	2,604,308	132,915	2,614,608
EXCESS OF REVENUES OVER EXPENDITURES	182,000	182,000	458,264	276,264	377,201
OTHER FINANCING USES					
Transfers out	(182,000)	(182,000)	(230,505)	(48,505)	(126,850)
NET CHANGE IN FUND BALANCES	-	-	227,759	227,759	250,351
FUND BALANCES, JANUARY 1	2,686,161	2,686,161	2,686,161	-	2,435,810
FUND BALANCES, DECEMBER 31	\$ 2,686,161	\$ 2,686,161	\$ 2,913,920	\$ 227,759	\$ 2,686,161

CITY OF LAKE ELMO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	312	313	314	315
	2002 G.O. Improvement Bond	2004 G.O. CIP Bond	2006 G.O. Equipment Certificates of Indebtedness	2009A G.O. Refunding Bond
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and temporary investments	\$ -	\$ 309,804	\$ 17,797	\$ -
Cash with fiscal agent	-	2,899,380	-	-
Receivables				
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,000</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 3,209,184</u></u>	<u><u>\$ 17,797</u></u>	<u><u>\$ 340,000</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred revenue	\$ -	\$ -	\$ -	\$ 340,000
FUND BALANCES				
Restricted	<u>-</u>	<u>3,209,184</u>	<u>17,797</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ 3,209,184</u></u>	<u><u>\$ 17,797</u></u>	<u><u>\$ 340,000</u></u>

316	317	319	
2009B G.O. Improvement Bond	2010A G.O. Improvement Bond	2011A G.O. Improvement Bond	Total
\$ 164,600	\$ 142,162	\$ 878	\$ 635,241
-	-	-	2,899,380
121	-	-	121
62,008	86,500	-	148,508
<u>164,721</u>	<u>142,162</u>	<u>878</u>	<u>340,000</u>
<u>\$ 226,729</u>	<u>\$ 228,662</u>	<u>\$ 878</u>	<u>\$ 4,023,250</u>
\$ 62,008	\$ 86,500	\$ -	\$ 488,508
<u>164,721</u>	<u>142,162</u>	<u>878</u>	<u>3,534,742</u>
<u>\$ 226,729</u>	<u>\$ 228,662</u>	<u>\$ 878</u>	<u>\$ 4,023,250</u>

CITY OF LAKE ELMO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	312	313	314	315
	2002 G.O. Improvement Bond	2004 G.O. CIP Bond	2006 G.O. Equipment Certificates of Indebtedness	2009A G.O. Refunding Bond
REVENUES				
Property taxes	\$ -	\$ 140,000	\$ 56,118	\$ -
Intergovernmental				
MSA contributions	-	-	-	72,025
Special assessments	22,024	-	-	-
Investment earnings	821	10,242	278	-
TOTAL REVENUES	<u>22,845</u>	<u>150,242</u>	<u>56,396</u>	<u>72,025</u>
EXPENDITURES				
Debt service				
Principal	40,000	170,000	44,000	60,000
Interest and other charges	1,840	165,045	9,446	12,025
TOTAL EXPENDITURES	<u>41,840</u>	<u>335,045</u>	<u>53,446</u>	<u>72,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,995)</u>	<u>(184,803)</u>	<u>2,950</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(35,948)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(54,943)	(184,803)	2,950	-
FUND BALANCES, JANUARY 1	<u>54,943</u>	<u>3,393,987</u>	<u>14,847</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ 3,209,184</u>	<u>\$ 17,797</u>	<u>\$ -</u>

316	317	319	
2009B G.O. Improvement Bond	2010A G.O. Improvement Bond	2011A G.O. Improvement Bond	Total
\$ 50,544	\$ 57,994	\$ -	\$ 304,656
-	-	-	72,025
14,837	81,400	-	118,261
1,630	384	878	14,233
<u>67,011</u>	<u>139,778</u>	<u>878</u>	<u>509,175</u>
30,000	-	-	344,000
13,763	9,266	-	211,385
<u>43,763</u>	<u>9,266</u>	<u>-</u>	<u>555,385</u>
<u>23,248</u>	<u>130,512</u>	<u>878</u>	<u>(46,210)</u>
-	11,650	-	11,650
-	-	-	(35,948)
<u>-</u>	<u>11,650</u>	<u>-</u>	<u>(24,298)</u>
23,248	142,162	878	(70,508)
<u>141,473</u>	<u>-</u>	<u>-</u>	<u>3,605,250</u>
<u>\$ 164,721</u>	<u>\$ 142,162</u>	<u>\$ 878</u>	<u>\$ 3,534,742</u>

CITY OF LAKE ELMO, MINNESOTA
 AGENCY FUND
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Escrow				
ASSETS				
Cash and temporary investments	\$ 315,522	\$ 112,950	\$ (93,089)	\$ 335,383
LIABILITIES				
Accounts payable	\$ 13,750	\$ 5,000	\$ (13,750)	\$ 5,000
Deposits payable	301,772	107,950	(79,339)	330,383
TOTAL LIABILITIES	<u>\$ 315,522</u>	<u>\$ 112,950</u>	<u>\$ (93,089)</u>	<u>\$ 335,383</u>
Yellow Ribbon				
ASSETS				
Cash and temporary investments (deficits)	\$ (128)	\$ -	\$ -	\$ (128)
Accounts receivable	128	-	-	128
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and temporary investments	\$ 315,394	\$ 112,950	\$ (93,089)	\$ 335,255
Accounts receivable	128	-	-	128
TOTAL ASSETS	<u>\$ 315,522</u>	<u>\$ 112,950</u>	<u>\$ (93,089)</u>	<u>\$ 335,383</u>
LIABILITIES				
Accounts payable	\$ 13,750	\$ 5,000	\$ (13,750)	\$ 5,000
Deposits payable	301,772	107,950	(79,339)	330,383
TOTAL LIABILITIES	<u>\$ 315,522</u>	<u>\$ 112,950</u>	<u>\$ (93,089)</u>	<u>\$ 335,383</u>

CITY OF LAKE ELMO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total		Percent Increase (Decrease)
	2011	2010	
REVENUES			
Taxes	\$ 2,790,773	\$ 2,737,225	1.96 %
Licenses and permits	230,419	261,450	(11.87)
Intergovernmental	276,638	239,244	15.63
Charges for services	14,691	22,416	(34.46)
Fines and forfeits	63,819	68,897	(7.37)
Special assessments	153,536	134,257	14.36
Investment earnings	94,066	113,033	(16.78)
Miscellaneous	48,217	84,860	(43.18)
	<u>\$ 3,672,159</u>	<u>\$ 3,661,382</u>	0.29 %
TOTAL REVENUES			
Per Capita	\$ 455	\$ 440	3.49 %
EXPENDITURES			
Current			
General government	\$ 1,016,898	\$ 921,590	10.34 %
Public safety	996,733	1,064,176	(6.34)
Public works	447,629	473,293	(5.42)
Culture and recreation	168,747	168,971	(0.13)
Capital outlay			
General government	9,067	50,178	(81.93)
Public safety	20,433	41,217	(50.43)
Public works	954,293	1,035,628	(7.85)
Culture and recreation	45,390	76,286	(40.50)
Debt service			
Principal	344,000	313,000	9.90
Interest and other charges	251,385	216,820	15.94
Bond issuance costs	34,327	74,580	(53.97)
	<u>\$ 4,288,902</u>	<u>\$ 4,435,739</u>	(3.31) %
TOTAL EXPENDITURES			
Per Capita	\$ 532	\$ 533	(0.23) %
Total Long-term Indebtedness	\$ 7,811,000	\$ 7,310,000	6.85 %
Per Capita	968	878	10.26
General Fund Balance - December 31	\$ 2,913,920	\$ 2,686,161	8.48 %
Per Capita	361	323	11.94

The purpose of this report is to provide a summary of financial information concerning the City of Lake Elmo to interested citizens. The complete financial statements may be examined at City Hall, 3800 Laverne Avenue North, Lake Elmo, Minnesota, 55042. Questions about this report should be directed to the City Finance Director at (651) 777-5510.

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OTHER REPORTS

CITY OF LAKE ELMO
LAKE ELMO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011



5201 Eden Avenue
Suite 250
Edina, MN 55436

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota (the City), as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements as listed in the table of contents, and have issued our report thereon dated June 25, 2012.

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers 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 study included all of the listed categories except that we did not test for compliance in Tax Increment Financing because the City has not established a Tax Increment Financing district.

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

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

June 25, 2012
Minneapolis, Minnesota

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



5201 Eden Avenue
Suite 250
Edina, MN 55436

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AUDIT OF FINANCIAL STATEMENTS

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota (the City), as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency presented as finding 2011-1 in the Schedule of Findings and Responses to be a material weakness in internal control over financial reporting.

We noted certain matters that we have reported to management of the City in a separate letter dated June 25, 2012.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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

June 25, 2012
Minneapolis, Minnesota

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

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CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2011-1 Material audit adjustments

- Condition:* During our audit, adjustments were needed to correct the year-end trial balance, which include:
- Receipts collected from utility bills were miscoded in the accounting software to Water and should have identified for Storm Sewer.
 - The General fund received a contribution from Washington County for any and all future costs to provide snow and ice removal services and other maintenance for Demontreville Trail/County Road 13B until 11/01/2013.
- Criteria:* The financial statements are the responsibility of the City's management. Additionally, funds are segregated for the purpose of carrying on specific activities or objectives under special regulations, restrictions or limitations.
- Cause:* The City has not prepared a year-end trial balance reflecting all necessary accounting entries. Specifically,
- Receipts are tracked on an excel spreadsheet as collected and then entered into the accounting system monthly. It appears that certain receipts collected from Storm Sewer charges were not properly classified. Also, there is no formal reconciliation done by the City to ensure that what has been billed is properly recorded as revenue in the appropriate fund in the accounting system.
 - Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. The donation has not met these requirements and needed to be adjusted to deferred revenue.
- Effect:* This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
- Recommendation:* We recommend that management review and approve each adjustment, obtain an understanding of why each was necessary and modify current procedures to ensure that future corrections are minimized. Further, we recommend reconciliation be completed, quarterly at a minimum, that identifies any discrepancy between utility billings charged and collected from the billing software to the revenue recorded in the accounting system.
- Management response:*
- The management team will review each journal entry in an effort to better understand the reason the modification was necessary in an effort to limit future corrections. Although these adjustments were minor compared to total utility collections and total fund balance, management agrees that additional reconciling needs to be done throughout the year to allow for timely corrections.