

# City of Lake Elmo, Minnesota

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## Annual Comprehensive Financial Report

For the Year Ended December 31, 2023

Prepared by:  
Finance Department



**CITY OF LAKE ELMO, MINNESOTA  
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**INTRODUCTORY  
SECTION**



June 11, 2024

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

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2023.

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

The City of Lake Elmo's financial statements have been audited by Schlenner Wenner and Co., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2023, are free from material misstatement. The independent audit involved examining, on an approved test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Lake Elmo's financial statements for fiscal year ended December 31, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

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

## **PROFILE OF THE GOVERNMENT**

The City of Lake Elmo, incorporated in 1926, is a statutory city in the State of Minnesota six miles east of St. Paul, Minnesota. Located in Washington County, it covers 25 square miles and has an estimated 2023 population of 14,033, which represents 5,206 households.

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

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

The annual budget serves as the foundation for the City of Lake Elmo's financial management and fiscal stewardship. City departments and agencies of the City submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary balanced budget for submission to the City Council. The preliminary balanced budget is presented to the City Council in September each year so that the preliminary property tax levy can be submitted to Washington County by the annual due date. The preliminary property tax levy may be decreased but not increased. The 2023 Adopted Budget and final property tax levy were required to be adopted by and submitted to Washington County by December 28, 2022. Included in the City's annual budget process is the compilation of a Capital Improvement Plan which allows for strategic planning of City infrastructure and equipment needs while maintaining a reasonable level of debt and a strong unassigned fund balance. Quarterly budget to actual comparison reports are provided to the City Council to keep them apprised of the financial performance of the City.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

## **LOCAL ECONOMY**

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New residential developments platted since 2014 numbering approximately 3,243 dwelling units have been approved.

In 2023 and early 2024, the city saw continued interest in residential and commercial growth. Projects started in earlier years continue, including:

- Wildflower 4th addition – 41 new single-family homes
- Royal Golf 5th Addition – 43 new single-family homes
- Hendrix Apartments and Goddard School – 190-unit apartment building and daycare
- Drake Development - Tesla, Dairy Queen and two additional commercial lots
- Amira - 146 senior rental apt building
- Lil Explorers Daycare is under construction
- DeMontreville Convent is under construction
- Carmelite Church is under construction
- The Jesuit Retreat house is under construction
- Remodel and new accessory building at Royal Park Golf Clubhouse

New applications for building and development continue to come in. Some of which include:

- Northstar 1st Addition – 107 new single-family homes
- Royal Golf 5th Addition – 43 new single-family homes
- Easton Village 6th and 7th Addition – 27 new single-family homes
- At Home Apartments – 40 twin homes
- Royal Golf 6th Addition – 46 new single-family homes
- Bridgewater – 4 Commercial lots and a future apartment site

Further, the following commercial building projects were fully completed in 2023:

- Kokoro Volleyball - 27,540 sq. ft. athletic facility
- 11160 & 11190 Hudson Blvd
- City Center additions

The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2023 population estimates of 14,033 or an increase of 24% since the 2020 census.

New housing starts in 2023 numbered 168 with a total permit value of \$55,067,525 and an average home value of \$327,783. There were three new commercial construction projects in 2023, and a number of remodels and expansions. All these new developments have been built in 2023 or will be finished in 2024, which will greatly strengthen the existing tax base of the City.

### **LONG TERM FINANCIAL PLANNING**

Total unassigned General Fund balance as of December 31, 2023, was 110% of the next year's general fund expenditures and other financing uses. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

In 2023, the City moved from a 5-year to a 10-year Capital Improvement Plan ("CIP"). The City's 10-year CIP serves as the foundation for long-term financial planning. Funding needs for capital replacements are reflected in tax levies for the street renewal and general fund asset replacements. Funding needs for capital infrastructure in the enterprise funds are funded through user fees in those funds.

During 2017, Moody's Investors Service increased the City's long-term debt rating to Aa1, and reaffirmed this rating in 2022, 2023, and 2024. In their assessment of the City, Moody's noted the following:

- Very strong financial position
- Full value per capita and resident income levels exceed the median for similarly rated peers nationally

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

### **RELEVANT FINANCIAL POLICIES**

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

## **MAJOR INITIATIVES**

2023 was once again a year of robust growth for the City, due to the continuation of ongoing infrastructure upgrades, various projects, as well as oversight of the ongoing residential and commercial development activities.

Some of the 2023 infrastructure projects included the following:

- The construction of a new City Center was approved and began in 2021, and was completed in the summer of 2023. The new City Center consists of a combined City Hall and Public Safety Facility. This new facility brings together City Hall staff and functions, the entire Fire Department, and a satellite office for the Washington County Sheriff's department. This co-location involved renovating and expanding the City-owned Brookfield Office building to consolidate civic resources within a single structure at the historic core of the city. Additionally, the Public Works facility will also be expanded to accommodate City growth and increased service needs.
- The Old Village Phase VII Improvements started construction in 2023. This project covers full reconstruction of the streets, upgrading the existing water system, and installation of a new sewer system and storm water drainage system.
- Extension of municipal sewer to the Tapestry development began in 2022 and was completed in 2023.
- Municipal sewer lines were extended along the City's western border in order to serve new development on the 180 acres the City received in a settlement with 3M in 2019. The new area will provide for business/industrial, commercial and low-density housing options.
- The City continued work on several expedited water main projects to bring water to neighborhoods with PFAS contamination at no cost to the city or residents due to grants from the MPCA. These projects include water main extensions, road construction and in some cases the extension of sewer. Sewer costs of the project will be assessed 100% to the benefiting property owners. In 2023, the projects in Parkview Estates, Cardinal Ridge, Cardinal View, Whistling Valley and Torre Pines were completed. The Stillwater Boulevard (CSAH 14) Trunk Watermain Improvements are being constructed in 2024 using 100% 3M Settlement grant funds.
- Water Tower 3 began construction in 2022 to increase storage capacity in the southeast area of the city. Construction was completed in 2023.
- The use of Parkland dedication fees continues to support improvements in existing and new parks. The 2023 Trail Improvements included Stonegate Neighborhood Trail segments, Sunfish Pond trails, Hamlet on Sunfish Lake connecting Trail, DeMontreville Wildlife connecting trail.
- As part of the City's Street Capital Improvement Program, neighborhood street and drainage improvements were completed in Tamarack Farms, Fields of St. Croix 1st and 2nd Additions, and Beaut Crest Estates. In 2024, street and drainage improvements are being constructed in Carriage Station and along Jamaca Court.
- Also, as part of the City's Street Capital Improvement Program, the 2024 Collector Roadway Improvements are being constructed, including Hudson Boulevard, from Inwood Avenue (CSAH 13) to Julia Avenue; 15th Street from Inwood Avenue (CSAH 13) to Oakdale/Lake Elmo city limits; and 30th Street, from Village Parkway to Lisbon Avenue.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lake Elmo for its annual comprehensive financial report for the fiscal year ended December 31, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements. This was the 10th consecutive year that the City of Lake Elmo has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



The preparation of this report would not have been possible without the efficient and dedicated services of the Finance and Administration Department Staff. We would like to express our appreciation to all members of the organization who assisted in contributing to the preparation of the report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of management of the City of Lake Elmo's finances.

Respectfully submitted,



Nicole Miller  
City Administrator



Clarissa Hadler  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Lake Elmo  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2022

*Christopher P. Morill*

Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

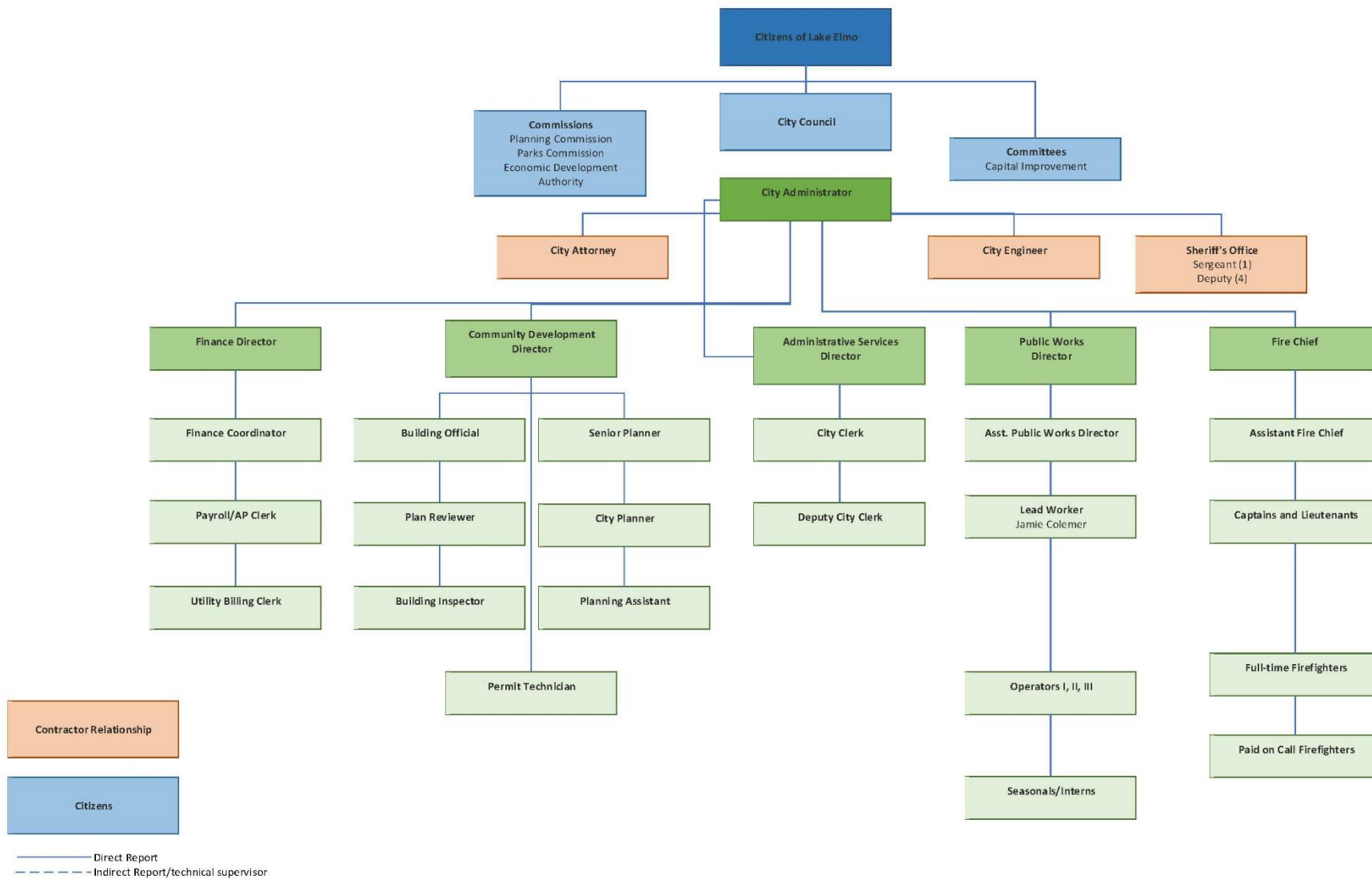
<b>CITY COUNCIL</b>		<u>Term Expires</u>
Charles Cadenhead	Mayor	January 1, 2025
Katrina Beckstrom	Council Member	January 1, 2025
Matt Hirn	Council Member	January 1, 2027
Jeff Holtz	Council Member	January 1, 2025
Lisa McGinn	Council Member	November 21, 2023

**APPOINTED CITY OFFICIALS**

Clark Schroeder	Interim City Administrator	Appointed
Clarissa Hadler	Finance Director	Appointed
Julie Johnson	City Clerk	Appointed



## ORGANIZATIONAL CHART FOR THE YEAR ENDED DECEMBER 31, 2023



**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Lake Elmo, Minnesota

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

#### *Opinions*

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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

### ***Supplementary Information***

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

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

The schedule of indebtedness 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.

#### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2024 on our consideration of the City of Lake Elmo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Elmo, Minnesota's internal control over financial reporting and compliance.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

June 11, 2024



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

Our discussion and analysis of the City of Lake Elmo's financial performance provides an overview of the City's financial activities for the year ended December 31, 2023. Please read it in conjunction with the independent auditor's report on page 11 and the City's financial statements, which begin on page 26.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City of Lake Elmo exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$170,695,558 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$35,000,611.
- The City's total net position increased \$19,697,043 as a result of this year's operations.
- As of the close of the current fiscal year, the City of Lake Elmo's governmental funds reported a combined ending fund balance of \$20,685,436 which is a decrease of \$3,750,158 in comparison with the prior year. The overall unassigned fund balance is \$8,427,607.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$8,920,580, which is 143 percent of total 2023 General Fund expenditures and 110 percent of budgeted 2024 General Fund expenditures. The City's Fund Balance policy is to maintain an unassigned fund balance in the General Fund of an amount that is not less than 50 percent to 60 percent of the next year's budgeted expenditures of the General Fund.
- In the City's business-type activities, revenues decreased \$5,022,857 (24.71 percent) and program expenses increased \$1,258,097 (19.95 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's governmental activities' departments increased \$1,720,576 (or 10.58 percent) in aggregate.
- The City's General Fund generated more revenue than budgeted of \$345,081, excluding transfers in from other funds. Expenditures were less than budgeted by \$1,034,906, excluding transfers to other funds. See additional details on page 72.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 26 and 27) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 28. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**USING THIS ANNUAL REPORT** (Continued)

**Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 17. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting, which is similar to the accounting used by large private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. You can think of the City's net position (assets plus deferred outflows, less liabilities plus deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, costs associated with current and future construction projects, and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including the fire, public works, parks, and planning and zoning departments, along with general administration. Property taxes, special assessments, licenses, permits and fees, and State aids finance most of these activities.
- **Business-type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and storm sewer systems are reported here.

**Reporting the City's Most Significant Funds**

Our analysis of the City's funds begins on page 19. The fund financial statements begin on page 28 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds (governmental and proprietary) use different accounting approaches.

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the governmental fund financial statements.
- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**THE CITY AS A WHOLE**

The City's combined net position increased \$19,697,043 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 31,241,789	\$ 35,836,750	\$ 25,155,915	\$ 26,273,660	\$ 56,397,704	\$ 62,110,410
Net Capital Assets	<u>87,653,206</u>	<u>71,799,214</u>	<u>99,382,500</u>	<u>90,076,157</u>	<u>187,035,706</u>	<u>161,875,371</u>
Total Assets	118,894,995	107,635,964	124,538,415	116,349,817	243,433,410	223,985,781
Deferred Outflows of Resources	1,100,857	1,375,926	116,538	181,480	1,217,395	1,557,406
Current Liabilities	5,122,759	6,459,882	2,213,887	1,980,429	7,336,646	8,440,311
Noncurrent Liabilities	<u>34,161,649</u>	<u>34,230,125</u>	<u>29,627,608</u>	<u>30,027,530</u>	<u>63,789,257</u>	<u>64,257,655</u>
Total Liabilities	39,284,408	40,690,007	31,841,495	32,007,959	71,125,903	72,697,966
Deferred Inflows of Resources	2,687,021	1,836,690	142,323	10,016	2,829,344	1,846,706
Net Position:						
Net Investment in						
Capital Assets	54,209,637	39,647,112	69,826,808	59,998,083	124,036,445	99,645,195
Restricted	11,658,502	12,475,169	-	-	11,658,502	12,475,169
Unrestricted	<u>12,156,284</u>	<u>14,362,912</u>	<u>22,844,327</u>	<u>24,515,239</u>	<u>35,000,611</u>	<u>38,878,151</u>
Total Net Position	<u>\$ 78,024,423</u>	<u>\$ 66,485,193</u>	<u>\$ 92,671,135</u>	<u>\$ 84,513,322</u>	<u>\$170,695,558</u>	<u>\$150,998,515</u>

The net position of the City's governmental activities increased by \$11,539,230 (17.36 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased by \$2,206,628 compared to the prior year.

The net position of the City's business-type activities increased by \$8,157,813 (9.65 percent) from the prior year. Such increase can be attributed primarily to the capital contributions of infrastructure assets that were received from private developers during the year.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**THE CITY AS A WHOLE** (Continued)

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
<b>REVENUE</b>						
Charges for Services	\$ 2,280,874	\$ 2,889,869	\$ 4,858,305	\$ 5,284,821	\$ 7,139,179	\$ 8,174,690
Operating Grants and Contributions	1,102,707	391,306	-	-	1,102,707	391,306
Capital Grants and Contributions	9,895,930	4,783,094	9,838,374	15,257,903	19,734,304	20,040,997
Property Taxes	7,822,031	7,488,228	-	-	7,822,031	7,488,228
Franchise Taxes	68,884	77,694	-	-	68,884	77,694
Intergovernmental	246,056	703,388	46	2,146	246,102	705,534
Investment Earnings (Losses)	1,137,908	(380,657)	604,235	(221,053)	1,742,143	(601,710)
Other	46,528	23,384	-	-	46,528	23,384
<b>Total Revenues</b>	<b>22,600,918</b>	<b>15,976,306</b>	<b>15,300,960</b>	<b>20,323,817</b>	<b>37,901,878</b>	<b>36,300,123</b>
<b>PROGRAM EXPENSES</b>						
General Government	1,220,552	1,055,405	-	-	1,220,552	1,055,405
Public Safety	3,228,801	2,939,066	-	-	3,228,801	2,939,066
Public Works	4,627,872	4,831,584	-	-	4,627,872	4,831,584
Parks and Recreation	526,835	415,377	-	-	526,835	415,377
Interest and Other Charges	815,944	716,093	-	-	815,944	716,093
Water	-	-	3,982,238	3,280,875	3,982,238	3,280,875
Sewer	-	-	2,524,280	2,071,858	2,524,280	2,071,858
Storm Sewer	-	-	1,057,111	952,799	1,057,111	952,799
<b>Total Expenses</b>	<b>10,420,004</b>	<b>9,957,525</b>	<b>7,563,629</b>	<b>6,305,532</b>	<b>17,983,633</b>	<b>16,263,057</b>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers/Other Items	12,180,914	6,018,781	7,737,331	14,018,285	19,918,245	20,037,066
Gain (Loss) on Disposal of Assets	(221,202)	69,985	-	-	(221,202)	69,985
Capital Asset Transfers	(420,482)	3,261,225	420,482	(3,261,225)	-	-
<b>Change in Net Position</b>	<b>11,539,230</b>	<b>9,349,991</b>	<b>8,157,813</b>	<b>10,757,060</b>	<b>19,697,043</b>	<b>20,107,051</b>
<b>Net Position - Beginning of Year</b>	<b>66,485,193</b>	<b>57,135,202</b>	<b>84,513,322</b>	<b>73,756,262</b>	<b>150,998,515</b>	<b>130,891,464</b>
<b>Net Position - End of Year</b>	<b>\$ 78,024,423</b>	<b>\$ 66,485,193</b>	<b>\$ 92,671,135</b>	<b>\$ 84,513,322</b>	<b>\$170,695,558</b>	<b>\$150,998,515</b>

The City's total revenues increased by \$1,601,755 (4.41 percent). The total cost of all programs and services increased by \$1,720,576 (10.58 percent). Our following analysis separately considers the operations of governmental and business-type activities.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**THE CITY AS A WHOLE** (Continued)

**Governmental Activities**

Revenue for the City's governmental activities increased by \$6,624,612 (41.47 percent). This increase in revenue is primarily due to an increase in revenues from capital grants and contributions, resulting from significant contributions of infrastructure from developers during 2023. Total expenses increased \$462,479 (4.64 percent), primarily due to increased expenses for public safety along with a decrease in public works costs. Such changes in expenses have been reviewed in greater detail below.

Table 3 presents the cost of each of the City's programs - general government, public safety, public works, parks and recreation, and Interest and Other Charges - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities (net of capital outlay which is excluded from Table 3) were generally comparable to the prior year as operations remained fairly consistent with the prior year, with the exception of:

- Public works net cost of services decreased \$5,268,818, due to decreases in maintenance project costs, in conjunction with an increase in revenues from contributed infrastructure previously discussed.
- Public safety net cost of services increased \$326,777 primarily due to four firefighters transitioning to full time service, along with an increase in contracted law enforcement expenses.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
General Government	\$ 1,220,552	\$ 1,055,405	\$ 672,353	\$ 620,275
Public Safety	3,228,801	2,939,066	962,514	635,737
Public Works	4,627,872	4,831,584	(5,551,896)	(283,078)
Parks and Recreation	526,835	415,377	241,578	204,253
Economic Development	-	-	-	(24)
Interest and Other Charges	815,944	716,093	815,944	716,093
<b>Totals</b>	<b>\$ 10,420,004</b>	<b>\$ 9,957,525</b>	<b>\$ (2,859,507)</b>	<b>\$ 1,893,256</b>

**Business-type Activities**

Revenues of the City's business-type activities (see Table 2) decreased by \$5,022,857 (24.71 percent) and program expenses increased by \$1,258,097 (19.95 percent). The decrease in revenues is due primarily to a decrease in MPCA grant revenues recognized in 2023 as compared to 2022. The increase in expenses is due largely to an increase in depreciation expense being recognized in 2023, due to various projects being finalized and placed into service. Additionally, the City incurred additional costs related to professional service fees, water meters, and supplies.

**THE CITY'S FUNDS**

**Governmental Funds**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 28) reported a combined fund balance of \$20,685,436. This is a decrease of \$3,750,158 from the prior year. Operations were comparable to the prior year, with the exception of an increase in investment earnings of \$1,072,572 in 2023 as compared to unrealized investment losses of \$419,853 incurred in 2022. Additionally, the City incurred fewer expenditures related to the City Hall and Fire Station building project as the project neared completion at the end of 2023. Financial information specific to the governmental funds is detailed on the following page. Such information was derived from the fund financials.

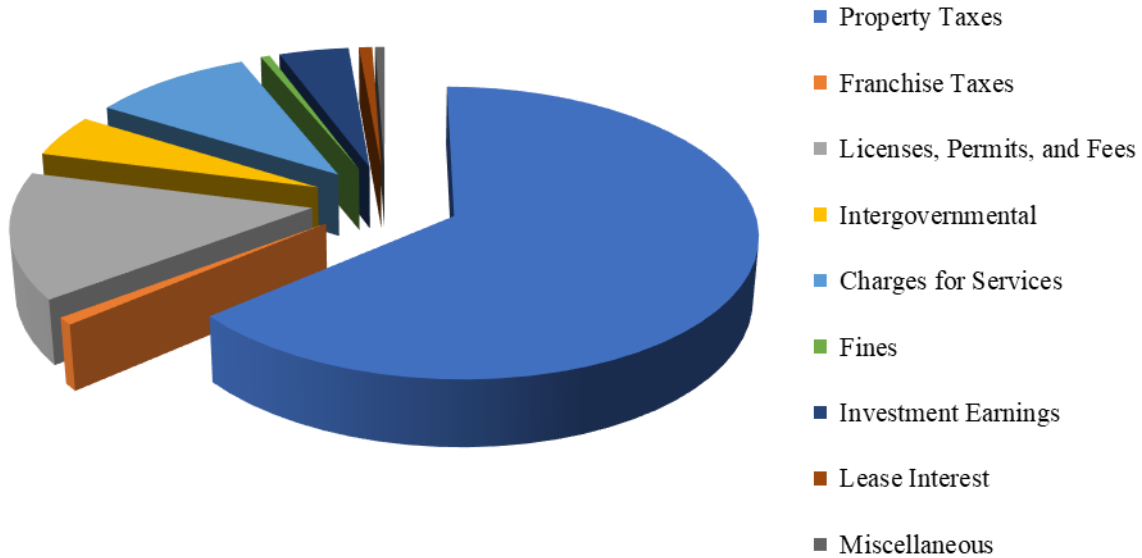
**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**THE CITY'S FUNDS** (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
<b>General</b>	\$ 8,920,580	\$ 7,540,239	\$ 1,380,341

The fund balance of the General Fund increased by \$1,380,341 compared to 2022. Details of the General Fund's revenues and expenditures are displayed below:

**General Fund Revenues**

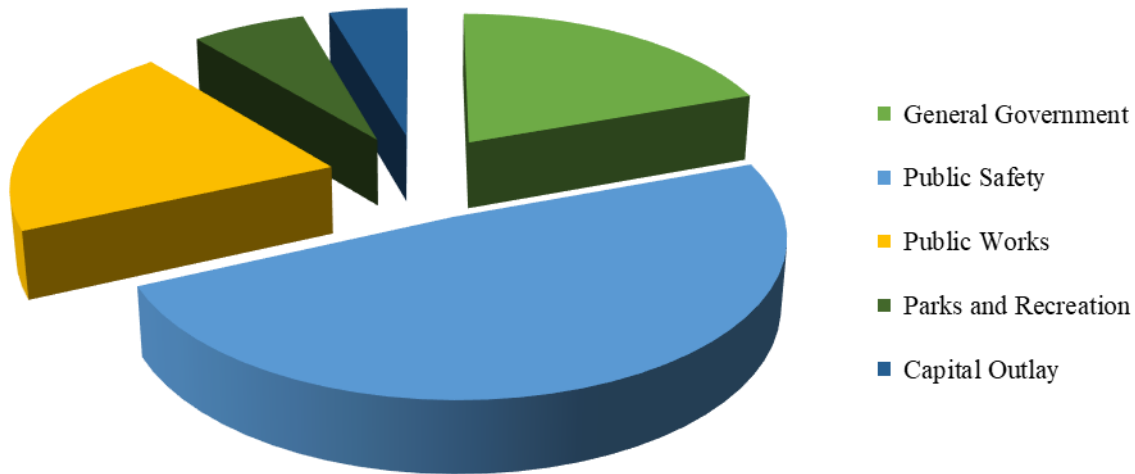


The City received the majority of its funding in the General Fund in the form of grants and funding received from property taxes (63.90 percent), licenses, permits, and fees (14.27 percent), charges for services (9.93 percent), and other governmental agencies (4.80 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception of property taxes that increased as planned with the 2023 levy.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**THE CITY'S FUNDS** (Continued)

**General Fund Expenditures**



A significant portion of the City's General Fund expenditures are used for public safety (48.79 percent). Remaining expenditures are used primarily for public works (20.63 percent) and general government (19.50 percent). Expenditures are comparable to the prior year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
<b>Debt Service Fund</b>	\$ 5,026,712	\$ 4,535,578	\$ 491,134

The Debt Service fund balance increased as a result of an increase in property tax and assessment revenue.

<b>City Hall / Fire Station Bldg Project Fund</b>	\$ 1,448,996	\$ 6,720,887	\$ (5,271,891)
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The City Hall / Fire Station Bldg Project fund balance decreased due to substantial capital outlay expenditures being incurred throughout the year for the construction of the City Hall and Fire Station project.

<b>2023 Street Improvements</b>	\$ 287,830	\$ (53,095)	\$ 340,925
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The 2023 Street Improvements fund balance increased due to the City receiving bond proceeds during the year in relation to their 2023A G.O. Improvement and Utility Revenue Bond issuance.



**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**THE CITY'S FUNDS** (Continued)

**General Fund Budgetary Highlights**

The City's General Fund generated more revenue than budgeted of \$345,081, excluding transfers in from other funds. Expenditures were less than those budgeted by \$1,034,906, excluding transfers to other funds. Budgetary deviations were mostly distributed across departments but resulted most significantly from street maintenance and storm sewers, building inspections, and administration and finance costs being less than anticipated.

**Proprietary Funds**

As the City completed the year, its business-type activities reported a combined net position of \$92,671,135. This is an increase of \$8,157,813 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2023	2022	
<b>Water</b>	\$ 50,291,225	\$ 46,447,856	\$ 3,843,369

The Water Fund net position increased due to significant intergovernmental revenues received from the MPCA in relation to various projects during the year, as well as revenues being recognized in relation to infrastructure assets conveyed to the City by local developers.

<b>Sewer</b>	\$ 27,604,510	\$ 25,298,195	\$ 2,306,315
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The Sewer Fund net position increased due to the City receiving developer contributed infrastructure during the year, \$2,060,698 of which was recognized in this fund.

<b>Storm Sewer</b>	\$ 14,775,400	\$ 12,767,271	\$ 2,008,129
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The Storm Sewer Fund net position increased due to the City receiving developer contributed infrastructure during the year, \$2,402,156 of which was recognized in this fund.

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2023, the City had a net investment of \$187,035,706 in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, roads, and water, sewer, and storm sewer infrastructure. This amount represents a net increase of \$25,160,335 (15.54 percent) from last year. More detailed information about the City's capital assets is presented in Note 2.C. to the financial statements.

Significant capital asset activity from throughout the year consisted of the following:

- Developer contributions of infrastructure exceeded \$14.9 million in total.
- Costs incurred during the year for the City Hall and Fire Station project exceeded \$5.7 million.
- Costs incurred for various water utility projects exceeded \$4.8 million.

**Table 4  
Capital Assets Net of Depreciation**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,453,979	\$ 3,453,979	\$ 3,668,869	\$ 3,668,869	\$ 7,122,848	\$ 7,122,848
Construction In Progress	18,614,757	15,400,699	11,204,477	15,221,987	29,819,234	30,622,686
Buildings	2,814,305	2,904,470	-	-	2,814,305	2,904,470
Other Improvements	2,092,035	1,347,725	-	-	2,092,035	1,347,725
Machinery and Equipment	6,923,964	6,102,725	83,657	110,168	7,007,621	6,212,893
Infrastructure	53,754,166	42,589,616	84,425,497	71,075,133	138,179,663	113,664,749
Totals	<u>\$ 87,653,206</u>	<u>\$ 71,799,214</u>	<u>\$ 99,382,500</u>	<u>\$ 90,076,157</u>	<u>\$ 187,035,706</u>	<u>\$ 161,875,371</u>

**Debt**

At year-end, the City had \$62,093,296 in gross debt versus \$61,209,616 last year (an increase of 1.44 percent), as shown in Table 5. See additional information regarding these issuances in Note 2.D. to the financial statements.

**Table 5  
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
G.O. Improvement Bonds	\$29,860,000	\$28,830,000	\$28,115,000	\$28,440,000	\$57,975,000	\$57,270,000
G.O. Equipment Certificates	555,000	655,000	-	-	555,000	655,000
G.O. Tax Abatement Bonds	1,010,000	1,010,000	-	-	1,010,000	1,010,000
Unamortized Bond Premium	1,321,965	1,110,679	1,082,925	1,030,720	2,404,890	2,141,399
Compensated Absences	110,115	93,109	38,291	40,108	148,406	133,217
Totals	<u>\$32,857,080</u>	<u>\$31,698,788</u>	<u>\$29,236,216</u>	<u>\$29,510,828</u>	<u>\$62,093,296</u>	<u>\$61,209,616</u>

**CITY OF LAKE ELMO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- An update to the City's long-range financial management plan was completed in 2023 and now includes inflated averages for capital expenses such as roads and equipment in the 5-10 year horizon. The City is projected to have small annual increases in its tax rate over the next 10-year period while still meeting current service needs, adding a public works position, and funding capital needs while maintaining a fund balance above the City's policy of 50-60% of next year's expenses.
- Utility rate adjustments continue in accordance with the City's long-range financial management plan. For 2024, water and sewer rates were increased by 3% and stormwater rates had no increase.
- Market interest rates on investments trended higher in 2023 and have held relatively steady in 2024. The City is holding various investments that were purchased prior to 2022 that have lower rates of return due to the aforementioned increases. As a result, these investments have some unrealized losses that would only be recognized if the City had to sell them before maturity. The City has sufficient cash and does not anticipate selling before maturity.
- The City is currently exploring sites for two new wells. These wells will need a treatment plant for PFAS which will be funded by 3M settlement dollars. These efforts are likely to take two to three years to complete. Other major water capital projects on the horizon include trunk main extensions and connecting existing neighborhoods vulnerable to PFAS to municipal water service; projects which are also funded by 3M settlement funds.
- The City received a total of \$1,006,489 in American Recover Plan Act (ARPA) funding in two installments in 2021 and 2022. All funds have been expended by early 2024. Projects included the extension of fiber to the public works building and municipal sewer trunk mains to city owned land on the western edge of town.
- With its proximity to Minneapolis/St. Paul downtown area, easy access from a number of state highways, exceptional recreational offerings and low tax rate, Lake Elmo remains an attractive area for new residents and businesses. The City is seeing an increase in development interest for multi-family housing as well as from commercial and business/industrial developers. There remain hundreds of acres available for development in both the downtown area as well as along the I-94 corridor.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 3880 Laverne Avenue North, Lake Elmo, Minnesota 55042.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 25,090,109	\$ 18,830,867	\$ 43,920,976
Property Taxes Receivable	103,590	-	103,590
Assessments Receivable	3,682,997	5,360,653	9,043,650
Accounts Receivable	857	762,788	763,645
Interest Receivable	61,968	44,060	106,028
Due from Other Governments	120,246	157,547	277,793
Leases Receivable	1,616,780	-	1,616,780
Capital Assets Not Being Depreciated	22,068,736	14,873,346	36,942,082
Capital Assets Being Depreciated (Net)	65,584,470	84,509,154	150,093,624
Net Pension Asset	565,242	-	565,242
<b>TOTAL ASSETS</b>	<b>118,894,995</b>	<b>124,538,415</b>	<b>243,433,410</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	1,100,857	116,538	1,217,395
<b>LIABILITIES</b>			
Accounts Payable	953,199	360,038	1,313,237
Salaries Payable	82,494	46,289	128,783
Construction Contracts Payable	696,604	357,767	1,054,371
Deposits Payable	2,380,136	-	2,380,136
Due to Other Governments	117,613	526,360	643,973
Payroll Deductions and Employer Contributions	52,653	-	52,653
Unearned Revenue	440,089	575,000	1,015,089
Accrued Interest Payable	399,971	348,433	748,404
Compensated Absences Payable:			
Due Within One Year	82,586	28,718	111,304
Due After One Year	27,529	9,573	37,102
Bonds Payable:			
Due Within One Year	2,705,000	2,315,000	5,020,000
Due After One Year	30,041,965	26,882,925	56,924,890
Net OPEB Liability:			
Due After One Year	65,774	23,351	89,125
Net Pension Liability:			
Due After One Year	1,238,795	368,041	1,606,836
<b>TOTAL LIABILITIES</b>	<b>39,284,408</b>	<b>31,841,495</b>	<b>71,125,903</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	1,147,438	142,323	1,289,761
Leases	1,539,583	-	1,539,583
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,687,021</b>	<b>142,323</b>	<b>2,829,344</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	54,209,637	69,826,808	124,036,445
Restricted	11,658,502	-	11,658,502
Unrestricted	12,156,284	22,844,327	35,000,611
<b>TOTAL NET POSITION</b>	<b>\$ 78,024,423</b>	<b>\$ 92,671,135</b>	<b>\$ 170,695,558</b>

**CITY OF LAKE ELMO, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,220,552	\$ 350,081	\$ 198,118	\$ -	\$ (672,353)	\$ -	\$ (672,353)
Public Safety	3,228,801	1,587,586	678,701	-	(962,514)	-	(962,514)
Public Works	4,627,872	60,388	223,450	9,895,930	5,551,896	-	5,551,896
Parks and Recreation	526,835	282,819	2,438	-	(241,578)	-	(241,578)
Interest and Other Charges	815,944	-	-	-	(815,944)	-	(815,944)
<b>Total Governmental Activities</b>	<b>10,420,004</b>	<b>2,280,874</b>	<b>1,102,707</b>	<b>9,895,930</b>	<b>2,859,507</b>	<b>-</b>	<b>2,859,507</b>
<b>Business-Type Activities:</b>							
Water	3,982,238	2,804,479	-	4,848,900	-	3,671,141	3,671,141
Sewer	2,524,280	1,442,607	-	2,579,955	-	1,498,282	1,498,282
Storm Sewer	1,057,111	611,219	-	2,409,519	-	1,963,627	1,963,627
<b>Total Business-Type Activities</b>	<b>7,563,629</b>	<b>4,858,305</b>	<b>-</b>	<b>9,838,374</b>	<b>-</b>	<b>7,133,050</b>	<b>7,133,050</b>
<b>TOTALS</b>	<b>\$ 17,983,633</b>	<b>\$ 7,139,179</b>	<b>\$ 1,102,707</b>	<b>\$ 19,734,304</b>	<b>2,859,507</b>	<b>7,133,050</b>	<b>9,992,557</b>
<b>General Revenues:</b>							
Property Taxes					7,822,031	-	7,822,031
Franchise Taxes					68,884	-	68,884
Intergovernmental					246,056	46	246,102
Investment Earnings (Losses)					1,137,908	604,235	1,742,143
Gain (Loss) on Sale of Assets					(221,202)	-	(221,202)
Miscellaneous					46,528	-	46,528
<b>Total General Revenues</b>					<b>9,100,205</b>	<b>604,281</b>	<b>9,704,486</b>
Capital Asset Transfers					(420,482)	420,482	-
<b>Total General Revenues and Transfers</b>					<b>8,679,723</b>	<b>1,024,763</b>	<b>9,704,486</b>
<b>CHANGE IN NET POSITION</b>					<b>11,539,230</b>	<b>8,157,813</b>	<b>19,697,043</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>66,485,193</b>	<b>84,513,322</b>	<b>150,998,515</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 78,024,423</b>	<b>\$ 92,671,135</b>	<b>\$ 170,695,558</b>

**CITY OF LAKE ELMO, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	2023 Street Improvements Fund		
<b>ASSETS</b>						
Cash, Cash Equivalents, and Investments	\$ 12,190,097	\$ 5,011,444	\$ 2,044,541	\$ 395,053	\$ 5,448,974	\$ 25,090,109
Property Taxes Receivable	103,590	-	-	-	-	103,590
Assessments Receivable	66,113	3,596,335	-	-	20,549	3,682,997
Accounts Receivable	857	-	-	-	-	857
Interest Receivable	26,324	8,525	10,006	1,127	15,986	61,968
Due from Other Governments	120,246	-	-	-	-	120,246
Due from Other Funds	-	-	-	-	449,894	449,894
Leases Receivable	1,616,780	-	-	-	-	1,616,780
<b>TOTAL ASSETS</b>	<b>\$ 14,124,007</b>	<b>\$ 8,616,304</b>	<b>\$ 2,054,547</b>	<b>\$ 396,180</b>	<b>\$ 5,935,403</b>	<b>\$ 31,126,441</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 775,749	\$ -	\$ 16,511	\$ 38,351	\$ 122,588	\$ 953,199
Salaries Payable	82,494	-	-	-	-	82,494
Payroll Deductions and Employer Contributions	52,653	-	-	-	-	52,653
Construction Contracts Payable	-	-	589,040	69,999	37,565	696,604
Deposits Payable	2,380,136	-	-	-	-	2,380,136
Due to Other Governments	117,613	-	-	-	-	117,613
Due to Other Funds	-	-	-	-	449,894	449,894
Unearned Revenue	136,600	-	-	-	303,489	440,089
Total Liabilities	3,545,245	-	605,551	108,350	913,536	5,172,682
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue:						
Property Taxes	52,486	-	-	-	-	52,486
Special Assessments	66,113	3,589,592	-	-	20,549	3,676,254
Leases	1,539,583	-	-	-	-	1,539,583
Total Deferred Inflows of Resources	1,658,182	3,589,592	-	-	20,549	5,268,323

**CITY OF LAKE ELMO, MINNESOTA**  
**BALANCE SHEET (Continued)**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	2023 Street Improvements Fund		
<b>FUND BALANCES</b>						
Restricted	\$ -	\$ 5,026,712	\$ -	\$ 287,830	\$ 3,154,339	\$ 8,468,881
Committed	-	-	-	-	20,334	20,334
Assigned	-	-	1,448,996	-	2,319,618	3,768,614
Unassigned	8,920,580	-	-	-	(492,973)	8,427,607
Total Fund Balances	<u>8,920,580</u>	<u>5,026,712</u>	<u>1,448,996</u>	<u>287,830</u>	<u>5,001,318</u>	<u>20,685,436</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 14,124,007</u>	<u>\$ 8,616,304</u>	<u>\$ 2,054,547</u>	<u>\$ 396,180</u>	<u>\$ 5,935,403</u>	<u>\$ 31,126,441</u>



**CITY OF LAKE ELMO, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

Total Fund Balances - Governmental Funds \$ 20,685,436

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not current financial resources  
and, therefore, are not reported as assets in the governmental funds:

Capital Assets	\$ 108,951,993	
Accumulated Depreciation	<u>(21,298,787)</u>	
Capital Assets (Net)		87,653,206

Long-term liabilities are not due and payable in the current period and, therefore,  
are not reported as liabilities in the governmental funds Balance Sheet:

Bond Principal Payable	(31,425,000)	
Bond Premium, Net of Accumulated Amortization	(1,321,965)	
Compensated Absences	<u>(110,115)</u>	
		(32,857,080)

The net OPEB liability represents the present value of projected unfunded future  
postemployment benefits other than pensions, as determined by an actuary as  
of the most recent measurement date. Such liability and related balances do not  
represent the impending use of current financial resources and, therefore, are  
not reported in the governmental funds:

Net OPEB Liability		(65,774)
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The net pension asset/liability and related deferred outflows/inflows represent  
the allocation of pension obligations to the City. Such balances are not reported  
in the governmental funds:

Net Pension Asset	565,242	
Net Pension Liability	(1,238,795)	
Deferred Outflows - Pensions	1,100,857	
Deferred Inflows - Pensions	<u>(1,147,438)</u>	
		(720,134)

Interest on long-term debt is recognized as an expenditure when due and payable  
in the governmental funds. Therefore, interest is not accrued in the governmental  
funds Balance Sheet, but is accrued in the Statement of Net Position:

(399,971)

Other long-term assets are not available to pay for current-period expenditures  
and, therefore, are reported as unavailable in the governmental funds:

Property Taxes Receivable	52,486	
Special Assessments Receivable	<u>3,676,254</u>	
		<u>3,728,740</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 78,024,423**

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	2023 Street Improvements Fund		
<b>REVENUES</b>						
Property Taxes	\$ 5,142,534	\$ 2,677,138	\$ -	\$ -	\$ -	\$ 7,819,672
Franchise Taxes	68,884	-	-	-	-	68,884
Special Assessments	-	900,116	-	-	8,938	909,054
Licenses, Permits, and Fees	1,148,190	-	-	-	-	1,148,190
Intergovernmental	386,492	-	148,862	-	796,177	1,331,531
Charges for Services	798,787	-	-	-	282,819	1,081,606
Fines	45,402	-	-	-	-	45,402
Investment Earnings (Losses)	345,953	119,653	352,664	5,077	249,225	1,072,572
Lease Interest	65,336	-	-	-	-	65,336
Miscellaneous	46,277	-	18,686	-	21,230	86,193
<b>TOTAL REVENUES</b>	<b>8,047,855</b>	<b>3,696,907</b>	<b>520,212</b>	<b>5,077</b>	<b>1,358,389</b>	<b>13,628,440</b>
<b>EXPENDITURES</b>						
Current:						
General Government	1,213,697	-	-	-	-	1,213,697
Public Safety	3,037,244	-	-	-	-	3,037,244
Public Works	1,284,334	-	-	70,466	417	1,355,217
Parks and Recreation	409,753	-	-	-	739	410,492
Capital Outlay	280,584	-	5,792,103	2,192,180	3,541,629	11,806,496
Debt Service:						
Principal	-	2,480,000	-	-	-	2,480,000
Interest and Other Charges	-	818,194	-	32,498	12,397	863,089
<b>TOTAL EXPENDITURES</b>	<b>6,225,612</b>	<b>3,298,194</b>	<b>5,792,103</b>	<b>2,295,144</b>	<b>3,555,182</b>	<b>21,166,235</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,822,243</b>	<b>398,713</b>	<b>(5,271,891)</b>	<b>(2,290,067)</b>	<b>(2,196,793)</b>	<b>(7,537,795)</b>

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	2023 Street Improvements Fund		
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ 60,600	\$ 60,600
Bond Issuance	-	92,421	-	2,401,498	916,081	3,410,000
Premium on Bond Issuance	-	-	-	229,494	87,543	317,037
Transfers In	-	-	-	-	466,799	466,799
Transfers Out	(441,902)	-	-	-	(24,897)	(466,799)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(441,902)</u>	<u>92,421</u>	<u>-</u>	<u>2,630,992</u>	<u>1,506,126</u>	<u>3,787,637</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,380,341	491,134	(5,271,891)	340,925	(690,667)	(3,750,158)
<b>FUND BALANCES - BEGINNING</b>	<u>7,540,239</u>	<u>4,535,578</u>	<u>6,720,887</u>	<u>(53,095)</u>	<u>5,691,985</u>	<u>24,435,594</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 8,920,580</u>	<u>\$ 5,026,712</u>	<u>\$ 1,448,996</u>	<u>\$ 287,830</u>	<u>\$ 5,001,318</u>	<u>\$ 20,685,436</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (3,750,158)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in the 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 Outlay Capitalized - Capital Assets	\$ 11,630,302	
Depreciation Expense	(3,388,205)	
Capital Assets Acquired via Donation	8,314,179	
Capital Assets Transferred to Proprietary Funds	(420,482)	
Loss on Disposal of Assets	<u>(281,802)</u>	
		15,853,992

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 position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

Bond Principal Repayments	2,480,000	
Bond Issuance	(3,410,000)	
Premium on Bond Issuance	(317,037)	
Amortization of Bond Premium	<u>105,751</u>	
		(1,141,286)

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due: (58,606)

Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	2,359	
Special Assessments	<u>672,697</u>	
		675,056

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 the governmental funds:

Compensated Absences		(17,006)
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Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net OPEB Liability and Deferred Outflows/Inflows of Resources	5,736	
Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources	<u>(28,498)</u>	
		<u>(22,762)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,539,230**

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,792,477	\$ 11,621,118	\$ 1,417,272	\$ 18,830,867
Assessments Receivable	114,234	348,951	42,479	505,664
Accounts Receivable	252,593	194,187	316,008	762,788
Interest Receivable	12,174	28,516	3,370	44,060
Due from Other Governments	157,547	-	-	157,547
Total Current Assets	6,329,025	12,192,772	1,779,129	20,300,926
Noncurrent Assets:				
Capital Assets Not Being Depreciated	12,717,895	2,155,451	-	14,873,346
Capital Assets Being Depreciated (Net)	46,064,811	23,124,777	15,319,566	84,509,154
Assessments Receivable	387,114	4,467,073	802	4,854,989
Total Noncurrent Assets	59,169,820	29,747,301	15,320,368	104,237,489
<b>TOTAL ASSETS</b>	65,498,845	41,940,073	17,099,497	124,538,415
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	73,095	29,201	14,242	116,538
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	318,353	37,964	3,721	360,038
Salaries Payable	26,838	13,060	6,391	46,289
Construction Contracts Payable	272,612	85,155	-	357,767
Due to Other Governments	475,605	50,755	-	526,360
Unearned Revenue	575,000	-	-	575,000
Accrued Interest	150,391	177,270	20,772	348,433
Compensated Absences	19,530	6,426	2,762	28,718
Bonds Due Within One Year	1,150,000	950,000	215,000	2,315,000
Total Current Liabilities	2,988,329	1,320,630	248,646	4,557,605
Noncurrent Liabilities:				
Compensated Absences	6,510	2,142	921	9,573
Bonds Due After One Year	11,949,402	12,909,025	2,024,498	26,882,925
Net OPEB Liability	15,330	5,303	2,718	23,351
Net Pension Liability	231,588	92,063	44,390	368,041
Total Noncurrent Liabilities	12,202,830	13,008,533	2,072,527	27,283,890
<b>TOTAL LIABILITIES</b>	15,191,159	14,329,163	2,321,173	31,841,495
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	89,556	35,601	17,166	142,323
<b>NET POSITION</b>				
Net Investment in Capital Assets	45,410,692	11,336,048	13,080,068	69,826,808
Unrestricted	4,880,533	16,268,462	1,695,332	22,844,327
<b>TOTAL NET POSITION</b>	\$ 50,291,225	\$ 27,604,510	\$ 14,775,400	\$ 92,671,135

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,932,608	\$ 760,781	\$ 580,896	\$ 3,274,285
<b>OPERATING EXPENSES</b>				
Wages and Benefits	521,477	242,151	106,356	869,984
Materials and Supplies	368,133	23,370	9,453	400,956
Repairs and Maintenance	73,786	28,718	49,132	151,636
Professional Services	250,034	117,318	46,110	413,462
Insurance	25,923	15,790	3,728	45,441
Utilities	178,976	553,361	422	732,759
Miscellaneous	62,638	65,446	9,791	137,875
Depreciation	2,148,531	1,121,402	791,557	4,061,490
<b>TOTAL OPERATING EXPENSES</b>	<u>3,629,498</u>	<u>2,167,556</u>	<u>1,016,549</u>	<u>6,813,603</u>
<b>NET OPERATING INCOME (LOSS)</b>	(1,696,890)	(1,406,775)	(435,653)	(3,539,318)
<b>NONOPERATING INCOME (EXPENSE)</b>				
Special Assessments	18,013	519,257	7,363	544,633
Intergovernmental	2,666,737	11	6	2,666,754
Connection Fees	866,200	648,700	-	1,514,900
Capital Contributions from Private Sources	2,164,179	2,060,698	2,402,156	6,627,033
Investment Earnings (Losses)	172,199	387,540	44,496	604,235
Miscellaneous	5,671	33,126	30,323	69,120
Interest and Other Charges	(352,740)	(356,724)	(40,562)	(750,026)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<u>5,540,259</u>	<u>3,292,608</u>	<u>2,443,782</u>	<u>11,276,649</u>
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	3,843,369	1,885,833	2,008,129	7,737,331
<b>TRANSFERS</b>				
Interfund Capital Asset Transfers	-	420,482	-	420,482
<b>CHANGE IN NET POSITION</b>	3,843,369	2,306,315	2,008,129	8,157,813
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>46,447,856</u>	<u>25,298,195</u>	<u>12,767,271</u>	<u>84,513,322</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 50,291,225</u>	<u>\$ 27,604,510</u>	<u>\$ 14,775,400</u>	<u>\$ 92,671,135</u>

**CITY OF LAKE ELMO, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 1,836,037	\$ 697,414	\$ 529,068	\$ 3,062,519
Cash Paid to Suppliers	(859,674)	(956,258)	(120,221)	(1,936,153)
Cash Paid to Employees	(448,628)	(217,144)	(101,632)	(767,404)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	527,735	(475,988)	307,215	358,962
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes and Intergovernmental	29	11	6	46
Other Receipts from Customers	742,671	545,026	30,323	1,318,020
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	742,700	545,037	30,329	1,318,066
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special Assessments	262,583	929,033	39,549	1,231,165
Intergovernmental and Other	4,413,883	-	-	4,413,883
Purchases of Capital Assets	(5,001,498)	(1,568,407)	-	(6,569,905)
Payments on Bond Principal	(1,200,000)	(915,000)	(210,000)	(2,325,000)
Proceeds from Debt Issuance	529,114	1,609,114	-	2,138,228
Cash Paid for Interest and Other Charges	(384,987)	(373,724)	(48,332)	(807,043)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(1,380,905)	(318,984)	(218,783)	(1,918,672)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	164,363	368,602	42,210	575,175
Net Change in Cash and Cash Equivalents	53,893	118,667	160,971	333,531
Cash and Cash Equivalents - Beginning of Year	5,738,584	11,502,451	1,256,301	18,497,336
Cash and Cash Equivalents - End of Year	<u>\$ 5,792,477</u>	<u>\$ 11,621,118</u>	<u>\$ 1,417,272</u>	<u>\$ 18,830,867</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
<b>RECONCILIATION OF NET OPERATING</b>				
<b>INCOME (LOSS) TO NET CASH</b>				
<b>PROVIDED (USED) BY OPERATING</b>				
<b>ACTIVITIES</b>				
Net Operating Income (Loss)	\$ (1,696,890)	\$ (1,406,775)	\$ (435,653)	\$ (3,539,318)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	2,148,531	1,121,402	791,557	4,061,490
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(13,374)	(29,096)	(9,821)	(52,291)
Special Assessments	(83,197)	(34,271)	(42,007)	(159,475)
Accounts Payable	99,816	(26,251)	(1,585)	71,980
Due to Other Governments	-	(126,004)	-	(126,004)
Salaries Payable	17,991	9,368	5,099	32,458
Compensated Absences	(227)	(477)	(1,113)	(1,817)
Net OPEB Liability	199	(1,075)	(844)	(1,720)
Net Pension Liability	(65,081)	(32,589)	(25,920)	(123,590)
Deferred Outflows of Resources - Pensions	36,455	16,719	11,768	64,942
Deferred Inflows of Resources - Pensions	83,512	33,061	15,734	132,307
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 527,735</u>	<u>\$ (475,988)</u>	<u>\$ 307,215</u>	<u>\$ 358,962</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Contribution of Capital Assets from Private Sources	<u>\$ 2,164,179</u>	<u>\$ 2,060,698</u>	<u>\$ 2,402,156</u>	<u>\$ 6,627,033</u>
Contribution of Capital Assets from Governmental Activities	<u>\$ -</u>	<u>\$ 420,482</u>	<u>\$ -</u>	<u>\$ 420,482</u>



**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Lake Elmo, Minnesota (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, and storm sewer utilities, recreation, public improvements, public safety, planning and zoning, and general administrative services.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is comprised of the primary governmental unit of the City of Lake Elmo, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority of the City of Lake Elmo

The Economic Development Authority (EDA) of Lake Elmo is an entity legally separate from the City. The EDA provides services primarily to the City of Lake Elmo and the City Council appoints the EDA's board members. Therefore, the EDA has been reported as a blended component unit of the City. The EDA does not issue its own separate financial statements.

The financial activity of the Authority is performed by the City of Lake Elmo and treated as routine City business.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**Related Organizations**

The Lake Elmo Firefighters Relief Association (the Association) is organized as a non-profit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with Minnesota Statutes. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby State aids flow to the Association, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the general fund under public safety.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which the City has none). The government-wide statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

The *City Hall / Fire Station Bldg Project Fund* is a capital project fund used to account for financial resources related to the construction of a new City Center/Fire Station and Public Works addition. The project was substantially completed in 2023 and is expected to be capitalized in 2024.

The *2023 Street Improvements Fund* is a capital project fund used to account for financial resources related to the street improvement project that was initiated in 2023.

The City reports the following major proprietary funds:

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

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

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

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

The City reports the following nonmajor governmental fund types:

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

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

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below. In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the *accrual* basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual* basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. The City of Lake Elmo'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.

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

**1.E. USE OF ESTIMATES**

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 the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Cash and Cash Equivalents**

For purposes of the Statements of Net Position, "cash, cash equivalents, and investments" includes all demand, savings, and money market savings accounts for the City, as well as certain investments discussed below. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand, savings, money market savings accounts, and highly liquid investments. All investments allocated to the Proprietary Funds have original maturities of 90 days or less and are therefore considered to be cash equivalents.

**Investments**

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Prepaid Expenditures/Expenses**

Prepays, if any, represent expenditures/expenses paid during the current year to be recognized in future periods.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and amount due from other governments. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines, and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but are not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

**Leases Receivable**

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

The range of estimated useful lives by type of asset is as follows:

Buildings	10-50 years
Other Improvements	10-20 years
Machinery and Equipment	5-25 years
Infrastructure	20-40 years

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Accounts Payable**

Payables in the governmental and proprietary funds are composed almost entirely of payables to vendors.

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused personal time off (PTO), compensatory time, and sick pay benefits. All PTO, compensatory time, and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would typically be used to liquidate the compensated absences.

**Long-Term Debt**

The accounting treatment of long-term debt and other long-term debt obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, but also includes various other obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Postemployment Benefits Other Than Pensions (OPEB)**

Under the provisions of the various employee and union contracts, the City provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Net Pension Asset/Liability**

The net pension asset represents the Lake Elmo Firefighters Relief Association's net pension asset as of the most recent actuarial measurement date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration (PERA).

PERA

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. A previously discussed, the City reports deferred inflows of resources in both the governmental fund Balance Sheet and the government-wide Statement of Net Position in relation to its leasing activities. The City also reports property taxes and special assessments as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**Equity Classifications**

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the City's policy to consider restricted net position to its depletion before unrestricted net position is applied.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. There are no nonspendable fund balances at December 31, 2023.

Restricted – That portion of fund balance which is not available for appropriation, or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the power to assign fund balances to the City Administrator and/or the Finance Director.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The City strives to maintain a minimum unassigned fund balance in the General Fund of an amount that is not less than 50% to 60% of the next year’s budgeted expenditures of the General Fund.

See Note 2.F. for additional disclosures.

Proprietary Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements, as described on the previous page.

**1.G. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Tax**

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Washington County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The City certifies its levy to the County each year in December, for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.



**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.G. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

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

**Special Assessments**

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

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

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

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

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and noncapital financing or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.G. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

**1.F. RECLASSIFICATIONS**

Certain amounts from 2022 have been reclassified to conform to the 2023 presentation in the Management's Discussion and Analysis section.

**NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

**2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. 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 (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

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;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits 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 December 31, 2023, the City's deposits, including certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance and collateral held by the City's agent in the City's name.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Investments**

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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. The City does not have any investment policies that would further limit investment choices.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment balances at December 31, 2023 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years)		
				Less Than 1	1 - 5	6 - 10
Money Market Funds	N/A	N/A	\$ 1,068,433	\$ 1,068,433	\$ -	\$ -
U.S. Government Bonds	AA+	Level 2	8,167,665	4,449,294	3,718,371	-
Municipal Bonds	A to AAA	Level 2	3,482,216	443,620	2,470,534	568,062
Brokered Certificates of Deposit	NR	Level 2	3,819,039	2,569,814	1,249,225	-
Totals			<u>\$ 16,537,353</u>	<u>\$ 8,531,161</u>	<u>\$ 7,438,130</u>	<u>\$ 568,062</u>

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. The City’s policy to minimize credit risk includes limiting investing funds to those allowable under Minnesota Statute 118A, annually appointing all financial institutions where investments are held, and diversifying the investment portfolio. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.    CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

- Custodial credit risk is the risk that in the event of a 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. The City's investment policy requires its brokers to be licensed with the appropriate federal and state agencies. A minimum capital requirement of \$10,000,000 and at least five years of operation is mandatory. Investments in securities are held by the City's broker-dealers. The securities at each broker-dealer are insured \$500,000 through SIPC. Each broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer's accounts.
- Concentration of Credit Risk is the risk associated with the magnitude of the City's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policy allows no more than 5 percent of the overall portfolio to be invested in a single issuer, except for the securities of the U.S. Government, or a maximum of 25 percent with any individual counter party in an external investment pool. At December 31, 2023, the City did not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy states that extended maturities may be utilized to take advantage of higher yields; however no more than 25 percent of total investments should extend beyond five years and in no circumstance should any extend beyond ten years. The City's investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations.

**Deposits and Investments Summary**

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

Carrying Amount of Deposits	\$ 27,383,623
Investments	<u>16,537,353</u>
 Total	 <u>\$ 43,920,976</u>
 <i>Government-wide</i>	
Cash, Cash Equivalents, and Investments	<u>\$ 43,920,976</u>

**2.B.    LEASE RECEIVABLES**

The City has executed various arrangements under which the City leases property to external parties. A summary of the pertinent terms for these leasing arrangements, as well as the corresponding lease receivables, is presented below:

*Governmental Activities*

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Wireless Site Lease	\$ 58,510	\$20,441	3.25%	12/31/2024	\$ 20,140
Wireless Site Lease	548,874	\$2,500 - \$55,902	5.50%	11/30/2047	548,855
Wireless Site Lease	696,030	\$27,987 - \$55,425	3.25%	6/30/2043	664,780
Land Lease	400,078	\$21,012 - \$31,847	3.25%	12/31/2043	383,005
		Total Governmental Activities Lease Receivables			<u>\$ 1,616,780</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B.    LEASE RECEIVABLES (Continued)**

During the year ended December 31, 2023, the City recognized revenues from leasing activities under the arrangements above within governmental activities in the amount of \$157,353.

**2.C.    CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 is as follows:

	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
<i>Governmental Activities</i>					
Capital Assets not Being Depreciated					
Land	\$ 3,453,979	\$ -	\$ -	\$ -	\$ 3,453,979
Construction In Progress	<u>15,400,699</u>	<u>11,011,594</u>	<u>(281,802)</u>	<u>(7,515,734)</u>	<u>18,614,757</u>
Total Capital Assets not Being Depreciated	18,854,678	11,011,594	(281,802)	(7,515,734)	22,068,736
Capital Assets Being Depreciated					
Buildings	4,330,670	-	-	-	4,330,670
Other Improvements	2,780,348	-	-	841,131	3,621,479
Machinery and Equipment	9,202,576	618,707	(44,167)	726,787	10,503,903
Infrastructure	<u>54,585,691</u>	<u>8,314,180</u>	<u>-</u>	<u>5,527,334</u>	<u>68,427,205</u>
Total Capital Assets Being Depreciated	70,899,285	8,932,887	(44,167)	7,095,252	86,883,257
Less: Accumulated Depreciation					
Buildings	(1,426,200)	(90,165)	-	-	(1,516,365)
Other Improvements	(1,432,624)	(96,820)	-	-	(1,529,444)
Machinery and Equipment	(3,099,851)	(524,255)	44,167	-	(3,579,939)
Infrastructure	<u>(11,996,074)</u>	<u>(2,676,965)</u>	<u>-</u>	<u>-</u>	<u>(14,673,039)</u>
Total Accumulated Depreciation	<u>(17,954,749)</u>	<u>(3,388,205)</u>	<u>44,167</u>	<u>-</u>	<u>(21,298,787)</u>
Total Capital Assets Being Depreciated, Net	<u>52,944,536</u>	<u>5,544,682</u>	<u>-</u>	<u>7,095,252</u>	<u>65,584,470</u>
Capital Assets, Net	<u>\$ 71,799,214</u>	<u>\$ 16,556,276</u>	<u>\$ (281,802)</u>	<u>\$ (420,482)</u>	<u>\$ 87,653,206</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 11,911
Public Safety	168,454
Public Works	3,091,536
Parks and Recreation	<u>116,304</u>
Total Depreciation Expense	<u>\$ 3,388,205</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    CAPITAL ASSETS (Continued)**

	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
<i>Business-Type Activities</i>					
Capital Assets not Being Depreciated					
Land	\$ 3,668,869	\$ -	\$ -	\$ -	\$ 3,668,869
Construction In Progress	<u>15,221,987</u>	<u>6,218,737</u>	<u>-</u>	<u>(10,236,247)</u>	<u>11,204,477</u>
Total Capital Assets not Being Depreciated	18,890,856	6,218,737	-	(10,236,247)	14,873,346
Capital Assets Being Depreciated					
Machinery and Equipment	413,699	-	-	-	413,699
Infrastructure	<u>89,134,681</u>	<u>6,728,614</u>	<u>-</u>	<u>10,656,729</u>	<u>106,520,024</u>
Total Capital Assets Being Depreciated	89,548,380	6,728,614	-	10,656,729	106,933,723
Less: Accumulated Depreciation					
Machinery and Equipment	(303,531)	(26,511)	-	-	(330,042)
Infrastructure	<u>(18,059,548)</u>	<u>(4,034,979)</u>	<u>-</u>	<u>-</u>	<u>(22,094,527)</u>
Total Accumulated Depreciation	<u>(18,363,079)</u>	<u>(4,061,490)</u>	<u>-</u>	<u>-</u>	<u>(22,424,569)</u>
Total Capital Assets Being Depreciated, Net	<u>71,185,301</u>	<u>2,667,124</u>	<u>-</u>	<u>10,656,729</u>	<u>84,509,154</u>
Capital Assets, Net	<u>\$ 90,076,157</u>	<u>\$ 8,885,861</u>	<u>\$ -</u>	<u>\$ 420,482</u>	<u>\$ 99,382,500</u>

**2.D.    NONCURRENT LIABILITIES**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Debt Detail**

General Obligation Bonds and Certificates

The City of Lake Elmo issues general obligation bonds and certificates to finance the acquisition and construction of major capital facilities and infrastructure throughout the City. General obligation bonds and certificates have been issued for both activities pertaining to governmental and business-type operations. All bonds are direct obligations of the City and pledge the full faith and credit of the City.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

As of December 31, 2023, the long-term debt of the financial reporting entity, excluding compensated absences payable and the net pension and OPEB liabilities, consists of the following:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
General Obligation Improvement Bonds:				
GO Refunding Bonds, Series 2010B	\$ 1,970,000	1.00 - 3.20%	2025	\$ 375,000
GO Improvement Bonds, Series 2014A	2,850,000	2.00 - 3.50%	2030	1,160,000
GO Improvement Bonds, Series 2015A	1,620,000	2.00 - 3.00%	2026	480,000
GO Improvement Bonds, Series 2016A	2,690,000	2.00 - 2.00%	2027	1,135,000
GO Improvement Bonds, Series 2017A	4,565,000	2.50 - 2.50%	2028	2,405,000
GO Improvement Bonds, Series 2019A	2,860,000	2.00 - 3.00%	2035	2,080,000
GO Improvement Bonds, Series 2021A	15,675,000	1.75 - 3.00%	2042	14,920,000
GO Improvement Bonds, Series 2022A	3,895,000	3.00 - 5.00%	2038	3,895,000
GO Improvement Bonds, Series 2023A	3,410,000	4.00 - 5.00%	2034	<u>3,410,000</u>
Total General Obligation Improvement Bonds				29,860,000
General Obligation Equipment Certificates:				
GO Equipment Certificates, Series 2018A	940,000	2.70 - 2.70%	2028	555,000
General Obligation Tax Abatement Bonds:				
GO Tax Abatement Bonds, Series 2022A	1,010,000	3.00 - 5.00%	2033	<u>1,010,000</u>
Total Governmental Activities Debt				<u>\$ 31,425,000</u>
<i>Business-Type Activities</i>				
General Obligation Revenue Bonds:				
GO Refunding Bonds, Series 2012A	\$ 4,035,000	2.00 - 2.50%	2030	\$ 2,230,000
GO Improvement Bonds, Series 2014A	3,385,000	2.00 - 3.50%	2030	1,720,000
GO Improvement Bonds, Series 2015A	1,195,000	2.00 - 3.00%	2031	690,000
GO Improvement Bonds, Series 2016A	6,855,000	2.00 - 2.00%	2032	4,355,000
GO Improvement Bonds, Series 2017A	4,480,000	2.50 - 3.00%	2033	3,165,000
GO Improvement Bonds, Series 2019A	1,195,000	2.00 - 3.00%	2035	1,000,000
GO Improvement Bonds, Series 2021A	6,310,000	1.75 - 3.00%	2037	5,880,000
GO Improvement Bonds, Series 2022A	7,590,000	3.00 - 5.00%	2037	7,075,000
GO Improvement Bonds, Series 2023A	2,000,000	4.00 - 5.00%	2038	<u>2,000,000</u>
Total Business-Type Activities Debt				<u>\$ 28,115,000</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities, excluding the net pension and OPEB liabilities, for the year ended December 31, 2023:

Type of Debt	Balance 01/01/23	Additions	Deductions	Balance 12/31/23	Amounts Due Within One Year
<i>Governmental Activities</i>					
G.O. Improvement Bonds	\$ 28,830,000	\$ 3,410,000	\$ (2,380,000)	\$ 29,860,000	\$ 2,520,000
G.O. Equipment Certificates	655,000	-	(100,000)	555,000	105,000
G.O. Tax Abatement Bonds	1,010,000	-	-	1,010,000	80,000
Unamortized Bond Premium	1,110,679	317,037	(105,751)	1,321,965	-
Compensated Absences	93,109	17,006	-	110,115	82,586
<b>Total</b>	<b>\$ 31,698,788</b>	<b>\$ 3,744,043</b>	<b>\$ (2,585,751)</b>	<b>\$ 32,857,080</b>	<b>\$ 2,787,586</b>
<i>Business-Type Activities</i>					
G.O. Revenue Bonds	\$ 28,440,000	\$ 2,000,000	\$ (2,325,000)	\$ 28,115,000	\$ 2,315,000
Unamortized Bond Premium	1,030,720	138,228	(86,023)	1,082,925	-
Compensated Absences	40,108	-	(1,817)	38,291	28,718
<b>Total</b>	<b>\$ 29,510,828</b>	<b>\$ 2,138,228</b>	<b>\$ (2,412,840)</b>	<b>\$ 29,236,216</b>	<b>\$ 2,343,718</b>

Governmental activity debt is typically funded through the Debt Service Fund. Business-Type activity debt is typically funded through the Water Fund, Sewer Fund, and Storm Sewer Fund. Compensated absences are funded through the funds to which the respective employees' wages are allocated.



**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements**

At December 31, 2023, the estimated annual debt service requirements to maturity, including principal and interest and excluding compensated absences payable and net pension and OPEB liabilities, are as follows:

Years Ending December 31,	Governmental Activities					
	G.O. Improvement Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 2,520,000	\$ 840,309	\$ 3,360,309	\$ 105,000	\$ 13,568	\$ 118,568
2025	2,770,000	748,837	3,518,837	110,000	10,665	120,665
2026	2,655,000	663,554	3,318,554	110,000	7,695	117,695
2027	2,570,000	580,626	3,150,626	115,000	4,656	119,656
2028	2,330,000	500,179	2,830,179	115,000	1,551	116,551
2029-2033	8,510,000	1,569,357	10,079,357	-	-	-
2034-2038	6,080,000	568,813	6,648,813	-	-	-
2039-2042	2,425,000	103,917	2,528,917	-	-	-
<b>Totals</b>	<b>\$ 29,860,000</b>	<b>\$ 5,575,592</b>	<b>\$ 35,435,592</b>	<b>\$ 555,000</b>	<b>\$ 38,135</b>	<b>\$ 593,135</b>

Years Ending December 31,	Governmental Activities			Business-Type Activities		
	G.O. Tax Abatement Bonds			G.O. Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 80,000	\$ 43,700	\$ 123,700	\$ 2,315,000	\$ 815,121	\$ 3,130,121
2025	85,000	39,575	124,575	2,355,000	738,521	3,093,521
2026	90,000	35,200	125,200	2,410,000	666,583	3,076,583
2027	95,000	30,575	125,575	2,480,000	592,238	3,072,238
2028	95,000	25,825	120,825	2,565,000	514,600	3,079,600
2029-2033	565,000	53,925	618,925	11,170,000	1,430,706	12,600,706
2034-2038	-	-	-	4,820,000	299,074	5,119,074
<b>Totals</b>	<b>\$ 1,010,000</b>	<b>\$ 228,800</b>	<b>\$ 1,238,800</b>	<b>\$ 28,115,000</b>	<b>\$ 5,056,843</b>	<b>\$ 33,171,843</b>

Interest expense totals \$1,650,918 in the Statement of Activities (included in Debt Service, Water, Sewer, and Storm Sewer lines). Interest expenditures total \$788,295 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$804,017 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.E.    INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2023:

	Transfers	Transfers In	
Major Funds	Out	Nonmajor Capital Project Funds	Total
General	\$ 441,902	\$ 441,902	\$ 441,902
<u>Nonmajor Funds</u>			
Infrastructure Reserve Fund	24,897	24,897	24,897
	\$ 466,799	\$ 466,799	\$ 466,799

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at year-end are as follows:

Short-Term Balances		Amount	Reason
Due To Fund	Due From Fund		
Infrastructure Reserve Fund	Old Village Phases 5 & 6 Fund	\$ 252,849	Eliminate negative cash
Infrastructure Reserve Fund	CSAH 13 Phase 2 Fund	48,389	Eliminate negative cash
Infrastructure Reserve Fund	CSAH 15 Manning Avenue Phase 3 Fund	3,525	Eliminate negative cash
Infrastructure Reserve Fund	CSAH 15 Manning Avenue & 30th Street Fund	14,512	Eliminate negative cash
Infrastructure Reserve Fund	TH36 Lake Elmo Avenue Improvements Fund	5,499	Eliminate negative cash
Infrastructure Reserve Fund	CASH 15 (Manning Ave) Phase 3 Fund	1,482	Eliminate negative cash
Infrastructure Reserve Fund	2024 Street & Utility Improvement Fund	31,336	Eliminate negative cash
Infrastructure Reserve Fund	Hudson Blvd Imp-Seg A-InwdHdx Fund	48,215	Eliminate negative cash
Infrastructure Reserve Fund	15th Street N Improvement Fund	21,684	Eliminate negative cash
Infrastructure Reserve Fund	30th St N Gap Segmt Improvement Fund	22,403	Eliminate negative cash
Total Short-Term Interfund Balance		449,894	
Government Fund Elimination		(449,894)	
Government-wide Internal Balances		\$ -	

Interfund balances are to be repaid as cash flows become available.

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.F.    FUND EQUITY**

At December 31, 2023, governmental fund equity consists of the following:

	Restricted	Committed	Assigned	Unassigned
General Fund				
Unassigned	\$            -	\$            -	\$            -	\$ 8,920,580
Debt Service Fund				
Restricted for Debt Service	<u>\$ 5,026,712</u>	<u>\$            -</u>	<u>\$            -</u>	<u>\$            -</u>
City Hall/Fire Station Bldg Project Fund				
Assigned for City Hall/Fire Station Project	<u>\$            -</u>	<u>\$            -</u>	<u>\$ 1,448,996</u>	<u>\$            -</u>
2023 Street Improvements Fund				
Restricted for 2023 Street Improvements	<u>\$ 287,830</u>	<u>\$            -</u>	<u>\$            -</u>	<u>\$            -</u>
Nonmajor Governmental Funds				
Restricted for Capital Projects	\$ 730,006	\$            -	\$            -	\$            -
Restricted for Park Improvements	1,424,333	-	-	-
Restricted for the Development of Ball Parks	1,000,000	-	-	-
Committed for Lions Park	-	20,334	-	-
Assigned for Economic Development Authority	-	-	12,355	-
Assigned for ARPA Purchases	-	-	10,589	-
Assigned for Vehicle Acquisition	-	-	1,502,126	-
Assigned for Infrastructure Reserve	-	-	636,610	-
Assigned for City Facilities	-	-	98,874	-
Assigned for Manning and Hudson Future Stoplight	-	-	17,195	-
Assigned for Railroad Crossing Improvements	-	-	39,297	-
Assigned for Manning and Highway 36 Interchange	-	-	2,572	-
Unassigned	-	-	-	(492,973)
Total Nonmajor Governmental Funds Balance	<u>\$ 3,154,339</u>	<u>\$ 20,334</u>	<u>\$ 2,319,618</u>	<u>\$ (492,973)</u>

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.F.    FUND EQUITY (Continued)**

Deficit fund balances in individual funds at December 31, 2023 consist of the following:

<u>Nonmajor Governmental Funds</u>	<u>Fund Deficit</u>
CSAH 13 Phase 2 Fund	\$ (48,389)
Old Village Phases 5 & 6	\$ (257,973)
CSAH 15 Manning Avenue Phase 3 Fund	\$ (3,525)
CSAH 15 Manning Avenue & 30th Street Fund	\$ (14,512)
TH36 Lake Elmo Avenue Improvements Fund	\$ (5,849)
CASH 15 (Manning Ave) Phase 3 Fund	\$ (1,552)
2024 Street & Utility Improvement Fund	\$ (56,882)
Hudson Blvd Imp-Seg A-InwdHdrr Fund	\$ (53,827)
15th Street N Improvement Fund	\$ (25,032)
30th St N Gap Segmt Improvement Fund	\$ (25,432)

Fund deficits are expected to be recovered through future assessments, tax levies, tax increment, or transfers.

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**Plan Description**

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

General Employees Retirement Plan

All full time and certain part-time employees of the City of Lake Elmo are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

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

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Police and Fire Plan Benefits

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

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

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023 were \$135,093. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in the fiscal year 2023 and the City was required to contribute 17.70 percent for the Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023 were \$72,744. The City's contributions were equal to the required contributions as set by State Statute.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$1,185,480 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$32,703.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0212 percent at the end of the measurement period and 0.0232 percent for the beginning of the period.

City's proportionate share of the net pension liability:	\$1,185,480
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>32,703</u>
Total	<u>\$1,218,183</u>

For the year ended December 31, 2023, the City recognized pension expense of negative \$8,377 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$147 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 39,814	\$ 7,781
Changes in actuarial assumptions	183,941	324,930
Difference between projected and actual investment earnings	17,369	-
Changes in proportionate share	64,057	125,720
Contributions paid to PERA subsequent to the measurement date	<u>70,700</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 375,881</u>	<u>\$ 458,431</u>

The \$70,700 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

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

Year ended December 31,	Pension Expense
2024	\$        30,096
2025	\$        (160,031)
2026	\$            2,403
2027	\$        (25,716)

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$421,356 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0244 percent at the end of the measurement period and 0.0256 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct State aid that does meet the definition of a special funding situation and \$9 million in supplemental State aid that does not meet the definition of a special funding situation. The \$9 million direct State was paid on October 1, 2022. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental State aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$16,984.

City’s proportionate share of the net pension liability:	\$421,356
State of Minnesota’s proportionate share of the net pension liability associated with the City	16,984
Total	\$438,340

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct State aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of negative \$19,749 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized negative \$1,023 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental State aid. The City recognized \$2,199 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 111,602	\$ -
Changes in actuarial assumptions	451,054	591,512
Difference between projected and actual investment earnings	49,067	-
Changes in proportionate share	51,977	54,486
Contributions paid to PERA subsequent to the measurement date	44,846	-
 Total Deferred Outflows/Inflows	 \$ 708,546	 \$ 645,998

The \$44,846 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2024	\$ 36,860
2025	\$ 22,441
2026	\$ 92,446
2027	\$ (20,801)
2028	\$ (113,244)

**Total Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2023, including amortization of deferred balances, was \$164,798.

**Long-Term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	



**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 and were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.0 percent.

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

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

Sensitivity Analysis					
Net Pension Liability at Different Discount Rates					
	General Employees Fund		Police and Fire Fund		
1% Decrease in Discount Rate	6.00%	\$ 2,097,210	6.00%	\$	836,021
Current Discount Rate	7.00%	\$ 1,185,480	7.00%	\$	421,356
1% Increase in Discount Rate	8.00%	\$ 435,548	8.00%	\$	80,446

**Pension Plan Fiduciary Net Position**

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

**NOTE 4    DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City of Lake Elmo are members of the Lake Elmo Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association’s by-laws. As of the most recent valuation date, membership includes 19 active participants and 11 inactive members who are entitled to future benefits. The plan issues a stand-alone financial statement.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4    DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)**

**Benefits Provided**

Each member who is at least 50 years of age, has retired from the Lake Elmo Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$5,850 for each year of active Fire Department service. Members electing retirement with at least 10 years of service will be eligible for at least 60 percent of this benefit, increasing by 4 percent for each additional year of service up to 20 years.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$5,850 for each year the member was an active member of the City of Lake Elmo Fire Department. A death benefit is also available, which is payable to a survivor.

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

**Contributions**

*Minnesota Statutes* Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are specified in *Minnesota Statutes*. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations).

The plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$117,613 in fire state aid, which the City remitted to the Relief Association during the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City did not have a statutorily-required contribution to the plan for the year ended December 31, 2023.

**Pension Costs**

At December 31, 2023, the City of Lake Elmo reported a net pension asset of \$565,242 for the Firefighters Relief Association's plan. The net pension asset was measured as of December 31, 2022, as determined by an actuarial valuation as of January 1, 2023.

For the year ended December 31, 2023, the City recognized pension expense of negative \$79,352 for the Association. The City also recognized \$101,778, as pension expense (and grant revenue) for State of Minnesota's contributions to the Association during the measurement period.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)**

The following table presents the changes in net pension asset during the measurement period.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning Balance 12/31/21	\$ 864,850	\$ 1,462,205	\$ (597,355)
Service Cost	47,844	-	47,844
Interest on Pension Liability	45,031	-	45,031
Assumption Changes	(15,405)	-	(15,405)
Projected Investment Earnings	-	76,145	(76,145)
Contributions (State)	-	101,778	(101,778)
Asset (Gain)/Loss	(124,184)	(241,246)	117,062
Benefit Payouts	(109,933)	(109,933)	-
Administrative Fee	-	(15,504)	15,504
Net Changes	<u>(156,647)</u>	<u>(188,760)</u>	<u>32,113</u>
Balance End of Year 12/31/22	<u>\$ 708,203</u>	<u>\$ 1,273,445</u>	<u>\$ (565,242)</u>

At December 31, 2023, the City of Lake Elmo reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 171,852
Changes in actuarial assumptions	7,387	13,480
Difference between projected and actual investment earnings	<u>125,581</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 132,968</u>	<u>\$ 185,332</u>

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

<u>Year ended December 31,</u>	<u>Pension Expense</u>
2024	\$ (19,998)
2025	\$ (4,669)
2026	\$ 7,233
2027	\$ 20,132
2028	\$ (20,164)
2029-2030	\$ (34,898)

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)**

**Actuarial Assumptions**

The total pension asset measured at December 31, 2022 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	5.75%
Expected Long-Term Rate of Return	5.75%
Salary Increases	2.50%
Interest on Deferred Amounts	0.00%

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Plan Provisions:

- There were no changes to plan provisions since the prior valuation.

Changes in Actuarial Assumptions:

- The discount rate changed from 5.25 percent to 5.75 percent.

**Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (4.75%)	Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Net Pension Asset	\$ 533,647	\$ 565,242	\$ 593,879

**Plan Investments**

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.75 percent. The target allocation and best estimates of geometric real rates of return for each major asset class of the Association’s pension fund investments are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	12.00%	2.00%
Fixed Income	28.00%	3.10%
Equities	60.00%	7.90%

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in a separately issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City Hall at 3880 Laverne Avenue North, Lake Elmo, Minnesota 55042.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The City administers a single-employer defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. As of the most recent actuarial valuation date, there are 23 active employees electing coverage and no retirees electing coverage. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

**Benefits Provided**

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

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

**Contributions**

The City has historically funded these liabilities on a pay-as-you-go basis, in the amounts contractually required to satisfy the benefit terms discussed above. For the year ended December 31, 2023, the City did not make any direct contributions to the plan.

**Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources**

At December 31, 2023, the City reported a net OPEB liability of \$89,125 for the City's plan. The net OPEB liability was measured as of December 31, 2022, based on an actuarial valuation as of December 31, 2021.

For the year ended December 31, 2023, the City recognized OPEB expense of negative \$7,456.

In accordance with the Alternative Measurement Method, gains and losses due to experience and assumption changes are recognized immediately. In addition, there were no contributions between the measurement date and reporting date because the City has no retirees and no active employees who were expected to retire during 2023. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2023.

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Changes in the Net OPEB Liability**

The following table summarizes changes in the net OPEB liability for the year ended December 31, 2023:

Changes in Total OPEB Liability (TOL)	
Balance at January 1st	\$ 96,581
Service Cost	14,941
Interest Cost	1,987
Changes in Assumptions	(17,298)
Benefit Payments	<u>(7,086)</u>
Balance at December 31st	<u>\$ 89,125</u>

**Actuarial Assumptions**

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

<u>Actuarial Information:</u>	
Valuation Date	December 31, 2021
Measurement Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal level percentage of pay
Actuarial Assets	None
<u>Actuarial Assumptions:</u>	
Discount Rate	4.05%
Inflation	2.50%
Bond Yield	2.50%
Medical Trend Rate	6.80% for 2022, gradually decreasing to an ultimate rate of 3.90% by 2075 and later years
Dental Trend Rate	None

Mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

Changes in Plan Provisions:

- There were no changes in plan provisions since the prior valuation.

Changes in Actuarial Assumptions:

- The discount rate was changed from 1.84 percent to 4.05 percent based on updated 20-year municipal bonds rates.

**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Net OPEB Liability Sensitivity**

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	5.05%	\$85,450
Current Discount Rate	4.05%	\$89,125
1% Decrease in Discount Rate	3.05%	\$96,508

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Cost Trend Rate	
	Amounts
1% Increase in Healthcare Trend Rates	\$101,252
Current Healthcare Trend Rates	\$89,125
1% Decrease in Healthcare Trend Rates	\$79,153

**NOTE 6 OTHER NOTES**

**6.A. RISK MANAGEMENT**

**Claims and Judgements**

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. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two 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. The City’s management is not aware of any incurred but not reported claims.

**6.B. OTHER EMPLOYEE BENEFITS**

The City provides eligible employees future retirement benefits through participation in the Minnesota Deferred Compensation Plan (MNDCP), which is a Section 457 plan administered by the Minnesota State Retirement System. Eligible employees of the City may begin participating in the MNDCP commencing on the date of their employment by electing to have a portion of their pay contributed to the Plan. Certain employees are eligible to receive a City match of employee contributions up to the qualifying amounts set forth in their employment contracts, and there are no vesting requirements related to such contributions. The City’s contributions to the plan total \$3,509 for the year ended December 31, 2023.



**CITY OF LAKE ELMO, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 OTHER NOTES (Continued)**

**6.C. COMMITMENTS**

During the year, the City entered into various contracts for construction services. At December 31, 2023, remaining commitments related to these projects total \$1,099,565.

**6.D. CONTINGENCIES**

The City has received notice from the Minnesota Department of Natural Resources (DNR) indicating that the volume of water being drawn from City wells has exceeded the amount appropriated to the City under the corresponding permit. The City is currently pursuing options for obtaining an increase to this appropriation but may be subject to fines imposed by the DNR. At this time, the range of such fines cannot be reasonably determined.

**6.E. SUBSEQUENT EVENTS**

Subsequent to year end but prior to the issuance of these financial statements, the City accepted bids for various construction projects, engineering services, and equipment in the amount of \$3,217,586.

Additionally, the City expects to issue G.O. Improvement Bonds in the amount of \$5,230,000 to finance these projects.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF LAKE ELMO, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>REVENUES</b>			
<b>Taxes</b>			
Property Taxes	\$ 5,103,517	\$ 5,142,477	\$ 38,960
Franchise Taxes	70,000	68,884	(1,116)
Gravel Tax	-	57	57
<b>Total Taxes</b>	<u>5,173,517</u>	<u>5,211,418</u>	<u>37,901</u>
<b>Licenses and Permits</b>	1,256,495	1,148,190	(108,305)
<b>Intergovernmental Revenue</b>			
State Revenue			
Market Value Credit	-	4,588	4,588
Police and Fire Aid	80,000	117,613	37,613
Other State Grants and Aids	182,100	225,035	42,935
County Revenue			
Other County Grants and Aids	14,000	39,256	25,256
<b>Total Intergovernmental Revenue</b>	<u>276,100</u>	<u>386,492</u>	<u>110,392</u>
<b>Charges for Services</b>			
General Government	255,662	327,360	71,698
Other Public Safety	650,000	470,911	(179,089)
Streets and Highways	1,500	516	(984)
<b>Total Charges for Services</b>	<u>907,162</u>	<u>798,787</u>	<u>(108,375)</u>
<b>Fines and Forfeitures</b>	30,000	45,402	15,402
<b>Miscellaneous Revenue</b>			
Investment Earnings (Losses)	35,000	345,953	310,953
Lease Interest	-	65,336	65,336
Refunds and Reimbursements	5,000	(2,858)	(7,858)
Contributions and Donations	11,000	12,759	1,759
Other Miscellaneous	8,500	36,376	27,876
<b>Total Miscellaneous Revenue</b>	<u>59,500</u>	<u>457,566</u>	<u>398,066</u>
<b>TOTAL REVENUES</b>	7,702,774	8,047,855	345,081

**CITY OF LAKE ELMO, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES</b>			
<b>General Government</b>			
Mayor and Council	\$ 59,960	\$ 56,842	\$ (3,118)
Administration and Finance	886,439	720,606	(165,833)
Other General Government	<u>590,592</u>	<u>436,249</u>	<u>(154,343)</u>
<b>Total General Government</b>	1,536,991	1,213,697	(323,294)
<b>Public Safety</b>			
Police			
Current	1,049,784	1,050,555	771
Fire			
Current	1,348,769	1,233,415	(115,354)
Capital Outlay	205,000	205,268	268
Building Inspections			
Current	917,351	690,772	(226,579)
Other Public Safety			
Current	<u>67,500</u>	<u>62,502</u>	<u>(4,998)</u>
<b>Total Public Safety</b>	3,588,404	3,242,512	(345,892)
<b>Public Works</b>			
Street Maintenance and Storm Sewers	1,556,382	1,124,231	(432,151)
Snow and Ice Removal	62,000	67,773	5,773
Street Engineering	14,000	26,526	12,526
Street Lighting	49,000	65,804	16,804
Capital Outlay - Other	<u>25,000</u>	<u>75,316</u>	<u>50,316</u>
<b>Total Public Works</b>	1,706,382	1,359,650	(346,732)
<b>Culture and Recreation</b>			
Parks and Recreation			
Current	<u>428,741</u>	<u>409,753</u>	<u>(18,988)</u>
<b>TOTAL EXPENDITURES</b>	<u>7,260,518</u>	<u>6,225,612</u>	<u>(1,034,906)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	442,256	1,822,243	1,379,987
<b>OTHER FINANCING SOURCES (USES)</b>			
To Other Funds	<u>(425,000)</u>	<u>(441,902)</u>	<u>(16,902)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 17,256</u>	1,380,341	<u>\$ 1,363,085</u>
<b>FUND BALANCE - BEGINNING</b>		<u>7,540,239</u>	
<b>FUND BALANCE - ENDING</b>		<u>\$ 8,920,580</u>	

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>General Employees Retirement Pension Plan</i></b>							
2023	0.0212%	\$ 1,185,480	\$ 32,703	\$ 1,218,183	\$ 1,728,760	70.5%	83.1%
2022	0.0232%	\$ 1,837,447	\$ 53,688	\$ 1,891,135	\$ 1,776,733	106.4%	76.7%
2021	0.0202%	\$ 862,631	\$ 26,322	\$ 888,953	\$ 1,456,866	61.0%	87.0%
2020	0.0207%	\$ 1,241,060	\$ 38,201	\$ 1,279,261	\$ 1,476,621	86.6%	79.1%
2019	0.0193%	\$ 1,067,054	\$ 33,165	\$ 1,100,219	\$ 1,364,625	80.6%	80.2%
2018	0.0191%	\$ 1,059,590	\$ 34,710	\$ 1,094,300	\$ 1,283,088	85.3%	79.5%
2017	0.0189%	\$ 1,206,564	\$ 15,173	\$ 1,221,737	\$ 1,209,466	101.0%	75.9%
2016	0.0159%	\$ 1,291,001	\$ 16,853	\$ 1,307,854	\$ 1,041,540	125.6%	68.9%
2015	0.0169%	\$ 875,846	\$ -	\$ 875,846	\$ 975,250	89.8%	78.2%
2014	0.0191%	\$ 897,222	\$ -	\$ 897,222	\$ 979,703	91.6%	78.2%
<b><i>Public Employees Police and Fire Pension Plan</i></b>							
2023	0.0244%	\$ 421,356	\$ 16,984	\$ 438,340	\$ 301,836	145.2%	86.5%
2022	0.0256%	\$ 1,114,011	\$ 48,633	\$ 1,162,644	\$ 292,842	397.0%	70.5%
2021	0.0165%	\$ 127,363	\$ 5,712	\$ 133,075	\$ 194,379	68.5%	93.7%
2020	0.0171%	\$ 225,396	\$ 5,309	\$ 230,705	\$ 194,511	118.6%	87.2%
2019	0.0193%	\$ 205,468	\$ 2,605	\$ 208,073	\$ 203,030	102.5%	89.3%
2018	0.0163%	\$ 173,741	\$ 1,467	\$ 175,208	\$ 172,287	101.7%	88.8%
2017	0.0100%	\$ 135,012	\$ -	\$ 135,012	\$ 105,846	127.6%	85.4%
2016	0.0090%	\$ 361,186	\$ -	\$ 361,186	\$ 87,111	414.6%	63.9%
2015	0.0090%	\$ 102,261	\$ -	\$ 102,261	\$ 86,600	118.1%	86.6%
2014	0.0090%	\$ 97,204	\$ -	\$ 97,204	\$ 84,098	115.6%	87.1%

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Fiscal Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Pension Plan</i></b>					
2023	\$ 135,093	\$ 135,093	\$ -	\$ 1,801,240	7.5%
2022	\$ 132,383	\$ 132,383	\$ -	\$ 1,765,107	7.5%
2021	\$ 120,362	\$ 120,362	\$ -	\$ 1,609,407	7.5%
2020	\$ 109,289	\$ 109,289	\$ -	\$ 1,457,195	7.5%
2019	\$ 108,779	\$ 108,779	\$ -	\$ 1,450,387	7.5%
2018	\$ 96,960	\$ 96,960	\$ -	\$ 1,294,100	7.5%
2017	\$ 95,794	\$ 95,794	\$ -	\$ 1,276,944	7.5%
2016	\$ 85,649	\$ 85,649	\$ -	\$ 1,141,987	7.5%
2015	\$ 70,582	\$ 70,582	\$ -	\$ 941,092	7.5%
2014	\$ 73,182	\$ 73,182	\$ -	\$ 1,009,407	7.2%
<b><i>Public Employees Police and Fire Pension Plan</i></b>					
2023	\$ 72,744	\$ 72,744	\$ -	\$ 410,983	17.7%
2022	\$ 49,674	\$ 49,674	\$ -	\$ 280,644	17.7%
2021	\$ 47,658	\$ 47,658	\$ -	\$ 269,254	17.7%
2020	\$ 27,492	\$ 27,492	\$ -	\$ 155,365	17.7%
2019	\$ 39,225	\$ 39,225	\$ -	\$ 231,416	16.9%
2018	\$ 30,990	\$ 30,990	\$ -	\$ 191,350	16.2%
2017	\$ 20,327	\$ 20,327	\$ -	\$ 125,475	16.2%
2016	\$ 13,967	\$ 13,967	\$ -	\$ 86,216	16.2%
2015	\$ 14,257	\$ 14,257	\$ -	\$ 88,005	16.2%
2014	\$ 13,035	\$ 13,035	\$ -	\$ 85,195	15.3%
<b><i>Volunteer Fire Relief Association</i></b>					
2023	\$ -	\$ -	\$ -	N/A	N/A
2022	\$ -	\$ -	\$ -	N/A	N/A
2021	\$ -	\$ 76,608	\$ (76,608)	N/A	N/A
2020	\$ -	\$ 69,975	\$ (69,975)	N/A	N/A
2019	\$ -	\$ 65,533	\$ (65,533)	N/A	N/A
2018	\$ -	\$ 61,147	\$ (61,147)	N/A	N/A
2017	\$ -	\$ 59,136	\$ (59,136)	N/A	N/A
2016	\$ -	\$ 61,166	\$ (61,166)	N/A	N/A

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**FIREFIIGHTERS RELEIF ASSOCIATION**  
**LAST TEN YEARS (Presented Prospectively)**

	Measurement Year Ended December 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
<b>Changes in Total Pension Liability (TPL)</b>								
Balance at January 1st	\$ 864,850	\$ 775,033	\$ 724,844	\$ 898,899	\$ 681,802	\$ 618,531	\$ 588,689	\$ 714,621
Service Cost	47,844	46,677	38,225	37,293	28,420	27,727	27,579	28,520
Interest on the TPL	45,031	43,140	39,743	42,177	36,119	35,544	36,976	37,130
Assumption Changes	(15,405)	-	-	-	8,730	-	11,690	-
Plan Changes	-	-	-	-	325,127	-	-	-
Actuarial Experience (Gains)/Losses	(124,184)	-	(27,779)	-	(80,312)	-	(46,403)	-
Benefit Payments	(109,933)	-	-	(253,525)	(100,987)	-	-	(191,582)
Balance at December 31st	<u>\$ 708,203</u>	<u>\$ 864,850</u>	<u>\$ 775,033</u>	<u>\$ 724,844</u>	<u>\$ 898,899</u>	<u>\$ 681,802</u>	<u>\$ 618,531</u>	<u>\$ 588,689</u>
<b>Plan Fiduciary Net Position (PFNP)</b>								
Balance at January 1st	\$ 1,462,205	\$ 1,280,455	\$ 1,097,917	\$ 1,169,306	\$ 1,279,379	\$ 1,075,446	\$ 963,628	\$ 1,155,598
Fire State Aid	101,778	80,470	76,608	69,975	65,533	61,147	59,136	61,166
Projected Investment Income	76,145	68,948	118,822	127,902	(61,227)	156,879	70,101	(48,240)
Gain or Loss	(241,246)	47,138	-	-	-	-	-	-
Total Additions	<u>(63,323)</u>	<u>196,556</u>	<u>195,430</u>	<u>197,877</u>	<u>4,306</u>	<u>218,026</u>	<u>129,237</u>	<u>12,926</u>
Benefit Payments	(109,933)	-	-	(253,525)	(100,987)	-	-	(191,582)
Administrative Expenses	(15,504)	(14,806)	(12,892)	(15,741)	(13,392)	(14,093)	(17,419)	(13,314)
Total Reductions	<u>(125,437)</u>	<u>(14,806)</u>	<u>(12,892)</u>	<u>(269,266)</u>	<u>(114,379)</u>	<u>(14,093)</u>	<u>(17,419)</u>	<u>(204,896)</u>
Balance at December 31st	<u>\$ 1,273,445</u>	<u>\$ 1,462,205</u>	<u>\$ 1,280,455</u>	<u>\$ 1,097,917</u>	<u>\$ 1,169,306</u>	<u>\$ 1,279,379</u>	<u>\$ 1,075,446</u>	<u>\$ 963,628</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (565,242)</u>	<u>\$ (597,355)</u>	<u>\$ (505,422)</u>	<u>\$ (373,073)</u>	<u>\$ (270,407)</u>	<u>\$ (597,577)</u>	<u>\$ (456,915)</u>	<u>\$ (374,939)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	179.8%	169.1%	165.2%	151.5%	130.1%	187.6%	173.9%	163.7%

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2016 (December 31, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

	Measurement Year Ended December 31,					
	2022	2021	2020	2019	2018	2017
<b>Changes in Total OPEB Liability (TOL)</b>						
Balance at January 1st	\$ 96,581	\$ 99,789	\$ 79,303	\$ 73,788	\$ 63,930	\$ 51,220
Service Cost	14,941	15,989	13,859	9,793	9,525	8,200
Interest on the TPL	1,987	2,300	2,541	3,101	2,431	2,264
Assumption Changes	(17,298)	(4,833)	5,583	6,912	(2,098)	2,246
Differences Between Expected and Actual Experience	-	(15,088)	-	(14,291)	-	-
Benefit Payments	(7,086)	(1,576)	(1,497)	-	-	-
Balance at December 31st	<u>\$ 89,125</u>	<u>\$ 96,581</u>	<u>\$ 99,789</u>	<u>\$ 79,303</u>	<u>\$ 73,788</u>	<u>\$ 63,930</u>
Covered Payroll for Active Members	<u>\$ 1,996,038</u>	<u>\$ 1,743,100</u>	<u>\$ 1,455,967</u>	<u>\$ 1,831,326</u>	<u>\$ 1,605,997</u>	<u>\$ 1,483,782</u>
Net OPEB Liability / Covered Payroll	4.5%	5.5%	6.9%	4.3%	4.6%	4.3%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 (December 31, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.



**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF CITY OPEB CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Year Ended December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>Other Post-Employment Benefits</i></b>					
2023	\$	-	-	2,115,800	0.0%
2022	\$	-	-	1,786,678	0.0%
2021	\$	-	-	1,743,100	0.0%
2020	\$	-	-	1,455,967	0.0%
2019	\$	-	-	1,831,326	0.0%
2018	\$	-	-	1,605,997	0.0%
2017	\$	-	-	1,483,782	0.0%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

Changes in Plan Provisions

- The State’s contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State’s contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State’s contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND**

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2019 Changes**

Changes in Actuarial Assumptions

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

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual State aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

**NOTE 3 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION**

**2022 Changes**

Changes in Actuarial Assumptions

- The discount rate changed from 5.25 percent to 5.75 percent.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 3    DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)**

**2019 Changes**

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2018 Changes**

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

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

**NOTE 4    OTHER POSTEMPLOYMENT BENEFIT PLAN**

**2023 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 1.84 percent to 4.05 percent based on updated 20-year municipal bonds rates.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2022 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.



**CITY OF LAKE ELMO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**SUPPLEMENTARY INFORMATION**

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 96,048	\$ 5,352,926	\$ 5,448,974
Assessments Receivable	-	20,549	20,549
Interest Receivable	719	15,267	15,986
Due from Other Funds	<u>-</u>	<u>449,894</u>	<u>449,894</u>
<b>TOTAL ASSETS</b>	<u>\$ 96,767</u>	<u>\$ 5,838,636</u>	<u>\$ 5,935,403</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 122,588	\$ 122,588
Construction Contracts Payable	-	37,565	37,565
Due to Other Funds	-	449,894	449,894
Unearned Revenue	<u>53,489</u>	<u>250,000</u>	<u>303,489</u>
Total Liabilities	53,489	860,047	913,536
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue:			
Special Assessments	-	20,549	20,549
<b>FUND BALANCES</b>			
Restricted	-	3,154,339	3,154,339
Committed	20,334	-	20,334
Assigned	22,944	2,296,674	2,319,618
Unassigned	<u>-</u>	<u>(492,973)</u>	<u>(492,973)</u>
Total Fund Balances	<u>43,278</u>	<u>4,958,040</u>	<u>5,001,318</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 96,767</u>	<u>\$ 5,838,636</u>	<u>\$ 5,935,403</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Special Assessments	\$ -	\$ 8,938	\$ 8,938
Intergovernmental	242,390	553,787	796,177
Charges for Services	5,700	277,119	282,819
Investment Earnings (Losses)	15,120	234,105	249,225
Miscellaneous	-	21,230	21,230
<b>TOTAL REVENUES</b>	<u>263,210</u>	<u>1,095,179</u>	<u>1,358,389</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	417	417
Parks and Recreation	-	739	739
Capital Outlay	242,390	3,299,239	3,541,629
Debt Service:			
Interest and Other Charges	-	12,397	12,397
<b>TOTAL EXPENDITURES</b>	<u>242,390</u>	<u>3,312,792</u>	<u>3,555,182</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	20,820	(2,217,613)	(2,196,793)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Assets	-	60,600	60,600
Bond Issuance	-	916,081	916,081
Premium on Bond Issuance	-	87,543	87,543
Transfers In	-	466,799	466,799
Transfers Out	-	(24,897)	(24,897)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,506,126</u>	<u>1,506,126</u>
<b>NET CHANGE IN FUND BALANCES</b>	20,820	(711,487)	(690,667)
<b>FUND BALANCES - BEGINNING</b>	<u>22,458</u>	<u>5,669,527</u>	<u>5,691,985</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 43,278</u>	<u>\$ 4,958,040</u>	<u>\$ 5,001,318</u>

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2023**

	Lions Park Sign Program Fund	Economic Development Authority Fund	ARPA Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 20,286	\$ 12,324	\$ 63,438	\$ 96,048
Interest Receivable	48	31	640	719
<b>TOTAL ASSETS</b>	<u>\$ 20,334</u>	<u>\$ 12,355</u>	<u>\$ 64,078</u>	<u>\$ 96,767</u>
<b>LIABILITIES</b>				
Unearned Revenue	\$ -	\$ -	\$ 53,489	\$ 53,489
<b>FUND BALANCES</b>				
Committed	20,334	-	-	20,334
Assigned	-	12,355	10,589	22,944
Total Fund Balances	<u>20,334</u>	<u>12,355</u>	<u>10,589</u>	<u>43,278</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 20,334</u>	<u>\$ 12,355</u>	<u>\$ 64,078</u>	<u>\$ 96,767</u>

**CITY OF LAKE ELMO, MINNESOTA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	Lions Park Sign Program Fund	Economic Development Authority Fund	ARPA Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 242,390	\$ 242,390
Charges for Services	5,700	-	-	5,700
Investment Earnings (Losses)	514	412	14,194	15,120
<b>TOTAL REVENUES</b>	<u>6,214</u>	<u>412</u>	<u>256,584</u>	<u>263,210</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>-</u>	<u>-</u>	<u>242,390</u>	<u>242,390</u>
<b>NET CHANGE IN FUND BALANCES</b>	6,214	412	14,194	20,820
<b>FUND BALANCES - BEGINNING</b>	<u>14,120</u>	<u>11,943</u>	<u>(3,605)</u>	<u>22,458</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 20,334</u>	<u>\$ 12,355</u>	<u>\$ 10,589</u>	<u>\$ 43,278</u>

**CITY OF LAKE ELMO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
DECEMBER 31, 2023**

	Park Dedication Fund	Vehicle Acquisition Fund	Heritage Farms Street & Utility Improvements Fund	Infrastructure Reserve Fund	City Facilities Fund	Manning & Hudson Future Stoplight Fund	CSAH 13 Phase 2 Fund
<b>ASSETS</b>							
Cash, Cash Equivalents, and Investments	\$ 2,474,283	\$ 1,499,404	\$ 232,757	\$ 185,083	\$ 98,628	\$ 266,529	\$ -
Assessments Receivable	-	-	-	20,549	-	-	-
Interest Receivable	7,551	2,722	585	1,633	246	666	-
Due from Other Funds	-	-	-	449,894	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 2,481,834</u>	<u>\$ 1,502,126</u>	<u>\$ 233,342</u>	<u>\$ 657,159</u>	<u>\$ 98,874</u>	<u>\$ 267,195</u>	<u>\$ -</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 57,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Contracts Payable	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	48,389
Unearned Revenue	-	-	-	-	-	250,000	-
Total Liabilities	57,501	-	-	-	-	250,000	48,389
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue: Special Assessments	-	-	-	20,549	-	-	-
<b>FUND BALANCES</b>							
Restricted	2,424,333	-	233,342	-	-	-	-
Assigned	-	1,502,126	-	636,610	98,874	17,195	-
Unassigned	-	-	-	-	-	-	(48,389)
Total Fund Balance	<u>2,424,333</u>	<u>1,502,126</u>	<u>233,342</u>	<u>636,610</u>	<u>98,874</u>	<u>17,195</u>	<u>(48,389)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
	<u>\$ 2,481,834</u>	<u>\$ 1,502,126</u>	<u>\$ 233,342</u>	<u>\$ 657,159</u>	<u>\$ 98,874</u>	<u>\$ 267,195</u>	<u>\$ -</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**DECEMBER 31, 2023**

	Railroad Crossing Improvements Fund	Old Village Phases 5 & 6 Fund	CSAH 15 Manning Avenue Phase 3 Fund	Manning & Highway 36 Interchange Fund	Tamarack Farm Estates Street Improvements Fund	CSAH 15 Manning Avenue & 30th Street Fund	TH36 Lake Elmo Avenue Improvements Fund
<b>ASSETS</b>							
Cash, Cash Equivalents, and Investments	\$ 53,220	\$ -	\$ -	\$ 2,566	\$ 123,333	\$ -	\$ -
Assessments Receivable	-	-	-	-	-	-	-
Interest Receivable	147	-	-	6	308	-	-
Due from Other Funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 53,367</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,572</b>	<b>\$ 123,641</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 14,070	\$ 5,124	\$ -	\$ -	\$ 200	\$ -	\$ 350
Construction Contracts Payable	-	-	-	-	-	-	-
Due to Other Funds	-	252,849	3,525	-	-	14,512	5,499
Unearned Revenue	-	-	-	-	-	-	-
Total Liabilities	14,070	257,973	3,525	-	200	14,512	5,849
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue: Special Assessments	-	-	-	-	-	-	-
<b>FUND BALANCES</b>							
Restricted	-	-	-	-	123,441	-	-
Assigned	39,297	-	-	2,572	-	-	-
Unassigned	-	(257,973)	(3,525)	-	-	(14,512)	(5,849)
Total Fund Balance	39,297	(257,973)	(3,525)	2,572	123,441	(14,512)	(5,849)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 53,367</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,572</b>	<b>\$ 123,641</b>	<b>\$ -</b>	<b>\$ -</b>



**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**DECEMBER 31, 2023**

	2022 Street Improvements Fund	Old Village Phase 7 Fund	CSAH 15 (Manning Ave) Phase 3 Fund	2024 Street & Utility Improvement Fund	Hudson Blvd Imp-Seg A- InwdHdRx Fund	15th Street N Improvement Fund	30th St N Gap Segmt Improvement Fund	Total Nonmajor Capital Project Funds
<b>ASSETS</b>								
Cash, Cash Equivalents, and Investments	\$ 353,727	\$ 63,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,352,926
Assessments Receivable	-	-	-	-	-	-	-	20,549
Interest Receivable	902	501	-	-	-	-	-	15,267
Due from Other Funds	-	-	-	-	-	-	-	449,894
<b>TOTAL ASSETS</b>	<u>\$ 354,629</u>	<u>\$ 63,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,838,636</u>
<b>LIABILITIES</b>								
Accounts Payable	\$ 288	\$ 7,450	\$ 70	\$ 25,546	\$ 5,612	\$ 3,348	\$ 3,029	\$ 122,588
Construction Contracts Payable	-	37,565	-	-	-	-	-	37,565
Due to Other Funds	-	-	1,482	31,336	48,215	21,684	22,403	449,894
Unearned Revenue	-	-	-	-	-	-	-	250,000
Total Liabilities	288	45,015	1,552	56,882	53,827	25,032	25,432	860,047
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue: Special Assessments	-	-	-	-	-	-	-	20,549
<b>FUND BALANCES</b>								
Restricted	354,341	18,882	-	-	-	-	-	3,154,339
Assigned	-	-	-	-	-	-	-	2,296,674
Unassigned	-	-	(1,552)	(56,882)	(53,827)	(25,032)	(25,432)	(492,973)
Total Fund Balance	<u>354,341</u>	<u>18,882</u>	<u>(1,552)</u>	<u>(56,882)</u>	<u>(53,827)</u>	<u>(25,032)</u>	<u>(25,432)</u>	<u>4,958,040</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
	<u>\$ 354,629</u>	<u>\$ 63,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,838,636</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Park Dedication Fund	Vehicle Acquisition Fund	Heritage Farms Street & Utility Improvements Fund	Infrastructure Reserve Fund	City Facilities Fund	Manning & Hudson Future Stoplight Fund	CSAH 13 Phase 2 Fund
<b>REVENUES</b>							
Special Assessments	\$ -	\$ -	\$ -	\$ 8,938	\$ -	\$ -	\$ -
Intergovernmental	-	553,787	-	-	-	-	-
Charges for Services	277,119	-	-	-	-	-	-
Investment Earnings (Losses)	111,431	47,614	6,592	21,170	3,477	9,398	2,273
Miscellaneous	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>388,550</u>	<u>601,401</u>	<u>6,592</u>	<u>30,108</u>	<u>3,477</u>	<u>9,398</u>	<u>2,273</u>
<b>EXPENDITURES</b>							
Current:							
Public Works	-	-	-	-	-	-	-
Parks and Recreation	739	-	-	-	-	-	-
Capital Outlay	1,041,913	846,545	3,156	-	-	-	(1,055)
Debt Service:							
Interest and Other Charges	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,042,652</u>	<u>846,545</u>	<u>3,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,055)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(654,102)	(245,144)	3,436	30,108	3,477	9,398	3,328
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Assets	-	60,600	-	-	-	-	-
Bond Issuance	-	-	-	-	-	-	-
Premium on Bond Issuance	-	-	-	-	-	-	-
Transfers In	-	425,000	-	-	-	-	-
Transfers Out	-	-	-	(24,897)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>485,600</u>	<u>-</u>	<u>(24,897)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(654,102)	240,456	3,436	5,211	3,477	9,398	3,328
<b>FUND BALANCES- BEGINNING</b>	<u>3,078,435</u>	<u>1,261,670</u>	<u>229,906</u>	<u>631,399</u>	<u>95,397</u>	<u>7,797</u>	<u>(51,717)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,424,333</u>	<u>\$ 1,502,126</u>	<u>\$ 233,342</u>	<u>\$ 636,610</u>	<u>\$ 98,874</u>	<u>\$ 17,195</u>	<u>\$ (48,389)</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Railroad Crossing Improvements Fund	Old Village Phases 5 & 6 Fund	CSAH 15 Manning Avenue Phase 3 Fund	Manning & Highway 36 Interchange Fund	Tamarack Farm Estates Street Improvements Fund	CSAH 15 Manning Avenue & 30th Street Fund	TH36 Lake Elmo Avenue Improvements Fund
<b>REVENUES</b>							
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-
Investment Earnings (Losses)	2,444	2,616	-	1,906	4,403	6,444	-
Miscellaneous	21,230	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>23,674</u>	<u>2,616</u>	<u>-</u>	<u>1,906</u>	<u>4,403</u>	<u>6,444</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
Public Works	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-
Capital Outlay	53,887	252,176	-	-	439	613	3,139
Debt Service:							
Interest and Other Charges	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>53,887</u>	<u>252,176</u>	<u>-</u>	<u>-</u>	<u>439</u>	<u>613</u>	<u>3,139</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(30,213)	(249,560)	-	1,906	3,964	5,831	(3,139)
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Assets	-	-	-	-	-	-	-
Bond Issuance	-	-	-	-	-	-	-
Premium on Bond Issuance	-	-	-	-	-	-	-
Transfers In	41,799	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>41,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	11,586	(249,560)	-	1,906	3,964	5,831	(3,139)
<b>FUND BALANCES- BEGINNING</b>	<u>27,711</u>	<u>(8,413)</u>	<u>(3,525)</u>	<u>666</u>	<u>119,477</u>	<u>(20,343)</u>	<u>(2,710)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 39,297</u>	<u>\$ (257,973)</u>	<u>\$ (3,525)</u>	<u>\$ 2,572</u>	<u>\$ 123,441</u>	<u>\$ (14,512)</u>	<u>\$ (5,849)</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2022 Street Improvements Fund	Old Village Phase 7 Fund	CSAH 15 (Manning Ave) Phase 3 Fund	2024 Street & Utility Improvement Fund	Hudson Blvd Imp-Seg A- InwdHdRx Fund	15th Street N Improvement Fund	30th St N Gap Segmt Improvement Fund	Total Nonmajor Capital Project Funds
<b>REVENUES</b>								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,938
Intergovernmental	-	-	-	-	-	-	-	553,787
Charges for Services	-	-	-	-	-	-	-	277,119
Investment Earnings (Losses)	12,078	2,259	-	-	-	-	-	234,105
Miscellaneous	-	-	-	-	-	-	-	21,230
<b>TOTAL REVENUES</b>	<u>12,078</u>	<u>2,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095,179</u>
<b>EXPENDITURES</b>								
Current:								
Public Works	-	179	-	238	-	-	-	417
Parks and Recreation	-	-	-	-	-	-	-	739
Capital Outlay	16,234	919,705	1,552	56,644	53,827	25,032	25,432	3,299,239
Debt Service:								
Interest and Other Charges	-	12,397	-	-	-	-	-	12,397
<b>TOTAL EXPENDITURES</b>	<u>16,234</u>	<u>932,281</u>	<u>1,552</u>	<u>56,882</u>	<u>53,827</u>	<u>25,032</u>	<u>25,432</u>	<u>3,312,792</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(4,156)	(930,022)	(1,552)	(56,882)	(53,827)	(25,032)	(25,432)	(2,217,613)
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of Assets	-	-	-	-	-	-	-	60,600
Bond Issuance	-	916,081	-	-	-	-	-	916,081
Premium on Bond Issuance	-	87,543	-	-	-	-	-	87,543
Transfers In	-	-	-	-	-	-	-	466,799
Transfers Out	-	-	-	-	-	-	-	(24,897)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,003,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,506,126</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,156)	73,602	(1,552)	(56,882)	(53,827)	(25,032)	(25,432)	(711,487)
<b>FUND BALANCES- BEGINNING</b>	<u>358,497</u>	<u>(54,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,669,527</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 354,341</u>	<u>\$ 18,882</u>	<u>\$ (1,552)</u>	<u>\$ (56,882)</u>	<u>\$ (53,827)</u>	<u>\$ (25,032)</u>	<u>\$ (25,432)</u>	<u>\$ 4,958,040</u>

**CITY OF LAKE ELMO, MINNESOTA  
SUPPLEMENTAL COMBINING BALANCE SHEET  
DEBT SERVICE FUND  
DECEMBER 31, 2023**

	2010B GO CIP Bonds Fund	2012B GO Improvement Bonds Fund	2014A GO Improvement Bonds Fund	2015A GO Improvement Bonds Fund	2016A GO Improvement Bonds Fund	2017A GO Improvement Bonds Fund
<b>ASSETS</b>						
Cash, Cash Equivalents, and Investments	\$ 216,937	\$ (23,678)	\$ 973,597	\$ 5,781	\$ 673,764	\$ 70,867
Assessments Receivable	-	1,831	82,273	237,703	432,646	368,683
Interest Receivable	291	-	2,136	-	1,328	-
<b>TOTAL ASSETS</b>	<u>\$ 217,228</u>	<u>\$ (21,847)</u>	<u>\$ 1,058,006</u>	<u>\$ 243,484</u>	<u>\$ 1,107,738</u>	<u>\$ 439,550</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue:						
Special Assessments	\$ -	\$ 1,333	\$ 81,913	\$ 237,703	\$ 432,268	\$ 366,313
<b>FUND BALANCES</b>						
Restricted	<u>217,228</u>	<u>(23,180)</u>	<u>976,093</u>	<u>5,781</u>	<u>675,470</u>	<u>73,237</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 217,228</u>	<u>\$ (21,847)</u>	<u>\$ 1,058,006</u>	<u>\$ 243,484</u>	<u>\$ 1,107,738</u>	<u>\$ 439,550</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SUPPLEMENTAL COMBINING BALANCE SHEET (Continued)**  
**DEBT SERVICE FUND**  
**DECEMBER 31, 2023**

	2019 Improvement Bonds Fund	2018A GO Equipment Cert. Bonds Fund	2021A GO Improvement Bonds Fund	2022A GO Improvement Bonds Fund	2023A GO Improvement Bonds Fund	Total Debt Service Fund
<b>ASSETS</b>						
Cash, Cash Equivalents, and Investments	\$ 765,500	\$ 36,738	\$ 1,632,366	\$ 335,618	\$ 323,954	\$ 5,011,444
Assessments Receivable	227,014	-	1,159,735	296,200	790,250	3,596,335
Interest Receivable	1,510	-	2,722	284	254	8,525
<b>TOTAL ASSETS</b>	<u>\$ 994,024</u>	<u>\$ 36,738</u>	<u>\$ 2,794,823</u>	<u>\$ 632,102</u>	<u>\$ 1,114,458</u>	<u>\$ 8,616,304</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue:						
Special Assessments	\$ 226,067	\$ -	\$ 1,157,545	\$ 296,200	\$ 790,250	\$ 3,589,592
<b>FUND BALANCES</b>						
Restricted	<u>767,957</u>	<u>36,738</u>	<u>1,637,278</u>	<u>335,902</u>	<u>324,208</u>	<u>5,026,712</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 994,024</u>	<u>\$ 36,738</u>	<u>\$ 2,794,823</u>	<u>\$ 632,102</u>	<u>\$ 1,114,458</u>	<u>\$ 8,616,304</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2010B GO CIP Bonds Fund	2012B GO Improvement Bonds Fund	2014A GO Improvement Bonds Fund	2015A GO Improvement Bonds Fund	2016A GO Improvement Bonds Fund	2017A GO Improvement Bonds Fund
<b>REVENUES</b>						
Property Taxes	\$ 206,656	\$ -	\$ 200,091	\$ -	\$ 193,409	\$ 342,660
Special Assessments	-	16,693	39,212	57,869	73,055	61,531
Investment Earnings (Losses)	4,274	435	31,164	2,250	19,818	602
<b>TOTAL REVENUES</b>	<u>210,930</u>	<u>17,128</u>	<u>270,467</u>	<u>60,119</u>	<u>286,282</u>	<u>404,793</u>
<b>EXPENDITURES</b>						
Debt Service:						
Principal	180,000	95,000	225,000	170,000	275,000	455,000
Interest and Other Charges	15,011	1,398	38,965	14,020	25,450	65,813
<b>TOTAL EXPENDITURES</b>	<u>195,011</u>	<u>96,398</u>	<u>263,965</u>	<u>184,020</u>	<u>300,450</u>	<u>520,813</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	15,919	(79,270)	6,502	(123,901)	(14,168)	(116,020)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond Issuance	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	15,919	(79,270)	6,502	(123,901)	(14,168)	(116,020)
<b>FUND BALANCES - BEGINNING</b>	<u>201,309</u>	<u>56,090</u>	<u>969,591</u>	<u>129,682</u>	<u>689,638</u>	<u>189,257</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 217,228</u>	<u>\$ (23,180)</u>	<u>\$ 976,093</u>	<u>\$ 5,781</u>	<u>\$ 675,470</u>	<u>\$ 73,237</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2019 Improvement Bonds Fund	2018A GO Equipment Cert. Bonds Fund	2021A GO Improvement Bonds Fund	2022A GO Improvement Bonds Fund	2023A GO Improvement Bonds Fund	Total Debt Service Fund
<b>REVENUES</b>						
Property Taxes	\$ 297,138	\$ 123,569	\$ 1,025,930	\$ 287,685	\$ -	\$ 2,677,138
Special Assessments	39,858	-	167,399	187,049	257,450	900,116
Investment Earnings (Losses)	21,812	-	36,315	1,838	1,145	119,653
<b>TOTAL REVENUES</b>	<u>358,808</u>	<u>123,569</u>	<u>1,229,644</u>	<u>476,572</u>	<u>258,595</u>	<u>3,696,907</u>
<b>EXPENDITURES</b>						
Debt Service:						
Principal	275,000	100,000	705,000	-	-	2,480,000
Interest and Other Charges	61,676	16,335	357,669	195,049	26,808	818,194
<b>TOTAL EXPENDITURES</b>	<u>336,676</u>	<u>116,335</u>	<u>1,062,669</u>	<u>195,049</u>	<u>26,808</u>	<u>3,298,194</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	22,132	7,234	166,975	281,523	231,787	398,713
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond Issuance	-	-	-	-	92,421	92,421
<b>NET CHANGE IN FUND BALANCES</b>	22,132	7,234	166,975	281,523	324,208	491,134
<b>FUND BALANCES - BEGINNING</b>	<u>745,825</u>	<u>29,504</u>	<u>1,470,303</u>	<u>54,379</u>	<u>-</u>	<u>4,535,578</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 767,957</u>	<u>\$ 36,738</u>	<u>\$ 1,637,278</u>	<u>\$ 335,902</u>	<u>\$ 324,208</u>	<u>\$ 5,026,712</u>



**CITY OF LAKE ELMO, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/23	Issued	Paid	Outstanding Balance 12/31/23	Principal Due Within One Year
<b>GOVERNMENTAL INDEBTEDNESS</b>									
<u>General Obligation Improvement Bonds</u>									
2010B G.O. Refunding Bonds	11/30/2010	1.00 - 3.20%	2/1/2025	\$ 1,970,000	\$ 555,000	\$ -	\$ 180,000	\$ 375,000	\$ 185,000
2012B G.O. Improvement Bonds	8/16/2012	0.50 - 1.90%	2/1/2023	865,000	95,000	-	95,000	-	-
2014A G.O. Improvement Bonds	7/15/2014	2.00 - 3.50%	1/15/2030	2,850,000	1,385,000	-	225,000	1,160,000	230,000
2015A G.O. Improvement Bonds	8/13/2015	2.00 - 3.00%	1/15/2026	1,620,000	650,000	-	170,000	480,000	155,000
2016A G.O. Improvement Bonds	6/8/2016	2.00%	1/15/2027	2,690,000	1,410,000	-	275,000	1,135,000	280,000
2017A G.O. Improvement Bonds	6/8/2017	2.50%	1/15/2028	4,565,000	2,860,000	-	455,000	2,405,000	465,000
2019A G.O. Improvement Bonds	10/24/2019	2.00 - 3.00%	2/1/2035	2,860,000	2,355,000	-	275,000	2,080,000	285,000
2021A G.O. Improvement Bonds	12/7/2021	1.75 - 3.00%	2/1/2042	15,675,000	15,625,000	-	705,000	14,920,000	725,000
2022A G.O. Improvement Bonds	8/16/2022	3.00 - 5.00%	2/1/2038	3,895,000	3,895,000	-	-	3,895,000	195,000
2023A G.O. Improvement Bonds	7/6/2023	4.00 - 5.00%	2/1/2034	<u>3,410,000</u>	<u>-</u>	<u>3,410,000</u>	<u>-</u>	<u>3,410,000</u>	<u>-</u>
				40,400,000	28,830,000	3,410,000	2,380,000	29,860,000	2,520,000
<u>General Obligation Equipment Certificates</u>									
2018A G.O. Equipment Certificates	10/16/2018	2.70%	2/1/2028	940,000	655,000	-	100,000	555,000	105,000
<u>General Obligation Tax Abatement Bonds</u>									
2022A G.O. Tax Abatement Bonds	8/16/2022	3.00 - 5.00%	2/1/2033	<u>1,010,000</u>	<u>1,010,000</u>	<u>-</u>	<u>-</u>	<u>1,010,000</u>	<u>80,000</u>
<b>TOTAL GOVERNMENTAL DEBTS</b>				42,350,000	30,495,000	3,410,000	2,480,000	31,425,000	2,705,000
<b>BUSINESS-TYPE INDEBTEDNESS</b>									
<u>General Obligation Revenue Bonds</u>									
2012A G.O. Water Crossover Refunding Bonds	8/16/2012	2.00 - 2.50%	12/1/2030	4,035,000	2,530,000	-	300,000	2,230,000	290,000
2014A G.O. Improvement Bonds	7/15/2014	2.00 - 3.50%	1/15/2030	3,385,000	1,940,000	-	220,000	1,720,000	225,000
2015A G.O. Improvement Bonds	8/13/2015	2.00 - 3.00%	1/15/2031	1,195,000	770,000	-	80,000	690,000	80,000
2016A G.O. Improvement Bonds	6/8/2016	2.00%	1/15/2032	6,855,000	4,790,000	-	435,000	4,355,000	445,000
2017A G.O. Improvement Bonds	6/8/2017	2.50 - 3.00%	1/15/2033	4,480,000	3,440,000	-	275,000	3,165,000	285,000
2019A G.O. Improvement Bonds	10/24/2019	2.00 - 3.00%	2/1/2035	1,195,000	1,070,000	-	70,000	1,000,000	75,000
2021A G.O. Improvement Bonds	12/7/2021	1.75 - 3.00%	2/1/2037	6,310,000	6,310,000	-	430,000	5,880,000	415,000
2022A G.O. Improvement Bonds	8/16/2022	3.00 - 5.00%	2/1/2037	7,590,000	7,590,000	-	515,000	7,075,000	375,000
2023A G.O. Improvement Bonds	7/6/2023	4.00 - 5.00%	2/1/2034	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>125,000</u>
<b>TOTAL BUSINESS-TYPE DEBTS</b>				<u>37,045,000</u>	<u>28,440,000</u>	<u>2,000,000</u>	<u>2,325,000</u>	<u>28,115,000</u>	<u>2,315,000</u>
<b>TOTAL INDEBTEDNESS</b>				<u>\$ 79,395,000</u>	<u>\$ 58,935,000</u>	<u>\$ 5,410,000</u>	<u>\$ 4,805,000</u>	<u>\$ 59,540,000</u>	<u>\$ 5,020,000</u>

**STATISTICAL SECTION  
(UNAUDITED)**

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

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

<b>Contents</b>	<b>Pages</b>
<p><b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	105-114
<p><b>Revenue Capacity</b> These tables contain information to help the reader assess the City's most significant local revenue source, property taxes, as well as water and sanitary sewer rates and gallons sold.</p>	115-119
<p><b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	120-124
<p><b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	125-126
<p><b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	127-131

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

**CITY OF LAKE ELMO, MINNESOTA  
NET POSITION BY COMPONENT  
LAST TEN YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Governmental Activities:</b>					
Net Investment in Capital Assets	\$ 54,209,637	\$ 39,647,112	\$ 34,784,806	\$ 29,694,288	\$ 24,771,065
Restricted	11,658,502	12,475,169	10,249,092	8,171,161	8,596,759
Unrestricted	<u>12,156,284</u>	<u>14,362,912</u>	<u>12,101,304</u>	<u>5,284,397</u>	<u>4,231,363</u>
Total Governmental Activities Net Position	<u>\$ 78,024,423</u>	<u>\$ 66,485,193</u>	<u>\$ 57,135,202</u>	<u>\$ 43,149,846</u>	<u>\$ 37,599,187</u>
<b>Business-Type Activities:</b>					
Net Investment in Capital Assets	\$ 69,826,808	\$ 59,998,083	\$ 53,867,479	\$ 44,371,375	\$ 33,052,649
Restricted	-	-	-	-	-
Unrestricted	<u>22,844,327</u>	<u>24,515,239</u>	<u>19,888,783</u>	<u>18,578,807</u>	<u>16,528,968</u>
Total Business-Type Activities Net Position	<u>\$ 92,671,135</u>	<u>\$ 84,513,322</u>	<u>\$ 73,756,262</u>	<u>\$ 62,950,182</u>	<u>\$ 49,581,617</u>
<b>Primary Government:</b>					
Net Investment in Capital Assets	\$ 124,036,445	\$ 99,645,195	\$ 88,652,285	\$ 74,065,663	\$ 57,823,714
Restricted	11,658,502	12,475,169	10,249,092	8,171,161	8,596,759
Unrestricted	<u>35,000,611</u>	<u>38,878,151</u>	<u>31,990,087</u>	<u>23,863,204</u>	<u>20,760,331</u>
Total Primary Government Net Position	<u>\$ 170,695,558</u>	<u>\$ 150,998,515</u>	<u>\$ 130,891,464</u>	<u>\$ 106,100,028</u>	<u>\$ 87,180,804</u>

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

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

GASB 87 was implemented in 2022. Net position for years prior to 2022 was not restated.

**CITY OF LAKE ELMO, MINNESOTA**  
**NET POSITION BY COMPONENT (Continued)**  
**LAST TEN YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Governmental Activities:</b>					
Net Investment in Capital Assets	\$ 15,396,520	\$ 8,883,320	\$ 9,032,535	\$ 8,723,329	\$ 7,957,840
Restricted	10,121,648	5,057,169	4,704,133	3,446,142	1,106,200
Unrestricted	<u>1,086,636</u>	<u>4,818,383</u>	<u>4,136,292</u>	<u>3,942,646</u>	<u>5,405,920</u>
Total Governmental Activities Net Position	<u>\$ 26,604,804</u>	<u>\$ 18,758,872</u>	<u>\$ 17,872,960</u>	<u>\$ 16,112,117</u>	<u>\$ 14,469,960</u>
<b>Business-Type Activities:</b>					
Net Investment in Capital Assets	\$ 18,382,934	\$ 12,180,378	\$ 12,506,474	\$ 10,170,351	\$ 10,567,418
Restricted	-	2,695,734	1,473,164	1,876,119	2,387,312
Unrestricted	<u>13,842,382</u>	<u>9,151,417</u>	<u>6,400,375</u>	<u>3,577,285</u>	<u>1,100,422</u>
Total Business-Type Activities Net Position	<u>\$ 32,225,316</u>	<u>\$ 24,027,529</u>	<u>\$ 20,380,013</u>	<u>\$ 15,623,755</u>	<u>\$ 14,055,152</u>
<b>Primary Government:</b>					
Net Investment in Capital Assets	\$ 33,779,454	\$ 21,063,698	\$ 21,539,009	\$ 18,893,680	\$ 18,525,258
Restricted	10,121,648	7,752,903	6,177,297	5,322,261	3,493,512
Unrestricted	<u>14,929,018</u>	<u>13,969,800</u>	<u>10,536,667</u>	<u>7,519,931</u>	<u>6,506,342</u>
Total Primary Government Net Position	<u>\$ 58,830,120</u>	<u>\$ 42,786,401</u>	<u>\$ 38,252,973</u>	<u>\$ 31,735,872</u>	<u>\$ 28,525,112</u>

**CITY OF LAKE ELMO, MINNESOTA  
CHANGES IN NET POSITION  
LAST TEN YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 1,220,552	\$ 1,055,405	\$ 1,052,188	\$ 1,008,916	\$ 1,181,219
Public Safety	3,228,801	2,939,066	3,091,321	2,681,784	2,058,419
Public Works	4,627,872	4,831,584	3,735,767	4,012,661	3,728,247
Parks and Recreation	526,835	415,377	391,240	428,083	361,730
Economic Development Authority	-	-	53,264	46,371	71,609
Debt Service	815,944	716,093	353,256	363,988	395,106
Total Governmental Activities Expenses	<u>10,420,004</u>	<u>9,957,525</u>	<u>8,677,036</u>	<u>8,541,803</u>	<u>7,796,330</u>
Business-Type Activities:					
Water	3,982,238	3,280,875	2,665,708	2,383,252	1,940,148
Sewer	2,524,280	2,071,858	1,563,008	1,481,586	1,082,997
Storm Sewer	1,057,111	952,799	830,044	753,177	469,765
Total Business-Type Activities Expenses	<u>7,563,629</u>	<u>6,305,532</u>	<u>5,058,760</u>	<u>4,618,015</u>	<u>3,492,910</u>
Total Primary Government Expenses	<u>\$ 17,983,633</u>	<u>\$ 16,263,057</u>	<u>\$ 13,735,796</u>	<u>\$ 13,159,818</u>	<u>\$ 11,289,240</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$ 350,081	\$ 409,126	\$ 485,785	\$ 421,792	\$ 553,870
Public Safety	1,587,586	2,215,965	2,199,655	2,146,319	1,574,359
Public Works	60,388	58,414	104,817	243,060	126,721
Parks and Recreation	282,819	206,340	25	2,812	1,430
Economic Development Authority	-	24	57,539	87,778	99,690
Operating Grants and Contributions	1,102,707	391,306	279,690	1,039,823	795,483
Capital Grants and Contributions	9,895,930	4,783,094	8,981,866	4,823,628	11,076,353
Total Governmental Activities Program Revenues	<u>13,279,511</u>	<u>8,064,269</u>	<u>12,109,377</u>	<u>8,765,212</u>	<u>14,227,906</u>
Business-Type Activities:					
Charges for services:					
Water	2,804,479	3,241,839	1,711,596	1,239,404	962,003
Sewer	1,442,607	1,499,393	549,567	432,583	306,041
Storm Sewer	611,219	543,589	512,624	369,689	380,645
Operating Grants and Contributions	-	-	35,635	21,893	122,350
Capital Grants and Contributions	9,838,374	15,257,903	18,326,363	15,636,661	14,114,787
Total Business-Type Activities	<u>14,696,679</u>	<u>20,542,724</u>	<u>21,135,785</u>	<u>17,700,230</u>	<u>15,885,826</u>
Total Primary Government Program Revenues	<u>\$ 27,976,190</u>	<u>\$ 28,606,993</u>	<u>\$ 33,245,162</u>	<u>\$ 26,465,442</u>	<u>\$ 30,113,732</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN NET POSITION (Continued)**  
**LAST TEN YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 1,266,269	\$ 1,503,251	\$ 1,358,370	\$ 1,134,132	\$ 1,072,888
Public Safety	2,161,082	1,528,253	1,308,360	1,344,282	1,530,609
Public Works	2,192,092	2,800,044	1,698,566	1,377,969	1,032,426
Parks and Recreation	524,445	1,299,551	660,947	639,006	448,361
Economic Development Authority	47,702	-	-	-	-
Debt Service	352,376	225,910	178,266	215,611	165,028
Total Governmental Activities Expenses	<u>6,543,966</u>	<u>7,357,009</u>	<u>5,204,509</u>	<u>4,711,000</u>	<u>4,249,312</u>
Business-Type Activities:					
Water	2,068,178	2,022,446	1,409,832	1,363,043	1,069,511
Sewer	846,032	1,030,058	380,650	250,866	353,438
Storm Sewer	315,967	213,514	150,302	103,536	149,887
Total Business-Type Activities Expenses	<u>3,230,177</u>	<u>3,266,018</u>	<u>1,940,784</u>	<u>1,717,445</u>	<u>1,572,836</u>
Total Primary Government Expenses	<u>\$ 9,774,143</u>	<u>\$ 10,623,027</u>	<u>\$ 7,145,293</u>	<u>\$ 6,428,445</u>	<u>\$ 5,822,148</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$ 379,378	\$ 206,856	\$ 51,009	\$ 42,706	\$ 45,161
Public Safety	1,938,163	2,101,890	1,752,522	866,708	496,916
Public Works	-	-	-	3,615	-
Parks and Recreation	-	-	-	26,214	10,753
Economic Development Authority	78,573	-	-	-	-
Operating Grants and Contributions	248,915	229,960	235,214	249,094	204,462
Capital Grants and Contributions	4,970,565	2,290,265	1,452,469	2,038,940	557,601
Total Governmental Activities Program Revenues	<u>7,615,594</u>	<u>4,828,971</u>	<u>3,491,214</u>	<u>3,227,277</u>	<u>1,314,893</u>
Business-Type Activities:					
Charges for services:					
Water	951,985	2,628,848	1,801,228	1,850,240	1,291,091
Sewer	252,614	2,435,749	1,315,948	1,523,067	741,054
Storm Sewer	322,700	289,375	213,233	229,252	214,915
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	7,466,627	1,489,922	3,464,567	-	1,159,222
Total Business-Type Activities	<u>8,993,926</u>	<u>6,843,894</u>	<u>6,794,976</u>	<u>3,602,559</u>	<u>3,406,282</u>
Total Primary Government Program Revenues	<u>\$ 16,609,520</u>	<u>\$ 11,672,865</u>	<u>\$ 10,286,190</u>	<u>\$ 6,829,836</u>	<u>\$ 4,721,175</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN NET POSITION (Continued)**  
**LAST TEN YEARS**

	2023	2022	2021	2020	2019
<b>Net (Expense) Revenue:</b>					
Governmental Activities	\$ 2,859,507	\$ (1,893,256)	\$ 3,432,341	\$ 223,409	\$ 6,431,576
Business-Type Activities	<u>7,133,050</u>	<u>14,237,192</u>	<u>16,077,025</u>	<u>13,082,215</u>	<u>12,392,916</u>
Total Primary Government, net	<u>9,992,557</u>	<u>12,343,936</u>	<u>19,509,366</u>	<u>13,305,624</u>	<u>18,824,492</u>
<b>General Revenues and Other</b>					
<b>Changes in Net Position:</b>					
Governmental Activities:					
General Property Taxes	7,890,915	7,565,922	5,294,950	4,960,342	4,181,914
Unrestricted Grants and Contributions	246,056	703,388	4,639	4,337	4,956
Unrestricted Investment Earnings (Losses)	1,137,908	(380,657)	(13,874)	348,766	331,010
Miscellaneous	46,528	23,384	-	-	-
Gain (Loss) on Disposal of Capital Assets	(221,202)	69,985	17,300	13,805	44,927
Transfers	<u>(420,482)</u>	<u>3,261,225</u>	<u>5,250,000</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>8,679,723</u>	<u>11,243,247</u>	<u>10,553,015</u>	<u>5,327,250</u>	<u>4,562,807</u>
Business-Type Activities:					
Unrestricted Grants and Contributions	46	2,146	-	-	-
Unrestricted Investment Earnings (Losses)	604,235	(221,053)	(20,945)	286,350	411,206
Extraordinary Item	-	-	-	-	4,552,179
Transfers	<u>420,482</u>	<u>(3,261,225)</u>	<u>(5,250,000)</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>1,024,763</u>	<u>(3,480,132)</u>	<u>(5,270,945)</u>	<u>286,350</u>	<u>4,963,385</u>
Total Primary Government	<u>\$ 9,704,486</u>	<u>\$ 7,763,115</u>	<u>\$ 5,282,070</u>	<u>\$ 5,613,600</u>	<u>\$ 9,526,192</u>
<b>Change in Net Position:</b>					
Governmental Activities	\$ 11,539,230	\$ 9,349,991	\$ 13,985,356	\$ 5,550,659	\$ 10,994,383
Business-Type Activities	<u>8,157,813</u>	<u>10,757,060</u>	<u>10,806,080</u>	<u>13,368,565</u>	<u>17,356,301</u>
Total Primary Government Change in Net Position	<u>\$ 19,697,043</u>	<u>\$ 20,107,051</u>	<u>\$ 24,791,436</u>	<u>\$ 18,919,224</u>	<u>\$ 28,350,684</u>

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

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

GASB 87 was implemented in 2022. Lease revenue for years prior to 2022 was not restated.



**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN NET POSITION (Continued)**  
**LAST TEN YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Net (Expense) Revenue:</b>					
Governmental Activities	\$ 1,071,628	\$ (2,528,038)	\$ (1,713,295)	\$ (1,483,723)	\$ (2,934,419)
Business-Type Activities	<u>5,763,749</u>	<u>3,577,876</u>	<u>4,854,192</u>	<u>1,885,114</u>	<u>1,833,446</u>
Total Primary Government, net	<u>6,835,377</u>	<u>1,049,838</u>	<u>3,140,897</u>	<u>401,391</u>	<u>(1,100,973)</u>
<b>General Revenues and Other</b>					
<b>Changes in Net Position:</b>					
Governmental Activities:					
General Property Taxes	3,610,106	3,040,413	3,226,739	3,204,119	3,200,291
Unrestricted Grants and Contributions	6,868	2,749	8,584	2,749	2,749
Unrestricted Investment Earnings (Losses)	115,583	48,987	43,228	46,589	87,586
Miscellaneous	-	158,350	52,479	73,738	125,400
Gain (Loss) on Disposal of Capital Assets	8,991	-	-	-	-
Transfers	<u>840</u>	<u>-</u>	<u>143,105</u>	<u>220,842</u>	<u>(887,312)</u>
Total Governmental Activities	<u>3,742,388</u>	<u>3,250,499</u>	<u>3,474,135</u>	<u>3,548,037</u>	<u>2,528,714</u>
Business-Type Activities:					
Unrestricted Grants and Contributions	956	-	748	-	-
Unrestricted Investment Earnings (Losses)	96,425	46,757	44,423	39,757	19,337
Extraordinary Item	-	-	-	-	-
Transfers	<u>(840)</u>	<u>-</u>	<u>(143,105)</u>	<u>(220,842)</u>	<u>887,312</u>
Total Business-Type Activities	<u>96,541</u>	<u>46,757</u>	<u>(97,934)</u>	<u>(181,085)</u>	<u>906,649</u>
Total Primary Government	<u>\$ 3,838,929</u>	<u>\$ 3,297,256</u>	<u>\$ 3,376,201</u>	<u>\$ 3,366,952</u>	<u>\$ 3,435,363</u>
<b>Change in Net Position:</b>					
Governmental Activities	\$ 4,814,016	\$ 722,461	\$ 1,760,840	\$ 2,064,314	\$ (405,705)
Business-Type Activities	<u>5,860,290</u>	<u>3,624,633</u>	<u>4,756,258</u>	<u>1,704,029</u>	<u>2,740,095</u>
Total Primary Government Change in Net Position	<u>\$ 10,674,306</u>	<u>\$ 4,347,094</u>	<u>\$ 6,517,098</u>	<u>\$ 3,768,343</u>	<u>\$ 2,334,390</u>

**CITY OF LAKE ELMO, MINNESOTA  
FUND BALANCES – GOVERNMENTAL FUNDS  
LAST TEN YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund:					
Nonspendable	\$ -	\$ -	\$ -	\$ 21,206	\$ 28,162
Committed	-	-	-	-	-
Unassigned	<u>8,920,580</u>	<u>7,540,239</u>	<u>5,618,812</u>	<u>5,212,435</u>	<u>4,286,022</u>
Total General Fund	<u>8,920,580</u>	<u>7,540,239</u>	<u>5,618,812</u>	<u>5,233,641</u>	<u>4,314,184</u>
All Other Governmental Funds:					
Nonspendable	-	-	-	-	-
Restricted	8,468,881	9,933,623	17,458,949	5,814,832	5,973,451
Committed	20,334	14,120	7,673	7,314	24,070
Assigned	3,768,614	7,145,740	7,571,501	2,653,880	1,746,202
Unassigned	<u>(492,973)</u>	<u>(198,128)</u>	<u>(246,004)</u>	<u>(1,525,916)</u>	<u>(757,968)</u>
Total all Other Governmental Funds	<u>11,764,856</u>	<u>16,895,355</u>	<u>24,792,119</u>	<u>6,950,110</u>	<u>6,985,755</u>
Total Governmental Funds	<u>\$ 20,685,436</u>	<u>\$ 24,435,594</u>	<u>\$ 30,410,931</u>	<u>\$ 12,183,751</u>	<u>\$ 11,299,939</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**FUND BALANCES – GOVERNMENTAL FUNDS (Continued)**  
**LAST TEN YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund:					
Nonspendable	\$ 18,951	\$ 410,193	\$ 409,222	\$ 432,306	\$ 638,963
Committed	-	200,000	200,000	-	-
Unassigned	<u>4,756,695</u>	<u>3,499,133</u>	<u>3,279,815</u>	<u>2,754,976</u>	<u>2,542,038</u>
Total General Fund	<u>4,775,646</u>	<u>4,109,326</u>	<u>3,889,037</u>	<u>3,187,282</u>	<u>3,181,001</u>
All Other Governmental Funds:					
Nonspendable	395	675,000	-	3,908	-
Restricted	6,133,168	2,849,956	3,248,230	2,477,730	717,781
Committed	11,003	-	-	-	-
Assigned	1,198,909	1,307,216	1,504,656	1,768,742	2,943,525
Unassigned	<u>(3,043,623)</u>	<u>(681,681)</u>	<u>(418,169)</u>	<u>(431,755)</u>	<u>(693,904)</u>
Total all Other Governmental Funds	<u>4,299,852</u>	<u>4,150,491</u>	<u>4,334,717</u>	<u>3,818,625</u>	<u>2,967,402</u>
 Total Governmental Funds	 <u>\$ 9,075,498</u>	 <u>\$ 8,259,817</u>	 <u>\$ 8,223,754</u>	 <u>\$ 7,005,907</u>	 <u>\$ 6,148,403</u>

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>					
General Property Taxes	\$ 7,888,556	\$ 7,562,013	\$ 5,303,553	\$ 4,947,133	\$ 4,182,327
Licenses and Permits	1,148,190	1,646,539	1,485,658	1,425,695	1,055,038
Intergovernmental	1,331,531	1,121,633	722,128	1,023,193	2,819,961
Charges for Services	1,081,606	1,170,762	1,151,914	1,273,241	1,079,342
Fines and Forfeits	45,402	34,711	45,749	33,584	36,696
Special Assessments	909,054	570,486	862,766	474,099	649,487
Park Dedication Fees	-	-	1,845,371	714,558	123,500
Investment Earnings (Losses)	1,072,572	(419,853)	(13,874)	348,766	331,010
Lease Interest	65,336	39,196	-	-	-
Miscellaneous	86,193	150,426	177,000	183,711	201,494
Total Revenues	<u>13,628,440</u>	<u>11,875,913</u>	<u>11,580,265</u>	<u>10,423,980</u>	<u>10,478,855</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	1,213,697	1,017,210	1,056,983	1,005,254	1,136,908
Public Safety	3,037,244	2,701,216	3,003,677	2,641,770	1,948,269
Public Works	1,355,217	1,763,030	1,488,448	1,493,370	1,875,606
Parks And Recreation	410,492	282,789	258,690	310,066	265,260
Economic Development Authority	-	-	53,264	46,371	71,609
<b>Debt service:</b>					
Principal	2,480,000	1,870,000	3,641,000	1,790,000	1,615,000
Interest and Fiscal Charges	863,089	611,636	425,797	420,299	454,814
Capital Outlay	<u>11,806,496</u>	<u>14,912,731</u>	<u>4,915,641</u>	<u>1,846,843</u>	<u>4,354,643</u>
Total Expenditures	<u>21,166,235</u>	<u>23,158,612</u>	<u>14,843,500</u>	<u>9,553,973</u>	<u>11,722,109</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,537,795)</u>	<u>(11,282,699)</u>	<u>(3,263,235)</u>	<u>870,007</u>	<u>(1,243,254)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of Debt	3,410,000	4,905,000	6,126,989	-	2,860,000
Premium on Issuance of Debt	317,037	326,200	(876,989)	-	168,168
(Discount) on Issuance of Debt	-	-	15,675,000	-	-
Proceeds from Sale of Capital Assets	60,600	76,162	548,115	13,805	44,927
Transfers In	466,799	252,074	-	1,900,244	1,181,173
Transfers Out	<u>(466,799)</u>	<u>(252,074)</u>	<u>17,300</u>	<u>(1,900,244)</u>	<u>(786,573)</u>
Total Other Financing Sources (Uses)	<u>3,787,637</u>	<u>5,307,362</u>	<u>21,490,415</u>	<u>13,805</u>	<u>3,467,695</u>
Net Change in Fund Balance	<u>\$ (3,750,158)</u>	<u>\$ (5,975,337)</u>	<u>\$ 18,227,180</u>	<u>\$ 883,812</u>	<u>\$ 2,224,441</u>
Debt Service as a Percentage of Noncapital Expenditures	35.1%	28.3%	40.9%	26.8%	26.1%
Debt Service as a Percentage of Total Expenditures	15.8%	10.7%	27.4%	23.1%	17.7%

**CITY OF LAKE ELMO, MINNESOTA**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (Continued)**  
**LAST TEN YEARS**

	2018	2017	2016	2015	2014
<b>Revenues:</b>					
General Property Taxes	\$ 3,610,508	\$ 3,042,074	\$ 3,231,674	\$ 3,222,216	\$ 3,203,111
Licenses and Permits	1,317,648	2,046,462	1,713,918	828,494	451,953
Intergovernmental	247,178	1,023,864	282,874	296,902	413,968
Charges for Services	899,808	137,920	38,608	35,796	30,192
Fines and Forfeits	49,203	41,418	49,505	48,739	48,647
Special Assessments	1,398,155	455,493	897,323	1,316,239	115,424
Park Dedication Fees	502,802	265,783	171,708	138,158	274,257
Investment Earnings (Losses)	115,583	48,987	43,228	46,415	87,467
Lease Interest	-	-	-	-	-
Miscellaneous	129,455	265,133	77,491	99,055	165,319
Total Revenues	<u>8,270,340</u>	<u>7,327,134</u>	<u>6,506,329</u>	<u>6,032,014</u>	<u>4,790,338</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	1,208,145	1,502,904	1,358,306	1,094,723	1,046,906
Public Safety	1,644,159	1,470,726	1,262,040	1,203,765	1,198,546
Public Works	1,227,521	1,185,828	893,644	686,401	585,071
Parks And Recreation	241,761	603,292	500,689	457,749	368,276
Economic Development Authority	47,702	-	-	-	-
<b>Debt service:</b>					
Principal	1,175,000	910,000	826,219	667,342	585,000
Interest and Fiscal Charges	230,822	463,570	242,392	226,611	157,649
Capital Outlay	4,552,089	5,860,917	3,126,782	2,729,512	2,881,437
Total Expenditures	<u>10,327,199</u>	<u>11,997,237</u>	<u>8,210,072</u>	<u>7,066,103</u>	<u>6,822,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,056,859)</u>	<u>(4,670,103)</u>	<u>(1,703,743)</u>	<u>(1,034,089)</u>	<u>(2,032,547)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of Debt	1,866,000	4,565,000	2,690,000	1,620,000	2,850,000
Premium on Issuance of Debt	-	166,068	102,877	32,137	31,520
(Discount) on Issuance of Debt	-	(26,302)	(14,392)	(11,386)	-
Proceeds from Sale of Capital Assets	8,991	1,400	-	30,000	-
Transfers In	56,209	-	143,105	220,842	10,501
Transfers Out	(173,190)	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,758,010</u>	<u>4,706,166</u>	<u>2,921,590</u>	<u>1,891,593</u>	<u>2,892,021</u>
Net Change in Fund Balance	<u>\$ (298,849)</u>	<u>\$ 36,063</u>	<u>\$ 1,217,847</u>	<u>\$ 857,504</u>	<u>\$ 859,474</u>
<b>Debt Service as a Percentage of</b>					
Noncapital Expenditures	24.2%	22.4%	21.0%	20.6%	18.8%
<b>Debt Service as a Percentage of</b>					
Total Expenditures	13.6%	11.4%	13.0%	12.7%	10.9%

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

Payable Year	Taxable Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2014	\$ 1,046,031,000	\$ 11,504,611	\$ 238,764	\$ 11,743,375	\$ 11,393,889	27.761	1.12%
2015	1,184,578,800	12,938,515	243,104	13,181,619	13,072,105	23.798	1.11%
2016	1,224,463,300	13,386,725	266,218	13,652,943	13,441,204	23.121	1.12%
2017	1,316,618,700	14,520,320	292,938	14,813,258	14,631,062	20.018	1.13%
2018	1,452,554,500	16,054,044	326,744	16,380,788	15,359,350	22.442	1.13%
2019	1,648,277,500	18,184,317	345,172	18,529,489	18,249,623	22.927	1.12%
2020	1,901,067,300	20,907,484	345,800	21,253,284	20,021,726	23.476	1.12%
2021	2,009,618,900	21,975,125	374,464	22,349,589	21,116,953	23.638	1.11%
2022	2,231,230,900	24,469,045	287,646	24,756,691	23,487,099	30.546	1.11%
2023	2,862,780,200	31,639,649	309,460	31,949,109	30,606,781	24.064	1.12%

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

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

**CITY OF LAKE ELMO, MINNESOTA  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS**

Fiscal Year	City Direct Rate			Overlapping Rates				Range of Total Direct and Overlapping Tax Rates	
	Operating Tax Rate	Debt Service Tax Rate	Total Tax Rate	Range of Tax Rates for ISD's 622, 832 & 834	Washington County	Range of Tax Rates for Watershed Districts	Special Taxing Districts		
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556	107.481
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484	96.301
2016	18.184	4.937	23.121	19.849 - 35.569	27.860	0.075 - 5.111	4.568	75.473	96.229
2017	14.083	5.934	20.017	20.390 - 34.093	27.852	0.839 - 5.275	4.345	73.443	91.582
2018	16.107 (1)	6.335	22.442	19.349 - 32.161	29.709	0.819 - 5.021	3.072	75.391	92.405
2019	16.258 (1)	6.670	22.927	18.442 - 31.894	29.305	0.808 - 5.263	3.994	75.476	93.383
2020	16.777 (1)	6.700	23.477	15.321 - 29.926	28.610	0.766 - 4.850	3.738	71.911	90.600
2021	17.178 (1)	6.460	23.638	17.277 - 29.554	27.244	0.742 - 4.835	3.593	72.494	88.864
2022	20.505 (1)	10.041	30.546	19.502 - 32.173	27.526	0.718 - 4.437	3.483	81.775	97.476
2023	15.803	8.261	24.064	17.143 - 29.825	23.620	0.654 - 3.867	2.974	68.456	83.462

Source: Washington County Taxation Division

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

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

(1) Excludes Library Levy component effective 1/1/2018 due to going back to Washington County

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

Taxpayer	2023			2014		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Continental 483 Fund Llc	\$ 336,784	1	1.05%	\$ -	-	-
Dakota Upreit Lp	279,546	2	0.87%	-	-	-
Bremer Financial Services Inc	257,388	3	0.81%	197,474	3	1.68%
Drp Mn 2 Llc	213,398	4	0.67%	-	-	-
Boulder Ponds Senior Living Llc	205,021	5	0.64%	-	-	-
Mill High Pointe Llc	199,384	6	0.62%	-	-	-
Xcel Energy	192,270	7	0.60%	208,806	2	1.78%
Arbor Glen Senior Living Llc	174,051	8	0.54%	-	-	-
Eagle Point Medical Building Llc	172,324	9	0.54%	-	-	-
Lake Elmo Independent Living Llc	165,724	10	0.52%	-	-	-
IRET Properties	-	-	-	205,342	1	1.75%
MHC Cimarron LLC	-	-	-	134,090	4	1.14%
HOA Hotels LLC	-	-	-	108,150	5	0.92%
Tartan Park LLC	-	-	-	100,647	6	0.86%
Danate Proper Inv I LLC	-	-	-	76,762	7	0.65%
Eagle Point II LLC	-	-	-	71,064	8	0.61%
Davis Estates LTD	-	-	-	64,912	9	0.55%
United Properties Inv LLC	-	-	-	62,460	10	0.53%
<b>Total</b>	<b>\$ 2,195,890</b>		<b>6.87%</b>	<b>\$ 1,229,707</b>		<b>10.47%</b>

Source: Washington County Taxation Division



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

Fiscal Year	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Delinquent Taxes as a Percentage of Total Net Tax Levy
			Amount	Percentage of Net Levy		Amount	Percentage of Net Levy		
2014	\$ 3,163,359	\$ 3,160,285	\$ 3,128,695	99.00%	\$ 31,590	\$ 3,160,285	100.00%	\$ -	0.00%
2015	3,113,017	3,133,137	3,112,989	99.36%	19,874	3,132,863	99.99%	274	0.01%
2016	3,112,204	3,112,204	3,068,116	98.58%	42,044	3,110,160	99.93%	2,044	0.07%
2017	2,950,426	2,950,426	2,935,173	99.48%	12,485	2,947,658	99.91%	2,768	0.09%
2018	3,596,601	3,592,491	3,574,859	99.51%	13,239	3,588,098	99.88%	4,393	0.12%
2019	4,179,840	4,175,590	4,149,059	99.36%	19,244	4,168,303	99.83%	7,287	0.17%
2020	4,949,823	4,945,184	4,864,708	98.37%	43,075	4,907,782	99.24%	37,402	0.76%
2021	5,263,268	5,258,656	5,205,793	98.99%	50,910	5,256,703	99.96%	1,953	0.04%
2022	7,468,748	7,463,868	7,372,100	98.77%	61,909	7,434,009	99.60%	29,860	0.40%
2023	7,798,403	7,793,724	7,738,743	99.29%	47,873	7,786,616	99.91%	7,108	0.09%

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Water (in millions of gallons):</b>										
Residential	399.645	351.923	323.632	203.453	173.925	96.882	93.513	98.044	84.007	98.573
Commercial service	<u>36.773</u>	<u>46.427</u>	<u>50.822</u>	<u>157.170</u>	<u>87.935</u>	<u>22.189</u>	<u>16.603</u>	<u>29.379</u>	<u>21.653</u>	<u>12.156</u>
Total gallons	436.418	398.350	374.454	360.623	261.860	119.071	110.116	127.423	105.660	110.729
Total direct rate per 1,000 gallons:										
Residential (2)	2.18	2.16	2.14	2.12	2.12	2.06	2.00	2.14	2.14	2.14
Commercial service (2)	3.39	3.36	3.33	3.30	3.30	3.20	3.11	3.11	3.11	3.11
<b>Sanitary Sewer (in millions of gallons):</b>										
Residential (1)	105.255	96.361	75.550	46.170	41.003	32.409	38.340	6.812	3.794	-
Commercial service	<u>22.900</u>	<u>20.432</u>	<u>16.021</u>	<u>11.779</u>	<u>12.943</u>	<u>12.267</u>	<u>6.807</u>	<u>9.125</u>	<u>8.179</u>	<u>6.532</u>
Total gallons	128.155	116.793	91.571	57.949	53.946	44.676	45.147	15.937	11.973	6.532
Total direct rate per 1,000 gallons	4.80	4.75	4.70	4.65	4.60	4.55	4.50	4.50	4.50	4.50

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

(2) City uses tiers, rate represents first tier, up to 15,000 gallons rate

**CITY OF LAKE ELMO, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN YEARS**

Fiscal Year	Governmental Activities				Total Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	G.O. Improvement Bonds	G.O. Equipment Certificates	G.O. Capital Improvement Plan Bonds	Other Notes and Bonds		G.O. Utility Revenue Bonds				
2014	\$ 6,919,568	\$ 52,000	\$ 1,808,024	\$ -	\$ 8,779,592	\$ 15,530,642	\$ 24,310,234	6.8%	3,013	
2015	8,095,288	-	1,687,803	21,219	9,804,310	12,622,484	22,426,794	6.0%	2,779	
2016	10,210,038	-	1,537,530	-	11,747,568	18,990,395	30,737,963	8.2%	3,809	
2017	14,151,671	-	1,382,249	-	15,533,920	22,866,787	38,400,707	8.8%	3,990	
2018	13,185,126	940,000	1,226,928	926,000	16,278,054	21,680,126	37,958,180	7.6%	3,608	
2019	14,697,425	940,000	1,065,000	926,000	17,628,425	21,520,145	39,148,570	6.5%	3,525	
2020	13,159,432	850,000	900,000	881,000	15,790,432	20,105,366	35,895,798	5.5%	3,232	
2021	26,839,553	755,000	730,000	-	28,324,553	22,841,659	51,166,212	6.0%	4,043	
2022	29,385,678	655,000	555,000	1,010,000	31,605,678	29,470,720	61,076,398	5.9%	4,519	
2023	30,806,965	555,000	375,000	1,010,000	32,746,965	29,197,925	61,944,890	6.0%	4,584	

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

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

Fiscal Year	General Bonded Debt Outstanding						Less: Amounts Available in Debt Service Funds	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita (Net)
	G.O. Improvement Bonds	G.O. Equipment Certificates	G.O. Capital Improvement Plan Bonds	Other Notes and Bonds	G.O. Utility Revenue Bonds	Total*				
2014	\$ 6,919,568	\$ 52,000	\$ 1,808,024	\$ -	\$ 15,530,642	\$ 24,310,234	\$ (691,700)	\$ 23,618,534	2.26%	2,927
2015	8,095,288	-	1,687,803	21,219	12,622,484	22,426,794	(2,477,730)	19,949,064	1.68%	2,472
2016	10,210,038	-	1,537,530	-	18,990,395	30,737,963	(3,215,590)	27,522,373	2.25%	3,411
2017	14,151,671	-	1,382,249	-	22,866,787	38,400,707	(3,524,956)	34,875,751	2.65%	3,623
2018	13,185,126	940,000	1,226,928	926,000	21,680,126	37,958,180	(4,461,692)	33,496,488	2.31%	3,184
2019	14,697,425	940,000	1,065,000	926,000	21,520,145	39,148,570	(4,716,520)	34,432,050	2.09%	3,101
2020	13,159,432	850,000	900,000	881,000	20,105,366	35,895,798	(4,530,993)	31,364,805	1.65%	2,824
2021	26,839,553	755,000	730,000	-	22,841,659	51,166,212	(3,893,266)	47,272,946	2.35%	3,736
2022	29,385,678	655,000	555,000	1,010,000	29,470,720	61,076,398	(4,535,578)	56,540,820	2.53%	4,184
2023	30,806,965	555,000	375,000	1,010,000	29,197,925	61,944,890	(5,026,712)	56,918,178	1.99%	4,212

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

See Table 5 for taxable market value

See Table 15 for population data

\* Net of crossover debt

**CITY OF LAKE ELMO, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2023**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Independent School District # 622	\$ 427,615,000 (1)	11.3%	\$ 48,246,736
Independent School District # 832	45,045,000 (1)	2.3%	1,023,702
Independent School District # 834	74,620,000 (1)	15.0%	11,204,552
Washington County	98,060,000 (1)	6.0%	5,910,269
Metropolitan Council	1,694,829,000 (1)	0.1%	<u>1,170,806</u>
Total Overlapping Debt			67,556,065
City Direct Debt	\$ 32,746,965	100%	<u>32,746,965</u>
Total Direct and Overlapping Debt			<u>\$ 100,303,030</u>

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

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

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

**CITY OF LAKE ELMO, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN YEARS**

**Legal Debt Margin Calculation for Fiscal Year 2023**

Pay 2023 Market Value	\$ 2,862,780,200
Applicable Percentage	<u>3%</u>
Debt Limit	<u>85,883,406</u>
Debt Applicable to Limit:	
Series 2010B Refunding	375,000
Series 2017A Equipment Portion	125,000
Series 2018A Equipment Cert.	555,000
Series 2019A Equipment Portion	490,000
Series 2021A 2018A Refunding	710,000
Series 2021A City Hall	<u>9,895,000</u>
Total Debt Applicable to Debt Limit	<u>12,150,000</u>
Legal Debt Margin	<u>\$ 73,733,406</u>

**Legal Debt Margin Calculation for Fiscal Years 2014 Through 2023**

<u>Fiscal Year</u>	<u>Population</u>	<u>Debt Limit</u>	<u>Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Amount of Debt Applicable to Debt Limit</u>	<u>Net Debt Applicable to Limit Per Capita</u>
2014	8,069	\$ 35,537,364	\$ 1,757,421	\$ 33,779,943	4.95%	\$ 218
2015	8,069	36,733,899	1,572,289	35,161,610	4.28%	195
2016	8,069	38,035,233	2,102,343	35,932,890	5.53%	261
2017	9,625	38,556,774	1,846,657	36,710,117	4.79%	192
2018	10,521	43,576,635	2,018,280	41,558,355	4.63%	192
2019	11,105	49,448,325	1,839,548	47,608,777	3.72%	166
2020	11,105	57,032,019	850,000	56,182,019	1.49%	77
2021	12,655	60,288,567	1,485,000	58,803,567	2.46%	117
2022	12,655	66,936,927	12,990,000	53,946,927	19.41%	1,026
2023	13,514	85,883,406	12,150,000	73,733,406	14.15%	899

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

Payable Year	G.O. Utility Revenue Bonds						Coverage
	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)			
				Principal	Interest		
2014	\$ 2,266,397	\$ 678,394	\$ 1,588,003	\$ 365,000	\$ 424,080	201%	
2015	3,642,316	627,977	3,014,339	4,165,000	456,782	65%	
2016	3,407,097	757,862	2,649,235	615,000	380,969	266%	
2017	6,651,513	1,505,420	5,146,093	705,000	513,768	422%	
2018	5,767,128	1,279,347	4,487,781	625,000	312,660	479%	
2019	4,190,240	1,175,282	3,014,958	1,360,000	509,863	161%	
2020	6,243,582	1,553,371	4,690,211	1,380,000	504,661	249%	
2021	9,147,164	1,680,527	7,466,637	3,825,000	514,210	172%	
2022	6,911,305	2,086,151	4,825,154	1,345,000	468,989	266%	
2023	5,938,053	2,752,113	3,185,940	2,325,000	775,011	103%	

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

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

Fiscal Year	Population (1)	Personal Income (4) <i>(thousands of dollars)</i>	Per Capita Personal Income (2)	State Unemployment Rate (3)	City Unemployment Rate (3)
2014	8,069	\$ 357,723	\$ 44,333	3.8%	3.7%
2015	8,069	371,602	46,053	3.2%	2.9%
2016	8,069	374,345	46,393	3.8%	3.3%
2017	9,625	438,563	45,565	3.3%	3.3%
2018	10,521	497,896	47,324	2.8%	2.7%
2019	11,105	601,991	54,209	3.5%	2.8%
2020	11,105	652,352	58,744	4.9%	4.0%
2021	12,655	851,277	67,268	2.6%	2.2%
2022	13,514	1,036,970	76,733	3.4%	2.9%
2023	13,514	1,038,064	76,814	1.9%	1.7%

Sources:

- (1) Metropolitan Council; 2022 most recent
- (2) United States Census Bureau
- (3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development
- (4) The estimated personal income for the City of Lake Elmo is calculated by taking the per capita income and multiplying it by the City's population.



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

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment(1)	Employees	Rank	Percentage of Total City Employment(1)
3M Company (Maplewood)	10,000	1	43.1%	9,100	1	48.7%
Andersen Corp (Bayport)	5,000	2	21.5%	1,875	2	9.5%
ISD No. 622 ( North St. Paul-Maplewood-Oakdale)	1,830	3	7.9%	-	-	-
Woodwinds Health (Woodbury)	1,500	4	6.5%	1,085	4	5.5%
Washington County (Stillwater)	1,386	5	6.0%	1,142	3	5.8%
ISD 834 (Stillwater)	1,162	6	5.0%	1,046	5	5.3%
HealthEast Care/St. John's Hospital (Maplewood)	973	7	4.2%	-	-	-
Presbyterian Homes/Boutwells (Oak Park Heights)	500	8	2.2%	-	-	-
Ecowater Systems, Inc. (Woodbury)	440	9	1.9%	440	7	2.3%
Bremer Bank Operations Ctr (Lake Elmo)	425	10	1.8%	415	8	2.1%
MN Correctional Facility ( Oak Park Hts)	-	-	-	730	6	3.7%
Imation Corp (Oakdale)	-	-	-	360	9	1.9%
SunAmerica Financial Group (Woodbury)	-	-	-	310	10	1.6%

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

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

	Full-Time-Equivalent Employees as of December 31,				
	2023	2022	2021	2020	2019
<b>General Government:</b>					
Administration	1.93	1.93	1.93	1.98	2.70
Finance	1.66	0.82	0.82	0.72	1.05
Planning and Zoning	4.35	2.75	1.95	1.95	2.10
<b>Total General Government</b>	<b>7.94</b>	<b>5.50</b>	<b>4.70</b>	<b>4.65</b>	<b>5.85</b>
<b>Public Safety:</b>					
Fire	7.82	2.32	1.42	1.42	3.80
Building Inspections	6.78	5.21	4.91	4.91	4.20
<b>Total Public Safety</b>	<b>14.60</b>	<b>7.53</b>	<b>6.33</b>	<b>6.33</b>	<b>8.00</b>
<b>Public Works:</b>					
Streets and Roadways	5.17	5.64	6.47	4.80	4.80
<b>Parks and Recreation:</b>					
Parks	1.46	1.18	1.01	2.25	2.20
Communications	0.42	0.42	0.42	0.42	0.50
<b>Total Governmental Activities</b>	<b>29.58</b>	<b>20.27</b>	<b>18.93</b>	<b>18.45</b>	<b>21.35</b>
<b>Business-type Activities:</b>					
Water Utility	4.49	3.76	2.98	2.75	2.50
Sewer Utility	1.92	1.59	1.05	1.40	1.15
Storm Sewer Utility	1.01	0.89	0.54	0.90	0.80
<b>Total Business-Type Activities</b>	<b>7.42</b>	<b>6.23</b>	<b>4.57</b>	<b>5.05</b>	<b>4.45</b>
<b>Total</b>	<b>37.00</b>	<b>26.50</b>	<b>23.50</b>	<b>23.50</b>	<b>25.80</b>

Source: City's Adopted Budgets

**CITY OF LAKE ELMO, MINNESOTA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM (Continued)**  
**LAST TEN YEARS**

	Full-Time-Equivalent Employees as of December 31,				
	2018	2017	2016	2015	2014
General Government:					
Administration	2.70	2.45	2.45	3.20	3.55
Finance	1.05	1.20	1.20	0.80	1.25
Planning and Zoning	2.10	2.21	2.21	2.75	2.70
Total General Government	<u>5.85</u>	<u>5.86</u>	<u>5.86</u>	<u>6.75</u>	<u>7.50</u>
Public Safety:					
Fire	3.80	3.80	3.80	1.50	1.55
Building Inspections	4.20	4.21	4.21	3.15	1.55
Total Public Safety	<u>8.00</u>	<u>8.01</u>	<u>8.01</u>	<u>4.65</u>	<u>3.10</u>
Public Works:					
Streets and Roadways	4.80	4.55	4.55	3.90	3.20
Parks and Recreation:					
Parks	2.20	3.00	3.00	1.85	3.30
Communications	0.50	-	-	0.70	0.35
Total Governmental Activities	<u>21.35</u>	<u>21.42</u>	<u>21.42</u>	<u>17.85</u>	<u>17.45</u>
Business-type Activities:					
Water Utility	2.50	2.00	2.00	2.45	2.60
Sewer Utility	1.15	1.66	1.66	1.30	0.70
Storm Sewer Utility	0.80	0.80	-	-	-
Total Business-Type Activities	<u>4.45</u>	<u>4.46</u>	<u>3.66</u>	<u>3.75</u>	<u>3.30</u>
Total	<u>25.80</u>	<u>25.88</u>	<u>25.08</u>	<u>21.60</u>	<u>20.75</u>

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

	2023	2022	2021	2020	2019
<b>Planning and Zoning:</b>					
Conditional use permits	2	7	1	1	5
Interim use permits	2	-	-	-	-
Minor subdivisions	2	-	2	-	1
Plats / planned unit developments	10	5	7	5	8
Rezoning	8	2	8	1	4
Site plans	-	-	-	3	-
Variances	5	10	6	5	5
Other (new in 2023)	9				
<b>Fire:</b>					
Total emergency responses	1047	790	568	546	541
EMS responses	652	493	355	317	383
Fire responses	395	297	213	229	158
<b>Building Inspections:</b>					
Residential permit valuations (thousands of dollars) \$	55,067	\$ 69,557	\$ 100,189	\$ 98,294	\$ 76,378
Commercial permit valuations (thousands of dollars) \$	14,577	\$ 25,189	\$ 12,548	\$ 11,761	\$ 3,146
New residential units (1)	195	200	297	309	44
New commercial units	3	6	5	11	2
<b>Water Utility:</b>					
Number of customers	3466	3,196	2,863	2,522	2,423
Average quarterly consumption (2) (millions of gallons)	108	100	89	76	69
<b>Sanitary Sewer Utility:</b>					
Number of customers	2504	2,206	1,937	1,612	1,436
Average quarterly flow (3) (millions of gallons)	32	29	19	18	16

Sources: Various City Department's annual financial report statistics

(1) Excludes fire/demolition rebuilds

(2) Residential and Commercial

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

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

	2018	2017	2016	2015	2014
<b>Planning and Zoning:</b>					
Conditional use permits	6	5	3	2	4
Interim use permits	-	2	2	1	1
Minor subdivisions	1	1	2	2	-
Plats / planned unit developments	13	10	11	9	17
Rezoning	4	5	3	2	11
Site plans	-	1	1	-	-
Variances	6	6	4	2	2
Other (new in 2023)					
<b>Fire:</b>					
Total emergency responses	461	456	430	429	358
EMS responses	317	313	268	274	237
Fire responses	144	143	162	32	21
<b>Building Inspections:</b>					
Residential permit valuations (thousands of dollars) \$	113,913	\$ 86,710	\$ 119,301	\$ 50,401	\$ 23,032
Commercial permit valuations (thousands of dollars) \$	3,217	\$ 1,185	\$ 2,003	\$ 1,952	\$ 7,309
New residential units (1)	245	299	240	140	41
New commercial units	-	1	1	1	3
<b>Water Utility:</b>					
Number of customers	2,317	1,727	1,538	1,234	1,073
Average quarterly consumption (2) (millions of gallons)	56	28	18	18	19
<b>Sanitary Sewer Utility:</b>					
Number of customers	1,253	712	321	96	45
Average quarterly flow (3) (millions of gallons)	11	12	14	74	77

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fire:										
Stations	1	2	2	2	2	2	2	2	2	2
Public Works:										
Bituminous streets (miles)	97	97	94.80	92	112	112	103	103	65	65
Gravel streets (miles)	0.5	0.5	0.5	0.5	0.5	1	2	2	2	2
Storm sewer (miles)	56.8	52.5	50	48	33	33	30	30	25	25
Parks & Recreation:										
Acres of parkland	526	517	517	427	427	427	420	420	420	420
Number of parks	25	24	24	24	24	24	17	17	17	17
Water Utility:										
Water towers	3	3	3	3	3	3	3	3	3	3
Miles of watermain	89.6	81.6	75	73	58	58	50	50	43	40
Number of fire hydrants	902	812	735	707	559	559	415	415	378	351
Sanitary Sewer Utility:										
Miles of sanitary sewer	40.1	36.1	33	32	29	29	8	8	4	3
Lift Stations	8	8	6	7	5	5	4	4	4	4

## **OTHER REQUIRED REPORTS**

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

Honorable Mayor and City Council  
City of Lake Elmo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo's basic financial statements and have issued our report thereon dated June 11, 2024.

***Report on Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Responses* as item 2023-001 that we consider to be a significant deficiency.



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

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

### ***Minnesota Legal Compliance***

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

### **City of Lake Elmo's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the City of Lake Elmo's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

June 11, 2024

**CITY OF LAKE ELMO, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Finding 2023-001    Limited Segregation of Duties**

*Condition:*                    Throughout the year, the same employee was often responsible for preparing and reviewing bank reconciliations, as well as recording and approving adjusting journal entries. Additionally, the individual primarily responsible for completing bank reconciliations was also an authorized signer for the City's checking account.

*Criteria:*                      The City should adopt an internal control structure that properly segregates the various functions of each accounting cycle. This means no single person should be in a position to both initiate and approved a transaction, as well as have access to the related physical assets involved with the transaction. In other words, an employee should not be in a position to both commit an irregularity and cover it up.

*Cause:*                         Limited number of staff members in the finance department, as well as temporary vacancies in the Finance Director and City Administrator roles.

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

*Recommendation:*        We recommend the City review and evaluate current procedures for the purpose of implementing additional oversight and segregation of duties to the extent that is determined to be feasible.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*        Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF LAKE ELMO, MINNESOTA  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Finding 2023-001    Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will review and evaluate current processes, procedures, and employee roles within the Finance Department. To the extent possible, the City will implement additional controls to mitigate the lack of segregation of duties.
3. Official Responsible  
Nicole Miller, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2024.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.