

CITY OF



ARDEN HILLS

ARDEN HILLS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report
Year Ended
December 31, 2016

FINANCE DEPARTMENT

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CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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INTRODUCTORY SECTION



June 19, 2017

To the Honorable Mayor,
Members of the City Council,
and Citizens of the City of Arden Hills, Minnesota

State law requires that every general purpose local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR), Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Arden Hills, Minnesota’s (the City) financial statements for the year ended December 31, 2016. The independent auditor’s report is located at the front of the financial section of this report.

The management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1951, is a northern suburb of the Minneapolis/St. Paul metropolitan area, situated in Ramsey County. The City occupies 9.82 square miles and serves a population of 9,951. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. Councilmembers serve four-year terms, with two members elected every two years. The mayor is elected for a four-year term. The mayor and members of the City Council are elected at large.

The City provides a full range of services: the construction and maintenance of streets and other infrastructure; recreational and cultural activities; water, sewer, surface water management, and recycling systems; community development, building inspection, and planning; and general government operations, including administration, finance/accounting, information systems, community information (newsletter), and general government buildings. The City contracts with Ramsey County for police services and Lake Johanna Fire Department for fire services.

The City Council is required to adopt a final budget by late December for the subsequent year. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfers of appropriations between funds require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts may be amended by the City Council.

The City's capital improvement program (covering five years), the pavement management plan (covering five years), and the Twin Cities Army Ammunition Plant (TCAAP) development plan, along with the annual budget, serve as the foundation for the City's financial planning, and the annual budget serves as the budget control.

LOCAL ECONOMY

A number of high-profile leaders in the medical, technology, and business sectors, including Boston Scientific, Land O' Lakes, IntriCon, Gradient Financial, International Paper, Delkor, and Presbyterian Homes are located within the City. These leaders of industry provide high-paying jobs to skilled employees, which in turn creates a strong base for economic diversity, quality housing, and an involved citizenry.

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past 10 years, the unemployment rate has fluctuated from a high of 6.4 percent in 2010 to the current low of 3.5 percent. Unemployment is expected to remain at or below the regional and national average.

During the past 10 years, property taxes have remained a stable and significant source of total General Fund and special revenue fund revenues. Intergovernmental revenues have declined over this same time period and now make up less than 3 percent of total revenues in the General Fund and special revenue funds for the current fiscal year.

LONG-TERM FINANCIAL PLANNING

The unassigned General Fund balance of \$2,660,771 (56.4 percent of total subsequent year General Fund expenditures budgeted) meets the 50 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance also includes \$26,271 of nonspendable equity for prepaid items, \$61,816 of assigned equity for compensated absences, and \$195,955 assigned equity for subsequent year's budget.

The City's five-year capital improvement program and pavement management plan serve as the foundation for the City's long-term financial planning. To ensure the timely replacement of infrastructure, the City prepares long-term cost projections for the replacement of all city assets. Funding needs for capital replacements are reflected in tax levies and special assessments for capital assets, and are reflected in user fees established for the Water, Sewer, Surface Water Management, and Recycling Funds.

Projections for the next 10 years indicate that property tax contributions, user fees, and investment income will need to be reevaluated to support scheduled replacements. In 2007, the City established a citizen committee, called the Financial Planning and Analysis Committee, to work on establishing fund balance policies and where future tax rates should be set. A 10-year financial plan has been completed. In 2012, the City entered into a Joint Powers Agreement with Ramsey County to form a Joint Development Authority (JDA) to acquire and develop a portion of the Army property, formerly known as TCAAP. The county officially acquired this property April 15, 2013, and has cleaned it to residential standards. This development is expected to add to the City's tax base and includes commercial/industrial, residential, and civic uses. The site is approximately 430 acres.

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 intergovernmental revenues (federal and state). Changes in state tax law over the past few years 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 TCAAP project progresses the City can expect to see an increase in building permit revenues in the next few years.

MAJOR INITIATIVES

As previously mentioned, the development of the TCAAP property is a major project for the City. This project also drives transportation issues as the site will increase traffic flows and require access. Currently, the City has U.S. Highway 10, Interstate Highway 694, and Ramsey County 96 as major corridors running through the City. All of these highways border the TCAAP property and present transportation issues within the City; the City has a vested interest in improvements to these corridors and is working cooperatively with the state, county, and federal transportation authorities and legislators.

ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. This is the tenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 service of the entire staff of the finance department, and through the helpful guidance and assistance from our auditing firm, MMKR. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor, City Council, and city administrator for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in blue ink that reads "William S. Joynes, Sr." The signature is written in a cursive style with a large, prominent initial "W".

William S. Joynes, Sr.
City Administrator



Government Finance Officers Association

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

Presented to

**City of Arden Hills
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2016

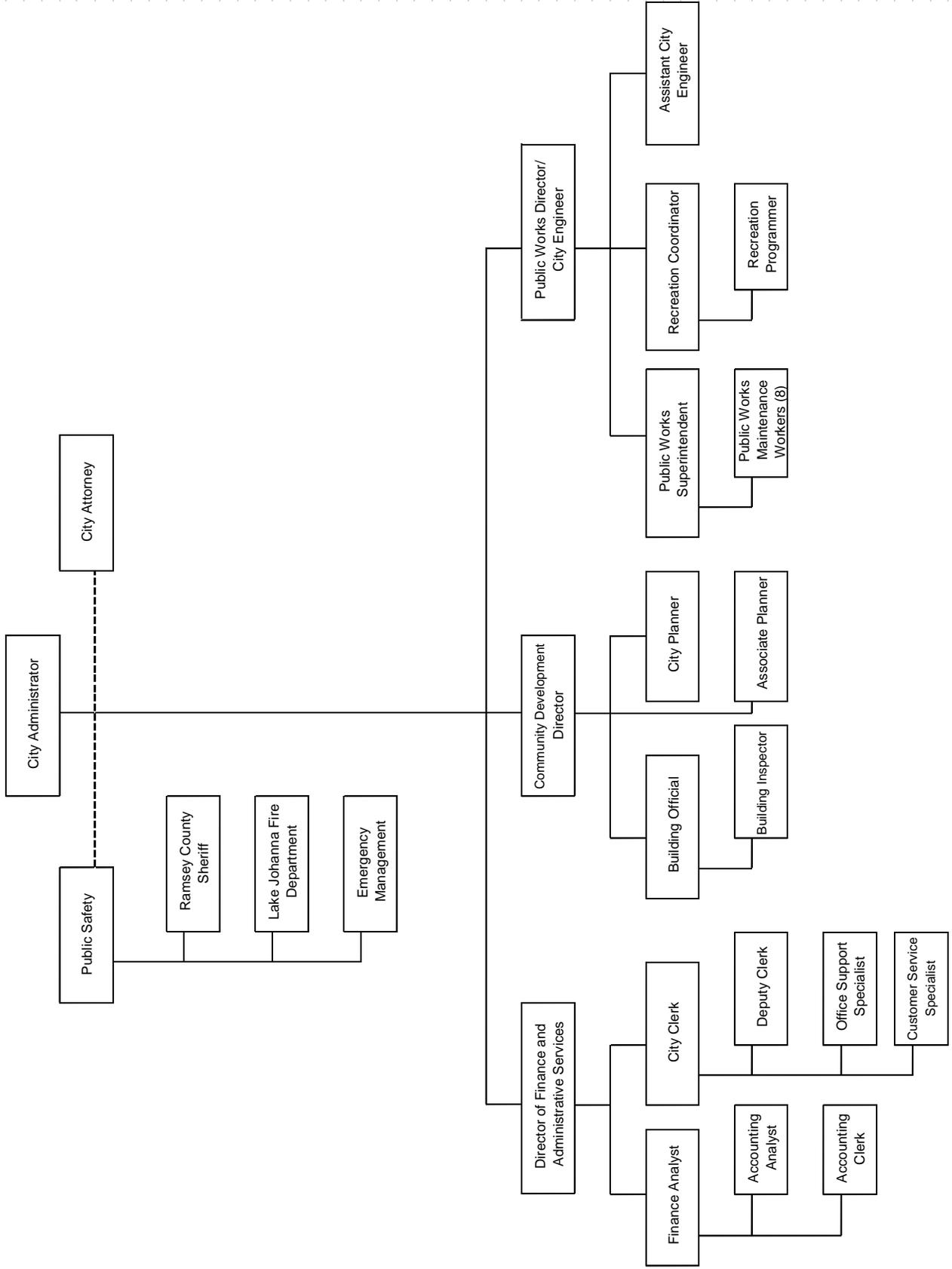
CITY COUNCIL

		<u>Term Expires</u>
David Grant	Mayor	December 31, 2018
Brenda Holden	Councilmember	December 31, 2020
Fran Holmes	Councilmember	December 31, 2018
Dave McClung	Councilmember	December 31, 2020
Jonathan Wicklund	Councilmember	December 31, 2016

APPOINTED OFFICIALS

Susan K. Iverson	Interim City Administrator
Susan K. Iverson	Director of Finance and Administrative Services/Treasurer
Julie Hanson	City Clerk
Joel Jamnik	City Attorney

2016 City of Arden Hills Organization Chart



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FINANCIAL SECTION



PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Arden Hills, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arden Hills, Minnesota (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
June 19, 2017

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CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2016

As the management of the City of Arden Hills, Minnesota (the City), we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is presented in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$51,638,297 (*net position*). Of this amount, \$9,366,517 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,656,332 in 2016, excluding the effect of a prior period adjustment discussed below.
- The City reported a prior period adjustment in the current year, reducing beginning net position by \$774,250. The adjustment was to properly record deferred inflows of resources as of the beginning of the year for advances on state entitlements that apply to future periods.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,837,469. Of this total amount, \$26,485 is nonspendable and \$786,678 is restricted, leaving an unrestricted balance of \$7,024,306.
- At the end of the current fiscal year, the General Fund has a total fund balance of \$2,944,813. At December 31, 2016, the unassigned fund balance of the General Fund was, \$2,660,771 or 56.4 percent of the subsequent year's budgeted expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found in the financial section following this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual major governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General; EDA Operating; Equipment, Building, and Replacement; and Permanent Improvement Revolving Funds, which are considered to be major funds.

Data from all other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

Proprietary Funds – The City maintains two different types of proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, surface water management, and recycling operations. Water, sewer, and surface water management are considered to be major funds of the City.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains internal service funds for risk management, engineering, central garage, and technology. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary funds financial statements can be found in the financial section of this report immediately following the governmental funds statements.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found following the proprietary funds statements within the financial section of this report.

Other Information – In addition to the basic financial statements and accompanying notes, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules (presented as supplemental information) referred to earlier in connection with nonmajor governmental funds and internal service funds, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the CAFR to facilitate additional analysis, and is the third and final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,638,297 at December 31, 2016.

The largest portion of the City's net position, \$41,485,102, or 80.3 percent, reflects its investment in capital assets (e.g., land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles) net of accumulated depreciation. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The following table provides the City's Summary of Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 12,385,881	\$ 12,335,695	\$ 2,290,327	\$ 1,180,515	\$ 14,676,208	\$ 13,516,210
Capital assets	25,178,721	24,909,453	16,306,381	16,167,536	41,485,102	41,076,989
Total assets	<u>\$ 37,564,602</u>	<u>\$ 37,245,148</u>	<u>\$ 18,596,708</u>	<u>\$ 17,348,051</u>	<u>\$ 56,161,310</u>	<u>\$ 54,593,199</u>
Deferred outflows of resources						
Pension plan deferments – PERA	\$ 583,538	\$ 130,662	\$ 311,390	\$ 75,690	\$ 894,928	\$ 206,352
Liabilities						
Long-term liabilities outstanding	\$ 1,454,178	\$ 1,032,869	\$ 830,729	\$ 597,388	\$ 2,284,907	\$ 1,630,257
Other liabilities	1,763,108	1,865,511	539,337	346,792	2,302,445	2,212,303
Total liabilities	<u>\$ 3,217,286</u>	<u>\$ 2,898,380</u>	<u>\$ 1,370,066</u>	<u>\$ 944,180</u>	<u>\$ 4,587,352</u>	<u>\$ 3,842,560</u>
Deferred inflows of resources						
Pension plan deferments – PERA	\$ 206,006	\$ 127,132	\$ 114,694	\$ 73,644	\$ 320,700	\$ 200,776
State aid received for subsequent years	509,889	–	–	–	509,889	–
Total deferred inflows of resources	<u>\$ 715,895</u>	<u>\$ 127,132</u>	<u>\$ 114,694</u>	<u>\$ 73,644</u>	<u>\$ 830,589</u>	<u>\$ 200,776</u>
Net position						
Investment in capital assets	\$ 25,178,721	\$ 24,909,453	\$ 16,306,381	\$ 16,167,536	\$ 41,485,102	\$ 41,076,989
Restricted	786,678	675,052	–	–	786,678	675,052
Unrestricted	8,249,560	8,765,793	1,116,957	238,381	9,366,517	9,004,174
Total net position	<u>\$ 34,214,959</u>	<u>\$ 34,350,298</u>	<u>\$ 17,423,338</u>	<u>\$ 16,405,917</u>	<u>\$ 51,638,297</u>	<u>\$ 50,756,215</u>

Restricted net position of \$786,678 comprises 1.5 percent of net position at the close of the fiscal year ending December 31, 2016. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$9,366,517, or approximately 18.2 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Deferred outflows of resources, long-term liabilities, and deferred inflows of resources increased over prior year balances for the change in the City's proportionate share of pension obligations for the PERA – General Employees Retirement Fund state-wide pension plan. The prior period adjustment mentioned earlier also contributed to the increase in deferred inflows of resources.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2016 with comparative amounts for the year ended December 31, 2015:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 1,174,536	\$ 1,025,107	\$ 5,101,622	\$ 4,866,575	\$ 6,276,158	\$ 5,891,682
Operating grants and contributions	308,900	389,219	26,323	124,228	335,223	513,447
Capital grants and contributions	462,105	3,080,749	59,248	-	521,353	3,080,749
General revenues						
Property taxes	3,278,287	3,191,426	-	-	3,278,287	3,191,426
Tax increment collections	242,544	697,898	-	-	242,544	697,898
Franchise taxes	132,548	72,837	-	-	132,548	72,837
Unrestricted investment earnings	155,191	245,540	17,835	35,857	173,026	281,397
Total revenues	5,754,111	8,702,776	5,205,028	5,026,660	10,959,139	13,729,436
Expenses						
General government	1,384,908	1,281,557	-	-	1,384,908	1,281,557
Public safety	2,047,961	1,978,210	-	-	2,047,961	1,978,210
Public works	800,157	194,667	-	-	800,157	194,667
Parks and recreation	751,910	711,181	-	-	751,910	711,181
Economic development	361,029	733,528	-	-	361,029	733,528
Interest on long-term debt	-	817	-	-	-	817
Water	-	-	1,833,468	1,803,405	1,833,468	1,803,405
Sewer	-	-	1,513,219	1,587,808	1,513,219	1,587,808
Surface water management	-	-	468,965	489,377	468,965	489,377
Recycling	-	-	141,190	239,727	141,190	239,727
Total expenses	5,345,965	4,899,960	3,956,842	4,120,317	9,302,807	9,020,277
Increase (decrease) in net position before transfers	408,146	3,802,816	1,248,186	906,343	1,656,332	4,709,159
Transfers	230,765	230,765	(230,765)	(230,765)	-	-
Increase (decrease) in net position	638,911	4,033,581	1,017,421	675,578	1,656,332	4,709,159
Net position – beginning, as previously reported	34,350,298	30,316,717	16,405,917	15,730,339	50,756,215	46,047,056
Prior Period Adjustment	(774,250)	-	-	-	(774,250)	-
Net position – beginning, restated	33,576,048	30,316,717	16,405,917	15,730,339	49,981,965	46,047,056
Net position – ending	\$ 34,214,959	\$ 34,350,298	\$ 17,423,338	\$ 16,405,917	\$ 51,638,297	\$ 50,756,215

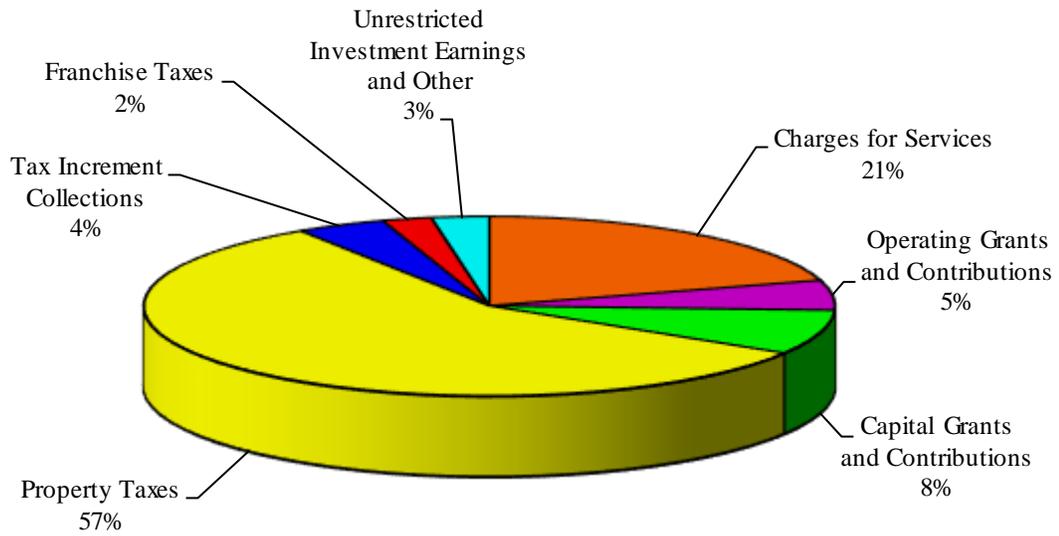
Governmental Activities – Current year operating results of governmental activities increased net position by \$638,911 compared to an increase of \$4,033,581 in the prior year. Changes from the prior year included the following:

- Capital grants and contributions were down due to significant assessments in the prior year for street projects that did not happen in the current year.
- Tax increment collections were down with the end of TIF collections in TIF District 2 in 2015.
- Public works spending was up in the current year with more maintenance related spending and an unusually low expense year in 2015.
- Economic development spending was down consistent with the decrease in TIF collections.

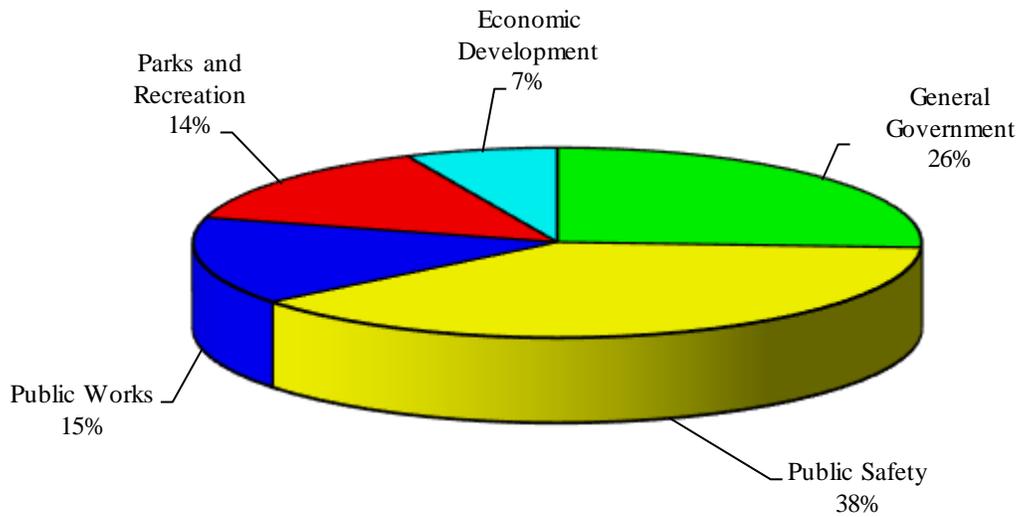
Business-Type Activities – Current year operating results of business-type activities increased net position by \$1,017,422, due to positive results of the utility operations of the City. Program revenues exceeded program expenses for each of the City’s business-type activities. Rate increases and fluctuations in consumption contributed to the change in charges for services in business-type activities.

Below are specific graphs that provide comparisons of the governmental activities revenue and expenses:

Governmental Activities – Revenue

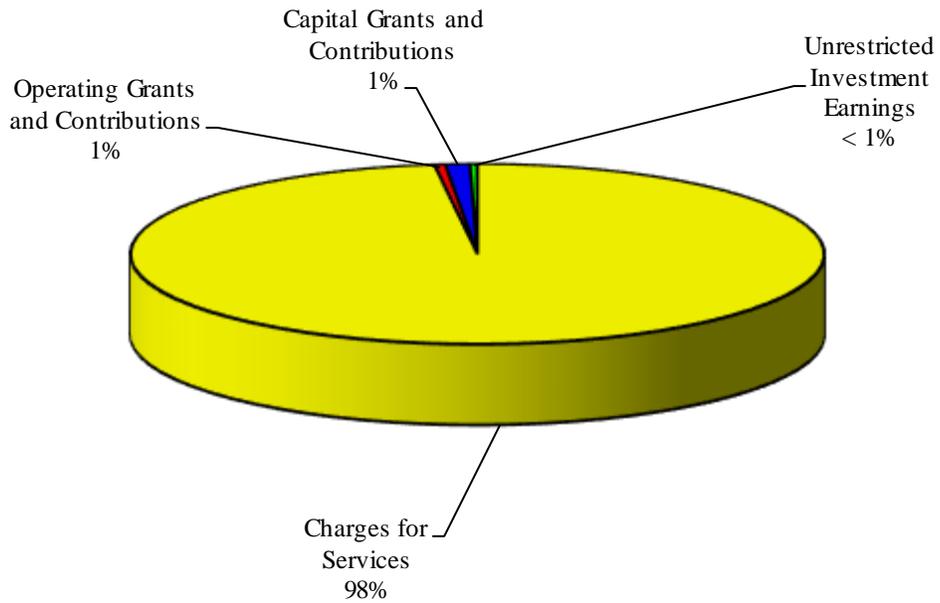


Governmental Activities – Expenses

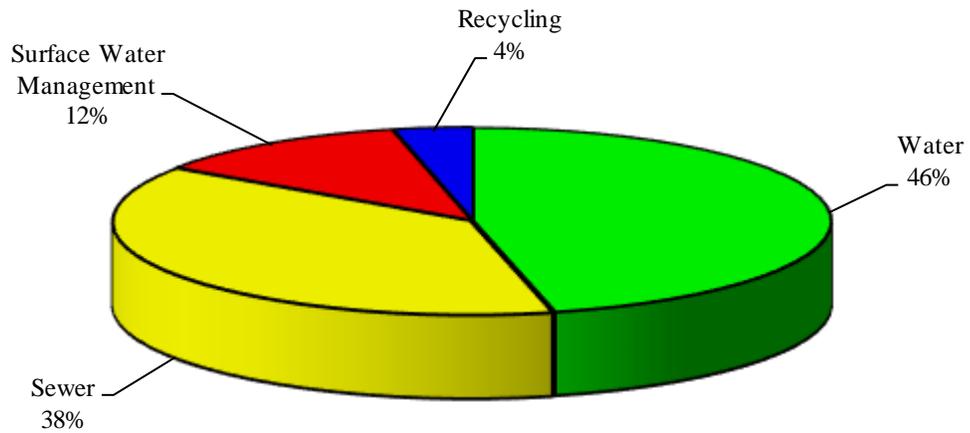


Below are specific graphs that provide comparisons of the business-type activities revenue and expenses:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,837,469, a decrease of \$57,113 in comparison with the prior year. Current year operating results increased fund balance by \$717,137, while the prior period adjustment reduced fund balance by \$774,250. Committed, assigned, and unassigned fund balance, which are available for spending at the government's discretion, have a total balance of \$7,024,306 at year-end. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it has already been obligated: 1) for tax increment purposes (\$505,126), 2) for cable TV purposes (\$281,552), or 3) is not in spendable form for prepaid items (\$26,485).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,660,771, while total fund balance equaled \$2,944,813. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to expenditures. Unassigned fund balance represents 56.4 percent of the total subsequent year General Fund expenditures.

The City's General Fund equity decreased by \$137,597 during the current fiscal year compared to a \$725,447 decrease approved in the final budget; this was due to favorable revenue and expenditure variances, with several departments spending less than amounts approved in the budget. Conservative budgeting for less predictable sources such as licenses and permits and charges for services contributed to the favorable revenue variance.

Fund balance in the EDA Operating Fund decreased by \$2,962, which compares to an anticipated fund balance reduction of \$68,559. Tax increment collections and earnings on investments were \$5,684 more than expected in the final budget, while expenditures were \$59,913 below appropriations.

Equity in the Equipment, Building, and Replacement Fund increased by \$143,403 as revenues and transfers in exceeded expenditures during the current year. The General Fund, Water Fund, Sewer Fund, and Surface Water Management Fund made transfers of \$280,765 to this fund in the current year.

Fund balance in the Permanent Improvement Revolving Fund increased by \$773,148, before the prior period adjustment as previously discussed. Total revenues and a transfer from the General Fund exceeded current year expenditures based on the timing of projects.

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

Unrestricted net position in the respective proprietary funds includes: \$830,466 for water, negative (\$89,749) for sewer, \$273,827 for surface water management, and \$102,413 for recycling. Water net position increased \$277,208, sewer net position increased \$439,355, surface water management net position increased \$282,212, and recycling net position increased \$18,646 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$292,698 more than estimated in the budget. Licenses and permits and charges for services revenue surpassed budgeted levels by \$333,156 and \$210,738, respectively, due to development activity surpassing expected amounts. An unfavorable variance in property taxes partially offset the favorable variances previously discussed. Expenditures within the General Fund were less than budget by \$295,152 spread across several functions, but most noticeably in administration, public works, and park maintenance.

During the year, the City Council approved one budget amendment increasing transfers out by \$565,121, moving available resources to the Permanent Improvement Revolving Fund.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$41,485,102 (net of accumulated depreciation). This investment in capital assets includes items such as land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles. The total increase in the City’s investment in capital assets for the current fiscal year was 1.0 percent (an increase of 1.1 percent for governmental activities and an increase of 0.9 percent for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
	Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818
Construction in progress	7,315,839	8,394,949	2,075,734	2,655,655	9,391,573	11,050,604
Buildings and structures	3,514,527	3,673,235	746,320	787,864	4,260,847	4,461,099
Infrastructure and improvements	10,349,148	8,786,556	–	–	10,349,148	8,786,556
Distribution and collection systems	–	–	13,384,114	12,610,034	13,384,114	12,610,034
Machinery and equipment	208,687	227,349	100,213	113,983	308,900	341,332
Office furniture and equipment	71,460	78,706	–	–	71,460	78,706
Vehicles	1,039,242	1,068,840	–	–	1,039,242	1,068,840
Total	<u>\$ 25,178,721</u>	<u>\$ 24,909,453</u>	<u>\$ 16,306,381</u>	<u>\$ 16,167,536</u>	<u>\$ 41,485,102</u>	<u>\$ 41,076,989</u>

Increase in the current year included completed and ongoing projects for streets and trails, contributing to the changes in the table above as of year-end.

Additional information on the City’s capital assets can be found in Note 3 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had no bonded debt outstanding. Remaining long-term debt includes the net pension liability and compensated absences payable.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Compensated absences payable	\$ 64,277	\$ 104,184	\$ 52,721	\$ 59,420	\$ 116,998	\$ 163,604
Net pension liability	1,389,901	928,685	778,008	537,968	2,167,909	1,466,653
Total	<u>\$ 1,454,178</u>	<u>\$ 1,032,869</u>	<u>\$ 830,729</u>	<u>\$ 597,388</u>	<u>\$ 2,284,907</u>	<u>\$ 1,630,257</u>

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value.

As previously discussed, the net pension liability increased over the prior year for the change in the City’s proportionate share of pension obligations for the PERA – General Employees Retirement Fund state-wide pension plan.

Additional information on the City’s long-term liabilities can be found in Note 4 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Dramatic increases in local government aids and other state sources are not anticipated based on legislation at the time of writing this report.
- Property tax collection rates are expected to remain strong, at or near the 2016 level.

All of these factors were considered in preparing the City’s budget for the 2017 fiscal year.

REQUESTS FOR INFORMATION

This CAFR is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the finance department, 1245 West Highway 96, Arden Hills, Minnesota 55112.

BASIC FINANCIAL STATEMENTS

CITY OF ARDEN HILLS

Statement of Net Position
as of December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 9,716,861	\$ 1,226,375	\$ 10,943,236
Accrued interest receivable	39,822	5,554	45,376
Accounts receivable	166,855	1,412,109	1,578,964
Taxes receivable	92,567	-	92,567
Special assessments receivable	1,802,213	-	1,802,213
Internal balances	425,522	(425,522)	-
Due from other governmental units	88,664	-	88,664
Prepaid items	53,377	61,777	115,154
Inventory	-	10,034	10,034
Capital assets			
Nondepreciable	9,995,657	2,075,734	12,071,391
Depreciable, net of accumulated depreciation	15,183,064	14,230,647	29,413,711
Total assets	<u>37,564,602</u>	<u>18,596,708</u>	<u>56,161,310</u>
Deferred outflows of resources			
Pension plan deferments – PERA	583,538	311,390	894,928
Liabilities			
Accounts payable	417,988	60,161	478,149
Salaries payable	28,631	16,349	44,980
Contracts payable	328,480	191,036	519,516
Deposits payable	475,392	-	475,392
Due to other governmental units	464,714	271,791	736,505
Unearned revenue	47,903	-	47,903
Compensated absences payable			
Due within one year	48,208	39,585	87,793
Due in more than one year	16,069	13,136	29,205
Net pension liability			
Due in more than one year	1,389,901	778,008	2,167,909
Total liabilities	<u>3,217,286</u>	<u>1,370,066</u>	<u>4,587,352</u>
Deferred inflows of resources			
Pension plan deferments – PERA	206,006	114,694	320,700
State aid received for subsequent years	509,889	-	509,889
Total deferred inflows of resources	<u>715,895</u>	<u>114,694</u>	<u>830,589</u>
Net position			
Investment in capital assets	25,178,721	16,306,381	41,485,102
Restricted for			
Tax increment purposes	505,126	-	505,126
Cable TV	281,552	-	281,552
Unrestricted	8,249,560	1,116,957	9,366,517
Total net position	<u>\$ 34,214,959</u>	<u>\$ 17,423,338</u>	<u>\$ 51,638,297</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Activities
Year Ended December 31, 2016

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,384,908	\$ 299,692	\$ 141,741	\$ -
Public safety	2,047,961	735,730	77,288	22,821
Public works	800,157	4,535	88,121	431,058
Parks and recreation	751,910	134,579	1,750	8,226
Economic development	361,029	-	-	-
Total governmental activities	<u>5,345,965</u>	<u>1,174,536</u>	<u>308,900</u>	<u>462,105</u>
Business-type activities				
Water	1,833,468	2,165,773	984	-
Sewer	1,513,219	1,989,066	1,130	59,248
Surface water management	468,965	812,044	770	-
Recycling	141,190	134,739	23,439	-
Total business-type activities	<u>3,956,842</u>	<u>5,101,622</u>	<u>26,323</u>	<u>59,248</u>
Total primary government	<u>\$ 9,302,807</u>	<u>\$ 6,276,158</u>	<u>\$ 335,223</u>	<u>\$ 521,353</u>

General revenues
 Property taxes
 Tax increment collections
 Franchise taxes
 Unrestricted investment earnings
 Transfers
 Total general revenues and transfers

Change in net position

Net position – beginning, as previously reported
 Prior period adjustment
 Net position – beginning, restated
 Net position – ending

See notes to basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (943,475)	\$ —	\$ (943,475)
(1,212,122)	—	(1,212,122)
(276,443)	—	(276,443)
(607,355)	—	(607,355)
(361,029)	—	(361,029)
(3,400,424)	—	(3,400,424)
—	333,289	333,289
—	536,225	536,225
—	343,849	343,849
—	16,988	16,988
—	1,230,351	1,230,351
(3,400,424)	1,230,351	(2,170,073)
3,278,287	—	3,278,287
242,544	—	242,544
132,548	—	132,548
155,191	17,835	173,026
230,765	(230,765)	—
4,039,335	(212,930)	3,826,405
638,911	1,017,421	1,656,332
34,350,298	16,405,917	50,756,215
(774,250)	—	(774,250)
33,576,048	16,405,917	49,981,965
\$ 34,214,959	\$ 17,423,338	\$ 51,638,297

CITY OF ARDEN HILLS

Balance Sheet
 Governmental Funds
 as of December 31, 2016

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving
Assets				
Cash and investments	\$ 3,506,967	\$ 283,738	\$ -	\$ 4,292,869
Accrued interest receivable	13,191	1,211	-	19,265
Accounts receivable	137,362	-	-	-
Taxes receivable	92,567	-	-	-
Special assessments receivable	9,740	-	-	1,792,473
Interfund receivable	-	-	-	555,869
Due from other governmental units	70,878	-	-	17,786
Prepaid items	26,271	-	-	-
Total assets	\$ 3,856,976	\$ 284,949	\$ -	\$ 6,678,262
Liabilities				
Accounts payable	\$ 288,318	\$ 625	\$ -	\$ 13,352
Salaries payable	26,312	677	-	-
Contracts payable	-	-	-	197,824
Deposits payable	475,392	-	-	-
Interfund payable	-	-	37,102	-
Due to other governmental units	14,612	-	-	431,599
Unearned revenue	47,903	-	-	-
Total liabilities	852,537	1,302	37,102	642,775
Deferred inflows of resources				
Unavailable revenue – taxes	49,926	-	-	-
Unavailable revenue – special assessments	9,700	-	-	1,786,219
State aid received for subsequent years	-	-	-	509,889
Total deferred inflows of resources	59,626	-	-	2,296,108
Fund balances (deficits)				
Nonspendable	26,271	-	-	-
Restricted	-	-	-	-
Committed	-	283,647	-	-
Assigned	257,771	-	-	3,739,379
Unassigned	2,660,771	-	(37,102)	-
Total fund balances (deficits)	2,944,813	283,647	(37,102)	3,739,379
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,856,976	\$ 284,949	\$ -	\$ 6,678,262

Fund balances reported above

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

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

Nondepreciable

Depreciable

Internal service funds are used to allocate costs to individual funds. Net position is included in governmental activities in the Statement of Net Position.

Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds (see Note 4 for more details on components of long-term liabilities).

Due within one year

Due in more than one year

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows – pension plans

Deferred inflows – pension plans

Deferred inflows – unavailable revenues

Net position of governmental activities

See notes to basic financial statements

Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ 1,152,147	\$ -	\$ 9,235,721
4,619	-	38,286
29,493	-	166,855
-	-	92,567
-	-	1,802,213
-	(86,951)	468,918
-	-	88,664
214	-	26,485
<u>\$ 1,186,473</u>	<u>\$ (86,951)</u>	<u>\$ 11,919,709</u>
\$ 98,343	\$ -	\$ 400,638
893	-	27,882
130,656	-	328,480
-	-	475,392
49,849	(86,951)	-
-	-	446,211
-	-	47,903
<u>279,741</u>	<u>(86,951)</u>	<u>1,726,506</u>
-	-	49,926
-	-	1,795,919
-	-	509,889
-	-	2,355,734
214	-	26,485
786,678	-	786,678
166,786	-	450,433
133,559	-	4,130,709
(180,505)	-	2,443,164
<u>906,732</u>	<u>-</u>	<u>7,837,469</u>
<u>\$ 1,186,473</u>	<u>\$ (86,951)</u>	<u>\$ 11,919,709</u>
		\$ 7,837,469
		9,995,657
		15,183,064
		427,109
		(46,362)
		(1,405,355)
		583,538
		(206,006)
		<u>1,845,845</u>
		<u>\$ 34,214,959</u>

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2016

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving
Revenues				
Taxes				
General property taxes	\$ 3,260,537	\$ -	\$ -	\$ -
Tax increments	-	4,889	-	-
Special assessments	1,331	-	-	372,084
Licenses and permits	598,686	-	-	-
Intergovernmental	131,914	-	-	264,361
Charges for services	577,041	-	-	-
Fines and forfeits	31,868	-	-	-
Earnings on investments	52,161	4,795	-	75,108
Franchise taxes	-	-	-	-
Antenna rental fees	123,815	-	-	-
Miscellaneous reimbursements	10,756	-	-	-
Other	14,880	-	18,436	27,549
Total revenues	<u>4,802,989</u>	<u>9,684</u>	<u>18,436</u>	<u>739,102</u>
Expenditures				
Current				
General government	1,082,313	-	-	-
Public safety	1,981,506	-	-	-
Public works	479,814	-	-	-
Parks and recreation	621,832	-	-	-
Economic development	-	72,646	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	155,798	631,075
Economic development	-	-	-	-
Total expenditures	<u>4,165,465</u>	<u>72,646</u>	<u>155,798</u>	<u>631,075</u>
Revenues over (under) expenditures	637,524	(62,962)	(137,362)	108,027
Other financing sources (uses)				
Transfers in	-	60,000	280,765	665,121
Transfers out	(775,121)	-	-	-
Total other financing sources (uses)	<u>(775,121)</u>	<u>60,000</u>	<u>280,765</u>	<u>665,121</u>
Net changes in fund balances	(137,597)	(2,962)	143,403	773,148
Fund balances (deficits) – beginning, as previously reported	3,082,410	286,609	(180,505)	3,740,481
Prior period adjustment	-	-	-	(774,250)
Fund balances (deficits) – beginning, restated	<u>3,082,410</u>	<u>286,609</u>	<u>(180,505)</u>	<u>2,966,231</u>
Fund balances (deficits) – ending	<u>\$ 2,944,813</u>	<u>\$ 283,647</u>	<u>\$ (37,102)</u>	<u>\$ 3,739,379</u>

See notes to basic financial statements

Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ -	\$ -	\$ 3,260,537
237,655	-	242,544
-	-	373,415
-	-	598,686
-	-	396,275
-	-	577,041
-	-	31,868
16,615	-	148,679
132,548	-	132,548
-	-	123,815
-	-	10,756
22,821	-	83,686
<u>409,639</u>	<u>-</u>	<u>5,979,850</u>
112,266	-	1,194,579
-	-	1,981,506
-	-	479,814
-	-	621,832
157,042	-	229,688
47,880	-	47,880
-	-	786,873
151,306	-	151,306
<u>468,494</u>	<u>-</u>	<u>5,493,478</u>
(58,855)	-	486,372
-	(775,121)	230,765
-	775,121	-
<u>-</u>	<u>-</u>	<u>230,765</u>
(58,855)	-	717,137
965,587	-	7,894,582
-	-	(774,250)
<u>965,587</u>	<u>-</u>	<u>7,120,332</u>
<u>\$ 906,732</u>	<u>\$ -</u>	<u>\$ 7,837,469</u>

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CITY OF ARDEN HILLS

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2016

Net changes in fund balances – total governmental funds	\$ 717,137
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	896,307
Depreciation expense	(627,039)
Adjustments are made between the governmental funds and the Statement of Activities for the long-term liability activity of the net pension liability.	(461,216)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows – pension plans	452,876
Deferred inflows – pension plans	(78,874)
Deferred inflows – unavailable revenues	(237,793)
Internal service funds are used to allocate costs to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities in the government-wide financial statements.	(51,843)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>29,356</u>
Change in net position of governmental activities	<u><u>\$ 638,911</u></u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Net Position
 Proprietary Funds
 as of December 31, 2016

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Assets						
Current assets						
Cash and investments	\$ 798,259	\$ –	\$ 312,817	\$ 115,299	\$ 1,226,375	\$ 481,140
Accrued interest receivable	3,546	–	1,537	471	5,554	1,536
Accounts receivable						
Customers	490,976	635,787	211,126	–	1,337,889	–
Customer accounts certified to county	29,081	35,712	6,200	3,227	74,220	–
Prepaid items	25	61,727	25	–	61,777	26,892
Inventory	10,034	–	–	–	10,034	–
Total current assets	1,331,921	733,226	531,705	118,997	2,715,849	509,568
Noncurrent assets						
Capital assets						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	8,654,383	9,005,385	3,384,882	–	21,044,650	–
Machinery and equipment	315,109	634,405	1,187	–	950,701	–
Office furniture and equipment	6,951	5,024	–	–	11,975	–
Vehicles	91,238	45,421	49,633	–	186,292	–
Construction in progress	917,222	390,632	767,880	–	2,075,734	–
Total capital assets	10,803,379	10,097,431	4,203,582	–	25,104,392	–
Less accumulated depreciation	(4,035,908)	(4,161,998)	(600,105)	–	(8,798,011)	–
Total capital assets (net of accumulated depreciation)	6,767,471	5,935,433	3,603,477	–	16,306,381	–
Total assets	8,099,392	6,668,659	4,135,182	118,997	19,022,230	509,568
Deferred outflows of resources						
Pension plan deferments – PERA	106,344	121,908	83,138	–	311,390	–
Liabilities						
Current liabilities						
Accounts payable	24,385	9,765	18,071	7,940	60,161	17,350
Salaries payable	5,305	6,850	3,947	247	16,349	749
Contracts payable	57,517	66,869	66,650	–	191,036	–
Interfund payable	–	425,522	–	–	425,522	43,396
Due to other governmental units	197,809	66,468	–	7,514	271,791	18,503
Compensated absences payable	13,080	15,305	10,538	662	39,585	1,846
Total current liabilities	298,096	590,779	99,206	16,363	1,004,444	81,844
Noncurrent liabilities						
Compensated absences payable (net of current portion)	4,360	5,042	3,513	221	13,136	615
Net pension liability	266,119	304,209	207,680	–	778,008	–
Total noncurrent liabilities	270,479	309,251	211,193	221	791,144	615
Total liabilities	568,575	900,030	310,399	16,584	1,795,588	82,459
Deferred inflows of resources						
Pension plan deferments – PERA	39,224	44,853	30,617	–	114,694	–
Net position						
Investment in capital assets	6,767,471	5,935,433	3,603,477	–	16,306,381	–
Unrestricted	830,466	(89,749)	273,827	102,413	1,116,957	427,109
Total net position	\$ 7,597,937	\$ 5,845,684	\$ 3,877,304	\$ 102,413	\$ 17,423,338	\$ 427,109

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2016

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,159,369	\$ 1,986,476	\$ 810,896	\$ 123,392	\$ 5,080,133	\$ 698,376
Permit fees	2,772	800	–	–	3,572	–
Miscellaneous	3,632	1,790	1,148	11,347	17,917	22,837
Total operating revenues	2,165,773	1,989,066	812,044	134,739	5,101,622	721,213
Operating expenses						
Personal services	287,348	358,230	211,284	17,275	874,137	110,203
Supplies and maintenance	15,871	3,962	918	–	20,751	85,616
Other services and charges	233,642	169,486	90,440	7,292	500,860	118,343
Rent	24,470	24,370	11,015	–	59,855	–
Insurance	21,814	21,814	21,814	–	65,442	–
Utilities	11,818	18,939	–	–	30,757	–
Purchased services	42,607	86,852	55,464	7,813	192,736	465,406
Purchased water	963,601	–	–	–	963,601	–
Recycling charges	–	–	–	108,810	108,810	–
Sewer charges	–	678,621	–	–	678,621	–
Depreciation	232,297	150,945	78,030	–	461,272	–
Total operating expenses	1,833,468	1,513,219	468,965	141,190	3,956,842	779,568
Operating income (loss)	332,305	475,847	343,079	(6,451)	1,144,780	(58,355)
Nonoperating revenues						
Intergovernmental revenue	984	1,130	770	23,439	26,323	–
Earnings on investments	12,315	–	3,862	1,658	17,835	6,512
Total nonoperating revenues	13,299	1,130	4,632	25,097	44,158	6,512
Income before contributions and transfers	345,604	476,977	347,711	18,646	1,188,938	(51,843)
Capital contributions	–	59,248	–	–	59,248	–
Transfers out	(68,396)	(96,870)	(65,499)	–	(230,765)	–
Change in net position	277,208	439,355	282,212	18,646	1,017,421	(51,843)
Net position						
Beginning of year	7,320,729	5,406,329	3,595,092	83,767	16,405,917	478,952
End of year	\$ 7,597,937	\$ 5,845,684	\$ 3,877,304	\$ 102,413	\$ 17,423,338	\$ 427,109

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Cash flows from operating activities						
Receipts from customers and users	\$ 2,147,491	\$ 1,797,070	\$ 802,636	\$ 134,753	\$ 4,881,950	\$ 721,213
Payments to suppliers	(1,237,929)	(834,086)	(92,018)	(120,395)	(2,284,428)	(703,377)
Payments to employees	(274,082)	(341,541)	(200,060)	(17,885)	(833,568)	(122,384)
Payments for interfund services used	(54,979)	(57,051)	(38,584)	(3,935)	(154,549)	–
Net cash flows from operating activities	580,501	564,392	471,974	(7,462)	1,609,405	(104,548)
Cash flows from noncapital financing activities						
Grants received	984	1,130	770	23,439	26,323	–
Cash received from other funds	–	–	–	–	–	43,396
Cash paid to other funds	–	(164,232)	–	–	(164,232)	–
Transfers out	(68,396)	(96,870)	(65,499)	–	(230,765)	–
Net cash flows from noncapital financing activities	(67,412)	(259,972)	(64,729)	23,439	(368,674)	43,396
Cash flows from capital and related financing activities						
Capital contributions	–	59,248	–	–	59,248	–
Acquisition and construction of capital assets	(128,427)	(363,668)	(108,022)	–	(600,117)	–
Net cash flows from capital and related financing activities	(128,427)	(304,420)	(108,022)	–	(540,869)	–
Cash flows from investing activities						
Earnings on investments	11,231	–	2,979	1,623	15,833	6,846
Net change in cash and cash equivalents	395,893	–	302,202	17,600	715,695	(54,306)
Cash and cash equivalents – beginning	402,366	–	10,615	97,699	510,680	535,446
Cash and cash equivalents – ending	\$ 798,259	\$ –	\$ 312,817	\$ 115,299	\$ 1,226,375	\$ 481,140
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 332,305	\$ 475,847	\$ 343,079	\$ (6,451)	\$ 1,144,780	\$ (58,355)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	232,297	150,945	78,030	–	461,272	–
Decrease (increase) in customer receivables	(18,282)	(191,996)	(9,408)	14	(219,672)	–
Decrease (increase) in prepaid items	–	(5,150)	–	–	(5,150)	(22,511)
Decrease (increase) in inventory	(3,061)	–	–	–	(3,061)	–
Decrease (increase) in deferred outflows	(80,426)	(92,338)	(62,936)	–	(235,700)	–
Increase (decrease) in accounts payable	16,227	9,765	(17,601)	302	8,693	(17,545)
Increase (decrease) in salaries payable	530	904	461	(17)	1,878	(1,630)
Increase (decrease) in contracts payable	16,743	41,824	66,650	–	125,217	–
Increase (decrease) in due to other governments	(8,994)	66,468	–	(717)	56,757	6,044
Increase (decrease) in net pension liability	81,907	94,038	64,095	–	240,040	–
Increase (decrease) in compensated absences payable	(2,752)	(1,997)	(1,357)	(593)	(6,699)	(10,551)
Increase (decrease) in deferred inflows	14,007	16,082	10,961	–	41,050	–
Total adjustments	248,196	88,545	128,895	(1,011)	464,625	(46,193)
Net cash flows from operating activities	\$ 580,501	\$ 564,392	\$ 471,974	\$ (7,462)	\$ 1,609,405	\$ (104,548)

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements
December 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Arden Hills, Minnesota (the City) was incorporated in 1951 and operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City provides the following municipal services: public safety (police, fire, civil defense, and animal control), highways and streets, sanitation and health, parks and recreation, public improvements, community development, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component unit. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Blended component units, although legally separate entities, are, in substance, part of the City’s operations; therefore, data from these units are combined with data of the City. The City’s blended component unit has a December 31 year-end. The City has the following component unit:

Arden Hills Economic Development Authority (EDA) – The EDA of the City was created pursuant to Minnesota Statutes § 469.090–469.108 to carryout economic and industrial development and redevelopment consistent with policies established by the City Council. It is composed of the members of the City Council and the City has operational responsibility for the component unit. The EDA’s activities are blended and reported in separate special revenue funds. Separate financial statements are not issued for this component unit.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue that is susceptible to accrual includes property taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

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

EDA Operating Fund – The EDA Operating Fund (special revenue fund) accounts for revenue sources, including tax increments and other sources, that are legally restricted or committed to expenditures for specified purposes (not including major capital projects).

Equipment, Building, and Replacement Fund – The Equipment, Building, and Replacement Fund (capital project fund) was established for resources designated to be used for the purchase of capital equipment and building repairs.

Permanent Improvement Revolving Fund – The Permanent Improvement Revolving Fund (capital project fund) accounts for the acquisition of capital assets or construction for major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the water service charges which are used to finance the water system operations.

Sewer Fund – The Sewer Fund accounts for the sewer service charges which are used to finance the sanitary sewer system operations.

Surface Water Management Fund – The Surface Water Management Fund accounts for the surface water charges which are used to finance the surface water system operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following nonmajor proprietary fund:

Recycling Fund – The Recycling Fund accounts for the recycling service charges which are used to finance the City’s recycling operations.

Additionally, the City reports the following fund type:

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City’s internal service funds account for risk management, engineering, central garage, and technology services.

E. Budgets and Budgetary Accounting

Budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General Fund and all special revenue funds. Budgeted expenditure appropriations lapse at year-end, but may be adopted in the subsequent year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The city administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution. The appropriated budget is prepared by fund, function, and department. The City’s department heads, with the approval of the city administrator, may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as amended by the City Council.
4. The city administrator is authorized to transfer appropriations within any fund budget. Adjustments to appropriations between funds, and budget additions and deletions must be authorized by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service Fund (if necessary). Supplementary budgets are adopted for the proprietary funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance and are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the capital project funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended December 31, 2016, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 4 Fund by \$62,323. This variance was financed by revenues in excess of budget and available fund balance.

F. Cash and Investments

Cash and investments include balances that are combined and invested to the extent available in various securities as authorized by state law. Allocations of pooled investment earnings to the respective funds is based on participation by each fund.

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

The City generally reports investments at fair value. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC. The City's investment in investment pools/mutual funds are presented at amortized cost.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of year-end.

G. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Receivables

Property taxes and special assessments receivable have been reported net of estimated uncollectible accounts (see Note 1 I. and J.). Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported. The only receivables not expected to be collected within one year are property taxes and special assessments receivable.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

Property tax levies are set by the City Council in December of each year, and are certified to Ramsey County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year: in July, December, and January.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable, and are offset by a deferred inflow of resources in the governmental fund financial statements.

J. Special Assessments

Special assessments primarily represent the financing for public improvements paid for by benefiting property owners. As previously mentioned under receivables, the City is also generally able to certify delinquent amounts to the county for collection as special assessments. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31 are offset by a deferred inflow of resources in the governmental fund financial statements.

K. Inventories

The original cost of materials and supplies has been recorded as expenses/expenditures at the time of purchase for both the governmental and proprietary funds with the exception of water meters in the Water Fund. These funds do not maintain material amounts of materials and supplies. The water meter inventory in the Water Fund is stated at the lower of cost or market on the first-in, first-out method.

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenses/expenditures at the time of consumption.

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include items dating back to June 30, 1980. These assets are reported at historical cost. The City estimated historical cost for the initial reporting of these assets through back trending (estimating the current replacement cost and utilizing an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional infrastructure assets each period, they will be capitalized and reported at historical cost.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2016, no interest was capitalized in connection with construction in progress.

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

Buildings and structures	7–40 years
Infrastructure and improvements	15–50 years
Distribution and collection systems	15–50 years
Machinery and equipment	5–15 years
Office furniture and equipment	5–10 years
Vehicles	7–20 years

Land and construction in progress are not depreciated.

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused annual leave and sick pay benefits called personal time off (PTO). All PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO is payable when used or upon termination of employment. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A liability is recognized for that portion of accumulated PTO benefits that is vested as severance pay. PTO is payable when used and, in some cases, upon termination of employment. For regular employees, PTO is payable upon retirement or involuntary termination up to the amount accrued, not to exceed 240 hours, who have served at least 12 consecutive months prior to separation, and have given the City at least two weeks' notice prior to the effective date of such separation. The recorded portion of PTO (compensated absences) represents the estimated amount expected, based on previous years' history and those eligible for retirement, to be paid at separation.

O. Pensions

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

P. Deferred Outflows/Inflows of Resources

In addition to assets, statements of financial position or balance sheets will sometimes report a separate financial statement element called deferred outflows of resources, representing consumptions of net position that apply to future periods which are not recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, deferred outflows of resources related to pensions, reported in the government-wide and enterprise funds Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, and projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position or balance sheets may report a separate financial statement element called deferred inflows of resources, representing acquisitions of net position that applies to future periods which are not recognized as an inflow of resources (revenue) until that time. The City has three types of items which qualify for reporting in this category.

The first item, unavailable revenue, arises only under the modified accrual basis of accounting and, therefore, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, deferred inflows of resources related to pensions, is reported in the government-wide and enterprise funds Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

The third item, deferred inflows of resources related to state aid entitlements received for subsequent years, is reported in the government-wide and governmental funds Balance Sheet. This item is deferred and recognized as an inflow of resources in the period that the resources are appropriated.

Q. Net Position Classifications and Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of “restricted” or “investment in capital assets.”

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

R. Fund Balance Classifications and Flow Assumptions

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the director of finance and administrative services and/or the city administrator is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

S. 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 and disclosures in the financial statements. Actual results could differ from those estimates.

T. Prior Period Adjustment

A prior period adjustment, reducing equity by \$774,250, was recorded in the Permanent Improvement Revolving Fund in the governmental fund statements which is part of governmental activities on the entity-wide statements. This change was made for a state funding entitlement, which was earned, received, and recognized in prior years but had not met certain Municipal State Aid timing requirements as of January 1, 2016. The City corrected the transaction by recording an adjustment to equity offset by a deferred inflow of resources that will be recognized as the timing requirements are met for this Municipal State Aid funding source.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

The City had the following cash and investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years				Total
	Rating	Agency		Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years	
Federal Home Loan Bank	AA	S&P	Level 1	\$ –	\$ –	\$ 367,025	\$ –	\$ 367,025
Municipal bonds	AAA	S&P	Level 2	–	348,521	–	–	348,521
Municipal bonds	AA	S&P	Level 1	–	304,683	402,686	417,253	1,124,622
Municipal bonds	AA	S&P	Level 2	–	1,328,160	–	–	1,328,160
Municipal bonds	AA	Moody's	Level 1	–	–	587,406	–	587,406
Municipal bonds	AA	Moody's	Level 2	250,920	–	626,238	–	877,158
Commercial paper	A-1	S&P	Level 3	100,396	–	–	–	100,396
Negotiable certificates of deposit	N/R	N/A	Level 1	245,431	1,193,878	391,540	146,822	1,977,671
Negotiable certificates of deposit	N/R	N/A	Level 2	200,670	845,473	–	–	1,046,143
Investment pools/mutual funds								
External investment pool – 4M Fund	N/R	N/A	N/A	1,304,898	–	–	–	1,304,898
Wells Fargo Money Market Advantage	AAA	S&P	N/A	1,510,557	–	–	–	1,510,557
Total investments				\$ 3,612,872	\$ 4,020,715	\$ 2,374,895	\$ 564,075	10,572,557
Deposits								370,167
Petty cash								512
Total cash and investments								\$ 10,943,236

N/R – Not Rated

N/A – Not Applicable

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a failure, the City's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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 City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City's deposits and the bank balance was \$370,167. The entire bank balance was covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policies do not further address this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive 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; that are 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’s investment policies do not further address credit risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do not mandate a limit on the duration of investments.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding United States guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies state that no more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the United States government, or a maximum of 25 percent with any individual counterparty in an external investment pool. At year-end, the City’s investments in the City of Minneapolis, Minnesota (municipal bonds) represented 6 percent, and in the City of Oshkosh, Wisconsin (municipal bonds) represented 6 percent.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

A. Governmental Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,679,818	\$ –	\$ –	\$ –	\$ 2,679,818
Construction in progress	8,394,949	761,593	–	(1,840,703)	7,315,839
Total capital assets, not being depreciated	11,074,767	761,593	–	(1,840,703)	9,995,657
Capital assets, being depreciated					
Buildings and structures	6,447,692	–	–	–	6,447,692
Infrastructure and improvements	11,620,475	–	–	1,840,703	13,461,178
Machinery and equipment	828,362	23,933	–	–	852,295
Office furniture and equipment	146,275	7,278	–	–	153,553
Vehicles	1,501,938	103,503	–	–	1,605,441
Total capital assets, being depreciated	20,544,742	134,714	–	1,840,703	22,520,159
Less accumulated depreciation for					
Buildings and structures	2,774,457	158,708	–	–	2,933,165
Infrastructure and improvements	2,833,919	278,111	–	–	3,112,030
Machinery and equipment	601,013	42,595	–	–	643,608
Office furniture and equipment	67,569	14,524	–	–	82,093
Vehicles	433,098	133,101	–	–	566,199
Total accumulated depreciation	6,710,056	627,039	–	–	7,337,095
Total capital assets being depreciated – net	13,834,686	(492,325)	–	1,840,703	15,183,064
Governmental activities capital assets – net	\$ 24,909,453	\$ 269,268	\$ –	\$ –	\$ 25,178,721

B. Business-Type Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Business-type activities					
Capital assets, not being depreciated					
Construction in progress	\$ 2,655,655	\$ 600,117	\$ –	\$ (1,180,038)	\$ 2,075,734
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	19,864,612	–	–	1,180,038	21,044,650
Machinery and equipment	950,701	–	–	–	950,701
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total capital assets, being depreciated	21,848,620	–	–	1,180,038	23,028,658
Less accumulated depreciation for					
Buildings and structures	47,176	41,544	–	–	88,720
Distribution and collection systems	7,254,578	405,958	–	–	7,660,536
Machinery and equipment	836,718	13,770	–	–	850,488
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total accumulated depreciation	8,336,739	461,272	–	–	8,798,011
Total capital assets, being depreciated – net	13,511,881	(461,272)	–	1,180,038	14,230,647
Business-type activities capital assets – net	\$ 16,167,536	\$ 138,845	\$ –	\$ –	\$ 16,306,381

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 123,503
Public safety	2,964
Public works	378,203
Parks and recreation	115,996
Economic development	6,373
	<u>627,039</u>
	<u>\$ 627,039</u>
Business-type activities	
Water	\$ 232,297
Sewer	150,945
Surface water management	78,030
	<u>461,272</u>
	<u>\$ 461,272</u>

D. Construction Commitments

At December 31, 2016, the City had construction project contracts in progress. The remaining commitments are summarized as follows:

<u>Project</u>	<u>Amount</u>
Sewer Fund – Lift Station Improvements	<u>\$ 30,738</u>

NOTE 4 – LONG-TERM LIABILITIES

Long-term debt outstanding at year-end includes compensated absences payable and net pension liability, which are described elsewhere in these notes. For the governmental activities, compensated absences and the net pension liability are generally liquidated by the General Fund and special revenue funds.

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences payable	\$ 104,184	\$ 188,896	\$ 228,803	\$ 64,277	\$ 48,208
Net pension liability	928,685	711,232	250,016	1,389,901	–
	<u>1,032,869</u>	<u>900,128</u>	<u>478,819</u>	<u>1,454,178</u>	<u>48,208</u>
Total governmental activities long-term liabilities	<u>\$ 1,032,869</u>	<u>\$ 900,128</u>	<u>\$ 478,819</u>	<u>\$ 1,454,178</u>	<u>\$ 48,208</u>
Business-type activities					
Compensated absences payable	\$ 59,420	\$ 14,689	\$ 21,388	\$ 52,721	\$ 39,585
Net pension liability	537,968	370,161	130,121	778,008	–
	<u>597,388</u>	<u>384,850</u>	<u>151,509</u>	<u>830,729</u>	<u>39,585</u>
Total business-type activities long-term liabilities	<u>\$ 597,388</u>	<u>\$ 384,850</u>	<u>\$ 151,509</u>	<u>\$ 830,729</u>	<u>\$ 39,585</u>

NOTE 5 – FUND BALANCES

A. Classifications

At December 31, 2016, a summary of the City’s governmental fund balance classifications are as follows:

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 26,271	\$ –	\$ –	\$ –	\$ 214	\$ 26,485
Restricted for						
Tax increment	–	–	–	–	505,126	505,126
Cable TV	–	–	–	–	281,552	281,552
Total restricted	–	–	–	–	786,678	786,678
Committed for						
Economic development authority	–	283,647	–	–	166,786	450,433
Assigned for						
Compensated absences	61,816	–	–	–	–	61,816
Subsequent year’s budget	195,955	–	–	–	–	195,955
Capital improvements	–	–	–	3,739,379	–	3,739,379
Public safety capital equipment	–	–	–	–	133,559	133,559
Total assigned	257,771	–	–	3,739,379	133,559	4,130,709
Unassigned	2,660,771	–	(37,102)	–	(180,505)	2,443,164
Total	<u>\$ 2,944,813</u>	<u>\$ 283,647</u>	<u>\$ (37,102)</u>	<u>\$ 3,739,379</u>	<u>\$ 906,732</u>	<u>\$ 7,837,469</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes the City will strive to maintain an unassigned General Fund balance of 50.0 percent of the subsequent year’s General Fund budgeted expenditures. At December 31, 2016, the unassigned fund balance of the General Fund was 56.4 percent of the subsequent year’s budgeted expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

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

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the year ended December 31, 2016 were \$115,814. The City's contributions were equal to the required contributions as set by state statute.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

GERF Pension Costs

At December 31, 2016, the City reported a liability of \$2,167,909 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2016. The state of Minnesota is considered a non-employer contributing entity and the state of Minnesota'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 \$28,367. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0267 percent, which was a decrease of 0.0016 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$247,534 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$8,427 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2016, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 176,110
Changes in actuarial assumptions	424,478	–
Differences between projected and actual investment earnings	411,479	–
Changes in proportion	–	144,590
Contributions paid to the PERA subsequent to the measurement date	58,971	–
Total	<u>\$ 894,928</u>	<u>\$ 320,700</u>

Deferred outflows of resources reported \$58,971 related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 124,602
2018	\$ 124,602
2019	\$ 187,744
2020	\$ 78,309

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

There following changes in actuarial assumptions occurred in 2016:

GERF

- The assumed post-retirement 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 future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15 %	6.00 %
Bonds	18 %	1.45 %
Alternative assets	20 %	6.40 %
Cash	2 %	0.50 %

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on these assumptions, fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
The City’s proportionate share of the GERF net pension liability	\$ 3,079,071	\$ 2,167,909	\$ 1,417,357

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivable and Payable

Interfund receivable and payable balances at December 31, 2016 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving Equipment, Building, and Replacement	\$ 555,869	\$ –
Nonmajor – other governmental	–	37,102
Intra-activity eliminations	(86,951)	(86,951)
Total governmental funds	<u>468,918</u>	<u>–</u>
Proprietary funds		
Enterprise funds		
Sewer	–	425,522
Internal service funds	–	43,396
Total proprietary funds	<u>–</u>	<u>468,918</u>
Total all funds	<u>\$ 468,918</u>	<u>\$ 468,918</u>

Interfund receivables and payables are used for temporary cash deficits. These balances will be eliminated with park dedication fees, other reimbursements, future charges for services, grants, and other internal fund transfers if needed.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Transfers In and Transfers Out

Transfers Out	Transfers In			Total
	Governmental Funds			
	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving	
Governmental funds				
General Fund	\$ 60,000	\$ 50,000	\$ 665,121	\$ 775,121
Proprietary funds				
Water	–	68,396	–	68,396
Sewer	–	96,870	–	96,870
Surface Water Management	–	65,499	–	65,499
Total	\$ 60,000	\$ 280,765	\$ 665,121	\$ 1,005,886

Interfund transfers allow the City to allocate financial resources to the funds that receive benefits from services provided by another fund. All of the City’s interfund transfers fall under that category. All of the 2016 transfers are considered routine and consistent with previous practices.

NOTE 8 – DEFICIT FUND BALANCES/NET POSITION

The City had deficit fund balances/net position at December 31, 2016 as follows:

	Amount
Governmental funds	
Equipment, Building, and Replacement	\$ 37,102
Nonmajor – Parks	36,016
Nonmajor – TCAAP	144,489
Proprietary funds	
Internal service funds – Central Garage	20,652
Internal service funds – Technology	27,114
	\$ 265,373

These fund deficits will be eliminated with future contributions, grants, and internal fund transfers if needed.

NOTE 9 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment will enter into private development and redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. These agreements may in substance be a tax abatement but will depend on their individual circumstances. The City currently has two agreements that would be considered a tax abatement under GASB Statement No. 77.

NOTE 9 – TAX ABATEMENT AGREEMENTS (CONTINUED)

In 2013, the City entered into a development agreement with Presbyterian Homes of Arden Hills, Inc. to aid in financing certain public development costs and administrative costs of a project undertaken. For this agreement, the City used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The City will abate 90 percent of the incremental taxes received through February 2019 and 75 percent of the incremental taxes received through February 2028 through execution of a tax increment revenue note to be retired in 2028. The outstanding principal balance as of December 31, 2016, was approximately \$1.0 million and the City rebated \$153,254 in the current year.

In 2016, the City entered into an abatement agreement with Land O'Lakes, Inc. The City did not have any collections or rebate of property tax increment in the current year.

The City is authorized to create a tax increment financing plan under Minnesota Statutes, Chapter 469.175. The criteria that must be met under the statute are that, in the opinion of the municipality:

- The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;
- The tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole; and
- The tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk-sharing pool with other governmental units. The City pays an annual premium to the LMCIT for its workers' compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. There were no significant reductions in insurance from the previous year or settled claims in excess of insurance coverage for any of the past three fiscal years.

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Litigation

The city attorney has indicated that existing and pending lawsuits, claims, and other actions in which the City is a defendant are either covered by insurance, of an immaterial amount, or, in the judgment of the city attorney, remotely recoverable by plaintiffs. No loss has been recorded on the City's financial statements relating to these claims.

C. Federal and State Funds

Amounts recorded or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

D. Tax Increment Districts

The City's tax increment districts are subject to review by the Minnesota Office of the State Auditor. Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Ice Arena Financing

The City, along with three other cities and Ramsey County, entered into an agreement January 1, 1997 with the Minnesota Amateur Sports Commission to provide financing of a four-sheet ice arena. The agreement provides for rental income to cover principal, interest, and operating expenses. In the case of default, each city will be responsible for a specific portion of the debt. The City's percentage is 15.5 percent of one of the four sheets and the amount of the debt will not exceed \$9,000,000 for all four sheets in the complex. No expenditures were incurred under this commitment in 2016.

F. Lake Johanna Volunteer Fire Department, Inc.

The City receives fire protection under a contract with the Lake Johanna Volunteer Fire Department, Inc. The current contract calls for annual payments and expires December 31, 2018. The contract cost will be based on the budget submitted by the fire department and approved by the City. Capital costs are billed separately in addition to the contract rate. The amount expended under the contract was \$495,216 in 2016.

NOTE 11 – CONDUIT DEBT OBLIGATION

The City has issued private activity bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds constitute special obligations of the City, payable solely from revenues of the projects pledged to the payment thereof. The bonds do not constitute a debt of the City and the City has no obligation for repayment. Accordingly, the bonds are not reported as liabilities in the City's financial statements. Bonds outstanding at December 31, 2016 could not be determined; however, their original issue amounts are as follows:

<u>Bond</u>	<u>Description</u>	<u>Amount Issued</u>
Commercial Facilities Revenue Note, Series 2008	Office facilities	\$ 5,500,000
Senior Housing Revenue Note, Series 2011A	Senior housing	10,000,000
Senior Housing Revenue Note, Series 2012A	Senior housing	10,000,000
Senior Housing Revenue Note, Series 2015A	Senior housing	<u>10,000,000</u>
Total		<u><u>\$ 35,500,000</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARDEN HILLS

PERA – General Employees Retirement Fund
 Schedule of City’s and Non-Employer Proportionate Share of Net Pension Liability

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0283%	\$ 1,466,653	\$ –	\$ 1,466,653	\$ 1,662,826	88.20%	78.20%
12/31/2016	06/30/2016	0.0267%	\$ 2,167,909	\$ 28,367	\$ 2,196,276	\$ 1,669,147	129.88%	68.90%

PERA – General Employees Retirement Fund
 Schedule of City Contributions

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 129,774	\$ 129,774	\$ –	\$ 1,731,651	7.49%
12/31/2016	\$ 115,814	\$ 115,814	\$ –	\$ 1,553,950	7.45%

Note 1: **Changes in Plan Provisions.** On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Note 2: **Changes in Actuarial Assumptions.** (1) 2015 Changes – The assumed post-retirement 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. (2) 2016 Changes – The assumed post-retirement 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 future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Note 3: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 3,508,875	\$ 3,508,875	\$ 3,260,537	\$ (248,338)
Special assessments	3,000	3,000	1,331	(1,669)
Licenses and permits				
Business	54,050	54,050	50,711	(3,339)
Nonbusiness	211,480	211,480	547,975	336,495
Total licenses and permits	<u>265,530</u>	<u>265,530</u>	<u>598,686</u>	<u>333,156</u>
Intergovernmental				
State				
Road maintenance	85,000	85,000	88,121	3,121
PERA aid	5,179	5,179	5,179	-
Police aid	51,480	51,480	38,614	(12,866)
Total intergovernmental	<u>141,659</u>	<u>141,659</u>	<u>131,914</u>	<u>(9,745)</u>
Charges for services				
General government	60,593	60,593	224,458	163,865
Public safety	11,000	11,000	27,657	16,657
Parks and recreation	105,230	105,230	134,579	29,349
Administrative charges				
Internal service funds	13,944	13,944	13,388	(556)
Enterprise funds	151,495	151,495	154,551	3,056
Special revenue funds	24,041	24,041	22,408	(1,633)
Total charges for services	<u>366,303</u>	<u>366,303</u>	<u>577,041</u>	<u>210,738</u>
Fines and forfeits	34,569	34,569	31,868	(2,701)
Earnings on investments	65,000	65,000	52,161	(12,839)
Antenna rental fees	110,000	110,000	123,815	13,815
Miscellaneous reimbursements	7,205	7,205	10,756	3,551
Other	8,150	8,150	14,880	6,730
Total revenues	<u>4,510,291</u>	<u>4,510,291</u>	<u>4,802,989</u>	<u>292,698</u>
Expenditures				
Current				
General government				
City Council				
Personal services	31,211	31,211	31,161	50
Other services and charges	35,859	35,859	33,891	1,968
Total City Council	<u>67,070</u>	<u>67,070</u>	<u>65,052</u>	<u>2,018</u>
Elections				
Other services and charges	23,000	23,000	21,137	1,863

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
General government (continued)				
Administration				
Personal services	187,922	187,922	83,780	104,142
Materials and supplies	–	–	423	(423)
Other services and charges	105,948	105,948	89,575	16,373
Total administration	<u>293,870</u>	<u>293,870</u>	<u>173,778</u>	<u>120,092</u>
Finance				
Personal services	65,530	65,530	61,677	3,853
Materials and supplies	24,100	24,100	16,490	7,610
Other services and charges	90,900	90,900	94,101	(3,201)
Total finance	<u>180,530</u>	<u>180,530</u>	<u>172,268</u>	<u>8,262</u>
TCAAP				
Personal services	107,358	107,358	61,189	46,169
Materials and supplies	1,000	1,000	555	445
Other services and charges	65,500	65,500	180,921	(115,421)
Total TCAAP	<u>173,858</u>	<u>173,858</u>	<u>242,665</u>	<u>(68,807)</u>
Planning and zoning				
Personal services	164,988	164,988	111,750	53,238
Materials and supplies	200	200	14	186
Other services and charges	52,600	52,600	62,090	(9,490)
Total planning and zoning	<u>217,788</u>	<u>217,788</u>	<u>173,854</u>	<u>43,934</u>
General government buildings				
Personal services	38,417	38,417	22,156	16,261
Materials and supplies	7,000	7,000	3,951	3,049
Other services and charges	189,717	189,717	207,452	(17,735)
Total general government buildings	<u>235,134</u>	<u>235,134</u>	<u>233,559</u>	<u>1,575</u>
Total general government	1,191,250	1,191,250	1,082,313	108,937
Public safety				
Police and animal control				
Other services and charges	1,107,563	1,107,563	1,089,185	18,378
Dispatch				
Other services and charges	67,780	67,780	67,780	–
Fire protection				
Other services and charges	495,216	495,216	495,216	–
Emergency management				
Personal services	2,788	2,788	11	2,777
Other services and charges	10,850	10,850	2,956	7,894
Total emergency management	<u>13,638</u>	<u>13,638</u>	<u>2,967</u>	<u>10,671</u>

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
Public safety (continued)				
Protective inspections				
Personal services	252,001	252,001	233,394	18,607
Materials and supplies	3,046	3,046	645	2,401
Other services and charges	57,040	57,040	92,319	(35,279)
Total protective inspections	<u>312,087</u>	<u>312,087</u>	<u>326,358</u>	<u>(14,271)</u>
Total public safety	1,996,284	1,996,284	1,981,506	14,778
Public works				
Street maintenance				
Personal services	197,879	197,879	177,551	20,328
Materials and supplies	72,625	72,625	67,525	5,100
Other services and charges	259,939	259,939	234,738	25,201
Total public works	<u>530,443</u>	<u>530,443</u>	<u>479,814</u>	<u>50,629</u>
Parks and recreation				
Park maintenance				
Personal services	233,191	233,191	191,822	41,369
Materials and supplies	36,000	36,000	37,104	(1,104)
Other services and charges	184,704	184,704	117,868	66,836
Total park maintenance	<u>453,895</u>	<u>453,895</u>	<u>346,794</u>	<u>107,101</u>
Recreation				
Personal services	217,479	217,479	175,833	41,646
Materials and supplies	16,275	16,275	21,938	(5,663)
Other services and charges	54,991	54,991	77,267	(22,276)
Total recreation	<u>288,745</u>	<u>288,745</u>	<u>275,038</u>	<u>13,707</u>
Total parks and recreation	<u>742,640</u>	<u>742,640</u>	<u>621,832</u>	<u>120,808</u>
Total expenditures	<u>4,460,617</u>	<u>4,460,617</u>	<u>4,165,465</u>	<u>295,152</u>
Revenues over expenditures	49,674	49,674	637,524	587,850
Other financing sources (uses)				
Transfers out	<u>(210,000)</u>	<u>(775,121)</u>	<u>(775,121)</u>	<u>–</u>
Net change in fund balance	<u>\$ (160,326)</u>	<u>\$ (725,447)</u>	<u>(137,597)</u>	<u>\$ 587,850</u>
Fund balance – beginning			<u>3,082,410</u>	
Fund balance – ending			<u>\$ 2,944,813</u>	

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – EDA Operating Fund
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ –	\$ –	\$ 4,889	\$ 4,889
Earnings on investments	4,000	4,000	4,795	795
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>9,684</u>	<u>5,684</u>
Expenditures				
Economic development				
Current				
Personal services	71,286	71,286	42,842	28,444
Materials and supplies	650	650	290	360
Other services and charges	60,623	60,623	29,514	31,109
Total expenditures	<u>132,559</u>	<u>132,559</u>	<u>72,646</u>	<u>59,913</u>
Revenues over (under) expenditures	(128,559)	(128,559)	(62,962)	65,597
Other financing sources				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>–</u>
Net change in fund balances	<u>\$ (68,559)</u>	<u>\$ (68,559)</u>	<u>(2,962)</u>	<u>\$ 65,597</u>
Fund balance – beginning			<u>286,609</u>	
Fund balance – ending			<u>\$ 283,647</u>	

CITY OF ARDEN HILLS

Note to Required Supplementary Information
December 31, 2016

NOTE – LEGAL COMPLIANCE – BUDGETS

The General Fund and EDA Operating Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for these funds. Budgeted appropriations lapse at year-end.

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SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds – Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, local ordinance, and/or resolution to finance particular functions, activities, or governments.

Capital Project Funds – Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2016

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,002,428	\$ 149,719	\$ 1,152,147
Accrued interest receivable	4,025	594	4,619
Accounts receivable	27,331	2,162	29,493
Prepaid items	214	-	214
	<u>214</u>	<u>-</u>	<u>214</u>
Total assets	<u>\$ 1,033,998</u>	<u>\$ 152,475</u>	<u>\$ 1,186,473</u>
Liabilities			
Accounts payable	\$ 79,427	\$ 18,916	\$ 98,343
Salaries payable	893	-	893
Contracts payable	-	130,656	130,656
Interfund payable	-	49,849	49,849
	<u>80,320</u>	<u>199,421</u>	<u>279,741</u>
Total liabilities	<u>80,320</u>	<u>199,421</u>	<u>279,741</u>
Fund balances (deficits)			
Nonspendable	214	-	214
Restricted	786,678	-	786,678
Committed	166,786	-	166,786
Assigned	-	133,559	133,559
Unassigned	-	(180,505)	(180,505)
	<u>953,678</u>	<u>(46,946)</u>	<u>906,732</u>
Total fund balances (deficits)	<u>953,678</u>	<u>(46,946)</u>	<u>906,732</u>
Total liabilities and fund balances	<u>\$ 1,033,998</u>	<u>\$ 152,475</u>	<u>\$ 1,186,473</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2016

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 237,655	\$ -	\$ 237,655
Earnings on investments	13,597	3,018	16,615
Franchise taxes	132,548	-	132,548
Other	-	22,821	22,821
Total revenues	<u>383,800</u>	<u>25,839</u>	<u>409,639</u>
Expenditures			
Current			
General government	112,266	-	112,266
Economic development	157,042	-	157,042
Capital outlay			
Public safety	-	47,880	47,880
Economic development	-	151,306	151,306
Total expenditures	<u>269,308</u>	<u>199,186</u>	<u>468,494</u>
Net change in fund balances	114,492	(173,347)	(58,855)
Fund balances – beginning	<u>839,186</u>	<u>126,401</u>	<u>965,587</u>
Fund balances (deficits) – ending	<u>\$ 953,678</u>	<u>\$ (46,946)</u>	<u>\$ 906,732</u>

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NONMAJOR SPECIAL REVENUE FUNDS

The City had the following nonmajor special revenue funds during the year:

Cable Fund – This fund was established to account for transactions associated with cable television in the City. Revenues are franchise fees from Comcast. Expenditures include the operation of the North Suburban Cable Commission and other costs relating to cable television activity, internet, and other forms of communication.

EDA Revolving Fund – This fund was established to help businesses develop and grow with the expectation to pay back the City. Once the funds are replaced, those funds are available to be loaned out to another business.

EDA TIF District No. 3 Fund – This fund was established as a Housing District in 1993. The revenue is derived from tax increment and expenditures are for developer reimbursements and administrative expenses.

EDA TIF District No. 4 Fund – This fund was established as a redevelopment plan for Presbyterian Homes of Arden Hills, Inc. in 2010. The revenue is derived from tax increment and expenditures are for developer reimbursements and administrative expenses.

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Subcombining Balance Sheet
 as of December 31, 2016

	Cable	EDA Revolving	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 256,793	\$ 166,127	\$ 470,037	\$ 109,471	\$ 1,002,428
Accrued interest receivable	1,067	659	1,865	434	4,025
Accounts receivable	27,331	-	-	-	27,331
Prepaid items	214	-	-	-	214
Total assets	\$ 285,405	\$ 166,786	\$ 471,902	\$ 109,905	\$ 1,033,998
Liabilities					
Accounts payable	\$ 2,746	\$ -	\$ 27	\$ 76,654	\$ 79,427
Salaries payable	893	-	-	-	893
Total liabilities	3,639	-	27	76,654	80,320
Fund balances					
Nonspendable	214	-	-	-	214
Restricted	281,552	-	471,875	33,251	786,678
Committed	-	166,786	-	-	166,786
Total fund balances	281,766	166,786	471,875	33,251	953,678
Total liabilities and fund balances	\$ 285,405	\$ 166,786	\$ 471,902	\$ 109,905	\$ 1,033,998

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2016

	Cable	EDA Revolving	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 67,373	\$ 170,282	\$ 237,655
Earnings (charges) on investments	4,331	2,652	6,691	(77)	13,597
Franchise taxes	132,548	-	-	-	132,548
Total revenues	<u>136,879</u>	<u>2,652</u>	<u>74,064</u>	<u>170,205</u>	<u>383,800</u>
Expenditures					
Current					
General government	112,266	-	-	-	112,266
Economic development	-	-	1,894	155,148	157,042
Total expenditures	<u>112,266</u>	<u>-</u>	<u>1,894</u>	<u>155,148</u>	<u>269,308</u>
Net changes in fund balances	24,613	2,652	72,170	15,057	114,492
Fund balances – beginning	<u>257,153</u>	<u>164,134</u>	<u>399,705</u>	<u>18,194</u>	<u>839,186</u>
Fund balances – ending	<u>\$ 281,766</u>	<u>\$ 166,786</u>	<u>\$ 471,875</u>	<u>\$ 33,251</u>	<u>\$ 953,678</u>

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NONMAJOR CAPITAL PROJECT FUNDS

The City had the following nonmajor capital project funds during the year:

Parks Fund – This fund was established for park/trail acquisition and development. Revenue for this fund comes from developer park dedication fees, contributions, state grants, and investment interest.

Public Safety Capital Equipment Fund – This fund was established to account for resources designated to be used for the City’s share of public safety equipment through contracts with the Lake Johanna Volunteer Fire Department, Inc. and Ramsey County Sheriff’s Department.

TCAAP Fund – This fund was established to account for resources designated to be used for the City’s share of capital costs related to the approximately 430-acre TCAAP site purchased by Ramsey County.

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Balance Sheet
 as of December 31, 2016

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Assets				
Cash and investments	\$ -	\$ 149,719	\$ -	\$ 149,719
Accrued interest receivable	-	594	-	594
Accounts receivable	-	2,162	-	2,162
	<u>-</u>	<u>2,162</u>	<u>-</u>	<u>2,162</u>
Total assets	<u>\$ -</u>	<u>\$ 152,475</u>	<u>\$ -</u>	<u>\$ 152,475</u>
Liabilities				
Accounts payable	\$ -	\$ 18,916	\$ -	\$ 18,916
Contracts payable	-	-	130,656	130,656
Interfund payable	36,016	-	13,833	49,849
Total liabilities	<u>36,016</u>	<u>18,916</u>	<u>144,489</u>	<u>199,421</u>
Fund balances (deficits)				
Assigned	-	133,559	-	133,559
Unassigned	(36,016)	-	(144,489)	(180,505)
Total fund balances (deficits)	<u>(36,016)</u>	<u>133,559</u>	<u>(144,489)</u>	<u>(46,946)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 152,475</u>	<u>\$ -</u>	<u>\$ 152,475</u>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2016

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Revenues				
Earnings on investments	\$ -	\$ 2,870	\$ 148	\$ 3,018
Other	-	22,821	-	22,821
Total revenues	<u>-</u>	<u>25,691</u>	<u>148</u>	<u>25,839</u>
Expenditures				
Capital outlay				
Public safety	-	47,880	-	47,880
Economic development	-	-	151,306	151,306
Total expenditures	<u>-</u>	<u>47,880</u>	<u>151,306</u>	<u>199,186</u>
Net changes in fund balances	-	(22,189)	(151,158)	(173,347)
Fund balances (deficits) – beginning	<u>(36,016)</u>	<u>155,748</u>	<u>6,669</u>	<u>126,401</u>
Fund balances (deficits) – ending	<u><u>\$ (36,016)</u></u>	<u><u>\$ 133,559</u></u>	<u><u>\$ (144,489)</u></u>	<u><u>\$ (46,946)</u></u>

CITY OF ARDEN HILLS

Special Revenue Fund – Cable Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 4,000	\$ 4,000	\$ 4,331	\$ 331
Franchise taxes	94,000	94,000	132,548	38,548
Total revenues	<u>98,000</u>	<u>98,000</u>	<u>136,879</u>	<u>38,879</u>
Expenditures				
Current				
General government				
Personal services	51,085	51,085	43,354	7,731
Other services and charges	98,727	98,727	68,912	29,815
Capital outlay				
General government	12,000	12,000	–	12,000
Total expenditures	<u>161,812</u>	<u>161,812</u>	<u>112,266</u>	<u>49,546</u>
Net change in fund balances	<u>\$ (63,812)</u>	<u>\$ (63,812)</u>	24,613	<u>\$ 88,425</u>
Fund balances – beginning			<u>257,153</u>	
Fund balances – ending			<u>\$ 281,766</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA Revolving Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,652</u>	<u>\$ 152</u>
Net change in fund balances	<u><u>\$ 2,500</u></u>	<u><u>\$ 2,500</u></u>	2,652	<u><u>\$ 152</u></u>
Fund balances – beginning			<u>164,134</u>	
Fund balances – ending			<u><u>\$ 166,786</u></u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA TIF District No. 3 Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 60,000	\$ 60,000	\$ 67,373	\$ 7,373
Earnings on investments	<u>5,000</u>	<u>5,000</u>	<u>6,691</u>	<u>1,691</u>
Total revenues	<u>65,000</u>	<u>65,000</u>	<u>74,064</u>	<u>9,064</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,725</u>	<u>4,725</u>	<u>1,894</u>	<u>2,831</u>
Net change in fund balances	<u>\$ 60,275</u>	<u>\$ 60,275</u>	<u>72,170</u>	<u>\$ 11,895</u>
Fund balances – beginning			<u>399,705</u>	
Fund balances – ending			<u>\$ 471,875</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA TIF District No. 4 Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 99,000	\$ 99,000	\$ 170,282	\$ 71,282
Earnings (charges) on investments	<u>600</u>	<u>600</u>	<u>(77)</u>	<u>(677)</u>
Total revenues	99,600	99,600	170,205	70,605
Expenditures				
Current				
Economic development				
Other services and charges	<u>92,825</u>	<u>92,825</u>	<u>155,148</u>	<u>(62,323)</u>
Net change in fund balances	<u>\$ 6,775</u>	<u>\$ 6,775</u>	15,057	<u>\$ 8,282</u>
Fund balances – beginning			<u>18,194</u>	
Fund balances – ending			<u>\$ 33,251</u>	

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INTERNAL SERVICE FUNDS

The City had the following internal service funds during the year:

Risk Management Fund – This fund was established to account for the payment of property, liability, and workers' compensation insurance deductibles and funds wellness activities for all departments.

Engineering Fund – This fund was established to account for the costs related to engineering services. All costs are compiled in this fund and charged out to the departments based on usage.

Central Garage Fund – This fund was established to account for certain public works department costs related to streets, parks, water, sanitary sewer, and surface water management. All costs are compiled in this fund and charged out to the departments based on usage.

Technology Fund – This fund was established to account for costs related to technology. All costs are compiled in this fund and charged out to the departments based on usage.

CITY OF ARDEN HILLS

Combining Statement of Net Position
Internal Service Funds
as of December 31, 2016

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Assets					
Current assets					
Cash and investments	\$ 407,124	\$ 74,016	\$ -	\$ -	\$ 481,140
Accrued interest receivable	1,212	324	-	-	1,536
Prepaid items	-	-	250	26,642	26,892
Total assets	<u>408,336</u>	<u>74,340</u>	<u>250</u>	<u>26,642</u>	<u>509,568</u>
Liabilities					
Current liabilities					
Accounts payable	-	5,917	6,035	5,398	17,350
Salaries payable	179	360	210	-	749
Interfund payable	-	-	1,975	41,421	43,396
Due to other governmental units	-	-	12,155	6,348	18,503
Compensated absences payable	658	351	395	442	1,846
Total current liabilities	<u>837</u>	<u>6,628</u>	<u>20,770</u>	<u>53,609</u>	<u>81,844</u>
Noncurrent liabilities					
Compensated absences payable (net of current portion)	<u>219</u>	<u>117</u>	<u>132</u>	<u>147</u>	<u>615</u>
Total liabilities	<u>1,056</u>	<u>6,745</u>	<u>20,902</u>	<u>53,756</u>	<u>82,459</u>
Net position					
Unrestricted	<u>\$ 407,280</u>	<u>\$ 67,595</u>	<u>\$ (20,652)</u>	<u>\$ (27,114)</u>	<u>\$ 427,109</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2016

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 319,501	\$ 104,888	\$ 137,833	\$ 136,154	\$ 698,376
Miscellaneous	22,837	-	-	-	22,837
Total operating revenues	<u>342,338</u>	<u>104,888</u>	<u>137,833</u>	<u>136,154</u>	<u>721,213</u>
Operating expenses					
Personal services	8,432	87,918	7,595	6,258	110,203
Supplies and maintenance	205	-	74,306	11,105	85,616
Other services and charges	56,697	6,748	52,806	2,092	118,343
Purchased services	321,721	10,852	5,889	126,944	465,406
Total operating expenses	<u>387,055</u>	<u>105,518</u>	<u>140,596</u>	<u>146,399</u>	<u>779,568</u>
Operating income (loss)	(44,717)	(630)	(2,763)	(10,245)	(58,355)
Nonoperating revenues					
Earnings on investments	<u>4,882</u>	<u>1,543</u>	<u>87</u>	<u>-</u>	<u>6,512</u>
Change in net position	(39,835)	913	(2,676)	(10,245)	(51,843)
Net position – beginning	<u>447,115</u>	<u>66,682</u>	<u>(17,976)</u>	<u>(16,869)</u>	<u>478,952</u>
Net position – ending	<u>\$ 407,280</u>	<u>\$ 67,595</u>	<u>\$ (20,652)</u>	<u>\$ (27,114)</u>	<u>\$ 427,109</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2016

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 342,338	\$ 104,888	\$ 137,833	\$ 136,154	\$ 721,213
Payments to suppliers	(379,123)	(11,683)	(137,378)	(175,193)	(703,377)
Payments to employees	(8,526)	(98,906)	(8,587)	(6,365)	(122,384)
Net cash flows from operating activities	<u>(45,311)</u>	<u>(5,701)</u>	<u>(8,132)</u>	<u>(45,404)</u>	<u>(104,548)</u>
Cash flows from noncapital financing activities					
Cash received from other funds	<u>—</u>	<u>—</u>	<u>1,975</u>	<u>41,421</u>	<u>43,396</u>
Cash flows from investing activities					
Earnings on investments	<u>5,169</u>	<u>1,590</u>	<u>87</u>	<u>—</u>	<u>6,846</u>
Net change in cash and cash equivalents	(40,142)	(4,111)	(6,070)	(3,983)	(54,306)
Cash and cash equivalents – beginning	<u>447,266</u>	<u>78,127</u>	<u>6,070</u>	<u>3,983</u>	<u>535,446</u>
Cash and cash equivalents – ending	<u>\$ 407,124</u>	<u>\$ 74,016</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 481,140</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (44,717)	\$ (630)	\$ (2,763)	\$ (10,245)	\$ (58,355)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Decrease (increase) in prepaid items	—	—	(250)	(22,261)	(22,511)
Increase (decrease) in accounts payable	(500)	5,917	(3,823)	(19,139)	(17,545)
Increase (decrease) in salaries payable	34	(1,604)	32	(92)	(1,630)
Increase (decrease) in due to other governments	—	—	(304)	6,348	6,044
Increase (decrease) in compensated absences payable	(128)	(9,384)	(1,024)	(15)	(10,551)
Total adjustments	<u>(594)</u>	<u>(5,071)</u>	<u>(5,369)</u>	<u>(35,159)</u>	<u>(46,193)</u>
Net cash flows from operating activities	<u>\$ (45,311)</u>	<u>\$ (5,701)</u>	<u>\$ (8,132)</u>	<u>\$ (45,404)</u>	<u>\$ (104,548)</u>

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION

(UNAUDITED)

This part of the City's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditor.

The contents of the statistical section include:

Financial Trends – These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

Revenue Capacity – These schedules contain information to assist the reader in assessing the City's most significant local revenue source—property taxes.

Debt Capacity – These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These tables offer economic and demographic indicators that are commonly used for financial analysis and that can assist the reader in understanding the City's present and ongoing financial status.

Operating Information – These tables contain service and infrastructure indicators that can assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.

Source – Unless otherwise noted, the information in these tables is derived from the CAFR for the relevant year.

CITY OF ARDEN HILLS

Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Investment in capital assets	\$ 13,832,891	\$ 13,859,332	\$ 14,789,291	\$ 16,341,354
Restricted	630,255	836,195	1,060,973	1,329,092
Unrestricted	9,029,227	9,304,608	9,176,652	9,008,528
Total governmental activities net position	<u>\$ 23,492,373</u>	<u>\$ 24,000,135</u>	<u>\$ 25,026,916</u>	<u>\$ 26,678,974</u>
Business-type activities				
Investment in capital assets	\$ 10,701,103	\$ 10,449,932	\$ 10,507,344	\$ 10,530,204
Unrestricted	1,615,782	1,977,168	2,171,942	2,621,579
Total business-type activities net position	<u>\$ 12,316,885</u>	<u>\$ 12,427,100</u>	<u>\$ 12,679,286</u>	<u>\$ 13,151,783</u>
Primary government				
Investment in capital assets	\$ 24,533,994	\$ 24,309,264	\$ 25,296,635	\$ 26,871,558
Restricted	630,255	836,195	1,060,973	1,329,092
Unrestricted	10,645,009	11,281,776	11,348,594	11,630,107
Total primary government net position	<u>\$ 35,809,258</u>	<u>\$ 36,427,235</u>	<u>\$ 37,706,202</u>	<u>\$ 39,830,757</u>

2011	2012	2013	2014	2015	2016
\$ 17,498,478	\$ 17,167,531	\$ 17,435,976	\$ 18,837,904	\$ 24,909,453	\$ 25,178,721
1,694,212	1,788,007	896,106	917,300	675,052	786,678
9,133,279	9,738,832	10,274,835	11,472,102	8,765,793	8,249,560
<u>\$ 28,325,969</u>	<u>\$ 28,694,370</u>	<u>\$ 28,606,917</u>	<u>\$ 31,227,306</u>	<u>\$ 34,350,298</u>	<u>\$ 34,214,959</u>
\$ 10,961,855	\$ 12,360,674	\$ 14,356,782	\$ 14,464,713	\$ 16,167,536	\$ 16,306,381
3,248,534	2,403,645	1,158,470	1,793,112	238,381	1,116,957
<u>\$ 14,210,389</u>	<u>\$ 14,764,319</u>	<u>\$ 15,515,252</u>	<u>\$ 16,257,825</u>	<u>\$ 16,405,917</u>	<u>\$ 17,423,338</u>
\$ 28,460,333	\$ 29,528,205	\$ 31,792,758	\$ 33,302,617	\$ 41,076,989	\$ 41,485,102
1,694,212	1,788,007	896,106	917,300	675,052	786,678
12,381,813	12,142,477	11,433,305	13,265,214	9,004,174	9,366,517
<u>\$ 42,536,358</u>	<u>\$ 43,458,689</u>	<u>\$ 44,122,169</u>	<u>\$ 47,485,131</u>	<u>\$ 50,756,215</u>	<u>\$ 51,638,297</u>

CITY OF ARDEN HILLS

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities				
General government	\$ 1,778,811	\$ 1,640,599	\$ 1,622,425	\$ 1,232,225
Public safety	1,348,220	1,582,531	1,648,349	1,585,447
Public works	484,983	538,869	436,200	636,406
Parks and recreation	644,137	710,298	734,148	732,824
Economic development	128,709	43,791	48,322	3,311
Interest on long-term debt	66,820	60,233	53,496	46,470
Total governmental activities	<u>4,451,680</u>	<u>4,576,321</u>	<u>4,542,940</u>	<u>4,236,683</u>
Business-type activities				
Water	1,461,455	1,510,998	1,648,815	1,678,954
Sewer	1,280,486	1,143,557	1,268,018	1,367,429
Surface water management	147,395	219,483	269,562	321,693
Recycling	81,582	113,709	118,197	129,139
Total business-type activities	<u>2,970,918</u>	<u>2,987,747</u>	<u>3,304,592</u>	<u>3,497,215</u>
Total primary government	<u>\$ 7,422,598</u>	<u>\$ 7,564,068</u>	<u>\$ 7,847,532</u>	<u>\$ 7,733,898</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 302,501	\$ 298,395	\$ 341,736	\$ 271,972
Public safety	357,460	221,614	307,306	207,876
Public works	-	-	-	-
Parks and recreation	89,912	94,293	91,305	98,395
Operating grants and contributions	1,542,972	599,862	210,140	275,869
Capital grants and contributions	512,589	141,325	705,858	1,171,451
Total governmental activities	<u>2,805,434</u>	<u>1,355,489</u>	<u>1,656,345</u>	<u>2,025,563</u>
Business-type activities				
Charges for services				
Water	1,416,406	1,327,075	1,709,639	1,824,086
Sewer	1,344,716	1,121,188	1,313,897	1,574,493
Surface water management	456,047	473,856	503,070	518,672
Recycling	66,304	83,235	87,700	121,892
Operating grants and contributions	57,342	20,301	19,866	20,114
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>3,340,815</u>	<u>3,025,655</u>	<u>3,634,172</u>	<u>4,059,257</u>
Total primary government	<u>\$ 6,146,249</u>	<u>\$ 4,381,144</u>	<u>\$ 5,290,517</u>	<u>\$ 6,084,820</u>

	2011	2012	2013	2014	2015	2016
\$	1,199,609	\$ 1,186,404	\$ 1,133,379	\$ 1,294,830	\$ 1,281,557	\$ 1,384,908
	1,736,422	1,900,443	1,956,260	1,887,877	1,978,210	2,047,961
	614,761	894,954	944,104	852,109	194,667	800,157
	811,533	838,138	807,363	711,174	711,181	751,910
	6,862	61,770	403,143	522,193	733,528	361,029
	39,146	31,287	25,767	11,004	817	–
	<u>4,408,333</u>	<u>4,912,996</u>	<u>5,270,016</u>	<u>5,279,187</u>	<u>4,899,960</u>	<u>5,345,965</u>
	1,573,669	1,983,200	1,843,530	1,893,217	1,803,405	1,833,468
	1,454,302	1,595,379	1,560,796	1,506,927	1,587,808	1,513,219
	353,330	388,406	453,727	432,788	489,377	468,965
	137,622	142,114	144,541	150,417	239,727	141,190
	<u>3,518,923</u>	<u>4,109,099</u>	<u>4,002,594</u>	<u>3,983,349</u>	<u>4,120,317</u>	<u>3,956,842</u>
\$	<u><u>7,927,256</u></u>	<u><u>9,022,095</u></u>	<u><u>9,272,610</u></u>	<u><u>9,262,536</u></u>	<u><u>9,020,277</u></u>	<u><u>9,302,807</u></u>
\$	353,224	\$ 377,621	\$ 338,546	\$ 275,735	\$ 271,991	\$ 299,692
	385,133	376,576	341,114	366,452	628,573	735,730
	–	–	–	4,973	5,205	4,535
	110,830	118,179	113,374	116,951	119,338	134,579
	410,228	291,712	343,486	300,536	389,219	308,900
	946,122	134,710	326,213	2,302,439	3,080,749	462,105
	<u>2,205,537</u>	<u>1,298,798</u>	<u>1,462,733</u>	<u>3,367,086</u>	<u>4,495,075</u>	<u>1,945,541</u>
	1,950,932	2,285,161	2,271,072	2,132,191	2,099,242	2,165,773
	1,852,364	1,739,123	1,798,889	1,857,272	1,855,802	1,989,066
	531,845	567,361	639,747	762,884	782,501	812,044
	142,858	121,688	122,666	130,369	129,030	134,739
	20,846	19,802	19,694	19,611	124,228	26,323
	140,428	25,506	156,585	–	–	59,248
	<u>4,639,273</u>	<u>4,758,641</u>	<u>5,008,653</u>	<u>4,902,327</u>	<u>4,990,803</u>	<u>5,187,193</u>
\$	<u><u>6,844,810</u></u>	<u><u>6,057,439</u></u>	<u><u>6,471,386</u></u>	<u><u>8,269,413</u></u>	<u><u>9,485,878</u></u>	<u><u>7,132,734</u></u>

(continued)

CITY OF ARDEN HILLS

Changes in Net Position
 Last Ten Fiscal Years (continued)
 (Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Net (expense) revenue				
Governmental activities	\$ (1,646,246)	\$ (3,220,832)	\$ (2,886,595)	\$ (2,211,120)
Business-type activities	369,897	37,908	329,580	562,042
Total primary government	<u>\$ (1,276,349)</u>	<u>\$ (3,182,924)</u>	<u>\$ (2,557,015)</u>	<u>\$ (1,649,078)</u>
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 2,626,669	\$ 2,727,372	\$ 2,860,820	\$ 2,836,982
Tax increment collections	470,419	506,808	540,408	566,725
Franchise taxes	75,620	60,520	104,148	85,131
Unrestricted investment earnings	475,753	433,894	275,500	231,340
Gain on sale of capital assets	-	-	-	-
Transfers	-	-	132,500	143,000
Total governmental activities	<u>3,648,461</u>	<u>3,728,594</u>	<u>3,913,376</u>	<u>3,863,178</u>
Business-type activities				
Property tax	13,746	-	-	-
Investment earnings	55,225	72,307	55,106	53,455
Transfers	-	-	(132,500)	(143,000)
Total business-type activities	<u>68,971</u>	<u>72,307</u>	<u>(77,394)</u>	<u>(89,545)</u>
Total primary government	<u>\$ 3,717,432</u>	<u>\$ 3,800,901</u>	<u>\$ 3,835,982</u>	<u>\$ 3,773,633</u>
Change in net position				
Governmental activities	\$ 2,002,215	\$ 507,762	\$ 1,026,781	\$ 1,652,058
Business-type activities	438,868	110,215	252,186	472,497
Total primary government	<u>\$ 2,441,083</u>	<u>\$ 617,977</u>	<u>\$ 1,278,967</u>	<u>\$ 2,124,555</u>

2011	2012	2013	2014	2015	2016
\$ (2,202,796)	\$ (3,614,198)	\$ (3,807,283)	\$ (1,912,101)	\$ (404,885)	\$ (3,400,424)
<u>1,120,350</u>	<u>649,542</u>	<u>1,006,059</u>	<u>918,978</u>	<u>870,486</u>	<u>1,230,351</u>
<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>	<u>\$ (2,801,224)</u>	<u>\$ (993,123)</u>	<u>\$ 465,601</u>	<u>\$ (2,170,073)</u>
\$ 2,920,078	\$ 3,095,488	\$ 3,094,036	\$ 3,182,331	\$ 3,191,426	\$ 3,278,287
342,109	431,060	466,280	565,422	697,898	242,544
90,123	94,532	96,820	103,711	72,837	132,548
307,769	218,519	(168,071)	450,261	245,540	155,191
46,712	-	-	-	-	-
143,000	143,000	230,765	230,765	230,765	230,765
<u>3,849,791</u>	<u>3,982,599</u>	<u>3,719,830</u>	<u>4,532,490</u>	<u>4,438,466</u>	<u>4,039,335</u>
-	-	-	-	-	-
81,256	47,388	(24,361)	54,360	35,857	17,835
<u>(143,000)</u>	<u>(143,000)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>
<u>(61,744)</u>	<u>(95,612)</u>	<u>(255,126)</u>	<u>(176,405)</u>	<u>(194,908)</u>	<u>(212,930)</u>
<u>\$ 3,788,047</u>	<u>\$ 3,886,987</u>	<u>\$ 3,464,704</u>	<u>\$ 4,356,085</u>	<u>\$ 4,243,558</u>	<u>\$ 3,826,405</u>
\$ 1,646,995	\$ 368,401	\$ (87,453)	\$ 2,620,389	\$ 4,033,581	\$ 638,911
<u>1,058,606</u>	<u>553,930</u>	<u>750,933</u>	<u>742,573</u>	<u>675,578</u>	<u>1,017,421</u>
<u>\$ 2,705,601</u>	<u>\$ 922,331</u>	<u>\$ 663,480</u>	<u>\$ 3,362,962</u>	<u>\$ 4,709,159</u>	<u>\$ 1,656,332</u>

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CITY OF ARDEN HILLS

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment Collections</u>	<u>Franchise Taxes</u>	<u>Total</u>
2007	\$ 2,626,669	\$ 470,419	\$ 75,620	\$ 3,172,708
2008	2,727,372	506,808	60,520	3,294,700
2009	2,860,820	540,408	104,148	3,505,376
2010	2,836,982	566,725	85,131	3,488,838
2011	2,920,078	342,109	90,123	3,352,310
2012	3,095,488	431,060	94,532	3,621,080
2013	3,094,036	466,280	96,820	3,657,136
2014	3,182,331	565,422	103,711	3,851,464
2015	3,191,426	697,898	72,837	3,962,161
2016	3,278,287	242,544	132,548	3,653,379

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 17,356	\$ 16,586	\$ 24,304	\$ 32,587
Unreserved	2,153,575	1,834,179	1,797,956	1,730,605
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 2,170,931</u>	<u>\$ 1,850,765</u>	<u>\$ 1,822,260</u>	<u>\$ 1,763,192</u>
All other governmental funds				
Reserved	\$ 632,316	\$ 838,308	\$ 1,063,087	\$ 1,331,259
Unreserved, reported in				
Special revenue funds	974,546	765,771	733,626	468,786
Capital project funds	7,039,989	7,773,523	7,242,406	7,212,442
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 8,646,851</u>	<u>\$ 9,377,602</u>	<u>\$ 9,039,119</u>	<u>\$ 9,012,487</u>

Note: The City implemented GASB Statement No. 54 in fiscal 2011. Prior year information has not been restated.

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
29,063	22,326	22,754	21,059	23,983	26,271
106,592	126,134	119,440	139,721	251,497	257,771
<u>2,015,680</u>	<u>2,202,459</u>	<u>2,223,512</u>	<u>2,185,162</u>	<u>2,806,930</u>	<u>2,660,771</u>
<u>\$ 2,151,335</u>	<u>\$ 2,350,919</u>	<u>\$ 2,365,706</u>	<u>\$ 2,345,942</u>	<u>\$ 3,082,410</u>	<u>\$ 2,944,813</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	628	910	395	845	214
1,696,379	1,799,380	888,707	917,300	675,052	786,678
264,016	452,496	421,989	471,161	449,898	450,433
6,993,767	6,863,115	7,111,210	7,346,178	3,902,898	3,872,938
<u>(542,821)</u>	<u>(303,339)</u>	<u>(134,316)</u>	<u>(150,893)</u>	<u>(216,521)</u>	<u>(217,607)</u>
<u>\$ 8,411,341</u>	<u>\$ 8,812,280</u>	<u>\$ 8,288,500</u>	<u>\$ 8,584,141</u>	<u>\$ 4,812,172</u>	<u>\$ 4,892,656</u>

CITY OF ARDEN HILLS

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes				
General property tax	\$ 2,624,566	\$ 2,706,745	\$ 2,835,253	\$ 2,867,028
Tax increments	470,419	506,808	540,408	566,725
Special assessments	493,986	223,155	410,935	388,768
Licenses and permits	365,185	228,776	318,849	255,265
Intergovernmental	253,687	145,288	130,622	878,944
Charges for services	289,923	282,553	332,358	322,978
Fines and forfeits	28,653	30,189	26,111	27,013
Earnings on investments	475,753	433,894	275,500	231,340
Franchise taxes	75,620	60,520	104,148	85,131
Antenna rental fees	53,256	72,784	63,009	65,759
Miscellaneous/other	1,369,401	519,154	147,187	118,096
Total revenues	<u>6,500,449</u>	<u>5,209,866</u>	<u>5,184,380</u>	<u>5,807,047</u>
Expenditures				
Current				
General government	1,689,801	1,504,149	1,283,267	1,127,726
Public safety	1,318,006	1,420,785	1,526,819	1,561,046
Public works	246,530	265,448	282,019	322,793
Parks and recreation	501,993	562,283	606,822	605,210
Economic development	128,709	43,791	48,322	3,311
Capital outlay				
General government	65,351	331,650	285,028	108,575
Public safety	27,266	157,451	156,543	18,927
Public works	944,352	123,080	1,088,586	865,334
Parks and recreation	5,364	110,544	128,037	1,141,300
Economic development	-	-	-	-
Debt service				
Principal	215,000	220,000	225,000	235,000
Interest and paying agent fees	66,625	60,100	53,425	46,525
Total expenditures	<u>5,208,997</u>	<u>4,799,281</u>	<u>5,683,868</u>	<u>6,035,747</u>
Revenues over (under) expenditures	1,291,452	410,585	(499,488)	(228,700)
Other financing sources (uses)				
Transfers in	734,441	1,045,100	809,621	719,791
Transfers out	(734,441)	(1,045,100)	(677,121)	(576,791)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>132,500</u>	<u>143,000</u>
Net change in fund balances	<u>\$ 1,291,452</u>	<u>\$ 410,585</u>	<u>\$ (366,988)</u>	<u>\$ (85,700)</u>
Debt service as a percentage of noncapital expenditures	<u>6.70 %</u>	<u>6.56 %</u>	<u>6.52 %</u>	<u>7.12 %</u>

	2011	2012	2013	2014	2015	2016
\$	2,913,248	\$ 3,087,160	\$ 3,086,064	\$ 3,210,025	\$ 3,203,004	\$ 3,260,537
	342,109	431,060	466,280	565,422	697,898	242,544
	561,238	252,879	382,366	304,315	908,964	373,415
	429,991	415,070	382,039	327,727	518,846	598,686
	246,416	143,085	316,859	1,408,240	1,396,269	396,275
	419,197	450,589	410,995	400,224	496,908	577,041
	29,593	33,192	32,055	29,569	32,792	31,868
	296,249	215,119	(164,535)	433,402	236,947	148,679
	90,123	94,532	96,820	103,711	72,837	132,548
	72,351	75,745	76,574	110,144	189,534	123,815
	365,259	113,974	43,777	89,482	241,463	94,442
	<u>5,765,774</u>	<u>5,312,405</u>	<u>5,129,294</u>	<u>6,982,261</u>	<u>7,995,462</u>	<u>5,979,850</u>
	1,060,744	1,054,662	1,054,852	1,155,120	1,143,037	1,194,579
	1,640,801	1,728,669	1,779,549	1,826,098	1,920,280	1,981,506
	273,165	377,101	391,711	580,872	336,398	479,814
	661,746	679,282	675,073	648,214	573,587	621,832
	6,862	57,766	90,222	286,991	249,484	229,688
	684,492	8,847	9,545	5,559	—	—
	91,579	169,894	170,511	66,079	52,936	47,880
	1,063,181	376,872	1,017,328	1,833,535	6,198,264	786,873
	64,923	109,761	68,493	18,883	—	—
	—	5,330	328,248	231,025	502,842	151,306
	245,000	255,000	260,000	270,000	280,000	—
	39,325	31,698	23,520	14,773	4,900	—
	<u>5,831,818</u>	<u>4,854,882</u>	<u>5,869,052</u>	<u>6,937,149</u>	<u>11,261,728</u>	<u>5,493,478</u>
	(66,044)	457,523	(739,758)	45,112	(3,266,266)	486,372
	143,000	143,000	230,765	230,765	230,765	230,765
	—	—	—	—	—	—
	46,712	—	—	—	—	—
	<u>189,712</u>	<u>143,000</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>
\$	<u>123,668</u>	<u>\$ 600,523</u>	<u>\$ (508,993)</u>	<u>\$ 275,877</u>	<u>\$ (3,035,501)</u>	<u>\$ 717,137</u>
	<u>6.99 %</u>	<u>6.21 %</u>	<u>5.82 %</u>	<u>5.73 %</u>	<u>6.20 %</u>	<u>— %</u>

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CITY OF ARDEN HILLS

General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax		Franchise Tax	Total
	General	Tax Increment		
2007	\$ 2,624,566	\$ 470,419	\$ 75,620	\$ 3,170,605
2008	2,706,745	506,808	60,520	3,274,073
2009	2,835,253	540,408	104,148	3,479,809
2010	2,867,028	566,725	85,131	3,518,884
2011	2,913,248	342,109	90,123	3,345,480
2012	3,087,160	431,060	94,532	3,612,752
2013	3,086,064	466,280	96,820	3,649,164
2014	3,210,025	565,422	103,711	3,879,158
2015	3,203,004	697,898	72,837	3,973,739
2016	3,260,537	242,544	132,548	3,635,629

CITY OF ARDEN HILLS

Tax Capacity Value and Estimated Market Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year Ended December 31,</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>	<u>Less Tax Increment District</u>
2007	\$ 7,222,459	\$ 7,242,448	\$ 911,841	\$ 15,376,748	\$ 524,628
2008	7,682,107	7,703,369	969,872	16,355,348	562,501
2009	7,781,733	7,803,271	982,450	16,567,454	583,017
2010	7,531,731	7,704,757	587,523	15,824,011	590,269
2011	6,729,785	6,873,795	1,181,444	14,785,024	531,415
2012	6,127,224	6,694,609	1,257,051	14,078,884	436,893
2013	5,747,252	6,442,044	1,319,326	13,508,622	438,897
2014	6,605,251	5,502,256	1,522,488	13,629,995	510,906
2015	6,971,890	5,807,670	1,606,997	14,386,557	684,465
2016	7,075,859	5,894,278	1,630,962	14,601,099	207,526

Source: Ramsey County Assessor

<u>Less Fiscal Disparity Contribution</u>	<u>Adjusted Tax Capacity (ATC) Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value (EMV)</u>	<u>ATC as a Percentage of EMV</u>
\$ 1,611,881	\$ 13,240,239	20.21 %	\$ 1,166,210,900	1.14 %
1,555,117	14,237,730	19.59	1,232,098,300	1.16
2,865,756	13,118,681	20.53	1,229,529,900	1.07
3,096,380	12,137,362	22.67	1,171,068,100	1.04
2,921,351	11,332,258	24.19	1,109,327,600	1.02
2,505,319	11,136,672	25.54	1,043,419,700	1.07
2,474,502	10,595,223	27.93	1,035,471,700	1.02
2,375,745	10,743,344	27.95	1,055,153,800	1.02
2,303,582	11,398,510	27.29	1,122,428,000	1.02
2,280,682	12,112,891	26.54	1,144,221,600	1.06

CITY OF ARDEN HILLS

Property Tax Rates
Direct and Overlapping (1) Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rate	Overlapping Rates			Total
	City Operating Rate	Ramsey County	School District	Special Taxing Districts	
2007	20.206 %	44.940 %	22.910 %	– %	88.056 %
2008	19.585	44.023	20.030	–	83.638
2009	20.534	46.546	22.937	–	90.017
2010	22.672	50.248	24.560	8.000	105.480
2011	24.187	54.678	25.573	8.400	112.838
2012	25.540	61.320	28.590	9.960	125.410
2013	27.931	65.240	29.444	10.200	132.815
2014	27.950	63.735	29.734	9.825	131.244
2015	27.294	58.922	26.994	9.179	122.389
2016	26.539	58.885	26.052	9.052	120.528

(1) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners (e.g., the rates for special districts apply only to the proportion of the City’s property owners whose property is located within the geographic boundaries of the special district).

Note: Rates for special taxing districts were not readily available prior to 2010.

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,548,500	1	10.61 %	\$ 1,699,250	1	11.05 %
Space Center Arden Hills, LLC	369,624	2	2.53	–	–	–
Land O’Lakes, Inc.	360,146	3	2.47	385,250	4	2.51
St. Paul Fire and Marine Insurance Company	344,250	4	2.36	–	–	–
NSP	329,511	5	2.26	249,852	9	1.62
Presbyterian Homes, Inc.	263,845	6	1.81	–	–	–
CSM Corporation	236,618	7	1.62	404,234	2	2.63
LSREF4 BISON LLC	173,550	8	1.19	–	–	–
Bethel University	169,250	9	1.16	–	–	–
RAM Development, LLC	162,564	10	1.11	–	–	–
Arden Hills Industrial, LLC	–	–	–	386,152	3	2.51
St. Paul Properties, Inc.	–	–	–	333,254	5	2.17
Mutual Service Insurance Company	–	–	–	330,422	6	2.15
Inland Shannon Square Cub, LLC	–	–	–	329,726	7	2.14
IRET Properties, LP	–	–	–	292,226	8	1.90
Pharmacia Deltec, Inc.	–	–	–	221,824	10	1.44
Total	<u>\$ 3,957,858</u>		<u>27.11 %</u>	<u>\$ 4,632,190</u>		<u>30.12 %</u>
Total capacity value	<u>\$ 14,601,099</u>			<u>\$ 15,376,748</u>		

CITY OF ARDEN HILLS

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Additions/ (Abatements)	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2007	\$ 2,634,851	\$ 2,615,411	99.26 %	\$ (4,529)	\$ 14,911	\$ 2,634,851	100.00 %
2008	2,744,767	2,709,036	98.70	(24,859)	10,872	2,744,767	100.00
2009	2,892,774	2,829,900	97.83	(47,523)	15,351	2,892,774	100.00
2010	2,953,128	2,890,946	97.89	(29,095)	28,628	2,948,669	99.85
2011	3,040,964	3,008,068	98.92	(2,326)	28,622	3,039,016	99.94
2012	3,096,994	3,045,572	98.34	(11,376)	38,642	3,095,590	99.95
2013	3,191,230	3,117,083	97.68	(38,542)	35,605	3,191,230	100.00
2014	3,257,456	3,219,641	98.84	(19,251)	17,175	3,256,067	99.96
2015	3,359,775	3,295,723	98.09	(52,546)	7,233	3,355,502	99.87
2016	3,478,775	3,408,642	97.98	(45,548)	—	3,454,190	99.29

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities General Obligation TIF Bonds	Percentage of Personal Income	Per Capita (1)
2007	\$ 1,990,000	0.59 %	\$ 202
2008	1,770,000	0.52	179
2009	1,545,000	0.43	152
2010	1,310,000	0.36	137
2011	1,065,000	0.30	111
2012	810,000	0.22	84
2013	550,000	0.15	56
2014	280,000	0.07	29
2015 (2)	—	—	—
2016 (2)	—	—	—

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

(2) The City made the final bond payment in 2015. There is no outstanding bonded debt as of year-end.

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

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CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt
as of December 31, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 176,702,000	2.10 %	\$ 3,716,300
County library	33,160,000	4.86	1,609,959
Independent School District No. 621	88,300,000	12.01	10,609,157
Independent School District No. 623	37,255,000	0.74	275,339
Intermediate School District No. 916	80,750,000	4.88	3,937,345
Metropolitan Council	1,445,126,482	0.34	4,872,606
Total overlapping debt			25,020,706
City of Arden Hills	-	-	-
Total direct and overlapping debt			\$ 25,020,706

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. 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.

Source: Assessed value data used to estimate applicable percentages provided by the Ramsey County Assessor. Debt outstanding data provided by the county.

CITY OF ARDEN HILLS

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Debt limit	\$ 23,324,218	\$ 36,962,949	\$ 36,885,897	\$ 35,132,043
Total net debt applicable to limit	—	—	—	—
Legal debt margin	<u>\$ 23,324,218</u>	<u>\$ 36,962,949</u>	<u>\$ 36,885,897</u>	<u>\$ 35,132,043</u>
Total net debt applicable to the limit as a percentage of debt limit	—	—	—	—

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 3 percent of total market value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. Tax increment bonds are not subject to the debt limit; therefore, they are not included.

2011	2012	2013	2014	2015	2016
\$ 33,279,828	\$ 31,302,591	\$ 31,064,151	\$ 31,654,614	\$ 33,672,840	\$ 34,326,648
-	-	-	-	-	-
<u>\$ 33,279,828</u>	<u>\$ 31,302,591</u>	<u>\$ 31,064,151</u>	<u>\$ 31,654,614</u>	<u>\$ 33,672,840</u>	<u>\$ 34,326,648</u>
-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2016

Market value	\$ 1,144,221,600
Debt limit (3% of market value)	34,326,648
Debt applicable to limit	
General obligation bonds	-
Less amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 34,326,648</u>

CITY OF ARDEN HILLS

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (3)</u>	<u>Arden Hills Total Personal Income (4)</u>	<u>Median Age (6)</u>	<u>School Enrollment (5)</u>	<u>Unemployment Rate (2)</u>
2007	9,838	\$ 34,011	\$334,600,218	35.0	9,693	4.4 %
2008	9,864	34,691	342,192,024	35.0	9,757	4.7
2009	10,137	35,385	358,697,745	35.0	9,662	5.0
2010	9,552	37,900	362,020,800	36.2	9,662	6.4
2011	9,552	36,806	351,570,912	34.8	9,786	6.1
2012	9,642	37,371	360,331,182	34.8	10,003	5.7
2013	9,750	38,118	371,650,500	34.8	10,445	5.1
2014	9,652	38,881	375,279,412	36.9	10,596	4.0
2015	9,876	41,995	414,742,620	36.0	10,562	3.8
2016	9,951	41,995	417,892,245	36.0	10,533	3.5

Sources:

- (1) Population data is obtained from the U.S. Census Bureau and Minnesota Department of Employment and Economic Development (DEED).
- (2) Unemployment rate information is from DEED, based off of Ramsey County statistics and U.S. Bureau of Labor Statistics.
- (3) Per capita personal income is obtained from DEED.
- (4) Personal income is calculated based on the population and per capita personal income.
- (5) Enrollment numbers are based off of Independent School District No. 621, Mounds View; enrollment by grade provided by Mounds View District Center.
- (6) Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year.

CITY OF ARDEN HILLS

Principal Employers
Current Year and Nine Years Ago

Employer	2016 (1)			2007		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,200	1	19.0 %	–	–	– %
Bethel University	970	2	8.4	–	–	–
University of Northwestern	960	3	8.3	800	3	6.2
Land O’Lakes, Inc.	800	4	6.9	800	3	6.2
Presbyterian Homes of Arden Hills	493	5	4.3	500	7	3.8
Delkor	160	6	1.4	–	–	–
International Paper	120	7	1.0	–	–	–
Guidant Corporation	–	–	–	2,000	1	15.4
Independent School District No. 621	–	–	–	1,400	2	10.8
Country and MSI Insurance	–	–	–	640	5	4.9
Celestica	–	–	–	600	6	4.6
Fair Isaac & Co.	–	–	–	500	7	3.8
Smiths Medical M.D., Inc.	–	–	–	326	9	2.5
First Student, Inc.	–	–	–	300	10	2.3
Total	<u>5,703</u>		<u>49.4 %</u>	<u>7,866</u>		<u>60.5 %</u>
Total city employees	<u>11,553</u>			<u>13,000</u>		

(1) Information only readily available for the top seven employers.

Source: County Board of Equalization and Assessment and St. Paul Chamber of Commerce

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
Police (see note 2)				
Towed vehicles	–	–	–	2
Traffic accidents	189	145	117	138
Driving impaired/alcohol	22	29	21	9
Traffic stops	335	144	281	332
Traffic investigations	33	22	19	11
Number of calls answered	N/A	N/A	N/A	N/A
Fire				
Number of calls answered	248	228	214	452
Highways and streets				
Street resurfacing (miles)	1.3	–	1.4	1.8
Potholes repaired	100	200	250	325
Sanitation (residential)				
Refuse collected (tons/day)	7.12	7.21	8.05	7.95
Recyclables collected (tons/day)	2.58	2.68	2.05	2.34
Parks and recreation				
Athletic field permits issued	28	30	25	25
Water				
New connections	–	–	3	3
Water main breaks	7	7	5	7
Average daily consumption (thousands of gallons)	1,153	1,029	1,323	1,162

Note 1: Indicators are not available for the general city functions.

Note 2: Information provided by the Ramsey County Sheriff’s Department. Starting in 2015, the Sheriff changed reporting standards, and information is no longer easily broken down. Total number of calls is now provided.

Note 3: Refuse approximation provided by BFI/Allied Waste (approximately 38 pounds per household per week – 3,236 households (City Planner) – converted to tons. Recyclables – numbers based off of yearly tonnage total divided into 365 days in the year.

Note 4: Fire information provided by Lake Johanna Fire Department, which is contracted out by the City.

Source: Various city departments

2011	2012	2013	2014	2015	2016
3	7	2	1	N/A	N/A
96	140	149	144	N/A	N/A
13	15	23	18	N/A	N/A
328	17	78	20	N/A	N/A
24	33	78	40	N/A	N/A
N/A	N/A	N/A	N/A	4,892	4,370
559	522	561	651	804	850
1.9	5.2	4.4	–	2.84	0.25
250	250	250	250	600	600
7.85	7.90	8.05	8.65	8.76	8.75
2.01	2.20	2.20	2.21	2.16	2.06
20	19	30	22	22	22
2	31	10	2	7	8
2	12	6	2	10	6
1,135	1,269	1,162	983	857	812

CITY OF ARDEN HILLS

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
General government	6.50	6.40	6.57	7.18
Public safety				
General public safety	2.50	2.70	2.72	2.72
Highways and streets				
General highways and streets	2.30	2.30	2.39	2.44
Community development	1.50	1.60	0.02	–
Parks and recreation	7.20	7.50	8.32	6.95
Water	3.40	3.40	3.40	3.29
Sewer	3.90	3.90	4.01	3.91
Recycling	0.10	0.10	0.14	0.17
Surface water management	1.70	1.80	1.57	2.25
Total	29.10	29.70	29.14	28.90

Note: Seasonal staff are calculated by total hours worked (2,080 hours per year), added together to total an equivalent.

Source: Finance and Administration

2011	2012	2013	2014	2015	2016
6.89	7.47	7.50	6.73	6.76	5.00
2.74	2.70	2.66	2.61	2.74	2.42
2.20	2.72	2.04	3.11	2.93	2.42
-	-	-	-	-	-
8.88	6.51	6.92	7.77	7.31	6.78
3.50	3.67	4.42	4.18	4.07	3.56
4.05	4.42	4.92	5.06	4.85	4.31
0.21	0.21	0.21	0.20	0.19	0.17
2.54	2.66	2.56	3.01	2.95	2.64
<u>31.01</u>	<u>30.36</u>	<u>31.22</u>	<u>32.67</u>	<u>31.80</u>	<u>27.30</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
Highways and streets				
Streets (miles)	57	57	57	57
Streetlights	250	250	250	250
Traffic signals	18	18	18	18
Parks and recreation*				
Parks acreage	102	111	111	111
Parks	13	14	14	14
Trails acreage	52	52	53	54
Trails (miles)	2	11	13	15
Tennis courts	4	4	4	4
Softball/baseball fields	6	6	6	6
Basketball courts	10	10	10	10
Hockey/skating rinks	5	5	5	5
Permanent restrooms	2	2	2	3
Water				
Water mains (miles)	43	43	43	43
Fire hydrants	520	520	520	520
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500
Sewer				
Sanitary sewers (miles)	42	42	44	44
Storm sewers (miles)	20	20	20	20

* Information used for the parks and recreation section was taken from the *Arden Hills Parks and Trails Guide* from the Parks and Recreation Department.

Note: No capital asset indicators are available for the general city functions.

Source: Various city departments

2011	2012	2013	2014	2015	2016
57	57	57	57	57	57
250	250	250	250	250	250
18	18	18	18	18	18
111	111	111	111	111	111
14	14	14	14	14	14
54	54	54	54	54	54
15	15	15	21	21	21
4	4	5	6	6	5
6	6	8	8	8	8
10	10	10	10	10	10
5	5	6	6	6	6
3	3	2	3	3	3
43	43	43	43	43	43
520	520	537	537	537	537
1,500	1,500	1,500	1,500	1,500	1,500
44	44	49	52	52	52
20	20	20	25	25	25

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