

**CITY OF**



**ARDEN HILLS**

**ARDEN HILLS, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**



CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report  
Year Ended  
December 31, 2017

FINANCE DEPARTMENT



CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

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CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

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**INTRODUCTORY SECTION**

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June 7, 2018

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, 2017.

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, 2017. 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 9.65 square miles and serves an estimated population of 10,066. 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 7.6 percent in 2009 to the current low of 3.3 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 \$3,065,250 (64.4 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 \$288,519 of nonspendable equity for prepaid items, \$48,323 of assigned equity for compensated absences, and \$237,225 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, 2016. This is the eleventh 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 cursive script that reads "Dave Perrault". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Dave Perrault  
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, 2016**

*Christopher P. Morill*

Executive Director/CEO

CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials  
December 31, 2017

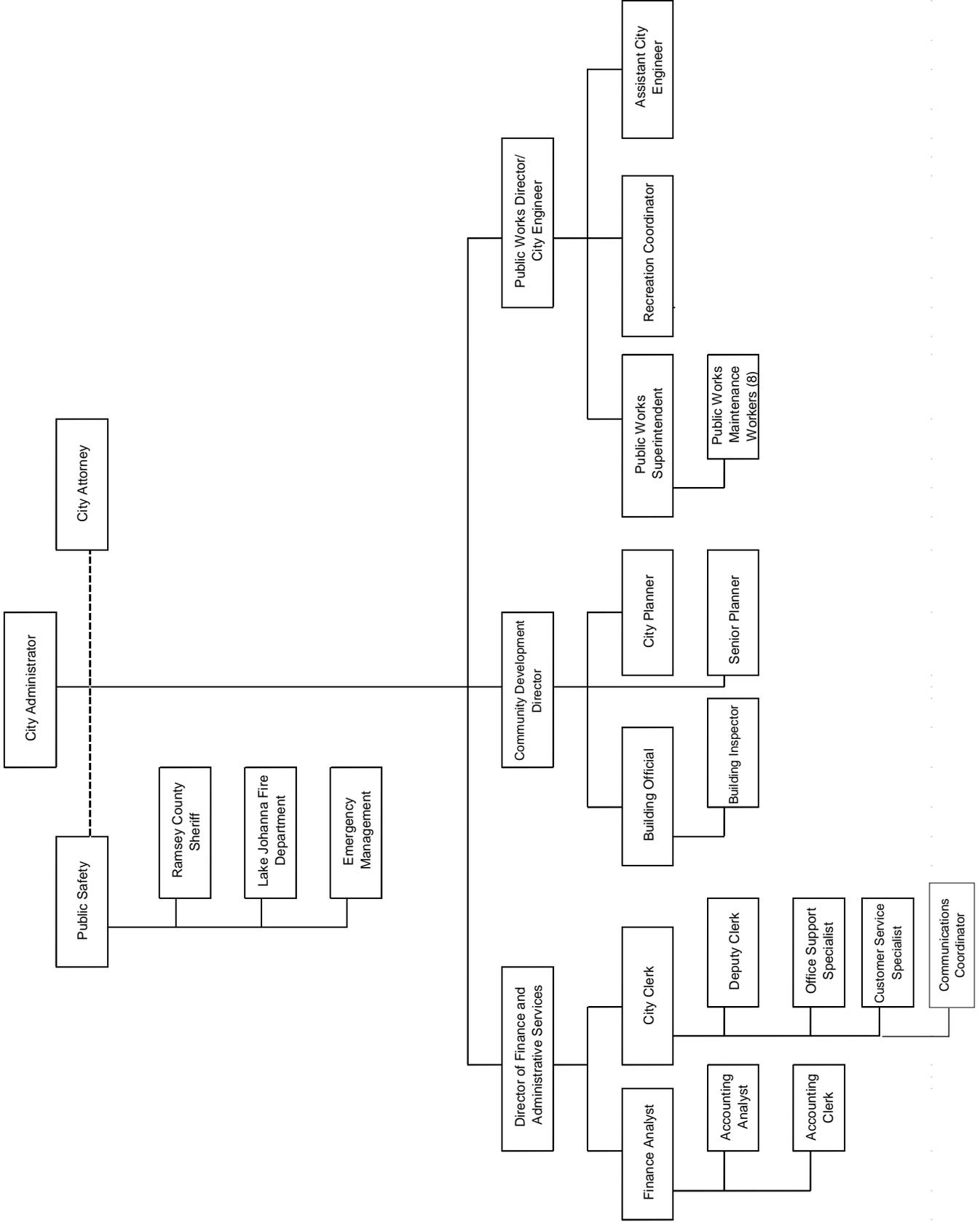
**CITY COUNCIL**

		<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
Steve Scott	Councilmember	December 31, 2018

**APPOINTED OFFICIALS**

William Joynes	Interim City Administrator
Dave Perrault	Interim Director of Finance and Administrative Services/Treasurer
Julie Hanson	City Clerk
Joel Jamnik	City Attorney

# 2017 City of Arden Hills Organization Chart



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**FINANCIAL SECTION**

**TAB**





**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, 2017, 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, 2017, 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 7, 2018 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota

June 7, 2018

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## CITY OF ARDEN HILLS

### Management's Discussion and Analysis Year Ended December 31, 2017

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, 2017. 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 \$51,918,079 (*net position*). Of this amount, \$11,976,963 (*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 \$279,782 in 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,709,962. Of this total amount, \$289,183 is nonspendable and \$898,739 is restricted, leaving an unrestricted balance of \$9,522,040.
- At the end of the current fiscal year, the General Fund has a total fund balance of \$3,639,317. At December 31, 2017, the unassigned fund balance of the General Fund was, \$3,065,250 or 64.4 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 \$51,918,079 at December 31, 2017.

The largest portion of the City's net position, \$39,042,377, or 75.2 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	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 14,155,756	\$ 12,385,881	\$ 2,312,905	\$ 2,290,327	\$ 16,468,661	\$ 14,676,208
Capital assets	22,750,377	25,178,721	16,292,000	16,306,381	39,042,377	41,485,102
Total assets	<u>\$ 36,906,133</u>	<u>\$ 37,564,602</u>	<u>\$ 18,604,905</u>	<u>\$ 18,596,708</u>	<u>\$ 55,511,038</u>	<u>\$ 56,161,310</u>
<b>Deferred outflows of resources</b>						
Pension plan deferments – PERA	\$ 311,733	\$ 583,538	\$ 129,205	\$ 311,390	\$ 440,938	\$ 894,928
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 1,020,742	\$ 1,454,178	\$ 541,973	\$ 830,729	\$ 1,562,715	\$ 2,284,907
Other liabilities	1,204,043	1,763,108	387,738	539,337	1,591,781	2,302,445
Total liabilities	<u>\$ 2,224,785</u>	<u>\$ 3,217,286</u>	<u>\$ 929,711</u>	<u>\$ 1,370,066</u>	<u>\$ 3,154,496</u>	<u>\$ 4,587,352</u>
<b>Deferred inflows of resources</b>						
Pension plan deferments – PERA	\$ 353,646	\$ 206,006	\$ 213,655	\$ 114,694	\$ 567,301	\$ 320,700
State aid received for subsequent years	312,100	509,889	–	–	312,100	509,889
Total deferred inflows of resources	<u>\$ 665,746</u>	<u>\$ 715,895</u>	<u>\$ 213,655</u>	<u>\$ 114,694</u>	<u>\$ 879,401</u>	<u>\$ 830,589</u>
<b>Net position</b>						
Investment in capital assets	\$ 22,750,377	\$ 25,178,721	\$ 16,292,000	\$ 16,306,381	\$ 39,042,377	\$ 41,485,102
Restricted	898,739	786,678	–	–	898,739	786,678
Unrestricted	10,678,219	8,249,560	1,298,744	1,116,957	11,976,963	9,366,517
Total net position	<u>\$ 34,327,335</u>	<u>\$ 34,214,959</u>	<u>\$ 17,590,744</u>	<u>\$ 17,423,338</u>	<u>\$ 51,918,079</u>	<u>\$ 51,638,297</u>

Restricted net position of \$898,739 comprises 1.7 percent of net position at the close of the fiscal year ended December 31, 2017. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$11,976,963, or approximately 23.1 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.

Both governmental activities and business-type activities experienced changes in deferred outflows of resources, deferred inflows of resources, and long-term liabilities as a result of the City's participation in a state-wide defined benefit pension plan.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2017 with comparative amounts for the year ended December 31, 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,360,377	\$ 1,174,536	\$ 4,909,841	\$ 5,101,622	\$ 6,270,218	\$ 6,276,158
Operating grants and contributions	2,031,474	308,900	24,655	26,323	2,056,129	335,223
Capital grants and contributions	448,945	462,105	-	59,248	448,945	521,353
<b>General revenues</b>						
Property taxes	3,526,347	3,278,287	-	-	3,526,347	3,278,287
Tax increment collections	295,788	242,544	-	-	295,788	242,544
Franchise taxes	109,070	132,548	-	-	109,070	132,548
Unrestricted investment earnings	139,347	155,191	32,754	17,835	172,101	173,026
Total revenues	<u>7,911,348</u>	<u>5,754,111</u>	<u>4,967,250</u>	<u>5,205,028</u>	<u>12,878,598</u>	<u>10,959,139</u>
<b>Expenses</b>						
General government	1,322,106	1,384,908	-	-	1,322,106	1,384,908
Public safety	2,158,835	2,047,961	-	-	2,158,835	2,047,961
Public works	3,512,218	800,157	-	-	3,512,218	800,157
Parks and recreation	759,737	751,910	-	-	759,737	751,910
Economic development	276,841	361,029	-	-	276,841	361,029
Water	-	-	2,159,874	1,833,468	2,159,874	1,833,468
Sewer	-	-	1,780,260	1,513,219	1,780,260	1,513,219
Surface water management	-	-	481,026	468,965	481,026	468,965
Recycling	-	-	147,919	141,190	147,919	141,190
Total expenses	<u>8,029,737</u>	<u>5,345,965</u>	<u>4,569,079</u>	<u>3,956,842</u>	<u>12,598,816</u>	<u>9,302,807</u>
Increase (decrease) in net position before transfers	(118,389)	408,146	398,171	1,248,186	279,782	1,656,332
Transfers	<u>230,765</u>	<u>230,765</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	112,376	638,911	167,406	1,017,421	279,782	1,656,332
Net position – beginning	<u>34,214,959</u>	<u>33,576,048</u>	<u>17,423,338</u>	<u>16,405,917</u>	<u>51,638,297</u>	<u>49,981,965</u>
Net position – ending	<u>\$ 34,327,335</u>	<u>\$ 34,214,959</u>	<u>\$ 17,590,744</u>	<u>\$ 17,423,338</u>	<u>\$ 51,918,079</u>	<u>\$ 51,638,297</u>

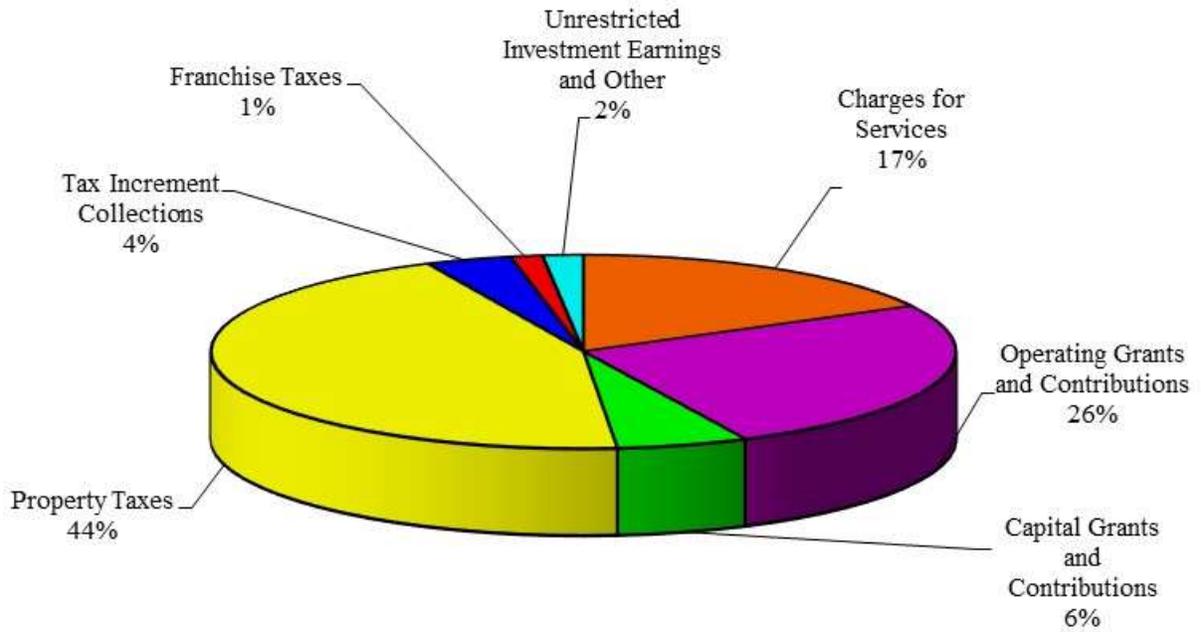
**Governmental Activities** – Current year operating results of governmental activities increased net position by \$112,376, compared to an increase of \$638,911 in the prior year. Changes from the prior year included the following:

- Operating grants and contributions were up due to a one-time reimbursement from the county for its share of a joint street project.
- Public works spending was up in the current year, due to the contribution of capital assets to the county for a multi-year street project accumulated by the City as part of the joint street project.

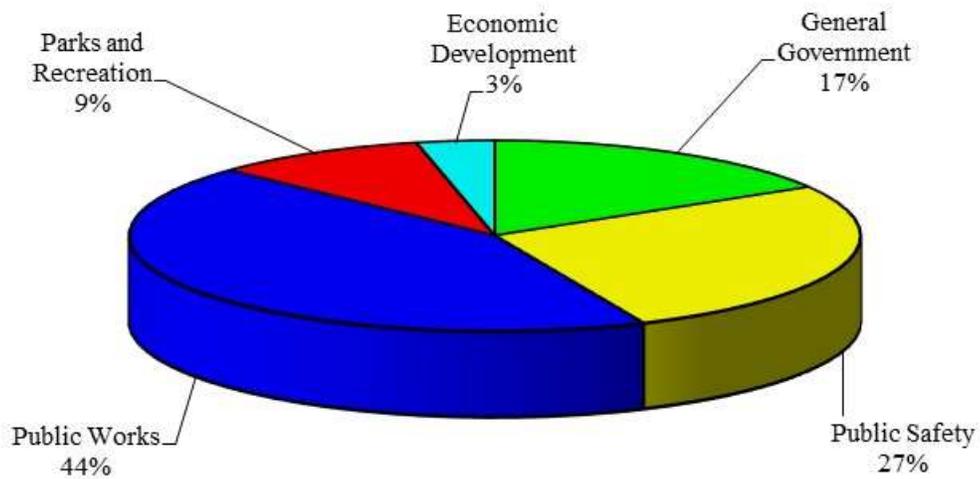
**Business-Type Activities** – Current year operating results of business-type activities increased net position by \$167,406, due to positive results of the utility operations of the City. Program revenues exceeded program expenses for each of the City’s business-type activities, except water.

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

### Governmental Activities – Revenue

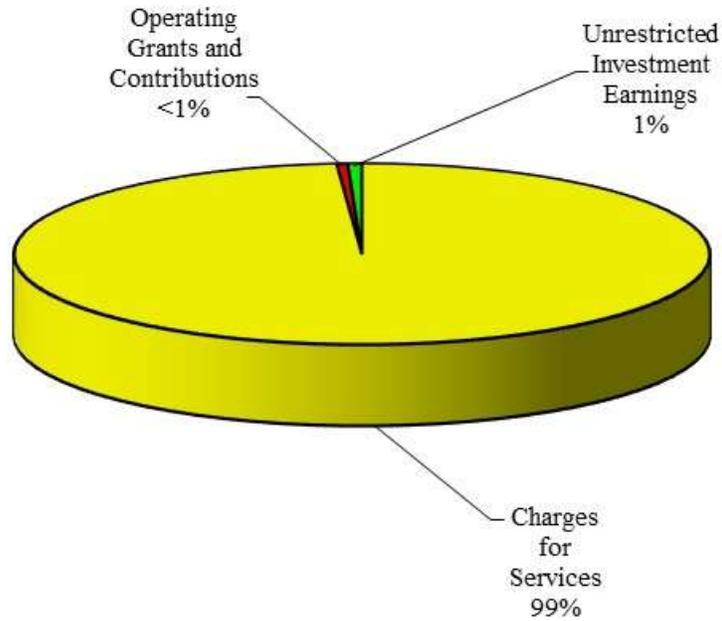


### Governmental Activities – Expenses

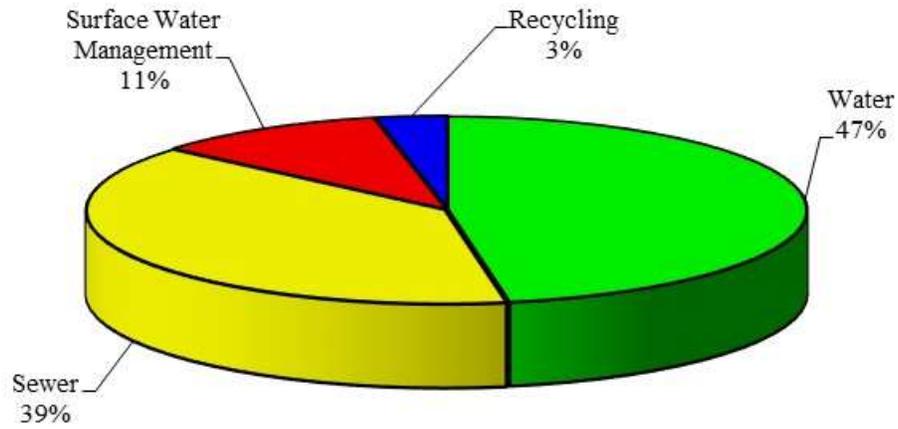


Below are specific graphs that provide comparisons of the business-type activities revenue and expenses:

### 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 \$10,709,962, an increase of \$2,872,493 in comparison with the prior year. Committed, assigned, and unassigned fund balance, which are available for spending at the government's discretion, have a total balance of \$9,522,040 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 (\$616,829), 2) for cable TV purposes (\$281,910), or 3) is not in spendable form for prepaid items (\$289,183).

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 \$3,065,250, while total fund balance equaled \$3,639,317. 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 64.4 percent of the total subsequent year General Fund expenditures.

The City's General Fund equity increased by \$694,504 during the current fiscal year, compared to a \$195,955 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 mainly in personal services. 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 increased by \$19,411, which compares to an anticipated fund balance reduction of \$83,599. Tax increment collections and earnings on investments were \$3,709 more than expected in the final budget, while expenditures were \$99,301 below appropriations.

Equity in the Equipment, Building, and Replacement Fund decreased by \$222,167 as expenditures exceeded revenues and transfers in 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 \$2,341,078 in the current year. Total revenues and transfers from the General Fund, Water Fund, Sewer Fund, and Surface Water Management 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: \$799,506 for water, negative (\$94,251) for sewer, \$461,930 for surface water management, and \$131,559 for recycling. Water net position decreased \$78,810, sewer net position decreased \$80,629, surface water management net position increased \$297,699, and recycling net position increased \$29,146 during the year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$370,843 more than estimated in the budget. Licenses and permits and charges for services revenue surpassed budgeted levels by \$381,867 and \$167,276, 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 \$519,616 spread across several functions, but most noticeably in general government and parks and recreation, mainly in personal services.

During the year, there were no budget amendments in the General Fund approved by City Council.

## 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, 2017 amounts to \$39,042,377 (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 decrease in the City’s investment in capital assets for the current fiscal year was 5.9 percent (a decrease of 9.6 percent for governmental activities and a decrease of 0.1 percent for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818	\$ 2,679,818
Construction in progress	552,481	7,315,839	324,945	2,075,734	877,426	9,391,573
Buildings and structures	3,594,986	3,514,527	704,778	746,320	4,299,764	4,260,847
Infrastructure and improvements	14,242,467	10,349,148	–	–	14,242,467	10,349,148
Distribution and collection systems	–	–	15,173,947	13,384,114	15,173,947	13,384,114
Machinery and equipment	300,958	208,687	88,330	100,213	389,288	308,900
Office furniture and equipment	57,236	71,460	–	–	57,236	71,460
Vehicles	1,322,431	1,039,242	–	–	1,322,431	1,039,242
Total	<u>\$ 22,750,377</u>	<u>\$ 25,178,721</u>	<u>\$ 16,292,000</u>	<u>\$ 16,306,381</u>	<u>\$ 39,042,377</u>	<u>\$ 41,485,102</u>

Decreases in the current year included the contribution of capital assets to the county for a multi-year street project accumulated by the City.

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	
	2017	2016	2017	2016	2017	2016
Compensated absences payable	\$ 49,694	\$ 64,277	\$ 44,716	\$ 52,721	\$ 94,410	\$ 116,998
Net pension liability	971,048	1,389,901	497,257	778,008	1,468,305	2,167,909
Total	<u>\$ 1,020,742</u>	<u>\$ 1,454,178</u>	<u>\$ 541,973</u>	<u>\$ 830,729</u>	<u>\$ 1,562,715</u>	<u>\$ 2,284,907</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 decreased from the prior year for the change in the City’s proportionate share of pension obligations for the Public Employees Retirement Association – 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 2017 level.

All of these factors were considered in preparing the City’s budget for the 2018 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**

**TAB**



CITY OF ARDEN HILLS

Statement of Net Position  
as of December 31, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 9,981,271	\$ 1,380,385	\$ 11,361,656
Accrued interest receivable	49,686	8,041	57,727
Accounts receivable	110,377	1,206,113	1,316,490
Taxes receivable	63,604	-	63,604
Special assessments receivable	1,565,721	-	1,565,721
Internal balances	291,870	(291,870)	-
Due from other governmental units	1,804,021	-	1,804,021
Prepaid items	289,206	945	290,151
Inventory	-	9,291	9,291
Capital assets			
Nondepreciable	3,232,299	324,945	3,557,244
Depreciable, net of accumulated depreciation	19,518,078	15,967,055	35,485,133
Total assets	<u>36,906,133</u>	<u>18,604,905</u>	<u>55,511,038</u>
<b>Deferred outflows of resources</b>			
Pension plan deferments – PERA	311,733	129,205	440,938
<b>Liabilities</b>			
Accounts payable	472,954	78,783	551,737
Salaries payable	23,213	12,628	35,841
Deposits payable	485,695	-	485,695
Due to other governmental units	173,099	296,327	469,426
Unearned revenue	49,082	-	49,082
Compensated absences payable			
Due within one year	37,270	33,537	70,807
Due in more than one year	12,424	11,179	23,603
Net pension liability			
Due in more than one year	971,048	497,257	1,468,305
Total liabilities	<u>2,224,785</u>	<u>929,711</u>	<u>3,154,496</u>
<b>Deferred inflows of resources</b>			
Pension plan deferments – PERA	353,646	213,655	567,301
State aid received for subsequent years	312,100	-	312,100
Total deferred inflows of resources	<u>665,746</u>	<u>213,655</u>	<u>879,401</u>
<b>Net position</b>			
Investment in capital assets	22,750,377	16,292,000	39,042,377
Restricted for			
Tax increment purposes	616,829	-	616,829
Cable TV	281,910	-	281,910
Unrestricted	10,678,219	1,298,744	11,976,963
Total net position	<u>\$ 34,327,335</u>	<u>\$ 17,590,744</u>	<u>\$ 51,918,079</u>

CITY OF ARDEN HILLS

Statement of Activities  
Year Ended December 31, 2017

Functions/programs	Program Revenues			Expenses
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 1,322,106	\$ 314,166	\$ 137,248	\$ -
Public safety	2,158,835	915,632	97,254	21,538
Public works	3,512,218	7,029	1,796,972	386,729
Parks and recreation	759,737	123,550	-	40,678
Economic development	276,841	-	-	-
Total governmental activities	<u>8,029,737</u>	<u>1,360,377</u>	<u>2,031,474</u>	<u>448,945</u>
Business-type activities				
Water	2,159,874	2,127,452	73	-
Sewer	1,780,260	1,796,144	84	-
Surface water management	481,026	834,973	57	-
Recycling	147,919	151,272	24,441	-
Total business-type activities	<u>4,569,079</u>	<u>4,909,841</u>	<u>24,655</u>	<u>-</u>
Total primary government	<u>\$ 12,598,816</u>	<u>\$ 6,270,218</u>	<u>\$ 2,056,129</u>	<u>\$ 448,945</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

Net position – ending

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (870,692)	\$ —	\$ (870,692)
(1,124,411)	—	(1,124,411)
(1,321,488)	—	(1,321,488)
(595,509)	—	(595,509)
(276,841)	—	(276,841)
(4,188,941)	—	(4,188,941)
—	(32,349)	(32,349)
—	15,968	15,968
—	354,004	354,004
—	27,794	27,794
—	365,417	365,417
(4,188,941)	365,417	(3,823,524)
3,526,347	—	3,526,347
295,788	—	295,788
109,070	—	109,070
139,347	32,754	172,101
230,765	(230,765)	—
4,301,317	(198,011)	4,103,306
112,376	167,406	279,782
34,214,959	17,423,338	51,638,297
\$ 34,327,335	\$ 17,590,744	\$ 51,918,079

CITY OF ARDEN HILLS

Balance Sheet  
 Governmental Funds  
 as of December 31, 2017

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving
<b>Assets</b>				
Cash and investments	\$ 3,906,088	\$ 304,102	\$ -	\$ 4,156,811
Accrued interest receivable	17,577	1,541	-	23,262
Accounts receivable	83,009	-	-	-
Taxes receivable	62,238	1,366	-	-
Special assessments receivable	8,784	-	-	1,556,937
Interfund receivable	-	-	-	747,009
Due from other governmental units	81,298	-	-	1,722,723
Prepaid items	288,519	450	-	-
<b>Total assets</b>	<b>\$ 4,447,513</b>	<b>\$ 307,459</b>	<b>\$ -</b>	<b>\$ 8,206,742</b>
<b>Liabilities</b>				
Accounts payable	\$ 89,092	\$ 1,977	\$ -	\$ 247,136
Salaries payable	21,256	382	-	-
Deposits payable	485,695	-	-	-
Interfund payable	-	-	259,269	-
Due to other governmental units	121,761	-	-	15,190
Unearned revenue	49,082	-	-	-
<b>Total liabilities</b>	<b>766,886</b>	<b>2,359</b>	<b>259,269</b>	<b>262,326</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue – taxes	32,526	2,042	-	-
Unavailable revenue – special assessments	8,784	-	-	1,551,859
State aid received for subsequent years	-	-	-	312,100
<b>Total deferred inflows of resources</b>	<b>41,310</b>	<b>2,042</b>	<b>-</b>	<b>1,863,959</b>
<b>Fund balances (deficits)</b>				
Nonspendable	288,519	450	-	-
Restricted	-	-	-	-
Committed	-	302,608	-	-
Assigned	285,548	-	-	6,080,457
Unassigned	3,065,250	-	(259,269)	-
<b>Total fund balances (deficits)</b>	<b>3,639,317</b>	<b>303,058</b>	<b>(259,269)</b>	<b>6,080,457</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,447,513</b>	<b>\$ 307,459</b>	<b>\$ -</b>	<b>\$ 8,206,742</b>

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

Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ 1,192,810	\$ -	\$ 9,559,811
5,710	-	48,090
27,368	-	110,377
-	-	63,604
-	-	1,565,721
-	(439,147)	307,862
-	-	1,804,021
214	-	289,183
<u>\$ 1,226,102</u>	<u>\$ (439,147)</u>	<u>\$ 13,748,669</u>
\$ 98,857	\$ -	\$ 437,062
968	-	22,606
-	-	485,695
179,878	(439,147)	-
-	-	136,951
-	-	49,082
<u>279,703</u>	<u>(439,147)</u>	<u>1,131,396</u>
-	-	34,568
-	-	1,560,643
-	-	312,100
-	-	1,907,311
214	-	289,183
898,739	-	898,739
169,388	-	471,996
57,936	-	6,423,941
(179,878)	-	2,626,103
<u>946,399</u>	<u>-</u>	<u>10,709,962</u>
<u>\$ 1,226,102</u>	<u>\$ (439,147)</u>	<u>\$ 13,748,669</u>
		\$ 10,709,962
		3,232,299
		19,518,078
		(36,242)
		(983,129)
		311,733
		(353,646)
		<u>1,595,211</u>
		<u>\$ 34,327,335</u>

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2017

	<u>General</u>	<u>EDA Operating</u>	<u>Equipment, Building, and Replacement</u>	<u>Permanent Improvement Revolving</u>
<b>Revenues</b>				
Taxes				
General property taxes	\$ 3,541,705	\$ —	\$ —	\$ —
Tax increments	—	4,729	—	—
Special assessments	1,265	—	—	307,725
Licenses and permits	729,197	—	—	—
Intergovernmental	151,425	—	—	1,972,989
Charges for services	590,141	—	—	—
Fines and forfeits	29,989	—	—	—
Earnings on investments	36,012	4,580	—	75,249
Franchise taxes	—	—	—	—
Antenna rental fees	128,765	—	—	—
Miscellaneous reimbursements	18,374	—	—	—
Other	4,267	—	36,500	77,077
Total revenues	<u>5,231,140</u>	<u>9,309</u>	<u>36,500</u>	<u>2,433,040</u>
<b>Expenditures</b>				
Current				
General government	1,076,352	—	—	—
Public safety	2,058,037	—	—	—
Public works	443,633	—	—	—
Parks and recreation	618,614	—	—	—
Economic development	—	78,251	—	—
Capital outlay				
Public safety	—	—	—	—
Public works	—	—	461,483	272,928
Parks and recreation	—	—	77,949	259,859
Economic development	—	1,647	—	—
Total expenditures	<u>4,196,636</u>	<u>79,898</u>	<u>539,432</u>	<u>532,787</u>
Revenues over (under) expenditures	1,034,504	(70,589)	(502,932)	1,900,253
<b>Other financing sources (uses)</b>				
Transfers in	—	90,000	280,765	440,825
Transfers out	(340,000)	—	—	—
Total other financing sources (uses)	<u>(340,000)</u>	<u>90,000</u>	<u>280,765</u>	<u>440,825</u>
Net changes in fund balances	694,504	19,411	(222,167)	2,341,078
Fund balances (deficits) – beginning	<u>2,944,813</u>	<u>283,647</u>	<u>(37,102)</u>	<u>3,739,379</u>
Fund balances (deficits) – ending	<u>\$ 3,639,317</u>	<u>\$ 303,058</u>	<u>\$ (259,269)</u>	<u>\$ 6,080,457</u>

Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ -	\$ -	\$ 3,541,705
291,059	-	295,788
-	-	308,990
-	-	729,197
-	-	2,124,414
-	-	590,141
-	-	29,989
17,390	-	133,231
109,070	-	109,070
-	-	128,765
-	-	18,374
28,038	-	145,882
<u>445,557</u>	<u>-</u>	<u>8,155,546</u>
113,148	-	1,189,500
-	-	2,058,037
-	-	443,633
-	-	618,614
186,654	-	264,905
100,215	-	100,215
-	-	734,411
-	-	337,808
5,873	-	7,520
<u>405,890</u>	<u>-</u>	<u>5,754,643</u>
39,667	-	2,400,903
-	(340,000)	471,590
-	340,000	-
<u>-</u>	<u>-</u>	<u>471,590</u>
39,667	-	2,872,493
<u>906,732</u>	<u>-</u>	<u>7,837,469</u>
<u>\$ 946,399</u>	<u>\$ -</u>	<u>\$ 10,709,962</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, 2017

Net changes in fund balances – total governmental funds	\$ 2,872,493
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	1,087,523
Depreciation expense	(697,992)
Contributions of capital assets to other governmental entities are not a use of current financial resources and, therefore, not reported in governmental funds.	(2,577,050)
Contributions of capital assets to enterprise funds are not a use of current financial resources and, therefore, not reported in governmental funds.	(240,825)
Adjustments are made between the governmental funds and the Statement of Activities for the long-term liability activity of the net pension liability.	418,853
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	(271,805)
Deferred inflows – pension plans	(147,640)
Deferred inflows – unavailable revenues	(250,634)
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.	(94,040)
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>13,493</u>
Change in net position of governmental activities	<u><u>\$ 112,376</u></u>

CITY OF ARDEN HILLS

Statement of Net Position  
Proprietary Funds  
as of December 31, 2017

	Business-Type Activities – Enterprise Funds					Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	
<b>Assets</b>						
<b>Current assets</b>						
Cash and investments	\$ 823,235	\$ –	\$ 412,478	\$ 144,672	\$ 1,380,385	\$ 421,460
Accrued interest receivable	4,689	–	2,640	712	8,041	1,596
Accounts receivable						
Customers	460,718	455,780	217,312	–	1,133,810	–
Customer accounts certified to county	29,041	32,042	7,606	3,614	72,303	–
Prepaid items	315	315	315	–	945	23
Inventory	9,291	–	–	–	9,291	–
<b>Total current assets</b>	<b>1,327,289</b>	<b>488,137</b>	<b>640,351</b>	<b>148,998</b>	<b>2,604,775</b>	<b>423,079</b>
<b>Noncurrent assets</b>						
<b>Capital assets</b>						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	9,581,089	9,430,330	4,258,519	–	23,269,938	–
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	–	–	136,659	–
Construction in progress	181,402	54,393	89,150	–	324,945	–
<b>Total capital assets</b>	<b>10,994,265</b>	<b>10,186,137</b>	<b>4,348,856</b>	<b>–</b>	<b>25,529,258</b>	<b>–</b>
Less accumulated depreciation	(4,274,644)	(4,326,831)	(635,783)	–	(9,237,258)	–
<b>Total capital assets     (net of accumulated depreciation)</b>	<b>6,719,621</b>	<b>5,859,306</b>	<b>3,713,073</b>	<b>–</b>	<b>16,292,000</b>	<b>–</b>
<b>Total assets</b>	<b>8,046,910</b>	<b>6,347,443</b>	<b>4,353,424</b>	<b>148,998</b>	<b>18,896,775</b>	<b>423,079</b>
<b>Deferred outflows of resources</b>						
Pension plan deferments – PERA	44,057	50,314	34,834	–	129,205	–
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	24,863	38,730	8,080	7,110	78,783	35,892
Salaries payable	4,067	5,250	2,953	358	12,628	607
Interfund payable	–	291,870	–	–	291,870	15,992
Due to other governmental units	284,833	2,460	–	9,034	296,327	36,148
Compensated absences payable	11,164	12,576	9,094	703	33,537	1,028
<b>Total current liabilities</b>	<b>324,927</b>	<b>350,886</b>	<b>20,127</b>	<b>17,205</b>	<b>713,145</b>	<b>89,667</b>
<b>Noncurrent liabilities</b>						
Compensated absences payable (net of current portion)	3,722	4,192	3,031	234	11,179	343
Net pension liability	170,133	193,882	133,242	–	497,257	–
<b>Total noncurrent liabilities</b>	<b>173,855</b>	<b>198,074</b>	<b>136,273</b>	<b>234</b>	<b>508,436</b>	<b>343</b>
<b>Total liabilities</b>	<b>498,782</b>	<b>548,960</b>	<b>156,400</b>	<b>17,439</b>	<b>1,221,581</b>	<b>90,010</b>
<b>Deferred inflows of resources</b>						
Pension plan deferments – PERA	73,058	83,742	56,855	–	213,655	–
<b>Net position</b>						
Investment in capital assets	6,719,621	5,859,306	3,713,073	–	16,292,000	–
Unrestricted	799,506	(94,251)	461,930	131,559	1,298,744	333,069
<b>Total net position</b>	<b>\$ 7,519,127</b>	<b>\$ 5,765,055</b>	<b>\$ 4,175,003</b>	<b>\$ 131,559</b>	<b>\$ 17,590,744</b>	<b>\$ 333,069</b>

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Year Ended December 31, 2017

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,124,379	\$ 1,792,719	\$ 834,765	\$ 127,816	\$ 4,879,679	\$ 798,741
Permit fees	515	2,645	–	–	3,160	–
Miscellaneous	2,558	780	208	23,456	27,002	6,711
Total operating revenues	<u>2,127,452</u>	<u>1,796,144</u>	<u>834,973</u>	<u>151,272</u>	<u>4,909,841</u>	<u>805,452</u>
Operating expenses						
Personal services	282,634	340,181	199,350	17,793	839,958	29,544
Supplies and maintenance	93,436	11,190	1,683	–	106,309	148,129
Other services and charges	433,523	374,373	90,189	7,940	906,025	108,947
Rent	26,821	26,551	11,800	–	65,172	–
Insurance	25,799	25,799	25,799	–	77,397	–
Utilities	13,552	17,468	–	–	31,020	–
Purchased services	79,889	79,447	66,894	9,678	235,908	618,988
Purchased water	965,484	–	–	–	965,484	–
Recycling charges	–	–	–	112,508	112,508	–
Sewer charges	–	740,418	–	–	740,418	–
Depreciation	238,736	164,833	85,311	–	488,880	–
Total operating expenses	<u>2,159,874</u>	<u>1,780,260</u>	<u>481,026</u>	<u>147,919</u>	<u>4,569,079</u>	<u>905,608</u>
Operating income (loss)	(32,422)	15,884	353,947	3,353	340,762	(100,156)
Nonoperating revenues						
Intergovernmental revenue	73	84	57	24,441	24,655	–
Earnings on investments	21,935	273	9,194	1,352	32,754	6,116
Total nonoperating revenues	<u>22,008</u>	<u>357</u>	<u>9,251</u>	<u>25,793</u>	<u>57,409</u>	<u>6,116</u>
Income before contributions and transfers	(10,414)	16,241	363,198	29,146	398,171	(94,040)
Capital contributions	67,000	42,000	131,825	–	240,825	–
Transfers out	(135,396)	(138,870)	(197,324)	–	(471,590)	–
Change in net position	(78,810)	(80,629)	297,699	29,146	167,406	(94,040)
Net position						
Beginning of year	<u>7,597,937</u>	<u>5,845,684</u>	<u>3,877,304</u>	<u>102,413</u>	<u>17,423,338</u>	<u>427,109</u>
End of year	<u>\$ 7,519,127</u>	<u>\$ 5,765,055</u>	<u>\$ 4,175,003</u>	<u>\$ 131,559</u>	<u>\$ 17,590,744</u>	<u>\$ 333,069</u>

CITY OF ARDEN HILLS

Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2017

	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	\$ 2,157,750	\$ 1,979,821	\$ 827,381	\$ 150,885	\$ 5,115,837	\$ 805,452
Payments to suppliers	(1,552,264)	(1,258,347)	(234,444)	(125,264)	(3,170,319)	(813,008)
Payments to employees	(286,291)	(345,204)	(202,166)	(17,628)	(851,289)	(30,776)
Payments for interfund services used	(55,802)	(57,399)	(38,852)	(4,172)	(156,225)	–
Net cash flows from operating activities	<u>263,393</u>	<u>318,871</u>	<u>351,919</u>	<u>3,821</u>	<u>938,004</u>	<u>(38,332)</u>
Cash flows from noncapital financing activities						
Grants received	73	84	57	24,441	24,655	–
Cash paid to other funds	–	(133,652)	–	–	(133,652)	(27,404)
Transfers out	(135,396)	(138,870)	(197,324)	–	(471,590)	–
Net cash flows from noncapital financing activities	<u>(135,323)</u>	<u>(272,438)</u>	<u>(197,267)</u>	<u>24,441</u>	<u>(580,587)</u>	<u>(27,404)</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(123,886)	(46,706)	(63,082)	–	(233,674)	–
Cash flows from investing activities						
Earnings on investments	20,792	273	8,091	1,111	30,267	6,056
Net change in cash and cash equivalents	<u>24,976</u>	<u>–</u>	<u>99,661</u>	<u>29,373</u>	<u>154,010</u>	<u>(59,680)</u>
Cash and cash equivalents – beginning	<u>798,259</u>	<u>–</u>	<u>312,817</u>	<u>115,299</u>	<u>1,226,375</u>	<u>481,140</u>
Cash and cash equivalents – ending	<u>\$ 823,235</u>	<u>\$ –</u>	<u>\$ 412,478</u>	<u>\$ 144,672</u>	<u>\$ 1,380,385</u>	<u>\$ 421,460</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ (32,422)	\$ 15,884	\$ 353,947	\$ 3,353	\$ 340,762	\$ (100,156)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	238,736	164,833	85,311	–	488,880	–
Decrease (increase) in customer receivables	30,298	183,677	(7,592)	(387)	205,996	–
Decrease (increase) in prepaid items	(290)	61,412	(290)	–	60,832	26,869
Decrease (increase) in inventory	743	–	–	–	743	–
Decrease (increase) in deferred outflows	62,287	71,594	48,304	–	182,185	–
Increase (decrease) in accounts payable	(57,039)	(37,904)	(76,641)	(830)	(172,414)	18,542
Increase (decrease) in salaries payable	(1,238)	(1,600)	(994)	111	(3,721)	(142)
Increase (decrease) in due to other governments	87,024	(64,008)	–	1,520	24,536	17,645
Increase (decrease) in net pension liability	(95,986)	(110,327)	(74,438)	–	(280,751)	–
Increase (decrease) in compensated absences payable	(2,554)	(3,579)	(1,926)	54	(8,005)	(1,090)
Increase (decrease) in deferred inflows	33,834	38,889	26,238	–	98,961	–
Total adjustments	<u>295,815</u>	<u>302,987</u>	<u>(2,028)</u>	<u>468</u>	<u>597,242</u>	<u>61,824</u>
Net cash flows from operating activities	<u>\$ 263,393</u>	<u>\$ 318,871</u>	<u>\$ 351,919</u>	<u>\$ 3,821</u>	<u>\$ 938,004</u>	<u>\$ (38,332)</u>
Noncash investing, capital, and financing activities						
Capital contributions	<u>\$ 67,000</u>	<u>\$ 42,000</u>	<u>\$ 131,825</u>	<u>\$ –</u>	<u>\$ 240,825</u>	<u>\$ –</u>

## CITY OF ARDEN HILLS

Notes to Basic Financial Statements  
December 31, 2017

### 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.

For the year ended December 31, 2017, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 4 Fund by \$45,580. This variance was financed by revenues in excess of budget and available fund balance.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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, 2017, 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 have 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.

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.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The City reports deferred outflows and inflows of resources related to pensions in the government-wide and enterprise funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension plan investments, and 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.

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 City also reports deferred inflows of resources related to state aid entitlements received for subsequent years 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.”

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.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

## 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	
	Federal National Mortgage Association	AA		S&P	Level 2	\$ –	\$ –	
Federal Home Loan Bank	AA	S&P	Level 2	–	368,272	–	–	368,272
Municipal bonds	AAA	S&P	Level 2	199,342	147,762	–	–	347,104
Municipal bonds	AA	S&P	Level 2	253,470	882,236	814,200	–	1,949,906
Municipal bonds	AA	Moody's	Level 2	–	–	1,173,091	–	1,173,091
Municipal bonds	A	S&P	Level 2	–	313,219	–	–	313,219
Municipal bonds	A	Moody's	Level 2	150,377	–	–	–	150,377
Commercial paper	A-1	S&P	Level 3	100,600	–	–	–	100,600
Negotiable certificates of deposit	N/R	N/A	Level 2	3,166,383	1,536,329	141,231	145,382	4,989,325
Investment pools/mutual funds								
External investment pool – 4M Fund	N/R	N/A	N/A	1,402,382	–	–	–	1,402,382
Wells Fargo Money Market Advantage	AAA	S&P	Level 1	51,181	–	–	–	51,181
<b>Total investments</b>				<u>\$ 5,323,735</u>	<u>\$ 3,247,818</u>	<u>\$ 2,228,264</u>	<u>\$ 393,652</u>	<u>11,193,469</u>
Deposits								167,687
Petty cash								500
<b>Total cash and investments</b>								<u>\$11,361,656</u>

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 \$167,687. 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 5 percent, and in the City of Oshkosh, Wisconsin (municipal bonds) represented 5 percent.

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 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	7,315,839	272,485	(2,577,050)	(4,458,793)	552,481
Total capital assets, not being depreciated	9,995,657	272,485	(2,577,050)	(4,458,793)	3,232,299
Capital assets, being depreciated					
Buildings and structures	6,447,692	258,270	–	–	6,705,962
Infrastructure and improvements	13,461,178	–	–	4,217,968	17,679,146
Machinery and equipment	852,295	137,259	(5,685)	–	983,869
Office furniture and equipment	153,553	–	–	–	153,553
Vehicles	1,605,441	419,509	(35,659)	–	1,989,291
Total capital assets, being depreciated	22,520,159	815,038	(41,344)	4,217,968	27,511,821
Less accumulated depreciation for					
Buildings and structures	2,933,165	177,811	–	–	3,110,976
Infrastructure and improvements	3,112,030	324,649	–	–	3,436,679
Machinery and equipment	643,608	44,988	(5,685)	–	682,911
Office furniture and equipment	82,093	14,224	–	–	96,317
Vehicles	566,199	136,320	(35,659)	–	666,860
Total accumulated depreciation	7,337,095	697,992	(41,344)	–	7,993,743
Total capital assets being depreciated – net	15,183,064	117,046	–	4,217,968	19,518,078
Governmental activities capital assets – net	\$ 25,178,721	\$ 389,531	\$ (2,577,050)	\$ (240,825)	\$ 22,750,377

### 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	\$ 2,075,734	\$ 193,093	\$ –	\$ (1,943,882)	\$ 324,945
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	21,044,650	40,581	–	2,184,707	23,269,938
Machinery and equipment	950,701	–	–	–	950,701
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	(49,633)	–	136,659
Total capital assets, being depreciated	23,028,658	40,581	(49,633)	2,184,707	25,204,313
Less accumulated depreciation for					
Buildings and structures	88,720	41,542	–	–	130,262
Distribution and collection systems	7,660,536	435,455	–	–	8,095,991
Machinery and equipment	850,488	11,883	–	–	862,371
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	(49,633)	–	136,659
Total accumulated depreciation	8,798,011	488,880	(49,633)	–	9,237,258
Total capital assets, being depreciated – net	14,230,647	(448,299)	–	2,184,707	15,967,055
Business-type activities capital assets – net	\$ 16,306,381	\$ (255,206)	\$ –	\$ 240,825	\$ 16,292,000

### NOTE 3 – CAPITAL ASSETS (CONTINUED)

#### C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 123,202
Public safety	2,964
Public works	427,960
Parks and recreation	137,493
Economic development	6,373
	<u>697,992</u>
	<u>\$ 697,992</u>
Business-type activities	
Water	\$ 238,736
Sewer	164,833
Surface water management	85,311
	<u>488,880</u>
	<u>\$ 488,880</u>

#### D. Construction Commitments

At December 31, 2017, the City had the following construction project commitments:

<u>Project</u>	<u>Amount</u>
Water Fund – Water Tower Rehabilitation	\$ 519,800
Sewer Fund – Sewer Lining Project	<u>197,398</u>
	<u>\$ 717,198</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, 2017 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	\$ 64,277	\$ 155,324	\$ 169,907	\$ 49,694	\$ 37,270
Net pension liability	<u>1,389,901</u>	<u>131,721</u>	<u>550,574</u>	<u>971,048</u>	<u>–</u>
Total governmental activities long-term liabilities	<u>\$ 1,454,178</u>	<u>\$ 287,045</u>	<u>\$ 720,481</u>	<u>\$ 1,020,742</u>	<u>\$ 37,270</u>
Business-type activities					
Compensated absences payable	\$ 52,721	\$ 2,705	\$ 10,710	\$ 44,716	\$ 33,537
Net pension liability	<u>778,008</u>	<u>88,290</u>	<u>369,041</u>	<u>497,257</u>	<u>–</u>
Total business-type activities long-term liabilities	<u>\$ 830,729</u>	<u>\$ 90,995</u>	<u>\$ 379,751</u>	<u>\$ 541,973</u>	<u>\$ 33,537</u>

## NOTE 5 – FUND BALANCES

### A. Classifications

At December 31, 2017, 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	\$ 288,519	\$ 450	\$ –	\$ –	\$ 214	\$ 289,183
Restricted for						
Tax increment purposes	–	–	–	–	616,829	616,829
Cable TV	–	–	–	–	281,910	281,910
Total restricted	–	–	–	–	898,739	898,739
Committed for						
Economic development authority	–	302,608	–	–	169,388	471,996
Assigned for						
Compensated absences	48,323	–	–	–	–	48,323
Subsequent year’s budget	237,225	–	–	–	–	237,225
Capital improvements	–	–	–	6,080,457	–	6,080,457
Public safety capital equipment	–	–	–	–	57,936	57,936
Total assigned	285,548	–	–	6,080,457	57,936	6,423,941
Unassigned	3,065,250	–	(259,269)	–	(179,878)	2,626,103
Total	<u>\$ 3,639,317</u>	<u>\$ 303,058</u>	<u>\$ (259,269)</u>	<u>\$ 6,080,457</u>	<u>\$ 946,399</u>	<u>\$ 10,709,962</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, 2017, the unassigned fund balance of the General Fund was 64.4 percent of the subsequent year’s budgeted expenditures.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE

### A. Plan Description

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

#### General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. The 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 PLAN – STATE-WIDE (CONTINUED)**

### **B. Benefits Provided**

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes 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 age 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 2017. 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 2017. The City's contributions to the GERF for the year ended December 31, 2017 were \$106,513. The City's contributions were equal to the required contributions as set by state statutes.

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

**D. Pension Costs**

**GERF Pension Costs**

At December 31, 2017, the City reported a liability of \$1,468,305 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0230 percent at the end of the measurement period and 0.0267 percent for the beginning of the period.

The City’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of net pension liability	\$ 1,468,305
State’s proportionate share of the net pension liability associated with the City	\$ 18,435

For the year ended December 31, 2017, the City recognized pension expense of \$109,723 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$533 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, 2017, 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	\$ 48,391	\$ 111,049
Changes in actuarial assumptions	282,985	147,198
Difference between projected and actual investment earnings	55,039	–
Changes in proportion	–	309,054
Contributions paid to the PERA subsequent to the measurement date	54,523	–
<b>Total</b>	<b>\$ 440,938</b>	<b>\$ 567,301</b>

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

Deferred outflows of resources reported \$54,523 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ (46,712)
2019	\$ 20,213
2020	\$ (92,059)
2021	\$ (62,328)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

**GERF**

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60.0 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years, to 1.0 percent per year through 2044, and 2.5 percent per year thereafter.

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

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	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	<u>100 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the 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.

**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	\$ 2,277,450	\$ 1,468,305	\$ 805,873

**H. Pension Plan Fiduciary Net Position**

Detailed information about the GERF’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at [www.mnpera.org](http://www.mnpera.org); by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**A. Interfund Receivable and Payable**

Interfund receivable and payable balances at December 31, 2017 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 747,009	\$ –
Equipment, Building, and Replacement	–	259,269
Nonmajor – other governmental	–	179,878
Intra-activity eliminations	(439,147)	(439,147)
Total governmental funds	307,862	–
Proprietary funds		
Enterprise funds		
Sewer	–	291,870
Internal service funds	–	15,992
Total proprietary funds	–	307,862
Total all funds	\$ 307,862	\$ 307,862

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.

**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	\$ 90,000	\$ 50,000	\$ 200,000	\$ 340,000
Proprietary funds				
Water	–	68,396	67,000	135,396
Sewer	–	96,870	42,000	138,870
Surface Water Management	–	65,499	131,825	197,324
Total	\$ 90,000	\$ 280,765	\$ 440,825	\$ 811,590

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 2017 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, 2017 as follows:

	<u>Amount</u>
Governmental funds	
Equipment, Building, and Replacement	\$ 259,269
Nonmajor – Parks	29,516
Nonmajor – TCAAP	150,362
Proprietary funds	
Internal service funds – Engineering	7,020
Internal service funds – Central Garage	26,797
Internal service funds – Technology	<u>31,790</u>
	<u>\$ 504,754</u>

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.

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, 2017, was \$865,947 and the City rebated \$183,598 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.

## **NOTE 9 – TAX ABATEMENT AGREEMENTS (CONTINUED)**

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.

### **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.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 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. 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 \$514,468 in 2017.

## 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, 2017 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>\$ 35,500,000</u>

## NOTE 12 – SUBSEQUENT EVENT

In May 2018, the City authorized the sale of \$2,680,000 General Obligation Utility Revenue Bonds, Series 2018A.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TAB**



CITY OF ARDEN HILLS

PERA – General Employees Retirement Fund  
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability  
 Year Ended December 31, 2017

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 State of Minnesota’s Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City’s Share of the State of Minnesota’s 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%
12/31/2017	06/30/2017	0.0230%	\$ 1,468,305	\$ 18,435	\$ 1,486,740	\$ 1,479,483	99.24%	75.90%

PERA – General Employees Retirement Fund  
 Schedule of City Contributions  
 Year Ended December 31, 2017

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%
12/31/2017	\$ 106,513	\$ 106,513	\$ –	\$ 1,420,174	7.50%

Note: 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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
General property taxes	\$ 3,671,390	\$ 3,671,390	\$ 3,541,705	\$ (129,685)
Special assessments	3,000	3,000	1,265	(1,735)
<b>Licenses and permits</b>				
Business	55,150	55,150	60,071	4,921
Nonbusiness	292,180	292,180	669,126	376,946
Total licenses and permits	<u>347,330</u>	<u>347,330</u>	<u>729,197</u>	<u>381,867</u>
<b>Intergovernmental</b>				
State				
Road maintenance	88,000	88,000	88,042	42
PERA aid	5,179	5,179	5,179	–
Police aid	52,609	52,609	58,204	5,595
Total intergovernmental	<u>145,788</u>	<u>145,788</u>	<u>151,425</u>	<u>5,637</u>
<b>Charges for services</b>				
General government	18,800	18,800	18,764	(36)
Public safety	92,000	92,000	254,463	162,463
Parks and recreation	120,530	120,530	123,550	3,020
Administrative charges	191,535	191,535	193,364	1,829
Total charges for services	<u>422,865</u>	<u>422,865</u>	<u>590,141</u>	<u>167,276</u>
Fines and forfeits	36,500	36,500	29,989	(6,511)
Earnings on investments	65,000	65,000	36,012	(28,988)
Antenna rental fees	150,000	150,000	128,765	(21,235)
Miscellaneous reimbursements	10,274	10,274	18,374	8,100
Other	8,150	8,150	4,267	(3,883)
Total revenues	<u>4,860,297</u>	<u>4,860,297</u>	<u>5,231,140</u>	<u>370,843</u>
<b>Expenditures</b>				
Current				
General government				
City Council				
Personal services	31,211	31,211	31,165	46
Other services and charges	35,197	35,197	25,349	9,848
Total City Council	<u>66,408</u>	<u>66,408</u>	<u>56,514</u>	<u>9,894</u>
Elections				
Other services and charges	23,000	23,000	21,137	1,863
Administration				
Personal services	197,567	197,567	83,422	114,145
Materials and supplies	–	–	448	(448)
Other services and charges	110,348	110,348	176,434	(66,086)
Total administration	<u>307,915</u>	<u>307,915</u>	<u>260,304</u>	<u>47,611</u>

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund (continued)  
 Year Ended December 31, 2017

	<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)				
Finance				
Personal services	68,176	68,176	66,311	1,865
Materials and supplies	24,100	24,100	19,000	5,100
Other services and charges	93,400	93,400	107,350	(13,950)
Total finance	<u>185,676</u>	<u>185,676</u>	<u>192,661</u>	<u>(6,985)</u>
TCAAP				
Personal services	120,653	120,653	43,725	76,928
Materials and supplies	1,000	1,000	–	1,000
Other services and charges	65,500	65,500	55,156	10,344
Total TCAAP	<u>187,153</u>	<u>187,153</u>	<u>98,881</u>	<u>88,272</u>
Planning and zoning				
Personal services	174,535	174,535	40,044	134,491
Materials and supplies	200	200	–	200
Other services and charges	152,600	152,600	157,932	(5,332)
Total planning and zoning	<u>327,335</u>	<u>327,335</u>	<u>197,976</u>	<u>129,359</u>
General government buildings				
Personal services	39,140	39,140	42,719	(3,579)
Materials and supplies	7,000	7,000	4,426	2,574
Other services and charges	195,717	195,717	201,734	(6,017)
Total general government buildings	<u>241,857</u>	<u>241,857</u>	<u>248,879</u>	<u>(7,022)</u>
Total general government	1,339,344	1,339,344	1,076,352	262,992
Public safety				
Police and animal control				
Other services and charges	1,179,773	1,179,773	1,177,494	2,279
Dispatch				
Other services and charges	68,832	68,832	68,832	–
Fire protection				
Other services and charges	514,468	514,468	514,468	–
Emergency management				
Personal services	2,879	2,879	30	2,849
Other services and charges	10,850	10,850	3,336	7,514
Total emergency management	<u>13,729</u>	<u>13,729</u>	<u>3,366</u>	<u>10,363</u>

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund (continued)  
 Year Ended December 31, 2017

	<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	261,992	261,992	218,542	43,450
Materials and supplies	3,046	3,046	171	2,875
Other services and charges	58,540	58,540	75,164	(16,624)
Total protective inspections	<u>323,578</u>	<u>323,578</u>	<u>293,877</u>	<u>29,701</u>
Total public safety	2,100,380	2,100,380	2,058,037	42,343
Public works				
Street maintenance				
Personal services	207,085	207,085	171,591	35,494
Materials and supplies	72,625	72,625	47,424	25,201
Other services and charges	259,039	259,039	224,618	34,421
Total public works	<u>538,749</u>	<u>538,749</u>	<u>443,633</u>	<u>95,116</u>
Parks and recreation				
Park maintenance				
Personal services	215,361	215,361	183,905	31,456
Materials and supplies	36,000	36,000	26,384	9,616
Other services and charges	189,950	189,950	157,427	32,523
Total park maintenance	<u>441,311</u>	<u>441,311</u>	<u>367,716</u>	<u>73,595</u>
Recreation				
Personal services	225,202	225,202	163,331	61,871
Materials and supplies	16,275	16,275	19,223	(2,948)
Other services and charges	54,991	54,991	68,344	(13,353)
Total recreation	<u>296,468</u>	<u>296,468</u>	<u>250,898</u>	<u>45,570</u>
Total parks and recreation	<u>737,779</u>	<u>737,779</u>	<u>618,614</u>	<u>119,165</u>
Total expenditures	<u>4,716,252</u>	<u>4,716,252</u>	<u>4,196,636</u>	<u>519,616</u>
Revenues over expenditures	144,045	144,045	1,034,504	890,459
Other financing sources (uses)				
Transfers out	<u>(340,000)</u>	<u>(340,000)</u>	<u>(340,000)</u>	<u>–</u>
Net change in fund balance	<u>\$ (195,955)</u>	<u>\$ (195,955)</u>	694,504	<u>\$ 890,459</u>
Fund balance – beginning			<u>2,944,813</u>	
Fund balance – ending			<u>\$ 3,639,317</u>	

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – EDA Operating Fund  
 Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes – tax increments	\$ –	\$ –	\$ 4,729	\$ 4,729
Earnings on investments	5,600	5,600	4,580	(1,020)
<b>Total revenues</b>	<u>5,600</u>	<u>5,600</u>	<u>9,309</u>	<u>3,709</u>
<b>Expenditures</b>				
Economic development				
Current				
Personal services	72,301	72,301	33,610	38,691
Materials and supplies	650	650	290	360
Other services and charges	61,248	61,248	44,351	16,897
Capital outlay	45,000	45,000	1,647	43,353
<b>Total expenditures</b>	<u>179,199</u>	<u>179,199</u>	<u>79,898</u>	<u>99,301</u>
<b>Revenues over (under) expenditures</b>	(173,599)	(173,599)	(70,589)	103,010
<b>Other financing sources</b>				
Transfers in	90,000	90,000	90,000	–
<b>Net change in fund balances</b>	<u>\$ (83,599)</u>	<u>\$ (83,599)</u>	19,411	<u>\$ 103,010</u>
Fund balance – beginning			<u>283,647</u>	
Fund balance – ending			<u>\$ 303,058</u>	

CITY OF ARDEN HILLS

Notes to Required Supplementary Information  
December 31, 2017

**NOTE 1 – 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.

**NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2017 CHANGES**

**CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years, to 1.0 percent per year through 2044, and 2.5 percent per year thereafter.

**2016 CHANGES**

**CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035, and 2.5 percent per year thereafter, to 1.0 percent per year for all years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 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.

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)  
December 31, 2017

**NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2015 CHANGES**

**CHANGES IN PLAN PROVISIONS:**

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, 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.

**CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030, and 2.5 percent per year thereafter, to 1.0 percent per year through 2035, and 2.5 percent per year thereafter.

**SUPPLEMENTAL INFORMATION**

**TAB**



### 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, 2017

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 1,131,593	\$ 61,217	\$ 1,192,810
Accrued interest receivable	5,420	290	5,710
Accounts receivable	26,846	522	27,368
Prepaid items	214	-	214
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,164,073</u>	<u>\$ 62,029</u>	<u>\$ 1,226,102</u>
<b>Liabilities</b>			
Accounts payable	\$ 94,764	\$ 4,093	\$ 98,857
Salaries payable	968	-	968
Interfund payable	-	179,878	179,878
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>95,732</u>	<u>183,971</u>	<u>279,703</u>
<b>Fund balances (deficits)</b>			
Nonspendable	214	-	214
Restricted	898,739	-	898,739
Committed	169,388	-	169,388
Assigned	-	57,936	57,936
Unassigned	-	(179,878)	(179,878)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances (deficits)	<u>1,068,341</u>	<u>(121,942)</u>	<u>946,399</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 1,164,073</u>	<u>\$ 62,029</u>	<u>\$ 1,226,102</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2017

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 291,059	\$ -	\$ 291,059
Earnings on investments	14,336	3,054	17,390
Franchise taxes	109,070	-	109,070
Other	-	28,038	28,038
Total revenues	<u>414,465</u>	<u>31,092</u>	<u>445,557</u>
Expenditures			
Current			
General government	113,148	-	113,148
Economic development	186,654	-	186,654
Capital outlay			
Public safety	-	100,215	100,215
Economic development	-	5,873	5,873
Total expenditures	<u>299,802</u>	<u>106,088</u>	<u>405,890</u>
Net change in fund balances	114,663	(74,996)	39,667
Fund balances (deficits) – beginning	<u>953,678</u>	<u>(46,946)</u>	<u>906,732</u>
Fund balances (deficits) – ending	<u>\$ 1,068,341</u>	<u>\$ (121,942)</u>	<u>\$ 946,399</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, 2017

	Cable	EDA Revolving	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
<b>Assets</b>					
Cash and investments	\$ 257,606	\$ 168,588	\$ 561,805	\$ 143,594	\$ 1,131,593
Accrued interest receivable	1,274	800	2,665	681	5,420
Accounts receivable	26,846	–	–	–	26,846
Prepaid items	214	–	–	–	214
<b>Total assets</b>	<b>\$ 285,940</b>	<b>\$ 169,388</b>	<b>\$ 564,470</b>	<b>\$ 144,275</b>	<b>\$ 1,164,073</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,848	\$ –	\$ 58	\$ 91,858	\$ 94,764
Salaries payable	968	–	–	–	968
<b>Total liabilities</b>	<b>3,816</b>	<b>–</b>	<b>58</b>	<b>91,858</b>	<b>95,732</b>
<b>Fund balances</b>					
Nonspendable	214	–	–	–	214
Restricted	281,910	–	564,412	52,417	898,739
Committed	–	169,388	–	–	169,388
<b>Total fund balances</b>	<b>282,124</b>	<b>169,388</b>	<b>564,412</b>	<b>52,417</b>	<b>1,068,341</b>
<b>Total liabilities and fund balances</b>	<b>\$ 285,940</b>	<b>\$ 169,388</b>	<b>\$ 564,470</b>	<b>\$ 144,275</b>	<b>\$ 1,164,073</b>

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds  
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2017

	Cable	EDA Revolving	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 87,062	\$ 203,997	\$ 291,059
Earnings on investments	4,436	2,602	7,024	274	14,336
Franchise taxes	109,070	-	-	-	109,070
Total revenues	<u>113,506</u>	<u>2,602</u>	<u>94,086</u>	<u>204,271</u>	<u>414,465</u>
Expenditures					
Current					
General government	113,148	-	-	-	113,148
Economic development	-	-	1,549	185,105	186,654
Total expenditures	<u>113,148</u>	<u>-</u>	<u>1,549</u>	<u>185,105</u>	<u>299,802</u>
Net changes in fund balances	358	2,602	92,537	19,166	114,663
Fund balances – beginning	<u>281,766</u>	<u>166,786</u>	<u>471,875</u>	<u>33,251</u>	<u>953,678</u>
Fund balances – ending	<u>\$ 282,124</u>	<u>\$ 169,388</u>	<u>\$ 564,412</u>	<u>\$ 52,417</u>	<u>\$ 1,068,341</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, 2017

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
<b>Assets</b>				
Cash and investments	\$ -	\$ 61,217	\$ -	\$ 61,217
Accrued interest receivable	-	290	-	290
Accounts receivable	-	522	-	522
	<u>-</u>	<u>62,029</u>	<u>-</u>	<u>62,029</u>
Total assets	<u>\$ -</u>	<u>\$ 62,029</u>	<u>\$ -</u>	<u>\$ 62,029</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 4,093	\$ -	\$ 4,093
Interfund payable	29,516	-	150,362	179,878
Total liabilities	<u>29,516</u>	<u>4,093</u>	<u>150,362</u>	<u>183,971</u>
<b>Fund balances (deficits)</b>				
Assigned	-	57,936	-	57,936
Unassigned	(29,516)	-	(150,362)	(179,878)
Total fund balances (deficits)	<u>(29,516)</u>	<u>57,936</u>	<u>(150,362)</u>	<u>(121,942)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 62,029</u>	<u>\$ -</u>	<u>\$ 62,029</u>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds  
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2017

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
<b>Revenues</b>				
Earnings on investments	\$ -	\$ 3,054	\$ -	\$ 3,054
Other	6,500	21,538	-	28,038
Total revenues	<u>6,500</u>	<u>24,592</u>	<u>-</u>	<u>31,092</u>
<b>Expenditures</b>				
Capital outlay				
Public safety	-	100,215	-	100,215
Economic development	-	-	5,873	5,873
Total expenditures	<u>-</u>	<u>100,215</u>	<u>5,873</u>	<u>106,088</u>
Net changes in fund balances	6,500	(75,623)	(5,873)	(74,996)
Fund balances (deficits) – beginning	<u>(36,016)</u>	<u>133,559</u>	<u>(144,489)</u>	<u>(46,946)</u>
Fund balances (deficits) – ending	<u>\$ (29,516)</u>	<u>\$ 57,936</u>	<u>\$ (150,362)</u>	<u>\$ (121,942)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 6,000	\$ 6,000	\$ 4,436	\$ (1,564)
Franchise taxes	94,000	94,000	109,070	15,070
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>113,506</u>	<u>13,506</u>
Expenditures				
Current				
General government				
Personal services	50,410	50,410	47,964	2,446
Other services and charges	98,948	98,948	65,184	33,764
Capital outlay				
General government	2,000	2,000	–	2,000
Total expenditures	<u>151,358</u>	<u>151,358</u>	<u>113,148</u>	<u>38,210</u>
Net change in fund balances	<u>\$ (51,358)</u>	<u>\$ (51,358)</u>	358	<u>\$ 51,716</u>
Fund balances – beginning			<u>281,766</u>	
Fund balances – ending			<u>\$ 282,124</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,602</u>	<u>\$ (398)</u>
Net change in fund balances	<u><u>\$ 3,000</u></u>	<u><u>\$ 3,000</u></u>	2,602	<u><u>\$ (398)</u></u>
Fund balances – beginning			<u>166,786</u>	
Fund balances – ending			<u><u>\$ 169,388</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 65,000	\$ 65,000	\$ 87,062	\$ 22,062
Earnings on investments	<u>7,000</u>	<u>7,000</u>	<u>7,024</u>	<u>24</u>
Total revenues	<u>72,000</u>	<u>72,000</u>	<u>94,086</u>	<u>22,086</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,725</u>	<u>4,725</u>	<u>1,549</u>	<u>3,176</u>
Net change in fund balances	<u>\$ 67,275</u>	<u>\$ 67,275</u>	<u>92,537</u>	<u>\$ 25,262</u>
Fund balances – beginning			<u>471,875</u>	
Fund balances – ending			<u>\$ 564,412</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 150,000	\$ 150,000	\$ 203,997	\$ 53,997
Earnings (charges) on investments	<u>650</u>	<u>650</u>	<u>274</u>	<u>(376)</u>
Total revenues	150,650	150,650	204,271	53,621
Expenditures				
Current				
Economic development				
Other services and charges	<u>139,525</u>	<u>139,525</u>	<u>185,105</u>	<u>(45,580)</u>
Net change in fund balances	<u>\$ 11,125</u>	<u>\$ 11,125</u>	19,166	<u>\$ 8,041</u>
Fund balances – beginning			<u>33,251</u>	
Fund balances – ending			<u>\$ 52,417</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, 2017

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Assets					
Current assets					
Cash and investments	\$ 397,865	\$ 6,761	\$ 16,834	\$ -	\$ 421,460
Accrued interest receivable	1,445	58	93	-	1,596
Prepaid items	-	-	23	-	23
Total assets	<u>399,310</u>	<u>6,819</u>	<u>16,950</u>	<u>-</u>	<u>423,079</u>
Liabilities					
Current liabilities					
Accounts payable	-	13,559	13,580	8,753	35,892
Salaries payable	190	117	199	101	607
Interfund payable	-	-	-	15,992	15,992
Due to other governmental units	-	-	29,555	6,593	36,148
Compensated absences payable	333	122	310	263	1,028
Total current liabilities	<u>523</u>	<u>13,798</u>	<u>43,644</u>	<u>31,702</u>	<u>89,667</u>
Noncurrent liabilities					
Compensated absences payable (net of current portion)	<u>111</u>	<u>41</u>	<u>103</u>	<u>88</u>	<u>343</u>
Total liabilities	<u>634</u>	<u>13,839</u>	<u>43,747</u>	<u>31,790</u>	<u>90,010</u>
Net position					
Unrestricted	<u>\$ 398,676</u>	<u>\$ (7,020)</u>	<u>\$ (26,797)</u>	<u>\$ (31,790)</u>	<u>\$ 333,069</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,  
and Changes in Net Position  
Internal Service Funds  
Year Ended December 31, 2017

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 334,983	\$ 71,719	\$ 244,883	\$ 147,156	\$ 798,741
Miscellaneous	6,536	175	-	-	6,711
Total operating revenues	<u>341,519</u>	<u>71,894</u>	<u>244,883</u>	<u>147,156</u>	<u>805,452</u>
Operating expenses					
Personal services	8,650	5,063	9,137	6,694	29,544
Supplies and maintenance	-	-	138,052	10,077	148,129
Other services and charges	5,452	5,440	92,340	5,715	108,947
Purchased services	340,818	137,505	11,319	129,346	618,988
Total operating expenses	<u>354,920</u>	<u>148,008</u>	<u>250,848</u>	<u>151,832</u>	<u>905,608</u>
Operating income (loss)	(13,401)	(76,114)	(5,965)	(4,676)	(100,156)
Nonoperating revenues (expenses)					
Earnings (charges) on investments	4,797	1,499	(180)	-	6,116
Change in net position	(8,604)	(74,615)	(6,145)	(4,676)	(94,040)
Net position – beginning	<u>407,280</u>	<u>67,595</u>	<u>(20,652)</u>	<u>(27,114)</u>	<u>427,109</u>
Net position – ending	<u>\$ 398,676</u>	<u>\$ (7,020)</u>	<u>\$ (26,797)</u>	<u>\$ (31,790)</u>	<u>\$ 333,069</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended December 31, 2017

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 341,519	\$ 71,894	\$ 244,883	\$ 147,156	\$ 805,452
Payments to suppliers	(346,270)	(135,303)	(216,539)	(114,896)	(813,008)
Payments to employees	(9,072)	(5,611)	(9,262)	(6,831)	(30,776)
Net cash flows from operating activities	<u>(13,823)</u>	<u>(69,020)</u>	<u>19,082</u>	<u>25,429</u>	<u>(38,332)</u>
Cash flows from noncapital financing activities					
Cash paid to other funds	-	-	(1,975)	(25,429)	(27,404)
Cash flows from investing activities					
Earnings (charges) on investments	<u>4,564</u>	<u>1,765</u>	<u>(273)</u>	<u>-</u>	<u>6,056</u>
Net change in cash and cash equivalents	(9,259)	(67,255)	16,834	-	(59,680)
Cash and cash equivalents – beginning	<u>407,124</u>	<u>74,016</u>	<u>-</u>	<u>-</u>	<u>481,140</u>
Cash and cash equivalents – ending	<u>\$ 397,865</u>	<u>\$ 6,761</u>	<u>\$ 16,834</u>	<u>\$ -</u>	<u>\$ 421,460</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (13,401)	\$ (76,114)	\$ (5,965)	\$ (4,676)	\$ (100,156)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Decrease (increase) in prepaid items	-	-	227	26,642	26,869
Increase (decrease) in accounts payable	-	7,642	7,545	3,355	18,542
Increase (decrease) in salaries payable	11	(243)	(11)	101	(142)
Increase (decrease) in due to other governments	-	-	17,400	245	17,645
Increase (decrease) in compensated absences payable	(433)	(305)	(114)	(238)	(1,090)
Total adjustments	<u>(422)</u>	<u>7,094</u>	<u>25,047</u>	<u>30,105</u>	<u>61,824</u>
Net cash flows from operating activities	<u>\$ (13,823)</u>	<u>\$ (69,020)</u>	<u>\$ 19,082</u>	<u>\$ 25,429</u>	<u>\$ (38,332)</u>

**STATISTICAL SECTION (UNAUDITED)**

**TAB**



## 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			
	2008	2009	2010	2011
Governmental activities				
Investment in capital assets	\$ 13,859,332	\$ 14,789,291	\$ 16,341,354	\$ 17,498,478
Restricted	836,195	1,060,973	1,329,092	1,694,212
Unrestricted	9,304,608	9,176,652	9,008,528	9,133,279
Total governmental activities net position	<u>\$ 24,000,135</u>	<u>\$ 25,026,916</u>	<u>\$ 26,678,974</u>	<u>\$ 28,325,969</u>
Business-type activities				
Investment in capital assets	\$ 10,449,932	\$ 10,507,344	\$ 10,530,204	\$ 10,961,855
Unrestricted	1,977,168	2,171,942	2,621,579	3,248,534
Total business-type activities net position	<u>\$ 12,427,100</u>	<u>\$ 12,679,286</u>	<u>\$ 13,151,783</u>	<u>\$ 14,210,389</u>
Primary government				
Investment in capital assets	\$ 24,309,264	\$ 25,296,635	\$ 26,871,558	\$ 28,460,333
Restricted	836,195	1,060,973	1,329,092	1,694,212
Unrestricted	11,281,776	11,348,594	11,630,107	12,381,813
Total primary government net position	<u>\$ 36,427,235</u>	<u>\$ 37,706,202</u>	<u>\$ 39,830,757</u>	<u>\$ 42,536,358</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015. The City reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position. Prior year information has not been restated.

2012	2013	2014	2015	2016	2017
\$ 17,167,531	\$ 17,435,976	\$ 18,837,904	\$ 24,909,453	\$ 25,178,721	\$ 22,750,377
1,788,007	896,106	917,300	675,052	786,678	898,739
9,738,832	10,274,835	11,472,102	8,765,793	8,249,560	10,678,219
<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>	<u>\$ 34,327,335</u>
\$ 12,360,674	\$ 14,356,782	\$ 14,464,713	\$ 16,167,536	\$ 16,306,381	\$ 16,292,000
2,403,645	1,158,470	1,793,112	238,381	1,116,957	1,298,744
<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>	<u>\$ 17,590,744</u>
\$ 29,528,205	\$ 31,792,758	\$ 33,302,617	\$ 41,076,989	\$ 41,485,102	\$ 39,042,377
1,788,007	896,106	917,300	675,052	786,678	898,739
12,142,477	11,433,305	13,265,214	9,004,174	9,366,517	11,976,963
<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>	<u>\$ 51,918,079</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Expenses</b>				
<b>Governmental activities</b>				
General government	\$ 1,640,599	\$ 1,622,425	\$ 1,232,225	\$ 1,199,609
Public safety	1,582,531	1,648,349	1,585,447	1,736,422
Public works	538,869	436,200	636,406	614,761
Parks and recreation	710,298	734,148	732,824	811,533
Economic development	43,791	48,322	3,311	6,862
Interest on long-term debt	60,233	53,496	46,470	39,146
Total governmental activities	<u>4,576,321</u>	<u>4,542,940</u>	<u>4,236,683</u>	<u>4,408,333</u>
<b>Business-type activities</b>				
Water	1,510,998	1,648,815	1,678,954	1,573,669
Sewer	1,143,557	1,268,018	1,367,429	1,454,302
Surface water management	219,483	269,562	321,693	353,330
Recycling	113,709	118,197	129,139	137,622
Total business-type activities	<u>2,987,747</u>	<u>3,304,592</u>	<u>3,497,215</u>	<u>3,518,923</u>
Total primary government	<u>\$ 7,564,068</u>	<u>\$ 7,847,532</u>	<u>\$ 7,733,898</u>	<u>\$ 7,927,256</u>
<b>Program revenues</b>				
<b>Governmental activities</b>				
<b>Charges for services</b>				
General government	\$ 298,395	\$ 341,736	\$ 271,972	\$ 353,224
Public safety	221,614	307,306	207,876	385,133
Public works	-	-	-	-
Parks and recreation	94,293	91,305	98,395	110,830
Operating grants and contributions	599,862	210,140	275,869	410,228
Capital grants and contributions	141,325	705,858	1,171,451	946,122
Total governmental activities	<u>1,355,489</u>	<u>1,656,345</u>	<u>2,025,563</u>	<u>2,205,537</u>
<b>Business-type activities</b>				
<b>Charges for services</b>				
Water	1,327,075	1,709,639	1,824,086	1,950,932
Sewer	1,121,188	1,313,897	1,574,493	1,852,364
Surface water management	473,856	503,070	518,672	531,845
Recycling	83,235	87,700	121,892	142,858
Operating grants and contributions	20,301	19,866	20,114	20,846
Capital grants and contributions	-	-	-	140,428
Total business-type activities	<u>3,025,655</u>	<u>3,634,172</u>	<u>4,059,257</u>	<u>4,639,273</u>
Total primary government	<u>\$ 4,381,144</u>	<u>\$ 5,290,517</u>	<u>\$ 6,084,820</u>	<u>\$ 6,844,810</u>

2012	2013	2014	2015	2016	2017
\$ 1,186,404	\$ 1,133,379	\$ 1,294,830	\$ 1,281,557	\$ 1,384,908	\$ 1,322,106
1,900,443	1,956,260	1,887,877	1,978,210	2,047,961	2,158,835
894,954	944,104	852,109	194,667	800,157	3,512,218
838,138	807,363	711,174	711,181	751,910	759,737
61,770	403,143	522,193	733,528	361,029	276,841
31,287	25,767	11,004	817	—	—
<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>	<u>8,029,737</u>
1,983,200	1,843,530	1,893,217	1,803,405	1,833,468	2,159,874
1,595,379	1,560,796	1,506,927	1,587,808	1,513,219	1,780,260
388,406	453,727	432,788	489,377	468,965	481,026
142,114	144,541	150,417	239,727	141,190	147,919
<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>4,569,079</u>
<u>\$ 9,022,095</u>	<u>\$ 9,272,610</u>	<u>\$ 9,262,536</u>	<u>\$ 9,020,277</u>	<u>\$ 9,302,807</u>	<u>\$ 12,598,816</u>
\$ 377,621	\$ 338,546	\$ 275,735	\$ 271,991	\$ 299,692	\$ 314,166
376,576	341,114	366,452	628,573	735,730	915,632
—	—	4,973	5,205	4,535	7,029
118,179	113,374	116,951	119,338	134,579	123,550
291,712	343,486	300,536	389,219	308,900	2,031,474
134,710	326,213	2,302,439	3,080,749	462,105	448,945
<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>	<u>3,840,796</u>
2,285,161	2,271,072	2,132,191	2,099,242	2,165,773	2,127,452
1,739,123	1,798,889	1,857,272	1,855,802	1,989,066	1,796,144
567,361	639,747	762,884	782,501	812,044	834,973
121,688	122,666	130,369	129,030	134,739	151,272
19,802	19,694	19,611	124,228	26,323	24,655
25,506	156,585	—	—	59,248	—
<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>4,934,496</u>
<u>\$ 6,057,439</u>	<u>\$ 6,471,386</u>	<u>\$ 8,269,413</u>	<u>\$ 9,485,878</u>	<u>\$ 7,132,734</u>	<u>\$ 8,775,292</u>

(continued)

CITY OF ARDEN HILLS

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

	2008	2009	2010	Fiscal Year 2011
Net (expense) revenue				
Governmental activities	\$ (3,220,832)	\$ (2,886,595)	\$ (2,211,120)	\$ (2,202,796)
Business-type activities	37,908	329,580	562,042	1,120,350
Total primary government	<u>\$ (3,182,924)</u>	<u>\$ (2,557,015)</u>	<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 2,727,372	\$ 2,860,820	\$ 2,836,982	\$ 2,920,078
Tax increment collections	506,808	540,408	566,725	342,109
Franchise taxes	60,520	104,148	85,131	90,123
Unrestricted investment earnings	433,894	275,500	231,340	307,769
Gain on sale of capital assets	-	-	-	46,712
Transfers	-	132,500	143,000	143,000
Total governmental activities	<u>3,728,594</u>	<u>3,913,376</u>	<u>3,863,178</u>	<u>3,849,791</u>
Business-type activities				
Unrestricted investment earnings	72,307	55,106	53,455	81,256
Transfers	-	(132,500)	(143,000)	(143,000)
Total business-type activities	<u>72,307</u>	<u>(77,394)</u>	<u>(89,545)</u>	<u>(61,744)</u>
Total primary government	<u>\$ 3,800,901</u>	<u>\$ 3,835,982</u>	<u>\$ 3,773,633</u>	<u>\$ 3,788,047</u>
Change in net position				
Governmental activities	\$ 507,762	\$ 1,026,781	\$ 1,652,058	\$ 1,646,995
Business-type activities	110,215	252,186	472,497	1,058,606
Total primary government	<u>\$ 617,977</u>	<u>\$ 1,278,967</u>	<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>

2012	2013	2014	2015	2016	2017
\$ (3,614,198)	\$ (3,807,283)	\$ (1,912,101)	\$ (404,885)	\$ (3,400,424)	\$ (4,188,941)
649,542	1,006,059	918,978	870,486	1,230,351	365,417
<u>\$ (2,964,656)</u>	<u>\$ (2,801,224)</u>	<u>\$ (993,123)</u>	<u>\$ 465,601</u>	<u>\$ (2,170,073)</u>	<u>\$ (3,823,524)</u>
\$ 3,095,488	\$ 3,094,036	\$ 3,182,331	\$ 3,191,426	\$ 3,278,287	\$ 3,526,347
431,060	466,280	565,422	697,898	242,544	295,788
94,532	96,820	103,711	72,837	132,548	109,070
218,519	(168,071)	450,261	245,540	155,191	139,347
—	—	—	—	—	—
143,000	230,765	230,765	230,765	230,765	230,765
3,982,599	3,719,830	4,532,490	4,438,466	4,039,335	4,301,317
47,388	(24,361)	54,360	35,857	17,835	32,754
(143,000)	(230,765)	(230,765)	(230,765)	(230,765)	(230,765)
(95,612)	(255,126)	(176,405)	(194,908)	(212,930)	(198,011)
<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>	<u>\$ 4,103,306</u>
\$ 368,401	\$ (87,453)	\$ 2,620,389	\$ 4,033,581	\$ 638,911	\$ 112,376
553,930	750,933	742,573	675,578	1,017,421	167,406
<u>\$ 922,331</u>	<u>\$ 663,480</u>	<u>\$ 3,362,962</u>	<u>\$ 4,709,159</u>	<u>\$ 1,656,332</u>	<u>\$ 279,782</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>
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
2017	3,526,347	295,788	109,070	3,931,205

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Reserved	\$ 16,586	\$ 24,304	\$ 32,587	\$ -
Unreserved	1,834,179	1,797,956	1,730,605	-
Nonspendable	-	-	-	29,063
Assigned	-	-	-	106,592
Unassigned	-	-	-	2,015,680
Total General Fund	<u>\$ 1,850,765</u>	<u>\$ 1,822,260</u>	<u>\$ 1,763,192</u>	<u>\$ 2,151,335</u>
All other governmental funds				
Reserved	\$ 838,308	\$ 1,063,087	\$ 1,331,259	\$ -
Unreserved, reported in				
Special revenue funds	765,771	733,626	468,786	-
Capital project funds	7,773,523	7,242,406	7,212,442	-
Nonspendable	-	-	-	-
Restricted	-	-	-	1,696,379
Committed	-	-	-	264,016
Assigned	-	-	-	6,993,767
Unassigned	-	-	-	(542,821)
Total all other governmental funds	<u>\$ 9,377,602</u>	<u>\$ 9,039,119</u>	<u>\$ 9,012,487</u>	<u>\$ 8,411,341</u>

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

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
22,326	22,754	21,059	23,983	26,271	288,519
126,134	119,440	139,721	251,497	257,771	285,548
<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>3,065,250</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>	<u>\$ 3,639,317</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
628	910	395	845	214	664
1,799,380	888,707	917,300	675,052	786,678	898,739
452,496	421,989	471,161	449,898	450,433	471,996
6,863,115	7,111,210	7,346,178	3,902,898	3,872,938	6,138,393
<u>(303,339)</u>	<u>(134,316)</u>	<u>(150,893)</u>	<u>(216,521)</u>	<u>(217,607)</u>	<u>(439,147)</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>	<u>\$ 7,070,645</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Revenues</b>				
Taxes				
General property tax	\$ 2,706,745	\$ 2,835,253	\$ 2,867,028	\$ 2,913,248
Tax increments	506,808	540,408	566,725	342,109
Special assessments	223,155	410,935	388,768	561,238
Licenses and permits	228,776	318,849	255,265	429,991
Intergovernmental	145,288	130,622	878,944	246,416
Charges for services	282,553	332,358	322,978	419,197
Fines and forfeits	30,189	26,111	27,013	29,593
Earnings on investments	433,894	275,500	231,340	296,249
Franchise taxes	60,520	104,148	85,131	90,123
Antenna rental fees	72,784	63,009	65,759	72,351
Miscellaneous/other	519,154	147,187	118,096	365,259
Total revenues	<u>5,209,866</u>	<u>5,184,380</u>	<u>5,807,047</u>	<u>5,765,774</u>
<b>Expenditures</b>				
Current				
General government	1,504,149	1,283,267	1,127,726	1,060,744
Public safety	1,420,785	1,526,819	1,561,046	1,640,801
Public works	265,448	282,019	322,793	273,165
Parks and recreation	562,283	606,822	605,210	661,746
Economic development	43,791	48,322	3,311	6,862
Capital outlay				
General government	331,650	285,028	108,575	684,492
Public safety	157,451	156,543	18,927	91,579
Public works	123,080	1,088,586	865,334	1,063,181
Parks and recreation	110,544	128,037	1,141,300	64,923
Economic development	-	-	-	-
Debt service				
Principal	220,000	225,000	235,000	245,000
Interest and paying agent fees	60,100	53,425	46,525	39,325
Total expenditures	<u>4,799,281</u>	<u>5,683,868</u>	<u>6,035,747</u>	<u>5,831,818</u>
Revenues over (under) expenditures	410,585	(499,488)	(228,700)	(66,044)
<b>Other financing sources (uses)</b>				
Transfers in	1,045,100	809,621	719,791	143,000
Transfers out	(1,045,100)	(677,121)	(576,791)	-
Sale of capital assets	-	-	-	46,712
Total other financing sources (uses)	<u>-</u>	<u>132,500</u>	<u>143,000</u>	<u>189,712</u>
Net change in fund balances	<u>\$ 410,585</u>	<u>\$ (366,988)</u>	<u>\$ (85,700)</u>	<u>\$ 123,668</u>
Debt service as a percentage of noncapital expenditures	<u>6.56 %</u>	<u>6.52 %</u>	<u>7.12 %</u>	<u>6.99 %</u>

	2012	2013	2014	2015	2016	2017
\$	3,087,160	\$ 3,086,064	\$ 3,210,025	\$ 3,203,004	\$ 3,260,537	\$ 3,541,705
	431,060	466,280	565,422	697,898	242,544	295,788
	252,879	382,366	304,315	908,964	373,415	308,990
	415,070	382,039	327,727	518,846	598,686	729,197
	143,085	316,859	1,408,240	1,396,269	396,275	2,124,414
	450,589	410,995	400,224	496,908	577,041	590,141
	33,192	32,055	29,569	32,792	31,868	29,989
	215,119	(164,535)	433,402	236,947	148,679	133,231
	94,532	96,820	103,711	72,837	132,548	109,070
	75,745	76,574	110,144	189,534	123,815	128,765
	113,974	43,777	89,482	241,463	94,442	164,256
	<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>	<u>8,155,546</u>
	1,054,662	1,054,852	1,155,120	1,143,037	1,194,579	1,189,500
	1,728,669	1,779,549	1,826,098	1,920,280	1,981,506	2,058,037
	377,101	391,711	580,872	336,398	479,814	443,633
	679,282	675,073	648,214	573,587	621,832	618,614
	57,766	90,222	286,991	249,484	229,688	264,905
	8,847	9,545	5,559	—	—	—
	169,894	170,511	66,079	52,936	47,880	100,215
	376,872	1,017,328	1,833,535	6,198,264	786,873	734,411
	109,761	68,493	18,883	—	—	337,808
	5,330	328,248	231,025	502,842	151,306	7,520
	255,000	260,000	270,000	280,000	—	—
	31,698	23,520	14,773	4,900	—	—
	<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>	<u>5,754,643</u>
	457,523	(739,758)	45,112	(3,266,266)	486,372	2,400,903
	143,000	230,765	230,765	230,765	230,765	471,590
	—	—	—	—	—	—
	—	—	—	—	—	—
	<u>143,000</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>471,590</u>
\$	<u>600,523</u>	<u>\$ (508,993)</u>	<u>\$ 275,877</u>	<u>\$ (3,035,501)</u>	<u>\$ 717,137</u>	<u>\$ 2,872,493</u>
	<u>6.21 %</u>	<u>5.82 %</u>	<u>5.73 %</u>	<u>6.20 %</u>	<u>— %</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		
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
2017	3,541,705	295,788	109,070	3,946,563

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>Real Property</u>	<u>Personal Property</u>	<u>Total Tax Capacity</u>	<u>Less Tax Increment District</u>
2008	\$ 16,215,348 *	\$ 140,000	\$ 16,355,348	\$ 562,501
2009	16,414,454 *	153,000	16,567,454	583,017
2010	15,659,356	164,655	15,824,011	590,269
2011	14,606,183	178,841	14,785,024	531,415
2012	13,848,510	190,989	14,039,499	436,893
2013	13,262,619	213,949	13,476,568	438,897
2014	13,413,316	216,679	13,629,995	510,906
2015	14,162,432	224,125	14,386,557	684,465
2016	14,364,828	236,271	14,601,099	207,526
2017	14,671,678	262,904	14,934,582	256,243

\* The breakdown between Real and Personal Property was estimated for 2008 and 2009.

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>
\$ 1,555,117	\$ 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	11,097,287	25.54	1,043,419,700	1.06
2,474,502	10,563,169	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
2,365,021	12,313,318	27.21	1,173,397,600	1.05

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	
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	7.953	105.433
2011	24.187	54.678	25.573	8.354	112.792
2012	25.544	61.316	29.044	9.955	125.859
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	27.378	9.179	122.773
2016	26.539	58.885	26.245	9.052	120.721
2017	27.211	55.850	25.305	8.558	116.924

(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	2017			2008		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,153,472	1	7.72 %	\$ 1,699,250	1	10.39 %
Space Center Arden Hills, LLC	381,454	2	2.55	–	–	–
St. Paul Fire and Marine Insurance Company	371,272	3	2.49	–	–	–
NSP	361,208	4	2.42	303,250	9	1.85
Land O'Lakes, Inc.	360,146	5	2.41	368,728	5	2.25
Presbyterian Homes, Inc.	293,845	6	1.97	–	–	–
CSM Corporation	234,878	7	1.57	471,218	2	2.88
LSREF4 BISON LLC	184,002	8	1.23	–	–	–
RAM Development, LLC	166,286	9	1.11	–	–	–
Arden Hills Industrial, LLC	132,608	10	0.89	407,634	3	2.49
Mutual Service Insurance Company	–	–	–	399,138	4	2.44
St. Paul Properties, Inc.	–	–	–	349,956	6	2.14
Inland Shannon Square Cub, LLC	–	–	–	346,252	7	2.12
IRET Properties, LP	–	–	–	325,250	8	1.99
Pharmacia Deltec, Inc.	–	–	–	265,040	10	1.62
Total	<u>\$ 3,639,171</u>		<u>24.37 %</u>	<u>\$ 4,935,716</u>		<u>30.18 %</u>
Total capacity value	<u>\$ 14,934,582</u>			<u>\$ 16,355,348</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
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)	33,087	2,953,128	100.00
2011	3,040,964	3,008,068	98.92	(2,326)	28,973	3,039,367	99.95
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	(75,019)	(13,321)	3,357,421	99.93
2016	3,478,775	3,408,642	97.98	(79,442)	(11,060)	3,477,024	99.95
2017	3,641,290	3,562,166	97.83	(66,924)	–	3,629,090	99.66

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 (1)	Per Capita (1)
2008	\$ 1,770,000	0.52 %	\$ 181
2009	1,545,000	0.40	152
2010	1,310,000	0.37	137
2011	1,065,000	0.30	114
2012	810,000	0.24	84
2013	550,000	0.17	59
2014	280,000	0.08	29
2015 (2)	—	—	—
2016 (2)	—	—	—
2017 (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, 2017

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 96,894,334	2.47 %	\$ 2,398,130
County library	29,071,681	4.90	1,423,602
Independent School District No. 621	86,370,055	13.45	11,617,247
Independent School District No. 623	44,445,765	0.78	344,694
Intermediate School District No. 916	76,887,597	4.98	3,825,254
Metropolitan Council	1,308,024,397	0.36	<u>4,744,441</u>
Total overlapping debt			24,353,368
City of Arden Hills	-	-	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 24,353,368</u></u>

(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			
	2008	2009	2010	2011
Debt limit	\$ 36,962,949	\$ 36,885,897	\$ 35,132,043	\$ 33,279,828
Total net debt applicable to limit	—	—	—	—
Legal debt margin	<u>\$ 36,962,949</u>	<u>\$ 36,885,897</u>	<u>\$ 35,132,043</u>	<u>\$ 33,279,828</u>
Total net debt applicable to 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.

2012	2013	2014	2015	2016	2017
\$ 31,302,591	\$ 31,064,151	\$ 31,654,614	\$ 33,672,840	\$ 34,326,648	\$ 35,201,928
—	—	—	—	—	—
<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>	<u>\$ 35,201,928</u>

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Legal Debt Margin Calculation for Fiscal Year 2017

Total estimated market value	\$ 1,173,397,600
Debt limit (3% of market value)	35,201,928
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><u>\$ 35,201,928</u></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>
2008	9,796	\$ 34,691	\$ 339,833,036	35.0	10,136	5.3 %
2009	10,137	37,918	384,374,766	35.0	10,071	7.6
2010	9,552	36,806	351,570,912	36.2	10,032	7.5
2011	9,381	37,371	350,577,351	34.8	10,090	6.6
2012	9,597	35,375	339,493,875	34.8	10,234	5.7
2013	9,359	33,688	315,285,992	34.8	10,480	4.9
2014	9,652	34,481	332,810,612	36.9	10,734	4.0
2015	9,847	35,222	346,831,034	36.0	11,011	3.6
2016	9,966	35,994	358,716,204	36.0	11,401	3.6
2017	10,066	36,714	369,549,433	36.3	11,556	3.3

Sources:

- (1) Population data is obtained from the Metropolitan Council website. 2017 is estimated by city staff.
- (2) Unemployment rate information is from DEED for Ramsey County.
- (3) Per capita personal income is obtained from the Metropolitan Council website. 2017 is estimated by city staff.
- (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, from the Minnesota Department of Education's website.
- (6) Median age is from www.city-data.com website.

CITY OF ARDEN HILLS

Principal Employers  
Current Year and Nine Years Ago

Employer	2017 (1)			2008 (1)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,200	1	19.5 %	2,000	1	14.1 %
Bethel University	970	2	8.6	–	–	–
University of Northwestern	960	3	8.5	–	–	–
Land O’Lakes, Inc.	850	4	7.5	800	2	5.6
Presbyterian Homes of Arden Hills	500	5	4.4	500	5	3.5
Delkor	160	6	1.4	–	–	–
International Paper	120	7	1.1	–	–	–
Country and MSI Insurance	–	–	–	640	3	4.5
Celestica	–	–	–	600	4	4.2
Fair Isaac & Co.	–	–	–	500	5	3.5
Smiths Medical M.D., Inc.	–	–	–	500	5	3.5
Total	<u>5,760</u>		<u>51.1 %</u>	<u>5,540</u>		<u>39.1 %</u>
Total city employees	<u>11,275</u>			<u>14,173</u>		

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

Source: City staff research.

CITY OF ARDEN HILLS

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
Police (see Note 2)				
Towed vehicles	–	–	2	3
Traffic accidents	145	117	138	96
Driving impaired/alcohol	29	21	9	13
Traffic stops	144	281	332	328
Traffic investigations	22	19	11	24
Number of calls answered	N/A	N/A	N/A	N/A
Fire				
Number of calls answered	228	214	452	559
Highways and streets				
Street resurfacing (miles)	–	1.40	1.80	1.93
Potholes repaired	200	250	325	250
Sanitation (residential)				
Refuse collected (tons/day)	7.21	8.05	7.95	7.85
Recyclables collected (tons/day)	2.68	2.05	2.34	2.01
Parks and recreation				
Athletic field permits issued	30	25	25	20
Water				
New connections	–	3	3	2
Water main breaks	7	5	7	2
Average daily consumption (thousands of gallons)	1,029	1,323	1,162	1,135

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

2012	2013	2014	2015	2016	2017
7	2	1	N/A	N/A	N/A
140	149	144	N/A	N/A	N/A
15	23	18	N/A	N/A	N/A
17	78	20	N/A	N/A	N/A
33	78	40	N/A	N/A	N/A
N/A	N/A	N/A	4,892	4,370	6,092
522	561	651	804	930	986
5.20	4.40	–	2.84	0.25	0.20
250	250	250	600	600	700
7.90	8.05	8.65	8.76	8.75	8.80
2.20	2.20	2.21	2.16	2.06	2.22
19	30	22	22	22	30
31	10	2	7	8	8
12	6	2	10	6	7
1,269	1,162	983	857	812	853

CITY OF ARDEN HILLS

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

Function	Fiscal Year			
	2008	2009	2010	2011
General government	6.40	6.57	7.18	6.89
Public safety				
General public safety	2.70	2.72	2.72	2.74
Highways and streets				
General highways and streets	2.30	2.39	2.44	2.20
Community development	1.60	0.02	–	–
Parks and recreation	7.50	8.32	6.95	8.88
Water	3.40	3.40	3.29	3.50
Sewer	3.90	4.01	3.91	4.05
Recycling	0.10	0.14	0.17	0.21
Surface water management	1.80	1.57	2.25	2.54
<b>Total</b>	<b>29.70</b>	<b>29.14</b>	<b>28.90</b>	<b>31.01</b>

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

Source: Finance and Administration

2012	2013	2014	2015	2016	2017
7.47	7.50	6.73	6.76	5.00	4.08
2.70	2.66	2.61	2.74	2.42	2.34
2.72	2.04	3.11	2.93	2.42	2.41
–	–	–	–	–	–
6.51	6.92	7.77	7.31	6.78	6.52
3.67	4.42	4.18	4.07	3.56	3.62
4.42	4.92	5.06	4.85	4.31	4.30
0.21	0.21	0.20	0.19	0.17	0.21
2.66	2.56	3.01	2.95	2.64	2.70
<u>30.36</u>	<u>31.22</u>	<u>32.67</u>	<u>31.80</u>	<u>27.30</u>	<u>26.18</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
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	111	111	111	111
Parks	14	14	14	14
Trails acreage	52	53	54	54
Trails (miles)	11	13	15	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	3	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	44	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

2012	2013	2014	2015	2016	2017
57	57	57	57	57	57
250	250	250	250	250	252
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	21	21	21	21
4	5	6	6	5	5
6	8	8	8	8	7
10	10	10	10	10	10
5	6	6	6	6	6
3	2	3	3	3	3
43	43	43	43	43	43
520	537	537	537	537	537
1,500	1,500	1,500	1,500	1,500	1,500
44	49	52	52	52	52
20	20	25	25	25	25

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