

CITY OF



ARDEN HILLS

ARDEN HILLS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report
Year Ended
December 31, 2018

FINANCE DEPARTMENT

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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RAMSEY COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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May 2, 2019

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, 2018.

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, 2018. 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 10,069. 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 2.7 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 \$3,052,082 (60.3 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 \$25,482 of nonspendable equity for prepaid items, \$75,835 of assigned equity for compensated absences, and \$186,970 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 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. The City completed the TCAAP Redevelopment Code (TRC) in late 2016, which guides the land use on the site. The development details of the project are now being negotiated by the interested parties. The status of the JDA is currently in question but any future development on the site is expected to add to the City's tax base and could include 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.

MAJOR INITIATIVES

The largest initiative on the City's horizon is the TCAAP project, as previously mentioned. This project is a joint effort between the City, Ramsey County, and a master developer. When completed, this project will represent almost a 40 percent population increase to the City, as well as a significant increase to the commercial and industrial sectors, too. The TCAAP project is expected to be a destination site for the region and serve as a model for future developments.

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, 2017. This is the 12th 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 and City Council for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

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, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2018

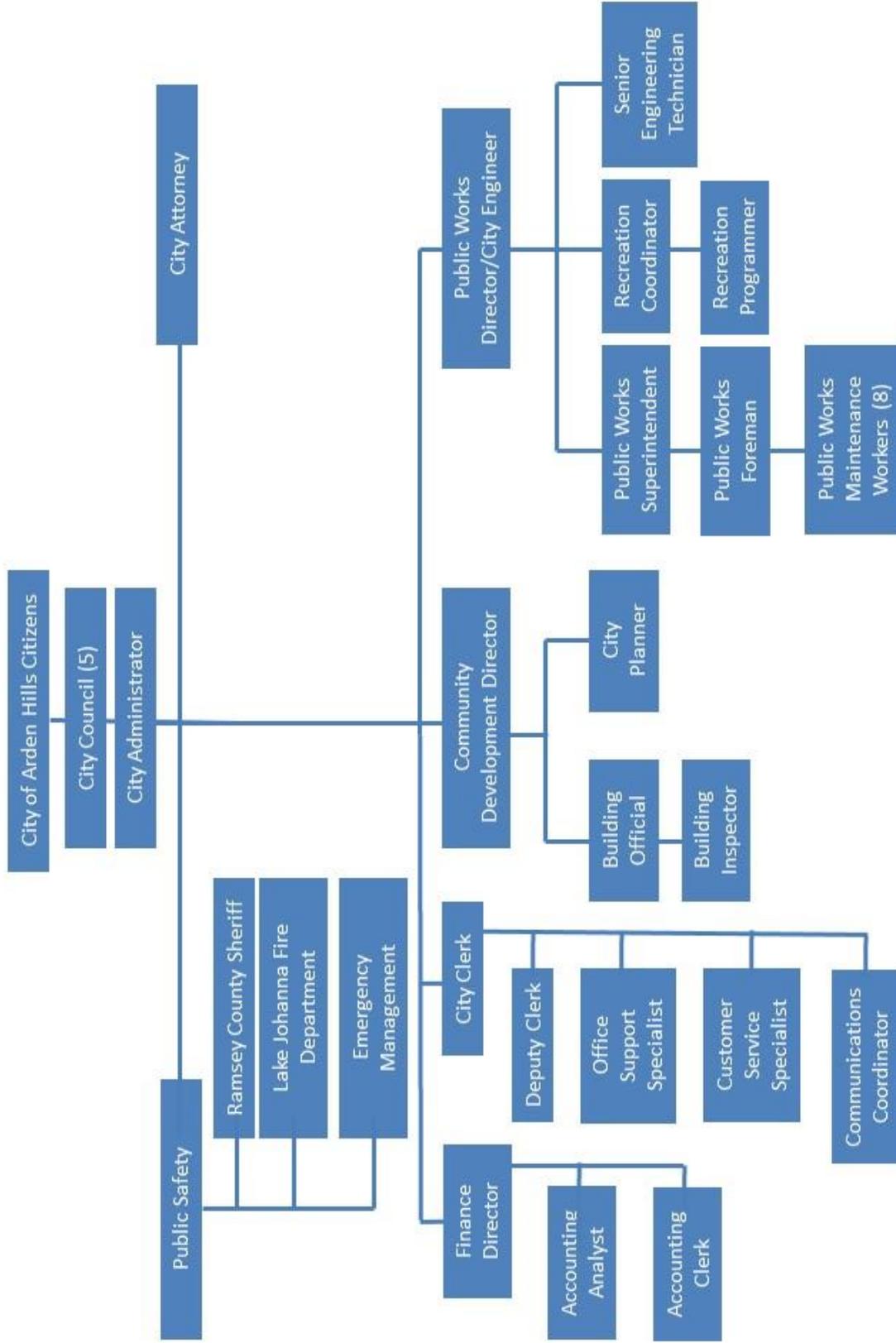
CITY COUNCIL

		<u>Term Expires</u>
David Grant	Mayor	December 31, 2022
Brenda Holden	Councilmember	December 31, 2020
Fran Holmes	Councilmember	December 31, 2022
Dave McClung	Councilmember	December 31, 2020
Steve Scott	Councilmember	December 31, 2022

APPOINTED OFFICIALS

Dave Perrault	City Administrator
Gayle Bauman	Finance Director
Julie Hanson	City Clerk
Joel Jamnik	City Attorney

2018 City of Arden Hills Organization Chart



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
Jaclyn M. Huegel, CPA

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, 2018, 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, 2018, 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 May 2, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
May 2, 2019

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CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2018

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, 2018. 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 \$55,345,516 (*net position*). Of this amount, \$10,066,181 (*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 \$3,427,437 in 2018.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,543,820. Of this total amount, \$25,696 is nonspendable and \$1,010,521 is restricted, leaving an unrestricted balance of \$6,507,603.
- At the end of the current fiscal year, the General Fund has a total fund balance of \$3,340,369. At December 31, 2018, the unassigned fund balance of the General Fund was, \$3,052,082 or 60.3 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 \$55,345,516 at December 31, 2018.

The largest portion of the City's net position, \$44,268,814, or 80.0 percent, reflects its net 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) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources; since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 12,852,671	\$ 14,155,756	\$ 3,252,652	\$ 2,312,905	\$ 16,105,323	\$ 16,468,661
Capital assets	26,972,898	22,750,377	19,867,868	16,292,000	46,840,766	39,042,377
Total assets	<u>\$ 39,825,569</u>	<u>\$ 36,906,133</u>	<u>\$ 23,120,520</u>	<u>\$ 18,604,905</u>	<u>\$ 62,946,089</u>	<u>\$ 55,511,038</u>
Deferred outflows of resources						
Pension plan deferments – PERA	\$ 183,899	\$ 311,733	\$ 47,339	\$ 129,205	\$ 231,238	\$ 440,938
Liabilities						
Long-term liabilities outstanding	\$ 891,506	\$ 1,020,742	\$ 3,014,867	\$ 541,973	\$ 3,906,373	\$ 1,562,715
Other liabilities	2,056,217	1,204,043	1,336,827	387,738	3,393,044	1,591,781
Total liabilities	<u>\$ 2,947,723</u>	<u>\$ 2,224,785</u>	<u>\$ 4,351,694</u>	<u>\$ 929,711</u>	<u>\$ 7,299,417</u>	<u>\$ 3,154,496</u>
Deferred inflows of resources						
Pension plan deferments – PERA	\$ 318,242	\$ 353,646	\$ 190,981	\$ 213,655	\$ 509,223	\$ 567,301
State aid received for subsequent years	23,171	312,100	–	–	23,171	312,100
Total deferred inflows of resources	<u>\$ 341,413</u>	<u>\$ 665,746</u>	<u>\$ 190,981</u>	<u>\$ 213,655</u>	<u>\$ 532,394</u>	<u>\$ 879,401</u>
Net position						
Net investment in capital assets	\$ 26,972,898	\$ 22,750,377	\$ 17,295,916	\$ 16,292,000	\$ 44,268,814	\$ 39,042,377
Restricted	1,010,521	898,739	–	–	1,010,521	898,739
Unrestricted	8,736,913	10,678,219	1,329,268	1,298,744	10,066,181	11,976,963
Total net position	<u>\$ 36,720,332</u>	<u>\$ 34,327,335</u>	<u>\$ 18,625,184</u>	<u>\$ 17,590,744</u>	<u>\$ 55,345,516</u>	<u>\$ 51,918,079</u>

Restricted net position of \$1,010,521 comprises 1.8 percent of net position at the close of the fiscal year ended December 31, 2018. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$10,066,181, or approximately 18.2 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

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

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 business-type activities long-term liabilities increased in the current year, due to the issuance of revenue bonds.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2018 with comparative amounts for the year ended December 31, 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 954,357	\$ 1,360,377	\$ 5,000,052	\$ 4,817,275	\$ 5,954,409	\$ 6,177,652
Operating grants and contributions	840,634	2,031,474	27,429	24,655	868,063	2,056,129
Capital grants and contributions	2,494,823	448,945	735,220	92,566	3,230,043	541,511
General revenues						
Property taxes	3,578,894	3,526,347	–	–	3,578,894	3,526,347
Tax increment collections	351,569	295,788	–	–	351,569	295,788
Franchise taxes	101,237	109,070	–	–	101,237	109,070
Unrestricted investment earnings	159,316	139,347	40,371	32,754	199,687	172,101
Total revenues	<u>8,480,830</u>	<u>7,911,348</u>	<u>5,803,072</u>	<u>4,967,250</u>	<u>14,283,902</u>	<u>12,878,598</u>
Expenses						
General government	1,286,845	1,322,106	–	–	1,286,845	1,322,106
Public safety	2,248,540	2,158,835	–	–	2,248,540	2,158,835
Public works	1,695,449	3,512,218	–	–	1,695,449	3,512,218
Parks and recreation	765,843	759,737	–	–	765,843	759,737
Economic development	391,156	276,841	–	–	391,156	276,841
Water	–	–	2,147,359	2,159,874	2,147,359	2,159,874
Sewer	–	–	1,654,079	1,780,260	1,654,079	1,780,260
Surface water management	–	–	499,049	481,026	499,049	481,026
Recycling	–	–	168,145	147,919	168,145	147,919
Total expenses	<u>6,387,833</u>	<u>8,029,737</u>	<u>4,468,632</u>	<u>4,569,079</u>	<u>10,856,465</u>	<u>12,598,816</u>
Increase (decrease) in net position before transfers	2,092,997	(118,389)	1,334,440	398,171	3,427,437	279,782
Transfers	300,000	230,765	(300,000)	(230,765)	–	–
Increase in net position	2,392,997	112,376	1,034,440	167,406	3,427,437	279,782
Net position – beginning	<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>
Net position – ending	<u>\$ 36,720,332</u>	<u>\$ 34,327,335</u>	<u>\$ 18,625,184</u>	<u>\$ 17,590,744</u>	<u>\$ 55,345,516</u>	<u>\$ 51,918,079</u>

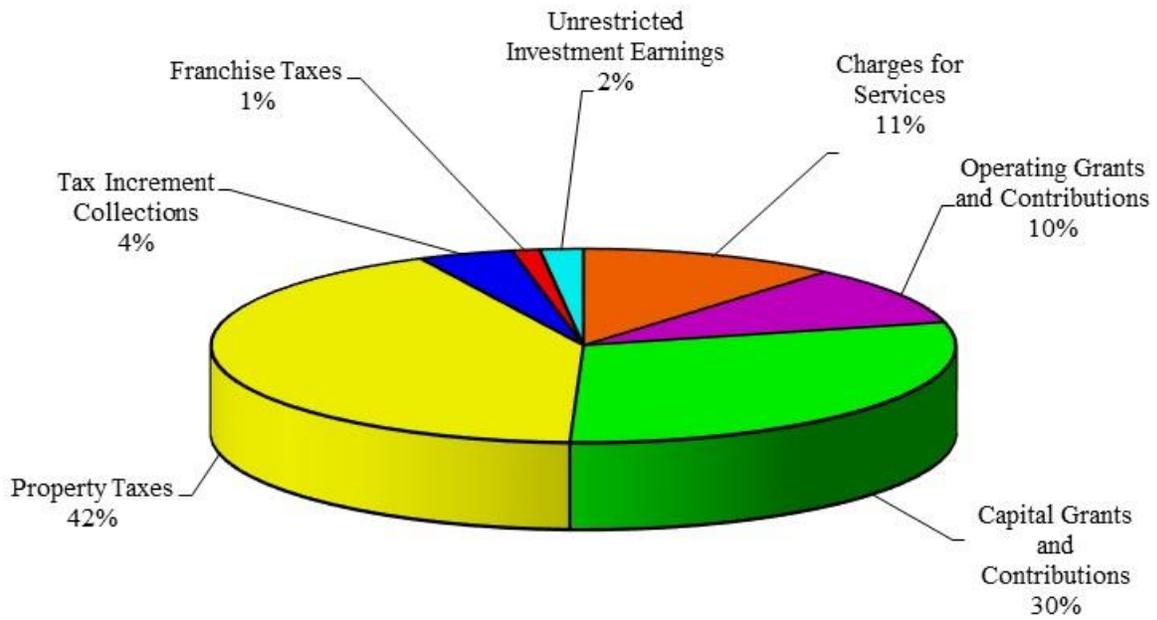
Governmental Activities – Current year operating results of governmental activities increased net position by \$2,392,997, compared to an increase of \$112,376 in the prior year. Changes from the prior year included the following:

- Operating grants and contributions were down, due to a one-time reimbursement from Ramsey County for its share of a joint street project in the prior year.
- Capital grants and contributions were up, due to significant assessments in the current year for street projects and due to contributions from Ramsey County and Bethel University for the trail project.
- Public works spending was down in the current year, due to the contribution of capital assets to Ramsey County in the prior year for a multi-year street project accumulated by the City as part of the joint street project.

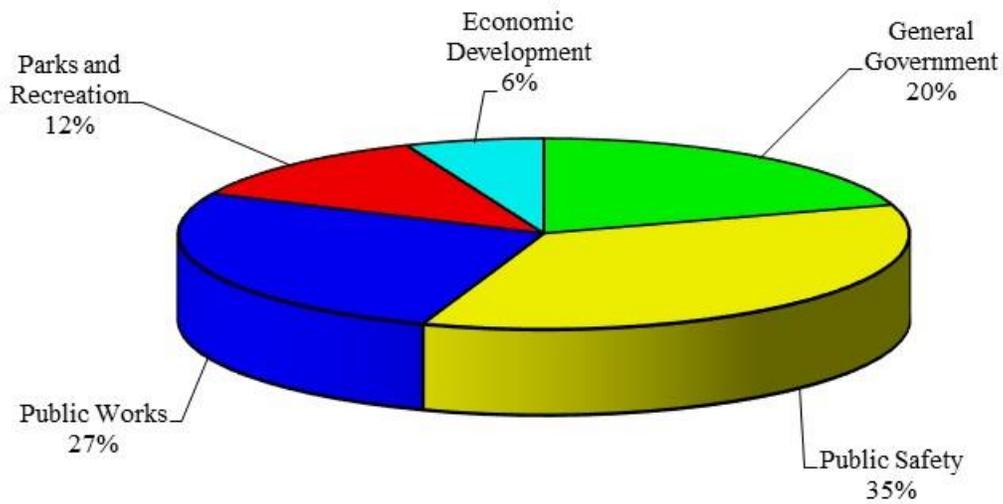
Business-Type Activities – Current year operating results of business-type activities increased net position by \$1,034,440, due to positive results of the utility operations of the City. The increase in capital grants and contributions noted above is due to a grant from the state for a utility project in the current year. Program revenues exceeded program expenses for each of the City’s business-type activities, except recycling.

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

Governmental Activities – Revenue

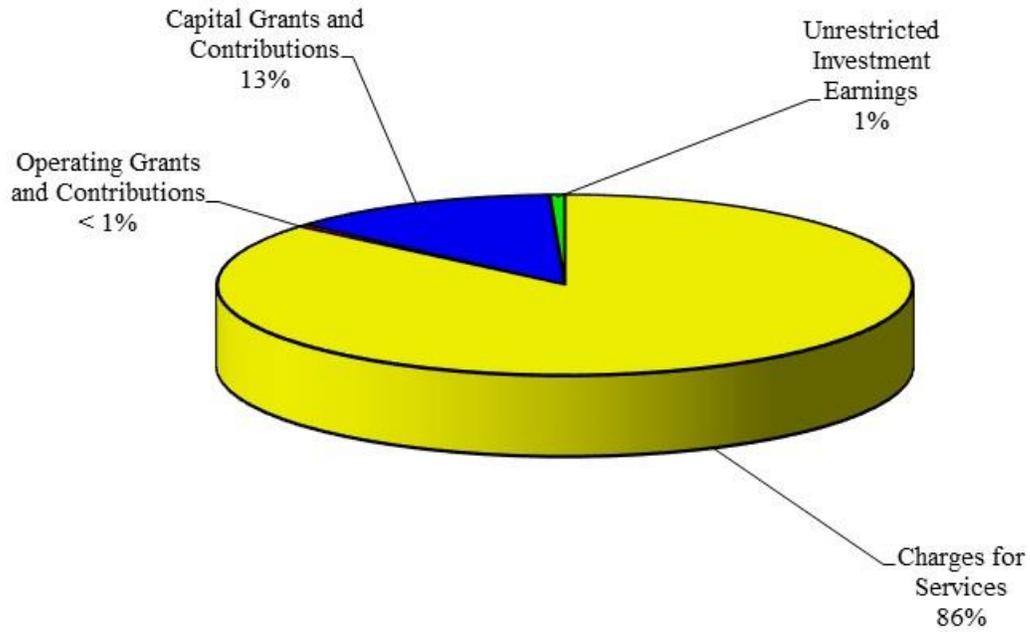


Governmental Activities – Expenses

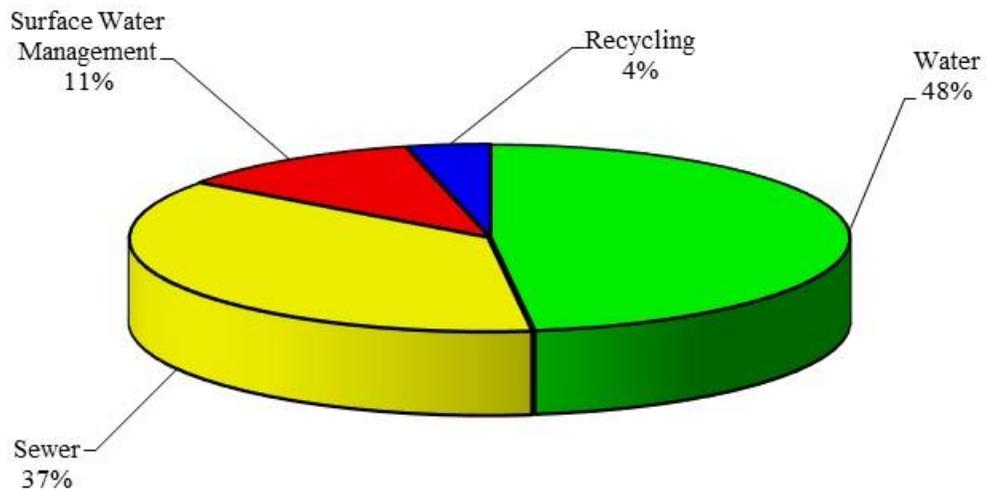


Below are specific graphs that provide comparisons of the business-type activities revenue and expenses:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,543,820, a decrease of \$3,166,142 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 \$6,507,603 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 (\$747,898), 2) for cable TV purposes (\$262,623), or 3) is not in spendable form for prepaid items (\$25,696).

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 \$3,052,082, while total fund balance equaled \$3,340,369. 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 60.3 percent of the total subsequent year General Fund expenditures.

The City's General Fund equity decreased by \$298,948 during the current fiscal year, compared to a \$637,225 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 and other services and charges. 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 \$205,183, which compares to an anticipated fund balance increase of \$43,888. Tax increment collections and earnings on investments were \$2,611 more than expected in the final budget, while expenditures were \$158,682 below appropriations.

Equity in the Equipment, Building, and Replacement Fund increased by \$476,171 as revenues and other financing sources exceeded expenditures in the current year. The General Fund, Water Fund, Sewer Fund, and Surface Water Management Fund made transfers totaling \$750,000 to this fund in the current year.

Fund balance in the Permanent Improvement Revolving Fund decreased by \$3,423,480 in the current year. Total expenditures exceeded current year revenues and transfers from the General Fund based on the timing of street and trail 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: \$988,428 for water, \$190,893 for sewer, \$26,510 for surface water management, and \$123,437 for recycling. Water net position increased \$659,907, sewer net position increased \$110,089, surface water management net position increased \$272,566, and recycling net position decreased \$8,122 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$8,052 more than estimated in the budget. Licenses and permits and charges for services revenue exceeded budgeted levels by \$201,844 and \$27,103, respectively, with development activity surpassing expected amounts. An unfavorable variance in property taxes offset the favorable variances previously discussed. Expenditures within the General Fund were less than budget by \$330,225 spread across several functions, but most noticeably in general government, mainly in personal services and other services and charges.

During the year, the City Council approved one budget amendment increasing transfers out by \$400,000, moving available resources to the Equipment, Building, and Replacement Fund.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$46,840,766 (net of accumulated depreciation). This investment in capital assets includes items such as land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles. The total increase in the City’s investment in capital assets for the current fiscal year was 20.0 percent (an increase of 18.6 percent for governmental activities and an increase of 21.9 percent for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818	\$ 2,679,818
Construction in progress	5,350,261	552,481	3,328,994	324,945	8,679,255	877,426
Buildings and structures	3,404,870	3,594,986	663,234	704,778	4,068,104	4,299,764
Infrastructure and improvements	13,853,074	14,242,467	–	–	13,853,074	14,242,467
Distribution and collection systems	–	–	15,797,304	15,173,947	15,797,304	15,173,947
Machinery and equipment	300,821	300,958	78,336	88,330	379,157	389,288
Office furniture and equipment	44,326	57,236	–	–	44,326	57,236
Vehicles	1,339,728	1,322,431	–	–	1,339,728	1,322,431
Total	<u>\$ 26,972,898</u>	<u>\$ 22,750,377</u>	<u>\$ 19,867,868</u>	<u>\$ 16,292,000</u>	<u>\$ 46,840,766</u>	<u>\$ 39,042,377</u>

Increases in the current year included ongoing projects for streets, related utility infrastructure, and trails, contributing to the changes in the table above as of year-end.

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

Long-Term Liabilities – At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,415,000, which is secured by specified revenue sources.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Utility revenue bonds	\$ –	\$ –	\$ 2,415,000	\$ –	\$ 2,415,000	\$ –
Premium	–	–	156,952	–	156,952	–
Compensated absences	78,302	49,694	46,744	44,716	125,046	94,410
Net pension liability	813,204	971,048	396,171	497,257	1,209,375	1,468,305
Total	\$ 891,506	\$ 1,020,742	\$ 3,014,867	\$ 541,973	\$ 3,906,373	\$ 1,562,715

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

During the current year, the City issued \$2,415,000 in utility revenue bonds for various projects.

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 2018 level.

All of these factors were considered in preparing the City’s budget for the 2019 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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 9,125,229	\$ 1,485,884	\$ 10,611,113
Accrued interest receivable	42,248	7,943	50,191
Accounts receivable	644,383	1,250,348	1,894,731
Taxes receivable	105,770	–	105,770
Special assessments receivable	2,223,284	–	2,223,284
Due from other governmental units	686,061	500,000	1,186,061
Prepaid items	25,696	75	25,771
Inventory	–	8,402	8,402
Capital assets			
Nondepreciable	8,030,079	3,328,994	11,359,073
Depreciable, net of accumulated depreciation	18,942,819	16,538,874	35,481,693
Total assets	<u>39,825,569</u>	<u>23,120,520</u>	<u>62,946,089</u>
Deferred outflows of resources			
Pension plan deferments – PERA	183,899	47,339	231,238
Liabilities			
Accounts payable	756,926	148,872	905,798
Salaries payable	31,399	20,323	51,722
Deposits payable	506,021	–	506,021
Due to other governmental units	660,739	1,126,730	1,787,469
Accrued interest payable	–	40,902	40,902
Unearned revenue	101,132	–	101,132
Long-term liabilities			
Due within one year	58,727	35,058	93,785
Due in more than one year	832,779	2,979,809	3,812,588
Total long-term liabilities	<u>891,506</u>	<u>3,014,867</u>	<u>3,906,373</u>
Total liabilities	2,947,723	4,351,694	7,299,417
Deferred inflows of resources			
Pension plan deferments – PERA	318,242	190,981	509,223
State aid received for subsequent years	23,171	–	23,171
Total deferred inflows of resources	<u>341,413</u>	<u>190,981</u>	<u>532,394</u>
Net position			
Net investment in capital assets	26,972,898	17,295,916	44,268,814
Restricted for			
Tax increment purposes	747,898	–	747,898
Cable TV	262,623	–	262,623
Unrestricted	<u>8,736,913</u>	<u>1,329,268</u>	<u>10,066,181</u>
Total net position	<u>\$ 36,720,332</u>	<u>\$ 18,625,184</u>	<u>\$ 55,345,516</u>

CITY OF ARDEN HILLS

Statement of Activities
Year Ended December 31, 2018

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,286,845	\$ 214,833	\$ 70,222	\$ -
Public safety	2,248,540	619,406	113,240	38,870
Public works	1,695,449	6,150	649,425	1,185,588
Parks and recreation	765,843	113,968	7,747	1,270,365
Economic development	391,156	-	-	-
Total governmental activities	<u>6,387,833</u>	<u>954,357</u>	<u>840,634</u>	<u>2,494,823</u>
Business-type activities				
Water	2,147,359	2,256,859	1,232	620,245
Sewer	1,654,079	1,769,466	1,433	114,975
Surface water management	499,049	839,499	945	-
Recycling	168,145	134,228	23,819	-
Total business-type activities	<u>4,468,632</u>	<u>5,000,052</u>	<u>27,429</u>	<u>735,220</u>
Total primary government	<u>\$ 10,856,465</u>	<u>\$ 5,954,409</u>	<u>\$ 868,063</u>	<u>\$ 3,230,043</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
\$ (1,001,790)	\$ —	\$ (1,001,790)
(1,477,024)	—	(1,477,024)
145,714	—	145,714
626,237	—	626,237
(391,156)	—	(391,156)
(2,098,019)	—	(2,098,019)
—	730,977	730,977
—	231,795	231,795
—	341,395	341,395
—	(10,098)	(10,098)
—	1,294,069	1,294,069
(2,098,019)	1,294,069	(803,950)
3,578,894	—	3,578,894
351,569	—	351,569
101,237	—	101,237
159,316	40,371	199,687
300,000	(300,000)	—
4,491,016	(259,629)	4,231,387
2,392,997	1,034,440	3,427,437
34,327,335	17,590,744	51,918,079
\$ 36,720,332	\$ 18,625,184	\$ 55,345,516

CITY OF ARDEN HILLS

Balance Sheet
 Governmental Funds
 as of December 31, 2018

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving
Assets				
Cash and investments	\$ 3,850,270	\$ 506,776	\$ 260,735	\$ 2,993,824
Accrued interest receivable	18,437	2,426	-	14,257
Accounts receivable	8,500	-	-	600,000
Taxes receivable	103,456	2,042	-	-
Special assessments receivable	6,086	-	-	2,217,198
Interfund receivable	-	-	-	187,450
Due from other governmental units	126,543	-	-	559,518
Prepaid items	25,482	-	-	-
Total assets	\$ 4,138,774	\$ 511,244	\$ 260,735	\$ 6,572,247
Liabilities				
Accounts payable	\$ 92,817	\$ 363	\$ 43,833	\$ 471,062
Salaries payable	29,042	598	-	-
Deposits payable	506,021	-	-	-
Interfund payable	-	-	-	-
Due to other governmental units	30,515	-	-	619,173
Unearned revenue	101,132	-	-	-
Total liabilities	759,527	961	43,833	1,090,235
Deferred inflows of resources				
Unavailable revenue – taxes	32,792	2,042	-	-
Unavailable revenue – special assessments	6,086	-	-	2,201,864
Unavailable revenue – long-term receivable	-	-	-	600,000
State aid received for subsequent years	-	-	-	23,171
Total deferred inflows of resources	38,878	2,042	-	2,825,035
Fund balances (deficits)				
Nonspendable	25,482	-	-	-
Restricted	-	-	-	-
Committed	-	508,241	-	-
Assigned	262,805	-	216,902	2,656,977
Unassigned	3,052,082	-	-	-
Total fund balances (deficits)	3,340,369	508,241	216,902	2,656,977
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,138,774	\$ 511,244	\$ 260,735	\$ 6,572,247

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 of resources – pension plans
- Deferred inflows of resources – pension plans
- Deferred inflows of resources – unavailable revenues

Net position of governmental activities

Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ 1,097,956	\$ -	\$ 8,709,561
5,257	-	40,377
35,883	-	644,383
272	-	105,770
-	-	2,223,284
-	(187,450)	-
-	-	686,061
214	-	25,696
<u>\$ 1,139,582</u>	<u>\$ (187,450)</u>	<u>\$ 12,435,132</u>
\$ 129,530	\$ -	\$ 737,605
1,271	-	30,911
-	-	506,021
187,450	(187,450)	-
-	-	649,688
-	-	101,132
<u>318,251</u>	<u>(187,450)</u>	<u>2,025,357</u>
-	-	34,834
-	-	2,207,950
-	-	600,000
-	-	23,171
-	-	2,865,955
214	-	25,696
1,010,521	-	1,010,521
-	-	508,241
-	-	3,136,684
(189,404)	-	2,862,678
<u>821,331</u>	<u>-</u>	<u>7,543,820</u>
<u>\$ 1,139,582</u>	<u>\$ (187,450)</u>	<u>\$ 12,435,132</u>
		\$ 7,543,820
		8,030,079
		18,942,819
		384,212
		(56,877)
		(832,162)
		183,899
		(318,242)
		<u>2,842,784</u>
		<u>\$ 36,720,332</u>

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2018

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving
Revenues				
Taxes				
General property taxes	\$ 3,578,628	\$ -	\$ -	\$ -
Tax increments	-	2,451	-	-
Special assessments	5,362	-	-	730,007
Licenses and permits	526,444	-	-	-
Intergovernmental	149,097	-	-	854,588
Charges for services	427,905	-	-	-
Fines and forfeits	37,080	-	-	-
Earnings on investments	64,996	5,760	-	65,431
Franchise taxes	-	-	-	-
Antenna rental fees	57,067	-	-	-
Miscellaneous reimbursements	30,700	-	-	-
Other	5,402	-	-	150,000
Total revenues	<u>4,882,681</u>	<u>8,211</u>	<u>-</u>	<u>1,800,026</u>
Expenditures				
Current				
General government	1,039,772	-	-	-
Public safety	2,088,345	-	-	-
Public works	579,535	-	-	-
Parks and recreation	653,977	-	-	-
Economic development	-	58,755	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	67,301	-
Public works	-	-	237,289	2,679,315
Parks and recreation	-	-	38,397	2,744,191
Total expenditures	<u>4,361,629</u>	<u>58,755</u>	<u>342,987</u>	<u>5,423,506</u>
Revenues over (under) expenditures	521,052	(50,544)	(342,987)	(3,623,480)
Other financing sources (uses)				
Sale of capital assets	-	-	69,158	-
Transfers in	-	255,727	750,000	200,000
Transfers out	(820,000)	-	-	-
Total other financing sources (uses)	<u>(820,000)</u>	<u>255,727</u>	<u>819,158</u>	<u>200,000</u>
Net changes in fund balances	(298,948)	205,183	476,171	(3,423,480)
Fund balances (deficits) – beginning	<u>3,639,317</u>	<u>303,058</u>	<u>(259,269)</u>	<u>6,080,457</u>
Fund balances – ending	<u>\$ 3,340,369</u>	<u>\$ 508,241</u>	<u>\$ 216,902</u>	<u>\$ 2,656,977</u>

Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ —	\$ —	\$ 3,578,628
349,118	—	351,569
—	—	735,369
—	—	526,444
—	—	1,003,685
—	—	427,905
—	—	37,080
18,182	—	154,369
101,237	—	101,237
—	—	57,067
—	—	30,700
63,220	—	218,622
<u>531,757</u>	<u>—</u>	<u>7,222,675</u>
124,885	—	1,164,657
—	—	2,088,345
—	—	579,535
—	—	653,977
265,793	—	324,548
13,770	—	13,770
166,000	—	233,301
—	—	2,916,604
650	—	2,783,238
<u>571,098</u>	<u>—</u>	<u>10,757,975</u>
(39,341)	—	(3,535,300)
—	—	69,158
50,000	(955,727)	300,000
(135,727)	955,727	—
<u>(85,727)</u>	<u>—</u>	<u>369,158</u>
(125,068)	—	(3,166,142)
<u>946,399</u>	<u>—</u>	<u>10,709,962</u>
<u>\$ 821,331</u>	<u>\$ —</u>	<u>\$ 7,543,820</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, 2018

Net changes in fund balances – total governmental funds \$ (3,166,142)

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	5,153,974
Depreciation expense	(861,410)

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances. (70,043)

Adjustments are made between the governmental funds and the Statement of Activities for the long-term liability activity of the net pension liability. 157,844

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 of resources – pension plans	(127,834)
Deferred inflows of resources – pension plans	35,404
Deferred inflows of resources – unavailable revenues	1,247,573

Internal service funds are used to allocate costs to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities in the government-wide financial statements. 51,143

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>(27,512)</u>
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Change in net position of governmental activities \$ 2,392,997

CITY OF ARDEN HILLS

Statement of Net Position
Proprietary Funds
as of December 31, 2018

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Assets						
Current assets						
Cash and investments	\$ 1,310,726	\$ 32,334	\$ –	\$ 142,824	\$ 1,485,884	\$ 415,668
Accrued interest receivable	7,055	204	–	684	7,943	1,871
Accounts receivable						
Customers	500,165	467,232	216,339	6	1,183,742	–
Customer accounts certified to county	26,215	30,449	6,783	3,159	66,606	–
Interfund receivable	26,268	–	–	–	26,268	–
Due from other governmental units	500,000	–	–	–	500,000	–
Prepaid items	25	25	25	–	75	–
Inventory	8,402	–	–	–	8,402	–
Total current assets	2,378,856	530,244	223,147	146,673	3,278,920	417,539
Noncurrent assets						
Capital assets						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	10,477,385	9,649,493	4,258,519	–	24,385,397	–
Machinery and equipment	315,065	490,962	745	–	806,772	–
Office furniture and equipment	5,216	3,199	–	–	8,415	–
Construction in progress	2,241,881	181,810	905,303	–	3,328,994	–
Total capital assets	13,858,023	10,342,028	5,164,567	–	29,364,618	–
Less accumulated depreciation	(4,441,644)	(4,311,598)	(743,508)	–	(9,496,750)	–
Total capital assets (net of accumulated depreciation)	9,416,379	6,030,430	4,421,059	–	19,867,868	–
Total assets	11,795,235	6,560,674	4,644,206	146,673	23,146,788	417,539
Deferred outflows of resources						
Pension plan deferments – PERA	16,104	17,811	13,424	–	47,339	–
Liabilities						
Current liabilities						
Accounts payable	51,614	77,329	9,060	10,869	148,872	19,321
Salaries payable	6,806	8,091	4,819	607	20,323	488
Interfund payable	–	–	26,268	–	26,268	–
Due to other governmental units	1,096,275	20,253	179	10,023	1,126,730	11,051
Accrued interest payable	35,396	5,506	–	–	40,902	–
Compensated absences payable	11,630	13,121	9,004	1,303	35,058	1,850
Total current liabilities	1,201,721	124,300	49,330	22,802	1,398,153	32,710
Noncurrent liabilities						
Bonds payable	2,225,773	346,179	–	–	2,571,952	–
Compensated absences payable	3,877	4,374	3,001	434	11,686	617
Net pension liability	135,618	153,748	106,805	–	396,171	–
Total noncurrent liabilities	2,365,268	504,301	109,806	434	2,979,809	617
Total liabilities	3,566,989	628,601	159,136	23,236	4,377,962	33,327
Deferred inflows of resources						
Pension plan deferments – PERA	65,316	74,740	50,925	–	190,981	–
Net position						
Net investment in capital assets	7,190,606	5,684,251	4,421,059	–	17,295,916	–
Unrestricted	988,428	190,893	26,510	123,437	1,329,268	384,212
Total net position	\$ 8,179,034	\$ 5,875,144	\$ 4,447,569	\$ 123,437	\$ 18,625,184	\$ 384,212

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2018

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,244,311	\$ 1,764,675	\$ 838,927	\$ 124,687	\$ 4,972,600	\$ 771,728
Permit fees	2,773	1,650	–	–	4,423	–
Miscellaneous	9,775	3,141	572	9,541	23,029	2,619
Total operating revenues	<u>2,256,859</u>	<u>1,769,466</u>	<u>839,499</u>	<u>134,228</u>	<u>5,000,052</u>	<u>774,347</u>
Operating expenses						
Personal services	283,110	330,239	200,427	25,340	839,116	72,608
Supplies and maintenance	50,433	16,197	6,820	–	73,450	151,808
Other services and charges	386,035	202,897	113,190	18,444	720,566	129,805
Rent	27,415	26,551	11,800	–	65,766	–
Insurance	22,710	22,710	22,710	–	68,130	–
Utilities	14,180	18,490	–	–	32,670	–
Purchased services	76,748	55,631	35,935	8,669	176,983	373,930
Purchased water	952,141	–	–	–	952,141	–
Recycling charges	–	–	–	115,692	115,692	–
Sewer charges	–	794,313	–	–	794,313	–
Depreciation	260,017	175,456	108,167	–	543,640	–
Total operating expenses	<u>2,072,789</u>	<u>1,642,484</u>	<u>499,049</u>	<u>168,145</u>	<u>4,382,467</u>	<u>728,151</u>
Operating income (loss)	184,070	126,982	340,450	(33,917)	617,585	46,196
Nonoperating revenues (expenses)						
Intergovernmental revenue	1,232	1,433	945	23,819	27,429	–
Earnings on investments	28,930	4,294	5,171	1,976	40,371	4,947
Interest and fiscal charges	(74,570)	(11,595)	–	–	(86,165)	–
Total nonoperating revenues (expenses)	<u>(44,408)</u>	<u>(5,868)</u>	<u>6,116</u>	<u>25,795</u>	<u>(18,365)</u>	<u>4,947</u>
Income (loss) before contributions and transfers	139,662	121,114	346,566	(8,122)	599,220	51,143
Capital contributions	500,000	–	–	–	500,000	–
Capital contributions – connection fees	120,245	114,975	–	–	235,220	–
Transfers out	<u>(100,000)</u>	<u>(126,000)</u>	<u>(74,000)</u>	<u>–</u>	<u>(300,000)</u>	<u>–</u>
Change in net position	659,907	110,089	272,566	(8,122)	1,034,440	51,143
Net position						
Beginning 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>
End of year	<u>\$ 8,179,034</u>	<u>\$ 5,875,144</u>	<u>\$ 4,447,569</u>	<u>\$ 123,437</u>	<u>\$ 18,625,184</u>	<u>\$ 384,212</u>

CITY OF ARDEN HILLS

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	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	\$ 2,220,238	\$ 1,759,607	\$ 841,295	\$ 134,677	\$ 4,955,817	\$ 774,347
Payments to suppliers	(1,202,533)	(1,021,872)	(150,577)	(133,892)	(2,508,874)	(697,563)
Payments to employees	(294,054)	(343,304)	(209,638)	(24,291)	(871,287)	(71,256)
Payments for interfund services used	(56,565)	(58,235)	(38,429)	(4,165)	(157,394)	–
Net cash flows from operating activities	667,086	336,196	442,651	(27,671)	1,418,262	5,528
Cash flows from noncapital financing activities						
Grants received	1,232	1,433	945	23,819	27,429	–
Cash paid to other funds	(26,268)	(291,870)	–	–	(318,138)	(15,992)
Cash received from other funds	–	–	26,268	–	26,268	–
Transfers out	(100,000)	(126,000)	(74,000)	–	(300,000)	–
Net cash flows from noncapital financing activities	(125,036)	(416,437)	(46,787)	23,819	(564,441)	(15,992)
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(2,387,967)	(346,580)	(816,153)	–	(3,550,700)	–
Capital contributions – connection fees received	120,245	114,975	–	–	235,220	–
Proceeds from issuance of revenue bonds	2,231,889	347,133	–	–	2,579,022	–
Interest paid	(45,290)	(7,043)	–	–	(52,333)	–
Net cash flows from noncapital financing activities	(81,123)	108,485	(816,153)	–	(788,791)	–
Cash flows from investing activities						
Earnings on investments	26,564	4,090	7,811	2,004	40,469	4,672
Net change in cash and cash equivalents	487,491	32,334	(412,478)	(1,848)	105,499	(5,792)
Cash and cash equivalents – beginning	823,235	–	412,478	144,672	1,380,385	421,460
Cash and cash equivalents – ending	\$ 1,310,726	\$ 32,334	\$ –	\$ 142,824	\$ 1,485,884	\$ 415,668
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 184,070	\$ 126,982	\$ 340,450	\$ (33,917)	\$ 617,585	\$ 46,196
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	260,017	175,456	108,167	–	543,640	–
Decrease (increase) in customer receivables	(36,621)	(9,859)	1,796	449	(44,235)	–
Decrease (increase) in prepaid items	290	290	290	–	870	23
Decrease (increase) in inventory	889	–	–	–	889	–
Decrease (increase) in deferred outflows	27,953	32,503	21,410	–	81,866	–
Increase (decrease) in accounts payable	26,751	38,599	980	3,759	70,089	(16,946)
Increase (decrease) in salaries payable	2,739	2,841	1,866	249	7,695	256
Increase (decrease) in due to other governments	242,634	17,793	179	989	261,595	(25,097)
Increase (decrease) in net pension liability	(34,515)	(40,134)	(26,437)	–	(101,086)	–
Increase (decrease) in compensated absences payable	621	727	(120)	800	2,028	1,096
Increase (decrease) in deferred inflows	(7,742)	(9,002)	(5,930)	–	(22,674)	–
Total adjustments	483,016	209,214	102,201	6,246	800,677	(40,668)
Net cash flows from operating activities	\$ 667,086	\$ 336,196	\$ 442,651	\$ (27,671)	\$ 1,418,262	\$ 5,528
Noncash investing, capital, and financing activities						
Capital asset purchased on account	\$ 568,808	\$ –	\$ –	\$ –	\$ 568,808	\$ –
Due from other governmental units – Contribution	\$ 500,000	\$ –	\$ –	\$ –	\$ 500,000	\$ –
Amortization of bond premium (discount)	\$ 6,116	\$ 954	\$ –	\$ –	\$ 7,070	\$ –

CITY OF ARDEN HILLS

Notes to Basic Financial Statements
December 31, 2018

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, protective inspections, 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, when applicable, 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 Funds – The internal service funds account 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, 2018, actual expenditures exceeded budgeted expenditures in the EDA Revolving Fund and EDA TIF District No. 4 Fund by \$34,208 and \$90,559, respectively. These variances were 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 fair value of the position in the pool is the same as the value of the pool shares, which is based on an amortized cost method that approximates fair value. The 4M Fund is sponsored by the League of Minnesota Cities. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class.

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, 2018, 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. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

Q. 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 economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion, 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 three sources: property taxes, special assessments, and long-term receivables. 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.

R. 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:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of “restricted” or “net 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.

S. 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 finance director 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.

T. 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	6 to 10 Years	Greater Than 10 Years	
Federal National Mortgage Association	AA	S&P	Level 2	\$ –	\$ –	\$ 98,306	\$ 249,305	\$ 347,611
Federal Home Loan Bank	AA	S&P	Level 2	–	369,108	–	–	369,108
Federal Farm Credit Bank	AA	S&P	Level 2	–	–	254,582	–	254,582
Federal Home Loan Mortgage Corp	AA	S&P	Level 2	–	89,486	–	–	89,486
Municipal bonds	AAA	S&P	Level 2	–	146,952	–	–	146,952
Municipal bonds	AA	S&P	Level 2	272,095	1,039,228	663,597	–	1,974,920
Municipal bonds	AA	Moody's	Level 2	–	–	1,143,584	–	1,143,584
Municipal bonds	A	S&P	Level 2	–	319,791	–	–	319,791
Negotiable certificates of deposit	N/R	N/A	Level 2	149,951	2,975,572	138,162	143,403	3,407,088
Investment pools/mutual funds								
External investment pool – 4M Fund	N/R	N/A	N/A	2,094,337	–	–	–	2,094,337
Wells Fargo Money Market Advantage	AAA	S&P	Level 1	38,295	–	–	–	38,295
Total investments				\$ 2,554,678	\$ 4,940,137	\$ 2,298,231	\$ 392,708	10,185,754
Deposits								424,859
Petty cash								500
Total cash and investments								\$ 10,611,113

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 fair 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 \$424,859. The entire bank balance was covered by federal deposit 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 25.0 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 5.4 percent, and in the City of Oshkosh, Wisconsin (municipal bonds) represented 5.8 percent.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 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	552,481	4,797,780	–	–	5,350,261
Total capital assets, not being depreciated	3,232,299	4,797,780	–	–	8,030,079
Capital assets, being depreciated					
Buildings and structures	6,705,962	–	(14,208)	–	6,691,754
Infrastructure and improvements	17,679,146	41,830	–	–	17,720,976
Machinery and equipment	983,869	75,632	(88,306)	–	971,195
Office furniture and equipment	153,553	–	–	–	153,553
Vehicles	1,989,291	238,732	(205,856)	–	2,022,167
Total capital assets, being depreciated	27,511,821	356,194	(308,370)	–	27,559,645
Less accumulated depreciation for					
Buildings and structures	3,110,976	188,696	(12,788)	–	3,286,884
Infrastructure and improvements	3,436,679	431,223	–	–	3,867,902
Machinery and equipment	682,911	57,451	(69,988)	–	670,374
Office furniture and equipment	96,317	12,910	–	–	109,227
Vehicles	666,860	171,130	(155,551)	–	682,439
Total accumulated depreciation	7,993,743	861,410	(238,327)	–	8,616,826
Total capital assets being depreciated – net	19,518,078	(505,216)	(70,043)	–	18,942,819
Governmental activities capital assets – net	\$ 22,750,377	\$ 4,292,564	\$ (70,043)	\$ –	\$ 26,972,898

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	\$ 324,945	\$ 4,107,638	\$ –	\$ (1,103,589)	\$ 3,328,994
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	23,269,938	11,870	–	1,103,589	24,385,397
Machinery and equipment	950,701	–	(143,929)	–	806,772
Office furniture and equipment	11,975	–	(3,560)	–	8,415
Vehicles	136,659	–	(136,659)	–	–
Total capital assets, being depreciated	25,204,313	11,870	(284,148)	1,103,589	26,035,624
Less accumulated depreciation for					
Buildings and structures	130,262	41,544	–	–	171,806
Distribution and collection systems	8,095,991	492,102	–	–	8,588,093
Machinery and equipment	862,371	9,994	(143,929)	–	728,436
Office furniture and equipment	11,975	–	(3,560)	–	8,415
Vehicles	136,659	–	(136,659)	–	–
Total accumulated depreciation	9,237,258	543,640	(284,148)	–	9,496,750
Total capital assets, being depreciated – net	15,967,055	(531,770)	–	1,103,589	16,538,874
Business-type activities capital assets – net	\$ 16,292,000	\$ 3,575,868	\$ –	\$ –	\$ 19,867,868

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 133,340
Public safety	2,964
Public works	550,768
Parks and recreation	109,793
Economic development	64,545
	<u>861,410</u>
	<u>\$ 861,410</u>
Business-type activities	
Water	\$ 260,017
Sewer	175,456
Surface water management	108,167
	<u>543,640</u>
	<u>\$ 543,640</u>

D. Construction Commitments

At December 31, 2018, the City had the following construction project commitments:

<u>Project</u>	<u>Amount</u>
Permanent Improvement Revolving Fund	
Johanna Marsh Park Improvements	\$ 1,462
Old Snelling Trail and Watermain	230,474
2018 Street Project	269,376
Old Snelling Avenue Bridge Replacement	16,349
Water Fund	
Water Tower Rehabilitation	<u>16,446</u>
	<u>\$ 534,107</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Issue Date	Final Maturity Date	Interest Rate	Authorized and Issued	Balance – End of Year
Governmental activities					
Compensated absences					\$ 78,302
Net pension liability					<u>813,204</u>
Total governmental activities					<u>\$ 891,506</u>
Business-type activities					
General Obligation Bonds					
Utility Revenue Bonds of 2018A	07/18/2018	02/01/2029	3.00–4.00 %	\$ 2,415,000	\$ 2,415,000
Premium					156,952
Compensated absences					46,744
Net pension liability					<u>396,171</u>
Total business-type activities					<u>\$ 3,014,867</u>
Total government-wide activities					<u>\$ 3,906,373</u>

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 49,694	\$ 98,009	\$ 69,401	\$ 78,302	\$ 58,727
Net pension liability	971,048	67,757	225,601	813,204	–
Total governmental activities	<u>1,020,742</u>	<u>165,766</u>	<u>295,002</u>	<u>891,506</u>	<u>58,727</u>
Business-type activities					
Utility revenue bonds	–	2,415,000	–	2,415,000	–
Premium	–	164,022	7,070	156,952	–
Total bonds	<u>–</u>	<u>2,579,022</u>	<u>7,070</u>	<u>2,571,952</u>	<u>–</u>
Compensated absences	44,716	70,707	68,679	46,744	35,058
Net pension liability	497,257	43,393	144,479	396,171	–
Total business-type activities	<u>541,973</u>	<u>2,693,122</u>	<u>220,228</u>	<u>3,014,867</u>	<u>35,058</u>
Total government-wide	<u>\$ 1,562,715</u>	<u>\$ 2,858,888</u>	<u>\$ 515,230</u>	<u>\$ 3,906,373</u>	<u>\$ 93,785</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

Year Ending December 31,	Business-Type Activities	
	Utility Revenue Bonds	
	Principal	Interest
2019	\$ –	\$ 94,286
2020	200,000	87,000
2021	210,000	78,800
2022	220,000	70,200
2023	225,000	61,300
2024–2028	1,275,000	161,875
2029	285,000	4,275
	<u>\$ 2,415,000</u>	<u>\$ 557,736</u>

D. Descriptions of Long-Term Liabilities

- **Utility Revenue Bonds** – Water and Sewer Enterprise Fund revenues will be used to repay this debt. The liability is recorded in the applicable enterprise fund.
- **Net Pension Liability** – The liability represents the City’s pension benefit obligations as further described later in these notes. The General, Special Revenue, Water, Sewer, and Surface Water Management Funds will be used to liquidate this liability.
- **Compensated Absences** – This liability represents vested benefits earned by employees through the end of the year, which will be paid or used in future periods. The General, Special Revenue, Water, Sewer, and Surface Water Management Funds will be used to liquidate this liability.

E. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Debt Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Utility Revenue Bonds of 2018A	Utility improvements	Utility charges	100%	2018–2029	\$2,972,736	\$ –	\$4,261,545

NOTE 5 – FUND BALANCES

A. Classifications

At December 31, 2018, 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	\$ 25,482	\$ –	\$ –	\$ –	\$ 214	\$ 25,696
Restricted for						
Tax increment purposes	–	–	–	–	747,898	747,898
Cable TV	–	–	–	–	262,623	262,623
Total restricted	–	–	–	–	1,010,521	1,010,521
Committed for						
Economic development authority	–	508,241	–	–	–	508,241
Assigned for						
Compensated absences	75,835	–	–	–	–	75,835
Subsequent year’s budget	186,970	–	–	–	–	186,970
Capital improvements	–	–	216,902	2,656,977	–	2,873,879
Total assigned	262,805	–	216,902	2,656,977	–	3,136,684
Unassigned	3,052,082	–	–	–	(189,404)	2,862,678
Total	<u>\$ 3,340,369</u>	<u>\$ 508,241</u>	<u>\$ 216,902</u>	<u>\$ 2,656,977</u>	<u>\$ 821,331</u>	<u>\$ 7,543,820</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, 2018, the unassigned fund balance of the General Fund was 60.3 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 plan administered by the PERA of Minnesota. The PERA’s defined benefit pension plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA’s defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service, and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the GERF is at least 90.0 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90.0 percent funded, or has fallen below 80.0 percent, benefit recipients are given a 1.0 percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month, but less than 12 full months as of June 30, will receive a pro rata increase.

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018. The City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2018 were \$111,628. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$1,209,375 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0218 percent at the end of the measurement period and 0.0230 percent for the beginning of the period.

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

The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16 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 the net pension liability	\$ 1,209,375
State’s proportionate share of the net pension liability associated with the City	\$ 39,819

For the year ended December 31, 2018, the City recognized pension expense of \$4,272 for its proportionate share of the GERP’s pension expense. In addition, the City recognized an additional \$9,245 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERP.

At December 31, 2018, the City reported its proportionate share of the GERP’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	\$ 33,694	\$ 43,200
Changes in actuarial assumptions	141,491	141,007
Difference between projected and actual investment earnings	–	96,620
Changes in proportion	–	228,396
Contributions paid to the PERA subsequent to the measurement date	56,053	–
Total	<u>\$ 231,238</u>	<u>\$ 509,223</u>

Deferred outflows of resources reported \$56,053 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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2019	\$ (37,994)
2020	\$ (150,266)
2021	\$ (120,534)
2022	\$ (25,244)

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 for all plans were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERF

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds	20	0.75 %
Alternative assets	25	5.90 %
Cash	2	– %
Total	<u>100 %</u>	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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 GERS 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%
City's proportionate share of the GERS net pension liability	\$ 1,965,389	\$ 1,209,375	\$ 585,307

H. Pension Plan Fiduciary Net Position

Detailed information about the GERS's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org; 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, 2018 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 187,450	\$ –
Nonmajor – other governmental	–	187,450
Intra-activity eliminations	(187,450)	(187,450)
Total governmental funds	–	–
Proprietary funds		
Enterprise funds		
Water	26,268	–
Surface Water Management	–	26,268
Total proprietary funds	26,268	26,268
Total all funds	\$ 26,268	\$ 26,268

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	Nonmajor – Other Governmental	
Governmental funds					
General Fund	\$ 120,000	\$ 450,000	\$ 200,000	\$ 50,000	\$ 820,000
Nonmajor – other governmental	135,727	–	–	–	135,727
Proprietary funds					
Water	–	100,000	–	–	100,000
Sewer	–	126,000	–	–	126,000
Surface Water Management	–	74,000	–	–	74,000
Total	\$ 255,727	\$ 750,000	\$ 200,000	\$ 50,000	\$ 1,255,727

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 2018 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, 2018 as follows:

	<u>Amount</u>
Governmental funds	
Nonmajor – Parks	\$ 5,816
Nonmajor – Public Safety Capital Equipment	19,456
Nonmajor – TCAAP	<u>164,132</u>
	<u>\$ 189,404</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, 2018, was \$688,831 and the City rebated \$228,512 in the current year.

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

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

- The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;

NOTE 9 – TAX ABATEMENT AGREEMENTS (CONTINUED)

- 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.

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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

E. Lake Johanna Volunteer Fire Department, Inc.

The City receives fire protection under a contract with the Lake Johanna Volunteer Fire Department, Inc. The contract calls for annual payments and expired December 31, 2018. During the current year, the City extended this contract through December 31, 2023, with extension through December 31, 2038. 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 \$541,663 in 2018.

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, 2018 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>

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, 2018

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%
12/31/2018	06/30/2018	0.0218%	\$ 1,209,375	\$ 39,819	\$ 1,249,194	\$ 1,467,987	82.38%	79.50%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2018

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%
12/31/2018	\$ 111,628	\$ 111,628	\$ –	\$ 1,488,376	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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 3,795,042	\$ 3,795,042	\$ 3,578,628	\$ (216,414)
Special assessments	2,000	2,000	5,362	3,362
Licenses and permits				
Business	50,700	50,700	64,932	14,232
Nonbusiness	273,900	273,900	461,512	187,612
Total licenses and permits	<u>324,600</u>	<u>324,600</u>	<u>526,444</u>	<u>201,844</u>
Intergovernmental				
State				
Road maintenance	88,000	88,000	98,357	10,357
PERA aid	5,179	5,179	5,179	–
Police aid	40,000	40,000	45,561	5,561
Total intergovernmental	<u>133,179</u>	<u>133,179</u>	<u>149,097</u>	<u>15,918</u>
Charges for services				
General government	16,800	16,800	18,125	1,325
Public safety	113,000	113,000	179,127	66,127
Parks and recreation	122,200	122,200	113,968	(8,232)
Administrative charges	213,704	148,802	116,685	(32,117)
Total charges for services	<u>465,704</u>	<u>400,802</u>	<u>427,905</u>	<u>27,103</u>
Fines and forfeits	34,000	34,000	37,080	3,080
Earnings on investments	55,000	55,000	64,996	9,996
Antenna rental fees	120,000	120,000	57,067	(62,933)
Miscellaneous reimbursements	9,000	9,000	30,700	21,700
Other	1,006	1,006	5,402	4,396
Total revenues	<u>4,939,531</u>	<u>4,874,629</u>	<u>4,882,681</u>	<u>8,052</u>
Expenditures				
Current				
General government				
City Council				
Personal services	31,200	31,200	31,165	35
Other services and charges	36,300	36,300	30,798	5,502
Total City Council	<u>67,500</u>	<u>67,500</u>	<u>61,963</u>	<u>5,537</u>
Elections				
Other services and charges	23,000	23,000	22,869	131
Administration				
Personal services	194,200	194,200	182,233	11,967
Materials and supplies	500	500	297	203
Other services and charges	132,800	132,800	121,027	11,773
Total administration	<u>327,500</u>	<u>327,500</u>	<u>303,557</u>	<u>23,943</u>

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2018

	<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	51,000	51,000	47,233	3,767
Materials and supplies	23,100	23,100	14,413	8,687
Other services and charges	102,200	102,200	92,755	9,445
Total finance	<u>176,300</u>	<u>176,300</u>	<u>154,401</u>	<u>21,899</u>
TCAAP				
Personal services	107,700	107,700	21,250	86,450
Materials and supplies	1,000	1,000	–	1,000
Other services and charges	61,300	61,300	125,111	(63,811)
Total TCAAP	<u>170,000</u>	<u>170,000</u>	<u>146,361</u>	<u>23,639</u>
Planning and zoning				
Personal services	83,500	83,500	87,540	(4,040)
Materials and supplies	200	200	–	200
Other services and charges	182,550	182,550	89,374	93,176
Total planning and zoning	<u>266,250</u>	<u>266,250</u>	<u>176,914</u>	<u>89,336</u>
General government buildings				
Personal services	40,500	40,500	37,357	3,143
Materials and supplies	6,000	6,000	11,683	(5,683)
Other services and charges	228,500	163,598	124,667	38,931
Total general government buildings	<u>275,000</u>	<u>210,098</u>	<u>173,707</u>	<u>36,391</u>
Total general government	1,305,550	1,240,648	1,039,772	200,876
Public safety				
Police and animal control				
Other services and charges	1,194,775	1,194,775	1,161,956	32,819
Dispatch				
Other services and charges	65,175	65,175	65,175	–
Fire protection				
Other services and charges	544,000	544,000	541,663	2,337
Emergency management				
Personal services	2,726	2,726	4,423	(1,697)
Other services and charges	6,750	6,750	5,415	1,335
Total emergency management	<u>9,476</u>	<u>9,476</u>	<u>9,838</u>	<u>(362)</u>

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2018

	<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	270,500	270,500	245,917	24,583
Materials and supplies	3,046	2,646	188	2,458
Other services and charges	69,200	69,600	63,608	5,992
Total protective inspections	<u>342,746</u>	<u>342,746</u>	<u>309,713</u>	<u>33,033</u>
Total public safety	2,156,172	2,156,172	2,088,345	67,827
Public works				
Street maintenance				
Personal services	234,200	234,200	239,081	(4,881)
Materials and supplies	25,600	25,600	59,934	(34,334)
Other services and charges	328,072	328,072	280,520	47,552
Total public works	<u>587,872</u>	<u>587,872</u>	<u>579,535</u>	<u>8,337</u>
Parks and recreation				
Park maintenance				
Personal services	236,200	236,200	205,200	31,000
Materials and supplies	36,100	36,100	32,928	3,172
Other services and charges	168,212	168,212	155,198	13,014
Total park maintenance	<u>440,512</u>	<u>440,512</u>	<u>393,326</u>	<u>47,186</u>
Recreation				
Personal services	174,000	174,000	182,172	(8,172)
Materials and supplies	22,250	22,250	31,158	(8,908)
Other services and charges	70,400	70,400	47,321	23,079
Total recreation	<u>266,650</u>	<u>266,650</u>	<u>260,651</u>	<u>5,999</u>
Total parks and recreation	<u>707,162</u>	<u>707,162</u>	<u>653,977</u>	<u>53,185</u>
Total expenditures	<u>4,756,756</u>	<u>4,691,854</u>	<u>4,361,629</u>	<u>330,225</u>
Revenues over expenditures	182,775	182,775	521,052	338,277
Other financing sources (uses)				
Transfers out	<u>(420,000)</u>	<u>(820,000)</u>	<u>(820,000)</u>	<u>–</u>
Net change in fund balance	<u>\$ (237,225)</u>	<u>\$ (637,225)</u>	<u>(298,948)</u>	<u>\$ 338,277</u>
Fund balance – beginning			<u>3,639,317</u>	
Fund balance – ending			<u>\$ 3,340,369</u>	

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – EDA Operating Fund
 Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ –	\$ –	\$ 2,451	\$ 2,451
Earnings on investments	5,600	5,600	5,760	160
Total revenues	<u>5,600</u>	<u>5,600</u>	<u>8,211</u>	<u>2,611</u>
Expenditures				
Economic development				
Current				
Personal services	70,550	70,550	25,690	44,860
Materials and supplies	650	650	632	18
Other services and charges	66,237	66,237	32,433	33,804
Capital outlay	80,000	80,000	–	80,000
Total expenditures	<u>217,437</u>	<u>217,437</u>	<u>58,755</u>	<u>158,682</u>
Revenues over (under) expenditures	(211,837)	(211,837)	(50,544)	161,293
Other financing sources				
Transfers in	<u>120,000</u>	<u>255,725</u>	<u>255,727</u>	<u>(2)</u>
Net change in fund balances	<u>\$ (91,837)</u>	<u>\$ 43,888</u>	205,183	<u>\$ 161,295</u>
Fund balance – beginning			<u>303,058</u>	
Fund balance – ending			<u>\$ 508,241</u>	

CITY OF ARDEN HILLS

Notes to Required Supplementary Information
December 31, 2018

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

2018 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2017 CHANGES

CHANGES IN PLAN PROVISIONS:

- The state's special funding contribution increased from \$6 million to \$16 million.

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2016 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)
December 31, 2018

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

2016 CHANGES (CONTINUED)

CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED):

- 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.

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 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

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, 2018

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,097,956	\$ -	\$ 1,097,956
Accrued interest receivable	5,257	-	5,257
Accounts receivable	25,274	10,609	35,883
Taxes receivable	272	-	272
Prepaid items	214	-	214
	<u>1,128,973</u>	<u>10,609</u>	<u>1,139,582</u>
Total assets	\$ 1,128,973	\$ 10,609	\$ 1,139,582
Liabilities			
Accounts payable	\$ 116,967	\$ 12,563	\$ 129,530
Salaries payable	1,271	-	1,271
Interfund payable	-	187,450	187,450
Total liabilities	118,238	200,013	318,251
Fund balances (deficits)			
Nonspendable	214	-	214
Restricted	1,010,521	-	1,010,521
Unassigned	-	(189,404)	(189,404)
Total fund balances (deficits)	1,010,735	(189,404)	821,331
	<u>1,010,735</u>	<u>(189,404)</u>	<u>821,331</u>
Total liabilities and fund balances	\$ 1,128,973	\$ 10,609	\$ 1,139,582
	<u>1,128,973</u>	<u>10,609</u>	<u>1,139,582</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2018

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 349,118	\$ –	\$ 349,118
Earnings (charges) on investments	18,444	(262)	18,182
Franchise taxes	101,237	–	101,237
Other	–	63,220	63,220
Total revenues	<u>468,799</u>	<u>62,958</u>	<u>531,757</u>
Expenditures			
Current			
General government	124,885	–	124,885
Economic development	265,793	–	265,793
Capital outlay			
General government	–	13,770	13,770
Public safety	–	166,000	166,000
Parks and recreation	–	650	650
Total expenditures	<u>390,678</u>	<u>180,420</u>	<u>571,098</u>
Revenues over (under) expenditures	78,121	(117,462)	(39,341)
Other financing sources (uses)			
Transfers in	–	50,000	50,000
Transfers out	(135,727)	–	(135,727)
Total other financing sources (uses)	<u>(135,727)</u>	<u>50,000</u>	<u>(85,727)</u>
Net change in fund balances	(57,606)	(67,462)	(125,068)
Fund balances (deficits) – beginning	<u>1,068,341</u>	<u>(121,942)</u>	<u>946,399</u>
Fund balances (deficits) – ending	<u>\$ 1,010,735</u>	<u>\$ (189,404)</u>	<u>\$ 821,331</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
 Combining Balance Sheet
 as of December 31, 2018

	Cable	EDA Revolving	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 240,181	\$ -	\$ 666,054	\$ 191,721	\$ 1,097,956
Accrued interest receivable	1,150	-	3,189	918	5,257
Accounts receivable	25,274	-	-	-	25,274
Taxes receivable	-	-	272	-	272
Prepaid items	214	-	-	-	214
Total assets	\$ 266,819	\$ -	\$ 669,515	\$ 192,639	\$ 1,128,973
Liabilities					
Accounts payable	\$ 2,711	\$ -	\$ -	\$ 114,256	\$ 116,967
Salaries payable	1,271	-	-	-	1,271
Total liabilities	3,982	-	-	114,256	118,238
Fund balances					
Nonspendable	214	-	-	-	214
Restricted	262,623	-	669,515	78,383	1,010,521
Total fund balances	262,837	-	669,515	78,383	1,010,735
Total liabilities and fund balances	\$ 266,819	\$ -	\$ 669,515	\$ 192,639	\$ 1,128,973

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2018

	Cable	EDA Revolving	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 95,215	\$ 253,903	\$ 349,118
Earnings on investments	4,361	547	11,389	2,147	18,444
Franchise taxes	101,237	-	-	-	101,237
Total revenues	<u>105,598</u>	<u>547</u>	<u>106,604</u>	<u>256,050</u>	<u>468,799</u>
Expenditures					
Current					
General government	124,885	-	-	-	124,885
Economic development	-	34,208	1,501	230,084	265,793
Total expenditures	<u>124,885</u>	<u>34,208</u>	<u>1,501</u>	<u>230,084</u>	<u>390,678</u>
Revenues over (under) expenditures	(19,287)	(33,661)	105,103	25,966	78,121
Other financing sources (uses)					
Transfers out	-	(135,727)	-	-	(135,727)
Net changes in fund balances	(19,287)	(169,388)	105,103	25,966	(57,606)
Fund balances – beginning	<u>282,124</u>	<u>169,388</u>	<u>564,412</u>	<u>52,417</u>	<u>1,068,341</u>
Fund balances – ending	<u>\$ 262,837</u>	<u>\$ -</u>	<u>\$ 669,515</u>	<u>\$ 78,383</u>	<u>\$ 1,010,735</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
 Combining Balance Sheet
 as of December 31, 2018

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Assets				
Accounts receivable	\$ —	\$ 10,609	\$ —	\$ 10,609
Liabilities				
Accounts payable	\$ —	\$ 6,534	\$ 6,029	\$ 12,563
Interfund payable	5,816	23,531	158,103	187,450
Total liabilities	5,816	30,065	164,132	200,013
Fund balances (deficits)				
Unassigned	(5,816)	(19,456)	(164,132)	(189,404)
Total liabilities and fund balances	\$ —	\$ 10,609	\$ —	\$ 10,609

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2018

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Revenues				
Earnings (charges) on investments	\$ —	\$ (262)	\$ —	\$ (262)
Other	24,350	38,870	—	63,220
Total revenues	<u>24,350</u>	<u>38,608</u>	<u>—</u>	<u>62,958</u>
Expenditures				
Capital outlay				
General government	—	—	13,770	13,770
Public safety	—	166,000	—	166,000
Parks and recreation	650	—	—	650
Total expenditures	<u>650</u>	<u>166,000</u>	<u>13,770</u>	<u>180,420</u>
Revenues over (under) expenditures	23,700	(127,392)	(13,770)	(117,462)
Other financing sources				
Transfers in	<u>—</u>	<u>50,000</u>	<u>—</u>	<u>50,000</u>
Net changes in fund balances	23,700	(77,392)	(13,770)	(67,462)
Fund balances (deficits) – beginning	<u>(29,516)</u>	<u>57,936</u>	<u>(150,362)</u>	<u>(121,942)</u>
Fund balances (deficits) – ending	<u><u>\$ (5,816)</u></u>	<u><u>\$ (19,456)</u></u>	<u><u>\$ (164,132)</u></u>	<u><u>\$ (189,404)</u></u>

CITY OF ARDEN HILLS

Special Revenue Fund – Cable Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 5,000	\$ 5,000	\$ 4,361	\$ (639)
Franchise taxes	100,000	100,000	101,237	1,237
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>105,598</u>	<u>598</u>
Expenditures				
Current				
General government				
Personal services	58,085	58,085	59,453	(1,368)
Other services and charges	98,685	98,685	65,432	33,253
Capital outlay				
General government	2,000	2,000	–	2,000
Total expenditures	<u>158,770</u>	<u>158,770</u>	<u>124,885</u>	<u>33,885</u>
Net change in fund balances	<u>\$ (53,770)</u>	<u>\$ (53,770)</u>	(19,287)	<u>\$ 34,483</u>
Fund balances – beginning			<u>282,124</u>	
Fund balances – ending			<u>\$ 262,837</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 3,000	\$ 3,000	\$ 547	\$ (2,453)
Expenditures				
Current				
Economic development	<u>–</u>	<u>–</u>	<u>34,208</u>	<u>(34,208)</u>
Revenues over (under) expenditures	3,000	3,000	(33,661)	(36,661)
Other financing sources (uses)				
Transfers out	<u>–</u>	<u>(135,725)</u>	<u>(135,727)</u>	<u>(2)</u>
Net change in fund balances	<u>\$ 3,000</u>	<u>\$ (132,725)</u>	<u>(169,388)</u>	<u>\$ (36,663)</u>
Fund balances – beginning			<u>169,388</u>	
Fund balances – ending			<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, 2018

	<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	\$ 95,215	\$ 30,215
Earnings on investments	<u>7,000</u>	<u>7,000</u>	<u>11,389</u>	<u>4,389</u>
Total revenues	<u>72,000</u>	<u>72,000</u>	<u>106,604</u>	<u>34,604</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,725</u>	<u>4,725</u>	<u>1,501</u>	<u>3,224</u>
Net change in fund balances	<u>\$ 67,275</u>	<u>\$ 67,275</u>	105,103	<u>\$ 37,828</u>
Fund balances – beginning			<u>564,412</u>	
Fund balances – ending			<u>\$ 669,515</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, 2018

	<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	\$ 253,903	\$ 103,903
Earnings on investments	<u>700</u>	<u>700</u>	<u>2,147</u>	<u>1,447</u>
Total revenues	<u>150,700</u>	<u>150,700</u>	<u>256,050</u>	<u>105,350</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>139,525</u>	<u>139,525</u>	<u>230,084</u>	<u>(90,559)</u>
Net change in fund balances	<u>\$ 11,175</u>	<u>\$ 11,175</u>	<u>25,966</u>	<u>\$ 14,791</u>
Fund balances – beginning			<u>52,417</u>	
Fund balances – ending			<u>\$ 78,383</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, 2018

	<u>Risk Management</u>	<u>Engineering</u>	<u>Central Garage</u>	<u>Technology</u>	<u>Total Internal Service Funds</u>
Assets					
Current assets					
Cash and investments	\$ 382,146	\$ 2,537	\$ 22,266	\$ 8,719	\$ 415,668
Accrued interest receivable	1,829	–	–	42	1,871
Total assets	<u>383,975</u>	<u>2,537</u>	<u>22,266</u>	<u>8,761</u>	<u>417,539</u>
Liabilities					
Current liabilities					
Accounts payable	375	1,562	14,948	2,436	19,321
Salaries payable	–	143	246	99	488
Due to other governmental units	–	–	5,760	5,291	11,051
Compensated absences payable	–	624	984	242	1,850
Total current liabilities	<u>375</u>	<u>2,329</u>	<u>21,938</u>	<u>8,068</u>	<u>32,710</u>
Noncurrent liabilities					
Compensated absences payable	<u>–</u>	<u>208</u>	<u>328</u>	<u>81</u>	<u>617</u>
Total liabilities	<u>375</u>	<u>2,537</u>	<u>22,266</u>	<u>8,149</u>	<u>33,327</u>
Net position					
Unrestricted	<u>\$ 383,600</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 612</u>	<u>\$ 384,212</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2018

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 115,025	\$ 117,118	\$ 306,665	\$ 232,920	\$ 771,728
Miscellaneous	2,619	-	-	-	2,619
Total operating revenues	<u>117,644</u>	<u>117,118</u>	<u>306,665</u>	<u>232,920</u>	<u>774,347</u>
Operating expenses					
Personal services	10,136	36,750	20,436	5,286	72,608
Supplies and maintenance	-	-	147,193	4,615	151,808
Other services and charges	13,239	525	109,489	6,552	129,805
Purchased services	114,422	72,752	2,649	184,107	373,930
Total operating expenses	<u>137,797</u>	<u>110,027</u>	<u>279,767</u>	<u>200,560</u>	<u>728,151</u>
Operating income (loss)	(20,153)	7,091	26,898	32,360	46,196
Nonoperating revenues (expenses)					
Earnings (charges) on investments	<u>5,077</u>	<u>(71)</u>	<u>(101)</u>	<u>42</u>	<u>4,947</u>
Change in net position	(15,076)	7,020	26,797	32,402	51,143
Net position – beginning	<u>398,676</u>	<u>(7,020)</u>	<u>(26,797)</u>	<u>(31,790)</u>	<u>333,069</u>
Net position – ending	<u>\$ 383,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612</u>	<u>\$ 384,212</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2018

	<u>Risk Management</u>	<u>Engineering</u>	<u>Central Garage</u>	<u>Technology</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities					
Receipts from customers and users	\$ 117,644	\$ 117,118	\$ 306,665	\$ 232,920	\$ 774,347
Payments to suppliers	(127,661)	(85,274)	(281,735)	(202,893)	(697,563)
Payments to employees	(10,395)	(36,055)	(19,490)	(5,316)	(71,256)
Net cash flows from operating activities	(20,412)	(4,211)	5,440	24,711	5,528
Cash flows from noncapital financing activities					
Cash paid to other funds	–	–	–	(15,992)	(15,992)
Cash flows from investing activities					
Earnings (charges) on investments	4,693	(13)	(8)	–	4,672
Net change in cash and cash equivalents	(15,719)	(4,224)	5,432	8,719	(5,792)
Cash and cash equivalents – beginning	397,865	6,761	16,834	–	421,460
Cash and cash equivalents – ending	<u>\$ 382,146</u>	<u>\$ 2,537</u>	<u>\$ 22,266</u>	<u>\$ 8,719</u>	<u>\$ 415,668</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (20,153)	\$ 7,091	\$ 26,898	\$ 32,360	\$ 46,196
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Decrease (increase) in prepaid items	–	–	23	–	23
Increase (decrease) in accounts payable	–	(11,997)	1,368	(6,317)	(16,946)
Increase (decrease) in salaries payable	185	26	47	(2)	256
Increase (decrease) in due to other governments	–	–	(23,795)	(1,302)	(25,097)
Increase (decrease) in compensated absences payable	(444)	669	899	(28)	1,096
Total adjustments	(259)	(11,302)	(21,458)	(7,649)	(40,668)
Net cash flows from operating activities	<u>\$ (20,412)</u>	<u>\$ (4,211)</u>	<u>\$ 5,440</u>	<u>\$ 24,711</u>	<u>\$ 5,528</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			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 14,789,291	\$ 16,341,354	\$ 17,498,478	\$ 17,167,531
Restricted	1,060,973	1,329,092	1,694,212	1,788,007
Unrestricted	9,176,652	9,008,528	9,133,279	9,738,832
Total governmental activities net position	<u>\$ 25,026,916</u>	<u>\$ 26,678,974</u>	<u>\$ 28,325,969</u>	<u>\$ 28,694,370</u>
Business-type activities				
Net investment in capital assets	\$ 10,507,344	\$ 10,530,204	\$ 10,961,855	\$ 12,360,674
Unrestricted	2,171,942	2,621,579	3,248,534	2,403,645
Total business-type activities net position	<u>\$ 12,679,286</u>	<u>\$ 13,151,783</u>	<u>\$ 14,210,389</u>	<u>\$ 14,764,319</u>
Primary government				
Net investment in capital assets	\$ 25,296,635	\$ 26,871,558	\$ 28,460,333	\$ 29,528,205
Restricted	1,060,973	1,329,092	1,694,212	1,788,007
Unrestricted	11,348,594	11,630,107	12,381,813	12,142,477
Total primary government net position	<u>\$ 37,706,202</u>	<u>\$ 39,830,757</u>	<u>\$ 42,536,358</u>	<u>\$ 43,458,689</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.

2013	2014	2015	2016	2017	2018
\$ 17,435,976	\$ 18,837,904	\$ 24,909,453	\$ 25,178,721	\$ 22,750,377	\$ 26,972,898
896,106	917,300	675,052	786,678	898,739	1,010,521
10,274,835	11,472,102	8,765,793	8,249,560	10,678,219	8,736,913
<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>	<u>\$ 36,720,332</u>
\$ 14,356,782	\$ 14,464,713	\$ 16,167,536	\$ 16,306,381	\$ 16,292,000	\$ 17,295,916
1,158,470	1,793,112	238,381	1,116,957	1,298,744	1,329,268
<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>	<u>\$ 18,625,184</u>
\$ 31,792,758	\$ 33,302,617	\$ 41,076,989	\$ 41,485,102	\$ 39,042,377	\$ 44,268,814
896,106	917,300	675,052	786,678	898,739	1,010,521
11,433,305	13,265,214	9,004,174	9,366,517	11,976,963	10,066,181
<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>	<u>\$ 55,345,516</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities				
General government	\$ 1,622,425	\$ 1,232,225	\$ 1,199,609	\$ 1,186,404
Public safety	1,648,349	1,585,447	1,736,422	1,900,443
Public works	436,200	636,406	614,761	894,954
Parks and recreation	734,148	732,824	811,533	838,138
Economic development	48,322	3,311	6,862	61,770
Interest on long-term debt	53,496	46,470	39,146	31,287
Total governmental activities	<u>4,542,940</u>	<u>4,236,683</u>	<u>4,408,333</u>	<u>4,912,996</u>
Business-type activities				
Water	1,648,815	1,678,954	1,573,669	1,983,200
Sewer	1,268,018	1,367,429	1,454,302	1,595,379
Surface water management	269,562	321,693	353,330	388,406
Recycling	118,197	129,139	137,622	142,114
Total business-type activities	<u>3,304,592</u>	<u>3,497,215</u>	<u>3,518,923</u>	<u>4,109,099</u>
Total primary government	<u>\$ 7,847,532</u>	<u>\$ 7,733,898</u>	<u>\$ 7,927,256</u>	<u>\$ 9,022,095</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 341,736	\$ 271,972	\$ 353,224	\$ 377,621
Public safety	307,306	207,876	385,133	376,576
Public works	-	-	-	-
Parks and recreation	91,305	98,395	110,830	118,179
Operating grants and contributions	210,140	275,869	410,228	291,712
Capital grants and contributions	705,858	1,171,451	946,122	134,710
Total governmental activities	<u>1,656,345</u>	<u>2,025,563</u>	<u>2,205,537</u>	<u>1,298,798</u>
Business-type activities				
Charges for services				
Water	1,709,639	1,824,086	1,950,932	2,285,161
Sewer	1,313,897	1,574,493	1,852,364	1,739,123
Surface water management	503,070	518,672	531,845	567,361
Recycling	87,700	121,892	142,858	121,688
Operating grants and contributions	19,866	20,114	20,846	19,802
Capital grants and contributions	-	-	140,428	25,506
Total business-type activities	<u>3,634,172</u>	<u>4,059,257</u>	<u>4,639,273</u>	<u>4,758,641</u>
Total primary government	<u>\$ 5,290,517</u>	<u>\$ 6,084,820</u>	<u>\$ 6,844,810</u>	<u>\$ 6,057,439</u>

2013	2014	2015	2016	2017	2018
\$ 1,133,379	\$ 1,294,830	\$ 1,281,557	\$ 1,384,908	\$ 1,322,106	\$ 1,286,845
1,956,260	1,887,877	1,978,210	2,047,961	2,158,835	2,248,540
944,104	852,109	194,667	800,157	3,512,218	1,695,449
807,363	711,174	711,181	751,910	759,737	765,843
403,143	522,193	733,528	361,029	276,841	391,156
25,767	11,004	817	—	—	—
<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>	<u>6,387,833</u>
1,843,530	1,893,217	1,803,405	1,833,468	2,159,874	2,147,359
1,560,796	1,506,927	1,587,808	1,513,219	1,780,260	1,654,079
453,727	432,788	489,377	468,965	481,026	499,049
144,541	150,417	239,727	141,190	147,919	168,145
<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>4,468,632</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>	<u>\$ 10,856,465</u>
\$ 338,546	\$ 275,735	\$ 271,991	\$ 299,692	\$ 314,166	\$ 214,833
341,114	366,452	628,573	735,730	915,632	619,406
—	4,973	5,205	4,535	7,029	6,150
113,374	116,951	119,338	134,579	123,550	113,968
343,486	300,536	389,219	308,900	2,031,474	840,634
326,213	2,302,439	3,080,749	462,105	448,945	2,494,823
<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>	<u>4,289,814</u>
2,271,072	2,132,191	2,099,242	2,165,773	2,104,271	2,256,859
1,798,889	1,857,272	1,855,802	1,989,066	1,727,124	1,769,466
639,747	762,884	782,501	812,044	834,891	839,499
122,666	130,369	129,030	134,739	150,989	134,228
19,694	19,611	124,228	26,323	24,655	27,429
156,585	—	—	59,248	92,566	735,220
<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>5,762,701</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>	<u>\$ 10,052,515</u>

CITY OF ARDEN HILLS

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

	2009	2010	2011	Fiscal Year 2012
Net (expense) revenue				
Governmental activities	\$ (2,886,595)	\$ (2,211,120)	\$ (2,202,796)	\$ (3,614,198)
Business-type activities	329,580	562,042	1,120,350	649,542
Total primary government	<u>\$ (2,557,015)</u>	<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 2,860,820	\$ 2,836,982	\$ 2,920,078	\$ 3,095,488
Tax increment collections	540,408	566,725	342,109	431,060
Franchise taxes	104,148	85,131	90,123	94,532
Unrestricted investment earnings	275,500	231,340	307,769	218,519
Gain on sale of capital assets	-	-	46,712	-
Transfers	132,500	143,000	143,000	143,000
Total governmental activities	<u>3,913,376</u>	<u>3,863,178</u>	<u>3,849,791</u>	<u>3,982,599</u>
Business-type activities				
Unrestricted investment earnings	55,106	53,455	81,256	47,388
Transfers	(132,500)	(143,000)	(143,000)	(143,000)
Total business-type activities	<u>(77,394)</u>	<u>(89,545)</u>	<u>(61,744)</u>	<u>(95,612)</u>
Total primary government	<u>\$ 3,835,982</u>	<u>\$ 3,773,633</u>	<u>\$ 3,788,047</u>	<u>\$ 3,886,987</u>
Change in net position				
Governmental activities	\$ 1,026,781	\$ 1,652,058	\$ 1,646,995	\$ 368,401
Business-type activities	252,186	472,497	1,058,606	553,930
Total primary government	<u>\$ 1,278,967</u>	<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>	<u>\$ 922,331</u>

2013	2014	2015	2016	2017	2018
\$ (3,807,283)	\$ (1,912,101)	\$ (404,885)	\$ (3,400,424)	\$ (4,188,941)	\$ (2,098,019)
<u>1,006,059</u>	<u>918,978</u>	<u>870,486</u>	<u>1,230,351</u>	<u>365,417</u>	<u>1,294,069</u>
<u>\$ (2,801,224)</u>	<u>\$ (993,123)</u>	<u>\$ 465,601</u>	<u>\$ (2,170,073)</u>	<u>\$ (3,823,524)</u>	<u>\$ (803,950)</u>
\$ 3,094,036	\$ 3,182,331	\$ 3,191,426	\$ 3,278,287	\$ 3,526,347	\$ 3,578,894
466,280	565,422	697,898	242,544	295,788	351,569
96,820	103,711	72,837	132,548	109,070	101,237
(168,071)	450,261	245,540	155,191	139,347	159,316
—	—	—	—	—	—
<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>300,000</u>
<u>3,719,830</u>	<u>4,532,490</u>	<u>4,438,466</u>	<u>4,039,335</u>	<u>4,301,317</u>	<u>4,491,016</u>
(24,361)	54,360	35,857	17,835	32,754	40,371
<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(300,000)</u>
<u>(255,126)</u>	<u>(176,405)</u>	<u>(194,908)</u>	<u>(212,930)</u>	<u>(198,011)</u>	<u>(259,629)</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>	<u>\$ 4,231,387</u>
\$ (87,453)	\$ 2,620,389	\$ 4,033,581	\$ 638,911	\$ 112,376	\$ 2,392,997
<u>750,933</u>	<u>742,573</u>	<u>675,578</u>	<u>1,017,421</u>	<u>167,406</u>	<u>1,034,440</u>
<u>\$ 663,480</u>	<u>\$ 3,362,962</u>	<u>\$ 4,709,159</u>	<u>\$ 1,656,332</u>	<u>\$ 279,782</u>	<u>\$ 3,427,437</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>
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
2018	3,578,894	351,569	101,237	4,031,700

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 24,304	\$ 32,587	\$ -	\$ -
Unreserved	1,797,956	1,730,605	-	-
Nonspendable	-	-	29,063	22,326
Assigned	-	-	106,592	126,134
Unassigned	-	-	2,015,680	2,202,459
Total General Fund	<u>\$ 1,822,260</u>	<u>\$ 1,763,192</u>	<u>\$ 2,151,335</u>	<u>\$ 2,350,919</u>
All other governmental funds				
Reserved	\$ 1,063,087	\$ 1,331,259	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	733,626	468,786	-	-
Capital project funds	7,242,406	7,212,442	-	-
Nonspendable	-	-	-	628
Restricted	-	-	1,696,379	1,799,380
Committed	-	-	264,016	452,496
Assigned	-	-	6,993,767	6,863,115
Unassigned	-	-	(542,821)	(303,339)
Total all other governmental funds	<u>\$ 9,039,119</u>	<u>\$ 9,012,487</u>	<u>\$ 8,411,341</u>	<u>\$ 8,812,280</u>

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

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
22,754	21,059	23,983	26,271	288,519	25,482
119,440	139,721	251,497	257,771	285,548	262,805
<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>3,052,082</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>	<u>\$ 3,340,369</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
910	395	845	214	664	214
888,707	917,300	675,052	786,678	898,739	1,010,521
421,989	471,161	449,898	450,433	471,996	508,241
7,111,210	7,346,178	3,902,898	3,872,938	6,138,393	2,873,879
<u>(134,316)</u>	<u>(150,893)</u>	<u>(216,521)</u>	<u>(217,607)</u>	<u>(439,147)</u>	<u>(189,404)</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>	<u>\$ 4,203,451</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes				
General property tax	\$ 2,835,253	\$ 2,867,028	\$ 2,913,248	\$ 3,087,160
Tax increments	540,408	566,725	342,109	431,060
Special assessments	410,935	388,768	561,238	252,879
Licenses and permits	318,849	255,265	429,991	415,070
Intergovernmental	130,622	878,944	246,416	143,085
Charges for services	332,358	322,978	419,197	450,589
Fines and forfeits	26,111	27,013	29,593	33,192
Earnings on investments	275,500	231,340	296,249	215,119
Franchise taxes	104,148	85,131	90,123	94,532
Antenna rental fees	63,009	65,759	72,351	75,745
Miscellaneous/other	147,187	118,096	365,259	113,974
Total revenues	<u>5,184,380</u>	<u>5,807,047</u>	<u>5,765,774</u>	<u>5,312,405</u>
Expenditures				
Current				
General government	1,283,267	1,127,726	1,060,744	1,054,662
Public safety	1,526,819	1,561,046	1,640,801	1,728,669
Public works	282,019	322,793	273,165	377,101
Parks and recreation	606,822	605,210	661,746	679,282
Economic development	48,322	3,311	6,862	57,766
Capital outlay				
General government	285,028	108,575	684,492	8,847
Public safety	156,543	18,927	91,579	169,894
Public works	1,088,586	865,334	1,063,181	376,872
Parks and recreation	128,037	1,141,300	64,923	109,761
Economic development	-	-	-	5,330
Debt service				
Principal	225,000	235,000	245,000	255,000
Interest and paying agent fees	53,425	46,525	39,325	31,698
Total expenditures	<u>5,683,868</u>	<u>6,035,747</u>	<u>5,831,818</u>	<u>4,854,882</u>
Revenues over (under) expenditures	(499,488)	(228,700)	(66,044)	457,523
Other financing sources (uses)				
Transfers in	809,621	719,791	143,000	143,000
Transfers out	(677,121)	(576,791)	-	-
Sale of capital assets	-	-	46,712	-
Total other financing sources (uses)	<u>132,500</u>	<u>143,000</u>	<u>189,712</u>	<u>143,000</u>
Net change in fund balances	<u>\$ (366,988)</u>	<u>\$ (85,700)</u>	<u>\$ 123,668</u>	<u>\$ 600,523</u>
Debt service as a percentage of noncapital expenditures	<u>6.52 %</u>	<u>7.12 %</u>	<u>6.99 %</u>	<u>6.21 %</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 3,086,064	\$ 3,210,025	\$ 3,203,004	\$ 3,260,537	\$ 3,541,705	\$ 3,578,628
466,280	565,422	697,898	242,544	295,788	351,569
382,366	304,315	908,964	373,415	308,990	735,369
382,039	327,727	518,846	598,686	729,197	526,444
316,859	1,408,240	1,396,269	396,275	2,124,414	1,003,685
410,995	400,224	496,908	577,041	590,141	427,905
32,055	29,569	32,792	31,868	29,989	37,080
(164,535)	433,402	236,947	148,679	133,231	154,369
96,820	103,711	72,837	132,548	109,070	101,237
76,574	110,144	189,534	123,815	128,765	57,067
43,777	89,482	241,463	94,442	164,256	249,322
<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>	<u>7,222,675</u>
1,054,852	1,155,120	1,143,037	1,194,579	1,189,500	1,164,657
1,779,549	1,826,098	1,920,280	1,981,506	2,058,037	2,088,345
391,711	580,872	336,398	479,814	443,633	579,535
675,073	648,214	573,587	621,832	618,614	653,977
90,222	286,991	249,484	229,688	264,905	324,548
9,545	5,559	–	–	–	13,770
170,511	66,079	52,936	47,880	100,215	233,301
1,017,328	1,833,535	6,198,264	786,873	734,411	2,916,604
68,493	18,883	–	–	337,808	2,783,238
328,248	231,025	502,842	151,306	7,520	–
260,000	270,000	280,000	–	–	–
23,520	14,773	4,900	–	–	–
<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>	<u>10,757,975</u>
(739,758)	45,112	(3,266,266)	486,372	2,400,903	(3,535,300)
230,765	230,765	230,765	230,765	471,590	300,000
–	–	–	–	–	–
–	–	–	–	–	69,158
<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>471,590</u>	<u>369,158</u>
<u>\$ (508,993)</u>	<u>\$ 275,877</u>	<u>\$ (3,035,501)</u>	<u>\$ 717,137</u>	<u>\$ 2,872,493</u>	<u>\$ (3,166,142)</u>
<u>5.82 %</u>	<u>5.73 %</u>	<u>6.20 %</u>	<u>– %</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		
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
2018	3,578,628	351,569	101,237	4,031,434

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>
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
2018	15,751,958	276,244	16,028,202	308,152

* The breakdown between Real and Personal Property was estimated for 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>
\$ 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
2,141,470	13,578,580	25.53	1,260,228,800	1.08

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	
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
2018	25.532	53.962	28.464	8.249	116.207

(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	2018			2009		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,129,960	1	7.05 %	\$ 1,999,250	1	12.07 %
NSP	532,022	2	3.32	262,674	10	1.59
Space Center Arden Hills, LLC	435,144	3	2.71	-	-	-
St. Paul Fire and Marine Insurance Company	432,544	4	2.70	401,342	4	2.42
Land O'Lakes, Inc.	380,754	5	2.38	390,146	6	2.35
Presbyterian Homes, Inc.	338,250	6	2.11	-	-	-
CSM Corporation	252,880	7	1.58	471,730	2	2.85
LSREF4 BISON LLC	199,740	8	1.25	-	-	-
RAM Development, LLC	187,790	9	1.17	-	-	-
ET Arden Hills, LLC	149,306	10	0.93	-	-	-
Arden Hills Industrial, LLC	-	-	-	436,234	3	2.63
Mutual Service Insurance Company	-	-	-	399,250	5	2.41
Inland Shannon Square Cub, LLC	-	-	-	363,602	7	2.19
IRET Properties, LP	-	-	-	359,250	8	2.17
Pharmacia Deltec, Inc.	-	-	-	273,250	9	1.65
Total	<u>\$ 4,038,390</u>		<u>25.20 %</u>	<u>\$ 5,356,728</u>		<u>32.33 %</u>
Total capacity value	<u>\$ 16,028,202</u>			<u>\$ 16,567,454</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
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)	30,570	3,040,964	100.00
2012	3,096,994	3,045,572	98.34	(11,376)	40,046	3,096,994	100.00
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)	(12,469)	3,358,273	99.96
2016	3,478,775	3,408,642	97.98	(79,442)	(10,421)	3,477,663	99.97
2017	3,641,290	3,562,166	97.83	(66,924)	10,748	3,639,838	99.96
2018	3,786,942	3,710,786	97.99	(58,021)	–	3,768,807	99.52

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation TIF Bonds	Revenue Bonds	Premium	Total			
2009	\$ 1,545,000	\$ -	\$ -	\$ -	\$ 1,545,000	0.40 %	\$ 152
2010	1,310,000	-	-	-	1,310,000	0.37	137
2011	1,065,000	-	-	-	1,065,000	0.30	114
2012	810,000	-	-	-	810,000	0.24	84
2013	550,000	-	-	-	550,000	0.17	59
2014	280,000	-	-	-	280,000	0.08	29
2015 (2)	-	-	-	-	-	-	-
2016 (2)	-	-	-	-	-	-	-
2017 (2)	-	-	-	-	-	-	-
2018 (2)	-	2,415,000	156,952	2,571,952	2,571,952	0.66	255

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

(2) The City made the final governmental activities 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, 2018

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 98,073,786	2.51 %	\$ 2,465,275
County library	26,437,422	5.00	1,322,851
Independent School District No. 621	229,100,266	13.73	31,459,287
Independent School District No. 623	170,245,228	0.78	1,319,847
Intermediate School District No. 916	75,125,459	5.08	3,817,807
Metropolitan Council	1,351,243,297	0.37	<u>5,019,673</u>
Total overlapping debt			45,404,740
City of Arden Hills	-	100.00	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 45,404,740</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

	2009	2010	2011	Fiscal Year 2012
Debt limit	\$ 36,885,897	\$ 35,132,043	\$ 33,279,828	\$ 31,302,591
Total net debt applicable to the limit	-	-	-	-
Legal debt margin	\$ 36,885,897	\$ 35,132,043	\$ 33,279,828	\$ 31,302,591
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-

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

2013	2014	2015	2016	2017	2018
\$ 31,064,151	\$ 31,654,614	\$ 33,672,840	\$ 34,326,648	\$ 35,201,928	\$ 37,806,864
—	—	—	—	—	—
<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>	<u>\$ 37,806,864</u>

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Legal Debt Margin Calculation for Fiscal Year 2018

Total estimated market value	\$ 1,260,228,800
Debt limit (3% of market value)	37,806,864
Debt applicable to the limit	
General obligation bonds	—
Less amount set aside for repayment of general obligation debt	<u>—</u>
Total net debt applicable to the limit	<u>—</u>
Legal debt margin	<u><u>\$ 37,806,864</u></u>

CITY OF ARDEN HILLS

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2018	\$ 4,026,325	\$ 3,279,800	\$ 746,525	\$ -	\$ -	N/A

N/A – Not Applicable

Note 1: Includes Water and Sewer Funds. Operating expenses do not include interest or depreciation.

Note 2: 2018 represents the first year the City pledged revenue for utility revenue bonds.

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>
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	9,969	37,723	376,060,587	36.3	11,556	3.3
2018	10,069	38,477	387,417,617	36.3	11,647	2.7

Sources:

- (1) Population data is obtained from the Metropolitan Council website. 2018 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. 2018 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 website.
- (6) Median age is from www.city-data.com website.

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CITY OF ARDEN HILLS

Principal Employers
Current Year and Nine Years Ago

Employer	2018 (1)			2009 (2)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,200	1	19.5 %	2,000	1	15.4 %
Land O'Lakes, Inc.	1,147	2	10.2	800	2	6.2
Bethel University	970	3	8.6	–	–	–
University of Northwestern	960	4	8.5	–	–	–
Presbyterian Homes of Arden Hills	500	5	4.4	500	4	3.8
Delkor	160	6	1.4	–	–	–
Mounds View Public Schools	143	7	1.3	–	–	–
PACE Industries	130	8	1.2	–	–	–
International Paper	120	9	1.1	–	–	–
Country and MSI Insurance	–	–	–	640	3	4.9
Fair Isaac & Co.	–	–	–	500	4	3.8
Smiths Medical M.D., Inc.	–	–	–	500	4	3.8
Total	<u>6,330</u>		<u>56.1 %</u>	<u>4,940</u>		<u>38.0 %</u>
Total city employees	<u>11,275</u>			<u>12,990</u>		

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

(2) Information only readily available for the top six employers.

Source: City staff research; Metropolitan Council.

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2009	2010	2011	2012
Police (see Note 2)				
Towed vehicles	–	2	3	7
Traffic accidents	117	138	96	140
Driving impaired/alcohol	21	9	13	15
Traffic stops	281	332	328	17
Traffic investigations	19	11	24	33
Total calls for service	N/A	N/A	N/A	N/A
Fire				
Number of calls answered	214	452	559	522
Highways and streets				
Street resurfacing (miles)	1.43	1.80	1.93	5.20
Potholes repaired	250	325	250	250
Sanitation (residential)				
Refuse collected (tons/day)	8.05	7.95	7.85	7.90
Recyclables collected (tons/day)	2.05	2.34	2.01	2.20
Recycling clean up days	N/A	N/A	N/A	N/A
Tons collected during clean up days	N/A	N/A	N/A	N/A
Parks and recreation				
Athletic field permits issued	25	25	20	19
Water				
New connections	3	3	2	31
Water main breaks	5	7	2	12
Average daily consumption (thousands of gallons)	1,323	1,162	1,135	1,269

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: Recyclables – numbers based off of yearly tonnage total divided into 365 days in the year.
Starting in 2018, the refuse collected information is no longer being provided as it is not readily available. Instead, information on recycling clean up days is being provided.

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

Source: Various city departments

2013	2014	2015	2016	2017	2018
2	1	N/A	N/A	N/A	N/A
149	144	N/A	N/A	N/A	N/A
23	18	N/A	N/A	N/A	N/A
78	20	N/A	N/A	N/A	N/A
78	40	N/A	N/A	N/A	N/A
N/A	N/A	4,892	4,413	5,152	5,331
561	651	804	930	986	1,039
4.40	–	2.84	0.25	0.20	1.00
250	250	600	600	700	800
8.05	8.65	8.76	8.75	8.80	N/A
2.20	2.21	2.16	2.06	2.22	2.17
N/A	N/A	N/A	N/A	N/A	2
N/A	N/A	N/A	N/A	N/A	73.7
30	22	22	22	30	25
10	2	7	8	8	6
6	2	10	6	7	8
1,162	983	857	812	853	869

CITY OF ARDEN HILLS

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

Function	Fiscal Year			
	2009	2010	2011	2012
General government	6.57	7.18	6.89	7.47
Public safety				
General public safety	2.72	2.72	2.74	2.70
Highways and streets				
General highways and streets	2.39	2.44	2.20	2.72
Community development	0.02	-	-	-
Parks and recreation	8.32	6.95	8.88	6.51
Water	3.40	3.29	3.50	3.67
Sewer	4.01	3.91	4.05	4.42
Recycling	0.14	0.17	0.21	0.21
Surface water management	1.57	2.25	2.54	2.66
Total	29.14	28.90	31.01	30.36

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

2013	2014	2015	2016	2017	2018
7.50	6.73	6.76	5.00	4.08	4.64
2.66	2.61	2.74	2.42	2.34	2.39
2.04	3.11	2.93	2.42	2.41	2.51
-	-	-	-	-	-
6.92	7.77	7.31	6.78	6.52	6.74
4.42	4.18	4.07	3.56	3.62	3.51
4.92	5.06	4.85	4.31	4.30	4.15
0.21	0.20	0.19	0.17	0.21	0.23
2.56	3.01	2.95	2.64	2.70	2.60
<u>31.22</u>	<u>32.67</u>	<u>31.80</u>	<u>27.30</u>	<u>26.18</u>	<u>26.77</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2009	2010	2011	2012
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	53	54	54	54
Trails (miles)	13	15	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	3	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)	44	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

2013	2014	2015	2016	2017	2018
57	57	57	57	57	57
250	250	250	250	252	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	21	21	21	21	22
5	6	6	5	5	5
8	8	8	8	7	7
10	10	10	10	10	10
6	6	6	6	6	6
2	3	3	3	3	3
43	43	43	43	43	44
537	537	537	537	537	537
1,500	1,500	1,500	1,500	1,500	1,500
49	52	52	52	52	52
20	25	25	25	25	25

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