

CITY OF



ARDEN HILLS

ARDEN HILLS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report
Year Ended
December 31, 2019

FINANCE DEPARTMENT

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i–iii
GFOA Certificate of Achievement	iv
City Council and Appointed Officials	v
Organization Chart	vi
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1–3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4–13
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Basic Financial Statements	22–45
REQUIRED SUPPLEMENTARY INFORMATION	
PERA – General Employees Retirement Fund	
Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability	46
Schedule of City Contributions	46
Budgetary Comparison Schedule	
General Fund	47–49
Notes to Required Supplementary Information	50–51
SUPPLEMENTAL INFORMATION	
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION (CONTINUED)	
Combining and Individual Fund Statements and Schedules (continued)	
Nonmajor Special Revenue Funds	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	55
Nonmajor Capital Project Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	57
Special Revenue Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual	
Cable Fund	58
EDA Operating Fund	59
EDA TIF District No. 3 Fund	60
EDA TIF District No. 4 Fund	61
Internal Service Funds	
Combining Statement of Net Position	62
Combining Statement of Revenues, Expenses, and Changes in Net Position	63
Combining Statement of Cash Flows	64
 STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	65–66
Changes in Net Position	67–70
Governmental Activities Tax Revenues by Source	71
Fund Balances of Governmental Funds	72–73
Changes in Fund Balances of Governmental Funds	74–75
General Governmental Tax Revenues by Source	76
Tax Capacity Value and Estimated Market Value of Taxable Property	77–78
Property Tax Rates – Direct and Overlapping Governments	79
Principal Property Taxpayers	80
Property Tax Levies and Collections	81
Ratios of Outstanding Debt by Type	82
Direct and Overlapping Governmental Activities Debt	83
Legal Debt Margin Information	84–85
Pledged Revenue Coverage	86
Demographic and Economic Statistics	87
Principal Employers	88
Operating Indicators by Function	89–90
Full-Time Equivalent City Government Employees by Function	91–92
Capital Asset Statistics by Function	93–94

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



April 30, 2020

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, 2019.

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, 2019. 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 9,988. 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 7.5 percent in 2010 to the current rate of 3.0 percent. The Novel Coronavirus is impacting the unemployment rate but the final outcome won't be known for some time yet.

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 2 percent of total revenues in the General Fund and special revenue funds for the current fiscal year.

LONG-TERM FINANCIAL PLANNING

The unassigned General Fund balance of \$2,987,183 (59.5 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 \$22,438 of nonspendable equity for prepaid items, \$84,372 of assigned equity for compensated absences, and \$121,590 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, 2018. This is the 13th 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



Gayle Bauman
Finance Director



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, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2019

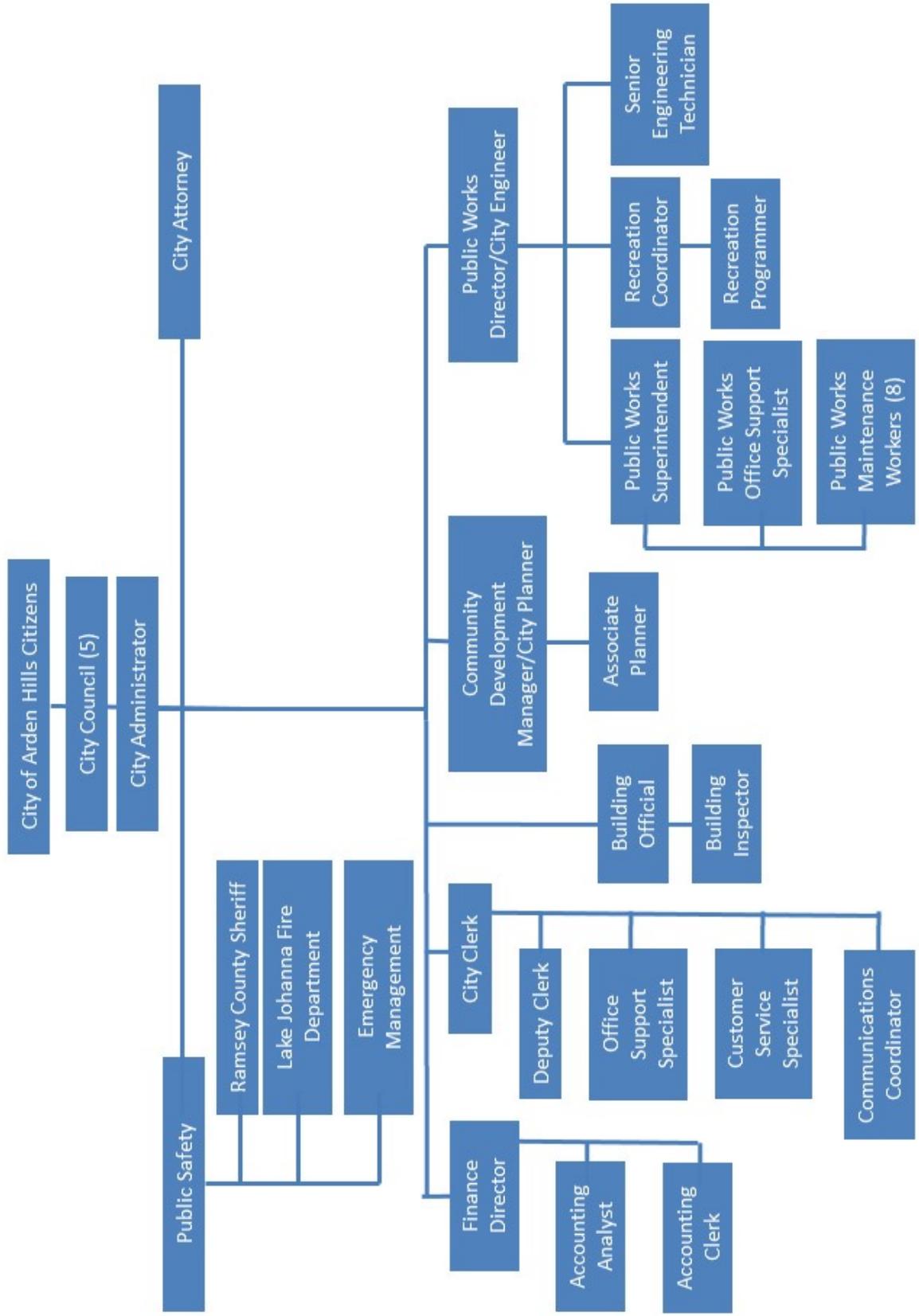
CITY COUNCIL

		<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 Jannik	City Attorney

2019 City of Arden Hills Organization Chart



FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



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
Kalen T. Karnowski, 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, 2019, 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, 2019, 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 April 30, 2020, 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
April 30, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2019

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, 2019. 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 \$56,633,891 (*net position*). Of this amount, \$11,096,144 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,288,375 in 2019.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,721,679. Of this total amount, \$22,652 is nonspendable and \$1,096,484 is restricted, leaving an unrestricted balance of \$7,602,543.
- At the end of the current fiscal year, the General Fund has a total fund balance of \$3,215,583. At December 31, 2019, the unassigned fund balance of the General Fund was \$2,987,183, or 59.5 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 reports two 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 Fund and Permanent Improvement Revolving Fund, 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 most special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the 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 \$56,633,891 at December 31, 2019.

The largest portion of the City's net position, \$44,441,049, or 78.5 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 12,945,479	\$ 12,852,671	\$ 3,151,779	\$ 3,252,652	\$ 16,097,258	\$ 16,105,323
Capital assets	26,988,912	26,972,898	20,008,531	19,867,868	46,997,443	46,840,766
Total assets	\$ 39,934,391	\$ 39,825,569	\$ 23,160,310	\$ 23,120,520	\$ 63,094,701	\$ 62,946,089
Deferred outflows of resources						
Pension plan deferments – PERA	\$ 56,374	\$ 183,899	\$ 39,435	\$ 47,339	\$ 95,809	\$ 231,238
Liabilities						
Long-term liabilities outstanding	\$ 795,864	\$ 891,506	\$ 3,104,472	\$ 3,014,867	\$ 3,900,336	\$ 3,906,373
Other liabilities	1,847,726	2,056,217	483,552	1,336,827	2,331,278	3,393,044
Total liabilities	\$ 2,643,590	\$ 2,947,723	\$ 3,588,024	\$ 4,351,694	\$ 6,231,614	\$ 7,299,417
Deferred inflows of resources						
Pension plan deferments – PERA	\$ 191,233	\$ 318,242	\$ 133,772	\$ 190,981	\$ 325,005	\$ 509,223
State aid received for subsequent years	–	23,171	–	–	–	23,171
Total deferred inflows of resources	\$ 191,233	\$ 341,413	\$ 133,772	\$ 190,981	\$ 325,005	\$ 532,394
Net position						
Net investment in capital assets	\$ 26,988,912	\$ 26,972,898	\$ 17,452,137	\$ 17,295,916	\$ 44,441,049	\$ 44,268,814
Restricted	1,096,698	1,010,521	–	–	1,096,698	1,010,521
Unrestricted	9,070,332	8,736,913	2,025,812	1,329,268	11,096,144	10,066,181
Total net position	\$ 37,155,942	\$ 36,720,332	\$ 19,477,949	\$ 18,625,184	\$ 56,633,891	\$ 55,345,516

Restricted net position of \$1,096,698 comprises 1.9 percent of net position at the close of the fiscal year ended December 31, 2019. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$11,096,144, or approximately 19.6 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

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

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

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2019, with comparative amounts for the year ended December 31, 2018:

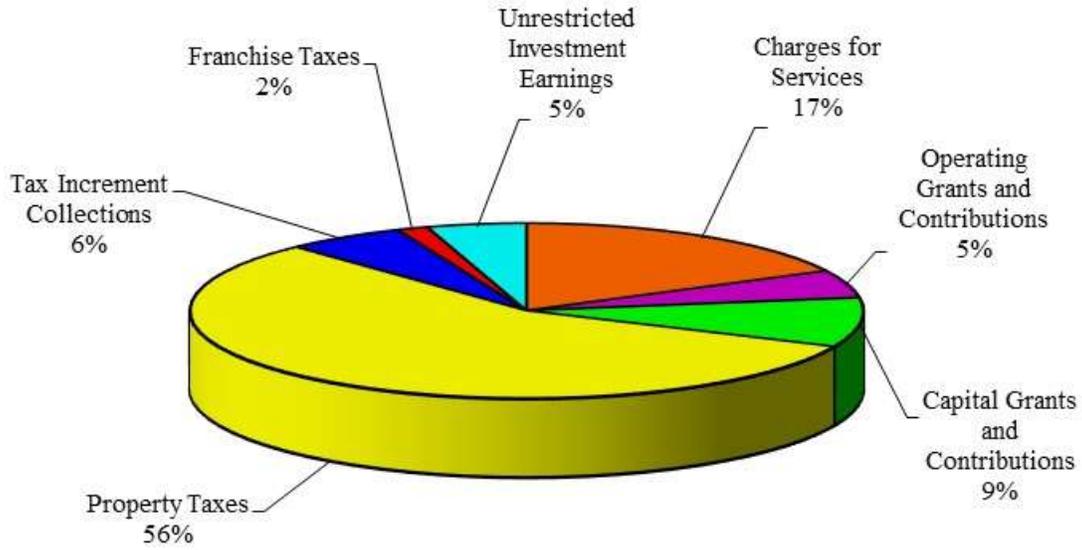
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 1,179,448	\$ 954,357	\$ 5,170,402	\$ 5,000,052	\$ 6,349,850	\$ 5,954,409
Operating grants and contributions	347,823	840,634	24,752	27,429	372,575	868,063
Capital grants and contributions	613,263	2,494,823	332,092	735,220	945,355	3,230,043
General revenues						
Property taxes	3,793,754	3,578,894	–	–	3,793,754	3,578,894
Tax increment collections	388,697	351,569	–	–	388,697	351,569
Franchise taxes	100,464	101,237	–	–	100,464	101,237
Unrestricted investment earnings	322,346	159,316	53,680	40,371	376,026	199,687
Total revenues	6,745,795	8,480,830	5,580,926	5,803,072	12,326,721	14,283,902
Expenses						
General government	1,337,262	1,286,845	–	–	1,337,262	1,286,845
Public safety	2,471,567	2,248,540	–	–	2,471,567	2,248,540
Public works	1,416,785	1,695,449	–	–	1,416,785	1,695,449
Parks and recreation	798,717	765,843	–	–	798,717	765,843
Economic development	369,256	391,156	–	–	369,256	391,156
Water	–	–	2,295,820	2,147,359	2,295,820	2,147,359
Sewer	–	–	1,663,498	1,654,079	1,663,498	1,654,079
Surface water management	–	–	513,209	499,049	513,209	499,049
Recycling	–	–	172,232	168,145	172,232	168,145
Total expenses	6,393,587	6,387,833	4,644,759	4,468,632	11,038,346	10,856,465
Increase (decrease) in net position before transfers	352,208	2,092,997	936,167	1,334,440	1,288,375	3,427,437
Transfers	83,402	300,000	(83,402)	(300,000)	–	–
Increase in net position	435,610	2,392,997	852,765	1,034,440	1,288,375	3,427,437
Net position – beginning	36,720,332	34,327,335	18,625,184	17,590,744	55,345,516	51,918,079
Net position – ending	\$ 37,155,942	\$ 36,720,332	\$ 19,477,949	\$ 18,625,184	\$ 56,633,891	\$ 55,345,516

Governmental Activities – Current year operating results of governmental activities increased net position by \$435,610, compared to an increase of \$2,392,997 in the prior year. The significant change from the prior year was mainly due to a decrease in operating and capital grants and contributions. The City recognized more operating and capital grants and contributions in the prior year related to joint projects with other governmental entities.

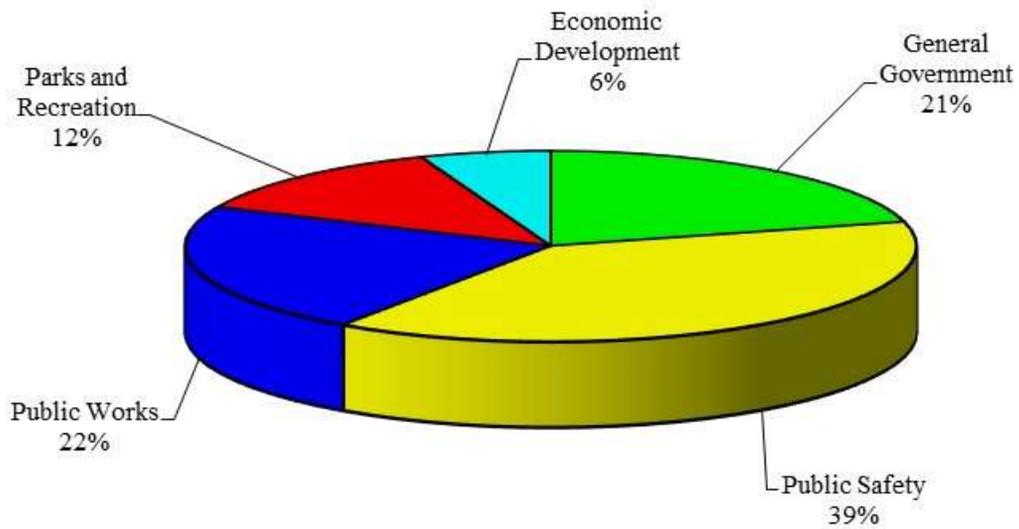
Business-Type Activities – Current year operating results of business-type activities increased net position by \$852,765, due to positive results of the utility operations of the City. Program revenues exceeded program expenses for each of the City’s business-type activities, except recycling.

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

Governmental Activities – Revenue

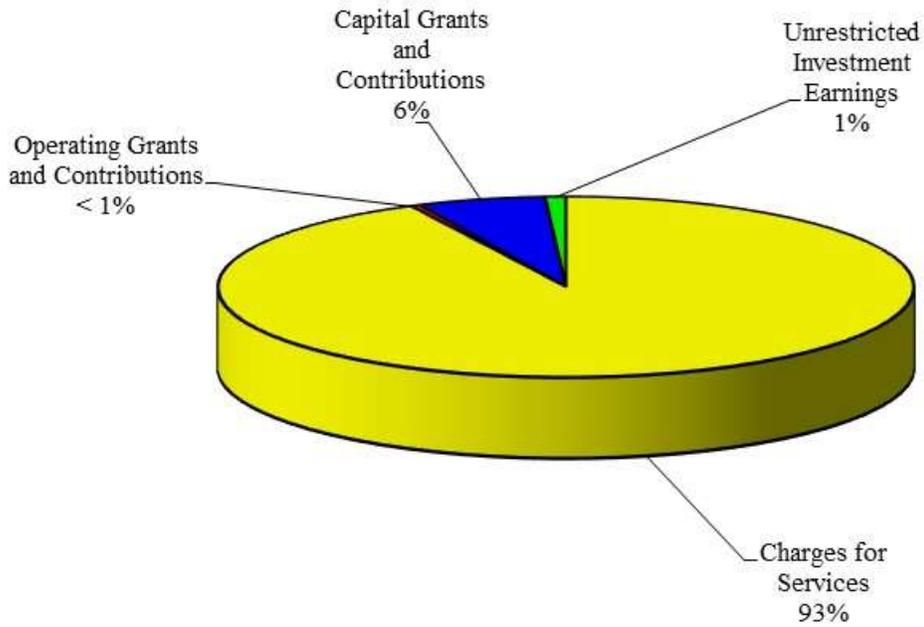


Governmental Activities – Expenses

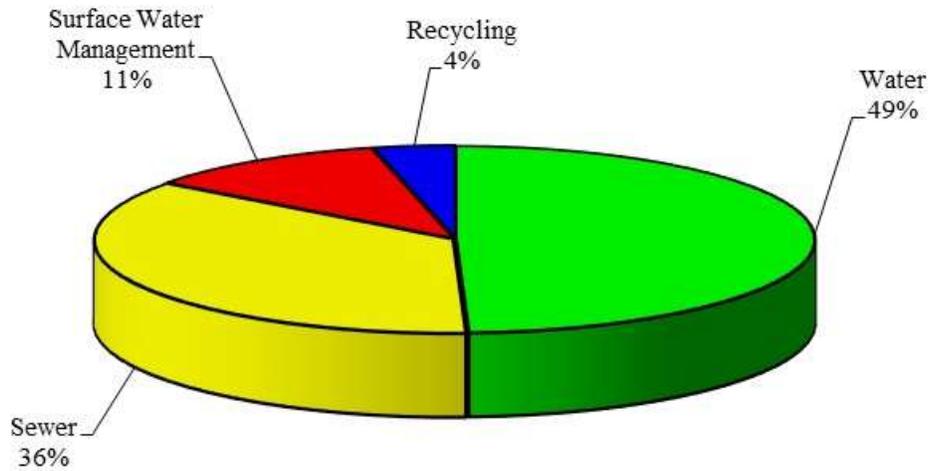


Below are specific graphs that provide comparisons of the business-type activities' revenue and expenses:

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 \$8,721,679, an increase of \$1,177,859 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 \$7,602,543 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 (\$948,034), 2) for cable TV purposes (\$148,450), or 3) is not in spendable form for prepaid items (\$22,652).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,987,183, while total fund balance equaled \$3,215,583. 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 59.5 percent of the total subsequent year General Fund expenditures.

The City's General Fund equity decreased by \$124,786 during the current fiscal year, compared to a \$692,880 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 earnings on investments, contributed to the favorable revenue variance.

Fund balance in the Permanent Improvement Revolving Fund increased by \$1,105,625 in the current year. Total current year revenues and a transfer from the General Fund exceeded expenditures 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: \$1,181,420 for water, \$620,643 for sewer, \$105,549 for surface water management, and \$118,200 for recycling. Water net position increased \$49,177, sewer net position increased \$537,605, surface water management net position increased \$271,220, and recycling net position decreased \$5,237 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$200,485 more than estimated in the budget. Licenses and permits revenue exceeded budgeted levels by \$271,510, with development activity surpassing expected amounts. An unfavorable variance in property taxes partially offset the favorable variance previously discussed. Expenditures within the General Fund were less than budget by \$367,609 spread across several functions, but most noticeably in general government and parks and recreation, mainly in personal services and other services and charges.

During the year, the City Council approved budget amendments reducing revenues by \$68,200 and increasing expenditures and transfers out by \$437,710. The largest change was approving \$360,000 of additional transfers out, moving available resources to other funds.

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, 2019 amounts to \$46,997,443 (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.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
	Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818
Construction in progress	5,137,764	5,350,261	3,193,168	3,328,994	8,330,932	8,679,255
Buildings and structures	3,526,203	3,404,870	621,690	663,234	4,147,893	4,068,104
Infrastructure and improvements	14,054,209	13,853,074	–	–	14,054,209	13,853,074
Distribution and collection systems	–	–	15,931,197	15,797,304	15,931,197	15,797,304
Machinery and equipment	344,129	300,821	262,476	78,336	606,605	379,157
Office furniture and equipment	31,416	44,326	–	–	31,416	44,326
Vehicles	1,215,373	1,339,728	–	–	1,215,373	1,339,728
Total	<u>\$ 26,988,912</u>	<u>\$ 26,972,898</u>	<u>\$ 20,008,531</u>	<u>\$ 19,867,868</u>	<u>\$ 46,997,443</u>	<u>\$ 46,840,766</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	
	2019	2018	2019	2018	2019	2018
Utility revenue bonds	\$ –	\$ –	\$ 2,415,000	\$ 2,415,000	\$ 2,415,000	\$ 2,415,000
Premium	–	–	141,394	156,952	141,394	156,952
Compensated absences	86,680	78,302	51,988	46,744	138,668	125,046
Net pension liability	709,184	813,204	496,090	396,171	1,205,274	1,209,375
Total	\$ 795,864	\$ 891,506	\$ 3,104,472	\$ 3,014,867	\$ 3,900,336	\$ 3,906,373

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

The net pension liability decreased slightly 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 2019 level.
- Shortly after the end of the 2019 fiscal year, the onset of the novel coronavirus (COVID-19) pandemic caused substantial volatility in economic conditions and tremendous disruption in the way governments, businesses, and individuals function. The extent of the negative impact on the economy and city operations is unknown at this time.

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

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS

Statement of Net Position
as of December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 10,416,143	\$ 1,789,112	\$ 12,205,255
Accrued interest receivable	32,468	6,000	38,468
Accounts receivable	551,816	1,315,426	1,867,242
Taxes receivable	227,812	–	227,812
Special assessments receivable	1,523,279	–	1,523,279
Due from other governmental units	171,309	32,960	204,269
Prepaid items	22,652	900	23,552
Inventory	–	7,381	7,381
Capital assets			
Nondepreciable	7,817,582	3,193,168	11,010,750
Depreciable, net of accumulated depreciation	19,171,330	16,815,363	35,986,693
Total assets	<u>39,934,391</u>	<u>23,160,310</u>	<u>63,094,701</u>
Deferred outflows of resources			
Pension plan deferments – PERA	56,374	39,435	95,809
Liabilities			
Accounts payable	720,929	48,641	769,570
Salaries payable	54,133	–	54,133
Deposits payable	575,050	–	575,050
Due to other governmental units	394,242	396,994	791,236
Accrued interest payable	–	37,917	37,917
Unearned revenue	103,372	–	103,372
Long-term liabilities (bonds and compensated absences)			
Due within one year	65,011	238,992	304,003
Due in more than one year	21,669	2,369,390	2,391,059
Net pension liability			
Due in more than one year	709,184	496,090	1,205,274
Total liabilities	<u>2,643,590</u>	<u>3,588,024</u>	<u>6,231,614</u>
Deferred inflows of resources			
Pension plan deferments – PERA	191,233	133,772	325,005
Net position			
Net investment in capital assets	26,988,912	17,452,137	44,441,049
Restricted for			
Tax increment purposes	948,034	–	948,034
Cable TV	148,664	–	148,664
Unrestricted	9,070,332	2,025,812	11,096,144
Total net position	<u>\$ 37,155,942</u>	<u>\$ 19,477,949</u>	<u>\$ 56,633,891</u>

CITY OF ARDEN HILLS

Statement of Activities
Year Ended December 31, 2019

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,337,262	\$ 250,643	\$ 142,253	\$ 27	\$ (944,339)	\$ -	\$ (944,339)
Public safety	2,471,567	817,238	109,059	33,923	(1,511,347)	-	(1,511,347)
Public works	1,416,785	5,250	93,297	579,313	(738,925)	-	(738,925)
Parks and recreation	798,717	106,317	3,214	-	(689,186)	-	(689,186)
Economic development	369,256	-	-	-	(369,256)	-	(369,256)
Total governmental activities	6,393,587	1,179,448	347,823	613,263	(4,253,053)	-	(4,253,053)
Business-type activities	2,295,820	2,286,542	398	125,430	-	116,550	116,550
Water	1,663,498	1,892,740	455	206,662	-	436,359	436,359
Sewer	513,209	850,971	302	-	-	338,064	338,064
Surface water management	172,232	140,149	23,597	-	-	(8,486)	(8,486)
Recycling							
Total business-type activities	4,644,759	5,170,402	24,752	332,092	-	882,487	882,487
Total primary government	<u>\$ 11,038,346</u>	<u>\$ 6,349,850</u>	<u>\$ 372,575</u>	<u>\$ 945,355</u>	(4,253,053)	882,487	(3,370,566)
General revenues							
Property taxes					3,793,754	-	3,793,754
Tax increment collections					388,697	-	388,697
Franchise taxes					100,464	-	100,464
Unrestricted investment earnings					322,346	53,680	376,026
Transfers					83,402	(83,402)	-
Total general revenues and transfers					4,688,663	(29,722)	4,658,941
Change in net position					435,610	852,765	1,288,375
Net position – beginning					36,720,332	18,625,184	55,345,516
Net position – ending					<u>\$ 37,155,942</u>	<u>\$ 19,477,949</u>	<u>\$ 56,633,891</u>

CITY OF ARDEN HILLS

Balance Sheet
Governmental Funds
as of December 31, 2019

	General	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Assets					
Cash and investments	\$ 3,946,278	\$ 4,144,124	\$ 1,892,876	\$ –	\$ 9,983,278
Accrued interest receivable	12,165	13,791	5,207	–	31,163
Accounts receivable	20,372	500,000	31,444	–	551,816
Taxes receivable	82,692	–	145,120	–	227,812
Special assessments receivable	7,981	1,515,298	–	–	1,523,279
Interfund receivable	–	204,059	18,000	(222,059)	–
Due from other governmental units	21,828	149,481	–	–	171,309
Prepaid items	22,438	–	214	–	22,652
Total assets	\$ 4,113,754	\$ 6,526,753	\$ 2,092,861	\$ (222,059)	\$ 12,511,309
Liabilities					
Accounts payable	\$ 94,450	\$ 414,985	\$ 124,086	\$ –	\$ 633,521
Salaries payable	54,133	–	–	–	54,133
Deposits payable	575,050	–	–	–	575,050
Interfund payable	–	–	222,059	(222,059)	–
Due to other governmental units	33,443	348,356	–	–	381,799
Unearned revenue	103,372	–	–	–	103,372
Total liabilities	860,448	763,341	346,145	(222,059)	1,747,875
Deferred inflows of resources					
Unavailable revenue – taxes	29,742	–	3,222	–	32,964
Unavailable revenue – special assessments	7,981	1,500,810	–	–	1,508,791
Unavailable revenue – long-term receivable	–	500,000	–	–	500,000
Total deferred inflows of resources	37,723	2,000,810	3,222	–	2,041,755
Fund balances (deficits)					
Nonspendable	22,438	–	214	–	22,652
Restricted	–	–	1,096,484	–	1,096,484
Committed	–	–	580,243	–	580,243
Assigned	205,962	3,762,602	294,445	–	4,263,009
Unassigned	2,987,183	–	(227,892)	–	2,759,291
Total fund balances (deficits)	3,215,583	3,762,602	1,743,494	–	8,721,679
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,113,754	\$ 6,526,753	\$ 2,092,861	\$ (222,059)	\$ 12,511,309
Fund balances reported above					\$ 8,721,679
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					7,817,582
Depreciable					19,171,330
Internal service funds are used to allocate costs to individual funds. Net position is included in governmental activities in the Statement of Net Position.					
					332,011
Certain long-term obligations are not payable with current financial resources and, therefore, are not reported in governmental funds.					
Compensated absences					(84,372)
Net pension liability					(709,184)
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					56,374
Deferred inflows of resources – pension plans					(191,233)
Deferred inflows of resources – unavailable revenues					2,041,755
Net position of governmental activities					\$ 37,155,942

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2019

	General	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Revenues					
Taxes					
General property taxes	\$ 3,795,624	\$ —	\$ —	\$ —	\$ 3,795,624
Tax increments	—	—	388,697	—	388,697
Special assessments	772	827,715	—	—	828,487
Licenses and permits	714,530	—	—	—	714,530
Intergovernmental	162,041	441,925	—	—	603,966
Charges for services	440,616	—	—	—	440,616
Fines and forfeits	34,512	—	—	—	34,512
Earnings on investments	119,231	138,981	52,395	—	310,607
Franchise taxes	—	—	100,464	—	100,464
Antenna rental fees	134,505	—	—	—	134,505
Miscellaneous reimbursements	17,714	—	—	—	17,714
Other	5,360	100,000	34,048	—	139,408
Total revenues	<u>5,424,905</u>	<u>1,508,621</u>	<u>575,604</u>	<u>—</u>	<u>7,509,130</u>
Expenditures					
Current					
General government	1,058,275	—	137,060	—	1,195,335
Public safety	2,399,296	—	—	—	2,399,296
Public works	632,531	—	—	—	632,531
Parks and recreation	679,589	—	—	—	679,589
Economic development	—	—	300,052	—	300,052
Capital outlay					
General government	—	—	115,924	—	115,924
Public safety	—	—	69,666	—	69,666
Public works	—	413,309	299,847	—	713,156
Parks and recreation	—	549,687	125	—	549,812
Economic development	—	—	3,300	—	3,300
Total expenditures	<u>4,769,691</u>	<u>962,996</u>	<u>925,974</u>	<u>—</u>	<u>6,658,661</u>
Revenues over (under) expenditures	655,214	545,625	(350,370)	—	850,469
Other financing sources (uses)					
Sale of capital assets	—	—	27,390	—	27,390
Transfers in	—	560,000	520,000	(780,000)	300,000
Transfers out	(780,000)	—	—	780,000	—
Total other financing sources (uses)	<u>(780,000)</u>	<u>560,000</u>	<u>547,390</u>	<u>—</u>	<u>327,390</u>
Net changes in fund balances	(124,786)	1,105,625	197,020	—	1,177,859
Fund balances – beginning	<u>3,340,369</u>	<u>2,656,977</u>	<u>1,546,474</u>	<u>—</u>	<u>7,543,820</u>
Fund balances – ending	<u>\$ 3,215,583</u>	<u>\$ 3,762,602</u>	<u>\$ 1,743,494</u>	<u>\$ —</u>	<u>\$ 8,721,679</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2019

Net changes in fund balances – total governmental funds	\$ 1,177,859
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	878,879
Depreciation expense	(859,777)
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.	
	(3,088)
Adjustments are made between the governmental funds and the Statement of Activities for the long-term liability activity of the net pension liability.	
	104,020
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	(127,525)
Deferred inflows of resources – pension plans	127,009
Deferred inflows of resources – unavailable revenues	(801,029)
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.	
	(52,201)
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>(8,537)</u>
Change in net position of governmental activities	<u><u>\$ 435,610</u></u>

CITY OF ARDEN HILLS

Statement of Net Position
Proprietary Funds
as of December 31, 2019

	Business-Type Activities – Enterprise Funds					Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	
Assets						
Current assets						
Cash and investments	\$ 1,220,491	\$ 388,656	\$ 33,410	\$ 146,555	\$ 1,789,112	\$ 432,865
Accrued interest receivable	3,978	1,346	197	479	6,000	1,305
Accounts receivable						
Customers	526,637	489,678	217,874	17	1,234,206	–
Customer accounts certified to county	34,825	35,972	5,820	4,603	81,220	–
Due from other governmental units	–	–	32,960	–	32,960	–
Prepaid items	300	300	300	–	900	–
Inventory	7,381	–	–	–	7,381	–
Total current assets	<u>1,793,612</u>	<u>915,952</u>	<u>290,561</u>	<u>151,654</u>	<u>3,151,779</u>	<u>434,170</u>
Noncurrent assets						
Capital assets						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	11,151,048	9,665,976	4,225,559	–	25,042,583	–
Machinery and equipment	230,097	324,386	745	–	555,228	–
Office furniture and equipment	5,216	3,199	–	–	8,415	–
Construction in progress	1,688,686	265,871	1,238,611	–	3,193,168	–
Total capital assets	<u>13,893,523</u>	<u>10,275,996</u>	<u>5,464,915</u>	<u>–</u>	<u>29,634,434</u>	<u>–</u>
Less accumulated depreciation	(4,634,417)	(4,139,811)	(851,675)	–	(9,625,903)	–
Total capital assets (net of accumulated depreciation)	<u>9,259,106</u>	<u>6,136,185</u>	<u>4,613,240</u>	<u>–</u>	<u>20,008,531</u>	<u>–</u>
Total assets	<u>11,052,718</u>	<u>7,052,137</u>	<u>4,903,801</u>	<u>151,654</u>	<u>23,160,310</u>	<u>434,170</u>
Deferred outflows of resources						
Pension plan deferments – PERA	13,595	15,521	10,319	–	39,435	–
Liabilities						
Current liabilities						
Accounts payable	18,628	4,438	17,262	8,313	48,641	87,408
Due to other governmental units	339,955	33,998	17	23,024	396,994	12,443
Accrued interest payable	32,813	5,104	–	–	37,917	–
Bonds payable	175,000	25,000	–	–	200,000	–
Compensated absences payable	12,934	14,539	9,931	1,588	38,992	1,731
Total current liabilities	<u>579,330</u>	<u>83,079</u>	<u>27,210</u>	<u>32,925</u>	<u>722,544</u>	<u>101,582</u>
Noncurrent liabilities						
Bonds payable	2,037,315	319,079	–	–	2,356,394	–
Compensated absences payable	4,311	4,846	3,310	529	12,996	577
Net pension liability	171,028	195,254	129,808	–	496,090	–
Total noncurrent liabilities	<u>2,212,654</u>	<u>519,179</u>	<u>133,118</u>	<u>529</u>	<u>2,865,480</u>	<u>577</u>
Total liabilities	<u>2,791,984</u>	<u>602,258</u>	<u>160,328</u>	<u>33,454</u>	<u>3,588,024</u>	<u>102,159</u>
Deferred inflows of resources						
Pension plan deferments – PERA	46,118	52,651	35,003	–	133,772	–
Net position						
Net investment in capital assets	7,046,791	5,792,106	4,613,240	–	17,452,137	–
Unrestricted	1,181,420	620,643	105,549	118,200	2,025,812	332,011
Total net position	<u>\$ 8,228,211</u>	<u>\$ 6,412,749</u>	<u>\$ 4,718,789</u>	<u>\$ 118,200</u>	<u>\$ 19,477,949</u>	<u>\$ 332,011</u>

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, 2019

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,282,080	\$ 1,888,738	\$ 850,304	\$ 131,723	\$ 5,152,845	\$ 583,134
Permit fees	1,200	935	–	–	2,135	–
Miscellaneous	3,262	3,067	667	8,426	15,422	26,201
Total operating revenues	<u>2,286,542</u>	<u>1,892,740</u>	<u>850,971</u>	<u>140,149</u>	<u>5,170,402</u>	<u>609,335</u>
Operating expenses						
Personal services	318,538	395,202	220,540	34,964	969,244	30,217
Supplies and maintenance	41,043	14,738	7,369	–	63,150	116,493
Other services and charges	477,042	163,077	98,432	7,320	745,871	163,590
Rent	27,415	26,551	13,781	–	67,747	–
Insurance	22,650	22,650	22,650	–	67,950	–
Utilities	12,258	18,902	–	–	31,160	–
Purchased services	73,662	40,075	42,270	7,792	163,799	362,975
Purchased water	972,413	–	–	–	972,413	–
Recycling charges	–	–	–	122,156	122,156	–
Sewer charges	–	761,724	–	–	761,724	–
Depreciation	285,246	180,169	108,167	–	573,582	–
Total operating expenses	<u>2,230,267</u>	<u>1,623,088</u>	<u>513,209</u>	<u>172,232</u>	<u>4,538,796</u>	<u>673,275</u>
Operating income (loss)	56,275	269,652	337,762	(32,083)	631,606	(63,940)
Nonoperating revenues (expenses)						
Intergovernmental revenue	398	455	302	23,597	24,752	–
Earnings on investments	32,627	10,648	7,156	3,249	53,680	11,739
Loss on disposal of capital assets	–	(30,218)	–	–	(30,218)	–
Interest and fiscal charges	(65,553)	(10,192)	–	–	(75,745)	–
Total nonoperating revenues (expenses)	<u>(32,528)</u>	<u>(29,307)</u>	<u>7,458</u>	<u>26,846</u>	<u>(27,531)</u>	<u>11,739</u>
Income (loss) before contributions and transfers	23,747	240,345	345,220	(5,237)	604,075	(52,201)
Capital contributions	–	281,130	–	–	281,130	–
Capital contributions – connection fees	125,430	142,130	–	–	267,560	–
Transfers out	(100,000)	(126,000)	(74,000)	–	(300,000)	–
Change in net position	49,177	537,605	271,220	(5,237)	852,765	(52,201)
Net position						
Beginning 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>
End of year	<u>\$ 8,228,211</u>	<u>\$ 6,412,749</u>	<u>\$ 4,718,789</u>	<u>\$ 118,200</u>	<u>\$ 19,477,949</u>	<u>\$ 332,011</u>

CITY OF ARDEN HILLS

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	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	\$ 2,251,460	\$ 1,864,771	\$ 850,399	\$ 138,694	\$ 5,105,324	\$ 609,335
Payments to suppliers	(1,787,721)	(1,046,591)	(136,981)	(122,489)	(3,093,782)	(573,579)
Payments to employees	(304,885)	(379,696)	(213,937)	(35,191)	(933,709)	(30,864)
Payments for interfund services used	(58,514)	(60,547)	(39,756)	(4,334)	(163,151)	–
Net cash flows from operating activities	<u>100,340</u>	<u>377,937</u>	<u>459,725</u>	<u>(23,320)</u>	<u>914,682</u>	<u>4,892</u>
Cash flows from noncapital financing activities						
Grants received	398	455	302	23,597	24,752	–
Cash paid to other funds	–	–	(26,268)	–	(26,268)	–
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	<u>(73,334)</u>	<u>(125,545)</u>	<u>(99,966)</u>	<u>23,597</u>	<u>(275,248)</u>	<u>–</u>
Cash flows from capital and related financing activities						
Proceeds from sales of capital assets	–	1,000	–	–	1,000	–
Acquisition and construction of capital assets	(696,781)	(100,544)	(333,308)	–	(1,130,633)	–
Capital contributions	500,000	64,532	–	–	564,532	–
Capital contributions – connection fees received	125,430	142,130	–	–	267,560	–
Interest paid	(81,594)	(12,694)	–	–	(94,288)	–
Net cash flows from noncapital financing activities	<u>(152,945)</u>	<u>94,424</u>	<u>(333,308)</u>	<u>–</u>	<u>(391,829)</u>	<u>–</u>
Cash flows from investing activities						
Earnings on investments	35,704	9,506	6,959	3,454	55,623	12,305
Net change in cash and cash equivalents	<u>(90,235)</u>	<u>356,322</u>	<u>33,410</u>	<u>3,731</u>	<u>303,228</u>	<u>17,197</u>
Cash and cash equivalents – beginning	<u>1,310,726</u>	<u>32,334</u>	<u>–</u>	<u>142,824</u>	<u>1,485,884</u>	<u>415,668</u>
Cash and cash equivalents – ending	<u>\$ 1,220,491</u>	<u>\$ 388,656</u>	<u>\$ 33,410</u>	<u>\$ 146,555</u>	<u>\$ 1,789,112</u>	<u>\$ 432,865</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 56,275	\$ 269,652	\$ 337,762	\$ (32,083)	\$ 631,606	\$ (63,940)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	285,246	180,169	108,167	–	573,582	–
Decrease (increase) in customer receivables	(35,082)	(27,969)	(572)	(1,455)	(65,078)	–
Decrease (increase) in prepaid items	(275)	(275)	(275)	–	(825)	–
Decrease (increase) in inventory	1,021	–	–	–	1,021	–
Decrease (increase) in deferred outflows	2,509	2,290	3,105	–	7,904	–
Increase (decrease) in accounts payable	(32,986)	(72,891)	8,202	(2,556)	(100,231)	68,087
Increase (decrease) in salaries payable	(6,806)	(8,091)	(4,819)	(607)	(20,323)	(488)
Increase (decrease) in due to other governments	(187,512)	13,745	(162)	13,001	(160,928)	1,392
Increase (decrease) in net pension liability	35,410	41,506	23,003	–	99,919	–
Increase (decrease) in compensated absences payable	1,738	1,890	1,236	380	5,244	(159)
Increase (decrease) in deferred inflows	(19,198)	(22,089)	(15,922)	–	(57,209)	–
Total adjustments	<u>44,065</u>	<u>108,285</u>	<u>121,963</u>	<u>8,763</u>	<u>283,076</u>	<u>68,832</u>
Net cash flows from operating activities	<u>\$ 100,340</u>	<u>\$ 377,937</u>	<u>\$ 459,725</u>	<u>\$ (23,320)</u>	<u>\$ 914,682</u>	<u>\$ 4,892</u>
Noncash investing, capital, and financing activities						
Capital asset purchased on account	\$ (568,808)	\$ –	\$ (32,960)	\$ –	\$ (601,768)	\$ –
Capital contributions	–	216,598	–	–	216,598	–
Due from other governmental units						
Contribution	(500,000)	–	–	–	(500,000)	–
Amortization of bond premium (discount)	13,458	2,100	–	–	15,558	–

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements
December 31, 2019

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.

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 enterprise 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.

The City reports the following nonmajor enterprise fund:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 most 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. Budgetary control for capital projects funds is accomplished through the use of project controls, not legally enacted budgets. The appropriations are not reflected in the financial statements.

For the year ended December 31, 2019, actual expenditures exceeded budgeted expenditures in the Cable and EDA TIF District No. 4 special revenue funds by \$5,297 and \$21,445, 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, special assessments, and the long-term receivable in the Permanent Improvement Revolving Fund.

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.

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. State-Wide Pension Plans

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.

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.
- **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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	
Municipal bonds	AAA	S&P	Level 2	\$ –	\$ 150,350	\$ –	\$ –	\$ 150,350
Municipal bonds	AAA	Moody's	Level 2	–	–	219,888	–	219,888
Municipal bonds	AA	S&P	Level 2	–	464,639	1,406,343	–	1,870,982
Municipal bonds	AA	Moody's	Level 2	–	–	394,996	–	394,996
Municipal bonds	A	S&P	Level 2	–	335,323	–	–	335,323
Negotiable certificates of deposit	N/R	N/A	Level 2	657,623	3,496,171	649,811	–	4,803,605
Investment pools/mutual funds								
External investment pool – 4M Fund	N/R	N/A	N/A	4,030,981	–	–	–	4,030,981
Wells Fargo Money Market Advantage	AAA	S&P	Level 1	6,060	–	–	–	6,060
Total investments				\$ 4,694,664	\$ 4,446,483	\$ 2,671,038	\$ –	11,812,185
Deposits								392,570
Petty cash								500
Total cash and investments								\$ 12,205,255

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 \$392,570. 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 percent with any individual counterparty in an external investment pool.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 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	5,350,261	705,663	–	(918,160)	5,137,764
Total capital assets, not being depreciated	8,030,079	705,663	–	(918,160)	7,817,582
Capital assets, being depreciated					
Buildings and structures	6,691,754	–	(25,788)	301,808	6,967,774
Infrastructure and improvements	17,720,976	–	–	616,352	18,337,328
Machinery and equipment	971,195	112,069	(145,175)	–	938,089
Office furniture and equipment	153,553	–	–	–	153,553
Vehicles	2,022,167	61,147	(55,553)	–	2,027,761
Total capital assets, being depreciated	27,559,645	173,216	(226,516)	918,160	28,424,505
Less accumulated depreciation for					
Buildings and structures	3,286,884	180,475	(25,788)	–	3,441,571
Infrastructure and improvements	3,867,902	415,217	–	–	4,283,119
Machinery and equipment	670,374	68,761	(145,175)	–	593,960
Office furniture and equipment	109,227	12,910	–	–	122,137
Vehicles	682,439	182,414	(52,465)	–	812,388
Total accumulated depreciation	8,616,826	859,777	(223,428)	–	9,253,175
Total capital assets being depreciated – net	18,942,819	(686,561)	(3,088)	918,160	19,171,330
Governmental activities capital assets – net	<u>\$ 26,972,898</u>	<u>\$ 19,102</u>	<u>\$ (3,088)</u>	<u>\$ –</u>	<u>\$ 26,988,912</u>

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	\$ 3,328,994	\$ 521,360	\$ –	\$ (657,186)	\$ 3,193,168
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	24,385,397	–	–	657,186	25,042,583
Machinery and equipment	806,772	224,103	(475,647)	–	555,228
Office furniture and equipment	8,415	–	–	–	8,415
Total capital assets, being depreciated	26,035,624	224,103	(475,647)	657,186	26,441,266
Less accumulated depreciation for					
Buildings and structures	171,806	41,544	–	–	213,350
Distribution and collection systems	8,588,093	523,293	–	–	9,111,386
Machinery and equipment	728,436	8,745	(444,429)	–	292,752
Office furniture and equipment	8,415	–	–	–	8,415
Total accumulated depreciation	9,496,750	573,582	(444,429)	–	9,625,903
Total capital assets, being depreciated – net	16,538,874	(349,479)	(31,218)	657,186	16,815,363
Business-type activities capital assets – net	<u>\$ 19,867,868</u>	<u>\$ 171,881</u>	<u>\$ (31,218)</u>	<u>\$ –</u>	<u>\$ 20,008,531</u>

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 120,125
Public safety	11,558
Public works	525,562
Parks and recreation	137,987
Economic development	64,545
	<u>859,777</u>
	<u>\$ 859,777</u>
Business-type activities	
Water	\$ 285,246
Sewer	180,169
Surface water management	108,167
	<u>573,582</u>
	<u>\$ 573,582</u>

D. Construction Commitments

At December 31, 2019, the City had the following construction project commitments:

<u>Project</u>	<u>Amount</u>
Permanent Improvement Revolving Fund	
Hard court projects	\$ 16,615
Old Snelling trail and watermain	203,613
2018 street project	106,127
Water Fund	
Utility monitoring and control system	44,217
Highway 10 watermain	5,514
Sewer Fund	
Lift station 6 rehabilitation	7,613
Surface Water Management Fund	
Colleen avenue drainage	437
	<u>384,136</u>
	<u>\$ 384,136</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The City currently has the following general obligation bonds payable outstanding:

	Issue Date	Final Maturity Date	Interest Rate	Authorized and Issued	Balance – End of Year
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

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities. Water and Sewer Enterprise Fund revenues will be used to repay this debt. The liability is recorded in the applicable enterprise fund.

B. Other Long-Term Liabilities

- **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, Enterprise, and Internal Service Funds will be used to liquidate this liability.
- **Net Pension Liability** – This liability represents the City’s pension benefit obligations as further described later in these notes. The General, Water, Sewer, and Surface Water Management Funds will be used to liquidate this liability.

C. Changes in General Obligation Bonds and Compensated Absences Payable

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 78,302	\$ 108,173	\$ 99,795	\$ 86,680	\$ 65,011
Business-type activities					
Utility revenue bonds	2,415,000	–	–	2,415,000	200,000
Premium	156,952	–	15,558	141,394	–
Total bonds	2,571,952	–	15,558	2,556,394	200,000
Compensated absences	46,744	64,617	59,373	51,988	38,992
Total business-type activities	2,618,696	64,617	74,931	2,608,382	238,992
Total government-wide	<u>\$ 2,696,998</u>	<u>\$ 172,790</u>	<u>\$ 174,726</u>	<u>\$ 2,695,062</u>	<u>\$ 304,003</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. 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
2020	\$ 200,000	\$ 87,000
2021	210,000	78,800
2022	220,000	70,200
2023	225,000	61,300
2024	235,000	52,100
2025–2029	1,325,000	114,050
	<u>\$ 2,415,000</u>	<u>\$ 463,450</u>

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	\$2,878,450	\$ 94,288	\$4,446,842

NOTE 5 – FUND BALANCES

A. Classifications

At December 31, 2019, a summary of the City’s governmental fund balance classifications are as follows:

	General	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 22,438	\$ –	\$ 214	\$ 22,652
Restricted for				
Tax increment purposes	–	–	948,034	948,034
Cable TV	–	–	148,450	148,450
Total restricted	–	–	1,096,484	1,096,484
Committed for				
Economic development authority	–	–	580,243	580,243
Assigned for				
Compensated absences	84,372	–	–	84,372
Subsequent year’s budget	121,590	–	–	121,590
Capital improvements	–	3,762,602	294,445	4,057,047
Total assigned	205,962	3,762,602	294,445	4,263,009
Unassigned	2,987,183	–	(227,892)	2,759,291
Total	<u>\$ 3,215,583</u>	<u>\$ 3,762,602</u>	<u>\$ 1,743,494</u>	<u>\$ 8,721,679</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, 2019, the unassigned fund balance of the General Fund was 59.5 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 Public Employees Retirement Association (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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2019. 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, 2019, were \$121,063. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

GERF Pension Costs

At December 31, 2019, the City reported a liability of \$1,205,274 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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, 2018 through June 30, 2019, 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 0.0218 percent for the beginning of the period.

The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16 million to the fund in 2019. 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	\$ 1,205,274
State’s proportionate share of the net pension liability associated with the City	\$ 37,332

For the year ended December 31, 2019, the City recognized pension expense of \$68,478 for its proportionate share of the GERS’ pension expense. In addition, the City recognized an additional \$2,808 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERS.

At December 31, 2019, the City reported its proportionate share of the GERS’ 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	\$ 34,243	\$ –
Changes in actuarial assumptions	–	97,296
Difference between projected and actual investment earnings	–	114,301
Changes in proportion	–	113,408
Contributions paid to the PERA subsequent to the measurement date	61,566	–
Total	<u>\$ 95,809</u>	<u>\$ 325,005</u>

A total of \$61,566 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. 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
2020	\$ (149,153)
2021	\$ (119,421)
2022	\$ (24,129)
2023	\$ 1,941

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 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, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

GERF – CHANGES IN ACTUARIAL ASSUMPTIONS

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

GERF – CHANGES IN PLAN PROVISIONS

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

The Minnesota 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 equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.90 %
Cash equivalents	2.0	– %
Total	<u>100.0 %</u>	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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, 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	\$ 1,981,404	\$ 1,205,274	\$ 564,423

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, 2019 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 204,059	\$ –
Nonmajor – other governmental	18,000	222,059
Intra-activity eliminations	(222,059)	(222,059)
	<u> </u>	<u> </u>
Total governmental funds	<u>\$ –</u>	<u>\$ –</u>

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

B. Transfers In and Transfers Out

Transfers Out	Transfers In		
	Governmental Funds		Total
	Permanent Improvement Revolving	Nonmajor – Other Governmental	
Governmental funds			
General Fund	\$ 560,000	\$ 220,000	\$ 780,000
Proprietary funds			
Water	–	100,000	100,000
Sewer	–	126,000	126,000
Surface Water Management	–	74,000	74,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 560,000</u>	<u>\$ 520,000</u>	<u>\$ 1,080,000</u>

Transfers are made in accordance with budget appropriations or as approved by the City Council for special funding of city activities.

NOTE 8 – DEFICIT FUND BALANCES/NET POSITION

The City had deficit fund balances/net position at December 31, 2019 as follows:

	<u>Amount</u>
Governmental funds	
Nonmajor – EDA TIF District No. 5	\$ 22,000
Nonmajor – Parks	5,816
Nonmajor – Public Safety Capital Equipment	5,197
Nonmajor – TCAAP	<u>194,879</u>
	<u>\$ 227,892</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 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, 2019 was \$516,678, and the City rebated \$212,558 in the current year.

In 2016, the City entered into an abatement agreement with Land O'Lakes, Inc. (the Company) to aid in the expansion of its corporate headquarters in the City. Tax abatement assistance is where the City's portion of the property tax attributed to the building expansion will be refunded to the Company over a period of not more than 15 years, beginning in 2020. This agreement is for the increases in taxes above the base year (2017) up to a maximum of \$650,000, with limits on the amount of the annual payment. The City did not have any collections or rebate of property tax abatement 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 expires December 31, 2023, with an extension option 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 \$573,680 in 2019.

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, 2019 are as follows:

<u>Bond</u>	<u>Description</u>	<u>Amount Outstanding</u>
Commercial Facilities Revenue Note, Series 2008	Office facilities	\$ 3,203,363
Housing Facility Revenue Note, Series 2011A	Senior housing	8,257,764
Housing Facility Revenue Note, Series 2011B	Senior housing	8,257,764
Housing Facility Revenue Note, Series 2012A	Senior housing	8,257,764
Housing Facility Revenue Note, Series 2012B	Senior housing	1,645,575
Housing Facility Revenue Note, Series 2015	Senior housing	<u>8,988,332</u>
Total		<u>\$ 38,610,562</u>

NOTE 14 – SUBSEQUENT EVENTS

Investment Fair Values – The City generally reports its investments at fair value based on standards described earlier in these notes. Subsequent to year-end, the novel coronavirus (COVID-19) pandemic has caused significant volatility in economic conditions, including substantial reductions in the quoted active-market prices of some investments. The City's portfolio consists primarily of shorter-term investments, many with guaranteed maturity values. The City does not expect any losses ultimately realized from this market decline to be material. However, the potential negative impact could be heightened if increased demand on City resources and/or a sustained economic downturn hampers the City's ability to hold such investments to maturity as planned. The potential future impact of these conditions on the fair value of the City's investment portfolio is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0283%	\$ 1,466,653	\$ –	\$ 1,466,653	\$ 1,662,826	88.20%	78.20%
12/31/2016	06/30/2016	0.0267%	\$ 2,167,909	\$ 28,367	\$ 2,196,276	\$ 1,669,147	129.88%	68.90%
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%
12/31/2019	06/30/2019	0.0218%	\$ 1,205,274	\$ 37,332	\$ 1,242,606	\$ 1,540,669	78.23%	80.20%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2019

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%
12/31/2019	\$ 121,063	\$ 121,063	\$ –	\$ 1,614,175	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.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 3,919,750	\$ 3,919,750	\$ 3,795,624	\$ (124,126)
Special assessments	1,220	1,220	772	(448)
Licenses and permits				
Business	55,980	55,980	73,809	17,829
Nonbusiness	387,040	387,040	640,721	253,681
Total licenses and permits	<u>443,020</u>	<u>443,020</u>	<u>714,530</u>	<u>271,510</u>
Intergovernmental				
State				
Road maintenance	102,890	102,890	97,965	(4,925)
PERA aid	5,180	5,180	5,179	(1)
Police aid	45,150	45,150	58,897	13,747
Total intergovernmental	<u>153,220</u>	<u>153,220</u>	<u>162,041</u>	<u>8,821</u>
Charges for services				
General government	19,150	19,150	17,713	(1,437)
Public safety	214,480	214,480	193,019	(21,461)
Parks and recreation	125,740	125,740	106,317	(19,423)
Administrative charges	189,430	121,230	123,567	2,337
Total charges for services	<u>548,800</u>	<u>480,600</u>	<u>440,616</u>	<u>(39,984)</u>
Fines and forfeits	30,420	30,420	34,512	4,092
Earnings on investments	47,230	47,230	119,231	72,001
Antenna rental fees	134,500	134,500	134,505	5
Miscellaneous reimbursements	10,000	10,000	17,714	7,714
Other	4,460	4,460	5,360	900
Total revenues	<u>5,292,620</u>	<u>5,224,420</u>	<u>5,424,905</u>	<u>200,485</u>
Expenditures				
Current				
General government				
City Council				
Personal services	37,210	37,210	37,203	7
Other services and charges	31,550	31,550	29,785	1,765
Total City Council	<u>68,760</u>	<u>68,760</u>	<u>66,988</u>	<u>1,772</u>
Elections				
Other services and charges	23,000	23,000	23,777	(777)
Administration				
Personal services	211,100	211,100	194,459	16,641
Materials and supplies	550	550	389	161
Other services and charges	115,160	115,160	123,820	(8,660)
Total administration	<u>326,810</u>	<u>326,810</u>	<u>318,668</u>	<u>8,142</u>

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2019

	<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	52,540	52,540	52,839	(299)
Materials and supplies	23,100	23,100	12,816	10,284
Other services and charges	106,100	106,100	89,983	16,117
Total finance	<u>181,740</u>	<u>181,740</u>	<u>155,638</u>	<u>26,102</u>
TCAAP				
Personal services	85,090	85,090	29,443	55,647
Other services and charges	86,100	86,100	66,710	19,390
Total TCAAP	<u>171,190</u>	<u>171,190</u>	<u>96,153</u>	<u>75,037</u>
Planning and zoning				
Personal services	139,200	139,200	128,979	10,221
Other services and charges	78,120	78,120	71,792	6,328
Total planning and zoning	<u>217,320</u>	<u>217,320</u>	<u>200,771</u>	<u>16,549</u>
General government buildings				
Personal services	39,960	39,960	42,037	(2,077)
Materials and supplies	6,000	6,000	10,829	(4,829)
Other services and charges	225,050	156,850	143,414	13,436
Total general government buildings	<u>271,010</u>	<u>202,810</u>	<u>196,280</u>	<u>6,530</u>
Total general government	1,259,830	1,191,630	1,058,275	133,355
Public safety				
Police and animal control				
Other services and charges	1,242,250	1,265,150	1,356,029	(90,879)
Dispatch				
Other services and charges	68,500	68,500	51,369	17,131
Fire protection				
Other services and charges	573,680	573,680	573,680	–
Emergency management				
Personal services	2,810	2,810	4,769	(1,959)
Other services and charges	1,100	1,100	892	208
Total emergency management	<u>3,910</u>	<u>3,910</u>	<u>5,661</u>	<u>(1,751)</u>

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2019

	<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	260,260	260,260	226,861	33,399
Materials and supplies	750	750	415	335
Other services and charges	72,600	255,610	185,281	70,329
Total protective inspections	<u>333,610</u>	<u>516,620</u>	<u>412,557</u>	<u>104,063</u>
Total public safety	2,221,950	2,427,860	2,399,296	28,564
Public works				
Street maintenance				
Personal services	256,030	256,030	267,797	(11,767)
Materials and supplies	25,600	25,600	57,622	(32,022)
Other services and charges	437,670	377,670	307,112	70,558
Total public works	<u>719,300</u>	<u>659,300</u>	<u>632,531</u>	<u>26,769</u>
Parks and recreation				
Park maintenance				
Personal services	271,480	271,480	241,971	29,509
Materials and supplies	44,550	44,550	35,152	9,398
Other services and charges	201,940	201,940	117,573	84,367
Total park maintenance	<u>517,970</u>	<u>517,970</u>	<u>394,696</u>	<u>123,274</u>
Recreation				
Personal services	233,070	233,070	208,158	24,912
Materials and supplies	26,250	26,250	18,786	7,464
Other services and charges	81,220	81,220	57,949	23,271
Total recreation	<u>340,540</u>	<u>340,540</u>	<u>284,893</u>	<u>55,647</u>
Total parks and recreation	<u>858,510</u>	<u>858,510</u>	<u>679,589</u>	<u>178,921</u>
Total expenditures	<u>5,059,590</u>	<u>5,137,300</u>	<u>4,769,691</u>	<u>367,609</u>
Revenues over expenditures	233,030	87,120	655,214	568,094
Other financing sources (uses)				
Transfers out	<u>(420,000)</u>	<u>(780,000)</u>	<u>(780,000)</u>	<u>–</u>
Net change in fund balance	<u>\$ (186,970)</u>	<u>\$ (692,880)</u>	<u>(124,786)</u>	<u>\$ 568,094</u>
Fund balance – beginning			<u>3,340,369</u>	
Fund balance – ending			<u>\$ 3,215,583</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS

Notes to Required Supplementary Information
December 31, 2019

NOTE 1 – LEGAL COMPLIANCE – BUDGETS

The General Fund budget is 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. Budgeted appropriations lapse at year-end.

NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES 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.

2018 CHANGES IN PLAN PROVISIONS

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

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)
December 31, 2019

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

2017 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.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 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 changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 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.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2019

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,598,431	\$ 294,445	\$ 1,892,876
Accrued interest receivable	5,207	-	5,207
Accounts receivable	27,011	4,433	31,444
Taxes receivable	145,120	-	145,120
Interfund receivable	18,000	-	18,000
Prepaid items	214	-	214
	<u>1,793,983</u>	<u>298,878</u>	<u>2,092,861</u>
Total assets	<u>\$ 1,793,983</u>	<u>\$ 298,878</u>	<u>\$ 2,092,861</u>
Liabilities			
Accounts payable	\$ 117,820	\$ 6,266	\$ 124,086
Interfund payable	18,000	204,059	222,059
Total liabilities	<u>135,820</u>	<u>210,325</u>	<u>346,145</u>
Deferred inflows of resources			
Unavailable revenue – taxes	3,222	-	3,222
Fund balances (deficits)			
Nonspendable	214	-	214
Restricted	1,096,484	-	1,096,484
Committed	580,243	-	580,243
Assigned	-	294,445	294,445
Unassigned	(22,000)	(205,892)	(227,892)
Total fund balances (deficits)	<u>1,654,941</u>	<u>88,553</u>	<u>1,743,494</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,793,983</u>	<u>\$ 298,878</u>	<u>\$ 2,092,861</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2019

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 388,697	\$ –	\$ 388,697
Earnings on investments	52,393	2	52,395
Franchise taxes	100,464	–	100,464
Other	–	34,048	34,048
Total revenues	<u>541,554</u>	<u>34,050</u>	<u>575,604</u>
Expenditures			
Current			
General government	137,060	–	137,060
Economic development	300,052	–	300,052
Capital outlay			
General government	85,177	30,747	115,924
Public safety	–	69,666	69,666
Public works	–	299,847	299,847
Parks and recreation	–	125	125
Economic development	3,300	–	3,300
Total expenditures	<u>525,589</u>	<u>400,385</u>	<u>925,974</u>
Revenues over (under) expenditures	15,965	(366,335)	(350,370)
Other financing sources			
Sale of capital assets	–	27,390	27,390
Transfers in	120,000	400,000	520,000
Total other financing sources	<u>120,000</u>	<u>427,390</u>	<u>547,390</u>
Net change in fund balances	135,965	61,055	197,020
Fund balances – beginning	<u>1,518,976</u>	<u>27,498</u>	<u>1,546,474</u>
Fund balances – ending	<u>\$ 1,654,941</u>	<u>\$ 88,553</u>	<u>\$ 1,743,494</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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 Operating Fund – The EDA Operating 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).

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. This tax increment district was decertified in 2019.

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.

EDA TIF District No. 5 Fund – This fund was established in 2019. The revenue is derived from tax increment and expenditures are for economic development and administrative expenses.

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2019

	Cable	EDA Operating	EDA TIF District No. 3	EDA TIF District No. 4	EDA TIF District No. 5	Total Nonmajor Special Revenue Funds
Assets						
Cash and investments	\$ 128,540	\$ 578,170	\$ 776,717	\$ 115,004	\$ -	\$ 1,598,431
Accrued interest receivable	441	1,880	2,521	365	-	5,207
Accounts receivable	27,011	-	-	-	-	27,011
Taxes receivable	-	3,415	-	141,705	-	145,120
Interfund receivable	-	-	18,000	-	-	18,000
Prepaid items	214	-	-	-	-	214
Total assets	\$ 156,206	\$ 583,465	\$ 797,238	\$ 257,074	\$ -	\$ 1,793,983
Liabilities						
Accounts payable	\$ 7,542	\$ -	\$ -	\$ 106,278	\$ 4,000	\$ 117,820
Interfund payable	-	-	-	-	18,000	18,000
Total liabilities	7,542	-	-	106,278	22,000	135,820
Deferred inflows of resources						
Unavailable revenue – taxes	-	3,222	-	-	-	3,222
Fund balances (deficits)						
Nonspendable	214	-	-	-	-	214
Restricted	148,450	-	797,238	150,796	-	1,096,484
Committed	-	580,243	-	-	-	580,243
Unassigned	-	-	-	-	(22,000)	(22,000)
Total fund balances (deficits)	148,664	580,243	797,238	150,796	(22,000)	1,654,941
Total liabilities, deferred inflows of resources, and fund balances	\$ 156,206	\$ 583,465	\$ 797,238	\$ 257,074	\$ -	\$ 1,793,983

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2019

	Cable	EDA Operating	EDA TIF District No. 3	EDA TIF District No. 4	EDA TIF District No. 5	Total Nonmajor Special Revenue Funds
Revenues						
Taxes						
Tax increments	\$ -	\$ 386	\$ 104,900	\$ 283,411	\$ -	\$ 388,697
Earnings on investments	7,600	17,322	24,394	3,077	-	52,393
Franchise taxes	100,464	-	-	-	-	100,464
Total revenues	108,064	17,708	129,294	286,488	-	541,554
Expenditures						
Current						
General government	137,060	-	-	-	-	137,060
Economic development	-	62,406	1,571	214,075	22,000	300,052
Capital Outlay						
General government	85,177	-	-	-	-	85,177
Economic development	-	3,300	-	-	-	3,300
Total expenditures	222,237	65,706	1,571	214,075	22,000	525,589
Revenues over (under) expenditures	(114,173)	(47,998)	127,723	72,413	(22,000)	15,965
Other financing sources						
Transfers in	-	120,000	-	-	-	120,000
Net changes in fund balances	(114,173)	72,002	127,723	72,413	(22,000)	135,965
Fund balances (deficits) – beginning	262,837	508,241	669,515	78,383	-	1,518,976
Fund balances (deficits) – ending	\$ 148,664	\$ 580,243	\$ 797,238	\$ 150,796	\$ (22,000)	\$ 1,654,941

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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, 2019

	Equipment, Building, and Replacement	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Assets					
Cash and investments	\$ 294,445	\$ -	\$ -	\$ -	\$ 294,445
Accounts receivable	-	-	4,433	-	4,433
Total assets	\$ 294,445	\$ -	\$ 4,433	\$ -	\$ 298,878
Liabilities					
Accounts payable	\$ -	\$ -	\$ 6,266	\$ -	\$ 6,266
Interfund payable	-	5,816	3,364	194,879	204,059
Total liabilities	-	5,816	9,630	194,879	210,325
Fund balances (deficits)					
Assigned	294,445	-	-	-	294,445
Unassigned	-	(5,816)	(5,197)	(194,879)	(205,892)
Total fund balances (deficits)	294,445	(5,816)	(5,197)	(194,879)	88,553
Total liabilities and fund balances	\$ 294,445	\$ -	\$ 4,433	\$ -	\$ 298,878

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2019

	Equipment, Building, and Replacement	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Revenues					
Earnings on investments	\$ -	\$ -	\$ 2	\$ -	\$ 2
Other	-	125	33,923	-	34,048
Total revenues	-	125	33,925	-	34,050
Expenditures					
Capital outlay					
General government	-	-	-	30,747	30,747
Public safety	-	-	69,666	-	69,666
Public works	299,847	-	-	-	299,847
Parks and recreation	-	125	-	-	125
Total expenditures	299,847	125	69,666	30,747	400,385
Revenues over (under) expenditures	(299,847)	-	(35,741)	(30,747)	(366,335)
Other financing sources					
Sale of capital assets	27,390	-	-	-	27,390
Transfers in	350,000	-	50,000	-	400,000
Total other financing sources	377,390	-	50,000	-	427,390
Net changes in fund balances	77,543	-	14,259	(30,747)	61,055
Fund balances (deficits) – beginning	216,902	(5,816)	(19,456)	(164,132)	27,498
Fund balances (deficits) – ending	\$ 294,445	\$ (5,816)	\$ (5,197)	\$ (194,879)	\$ 88,553

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, 2019

	<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	\$ 7,600	\$ 4,600
Franchise taxes	105,000	105,000	100,464	(4,536)
Total revenues	<u>108,000</u>	<u>108,000</u>	<u>108,064</u>	<u>64</u>
Expenditures				
Current				
General government				
Personal services	61,730	61,730	62,900	(1,170)
Other services and charges	71,040	71,040	74,160	(3,120)
Capital outlay				
General government	40,000	84,170	85,177	(1,007)
Total expenditures	<u>172,770</u>	<u>216,940</u>	<u>222,237</u>	<u>(5,297)</u>
Net change in fund balances	<u>\$ (64,770)</u>	<u>\$ (108,940)</u>	(114,173)	<u>\$ (5,233)</u>
Fund balances – beginning			<u>262,837</u>	
Fund balances – ending			<u>\$ 148,664</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA Operating Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ –	\$ –	\$ 386	\$ 386
Earnings on investments	3,500	3,500	17,322	13,822
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>17,708</u>	<u>14,208</u>
Expenditures				
Economic development				
Current				
Personal services	42,910	42,910	31,127	11,783
Materials and supplies	400	400	–	400
Other services and charges	46,970	46,970	31,279	15,691
Capital outlay	40,000	40,000	3,300	36,700
Total expenditures	<u>130,280</u>	<u>130,280</u>	<u>65,706</u>	<u>64,574</u>
Revenues over (under) expenditures	(126,780)	(126,780)	(47,998)	78,782
Other financing sources				
Transfers in	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>–</u>
Net change in fund balances	<u>\$ (6,780)</u>	<u>\$ (6,780)</u>	72,002	<u>\$ 78,782</u>
Fund balance – beginning			<u>508,241</u>	
Fund balance – ending			<u>\$ 580,243</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 99,030	\$ 99,030	\$ 104,900	\$ 5,870
Earnings on investments	<u>5,500</u>	<u>5,500</u>	<u>24,394</u>	<u>18,894</u>
Total revenues	<u>104,530</u>	<u>104,530</u>	<u>129,294</u>	<u>24,764</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>2,000</u>	<u>2,000</u>	<u>1,571</u>	<u>429</u>
Net change in fund balances	<u>\$ 102,530</u>	<u>\$ 102,530</u>	<u>127,723</u>	<u>\$ 25,193</u>
Fund balances – beginning			<u>669,515</u>	
Fund balances – ending			<u>\$ 797,238</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 253,900	\$ 253,900	\$ 283,411	\$ 29,511
Earnings on investments	<u>1,500</u>	<u>1,500</u>	<u>3,077</u>	<u>1,577</u>
Total revenues	255,400	255,400	286,488	31,088
Expenditures				
Current				
Economic development				
Other services and charges	<u>192,630</u>	<u>192,630</u>	<u>214,075</u>	<u>(21,445)</u>
Net change in fund balances	<u>\$ 62,770</u>	<u>\$ 62,770</u>	72,413	<u>\$ 9,643</u>
Fund balances – beginning			<u>78,383</u>	
Fund balances – ending			<u>\$ 150,796</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2019

	<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	\$ 408,405	\$ 2,679	\$ 17,295	\$ 4,486	\$ 432,865
Accrued interest receivable	1,295	–	–	10	1,305
Total assets	<u>409,700</u>	<u>2,679</u>	<u>17,295</u>	<u>4,496</u>	<u>434,170</u>
Liabilities					
Current liabilities					
Accounts payable	79,188	1,991	4,371	1,858	87,408
Due to other governmental units	–	–	11,707	736	12,443
Compensated absences payable	–	516	913	302	1,731
Total current liabilities	<u>79,188</u>	<u>2,507</u>	<u>16,991</u>	<u>2,896</u>	<u>101,582</u>
Noncurrent liabilities					
Compensated absences payable	–	172	304	101	577
Total liabilities	<u>79,188</u>	<u>2,679</u>	<u>17,295</u>	<u>2,997</u>	<u>102,159</u>
Net position					
Unrestricted	<u>\$ 330,512</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,499</u>	<u>\$ 332,011</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2019

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 126,306	\$ 50,057	\$ 202,095	\$ 204,676	\$ 583,134
Miscellaneous	26,201	-	-	-	26,201
Total operating revenues	<u>152,507</u>	<u>50,057</u>	<u>202,095</u>	<u>204,676</u>	<u>609,335</u>
Operating expenses					
Personal services	19	9,857	15,295	5,046	30,217
Supplies and maintenance	-	-	113,894	2,599	116,493
Other services and charges	89,998	2,477	63,840	7,275	163,590
Purchased services	127,346	37,723	9,066	188,840	362,975
Total operating expenses	<u>217,363</u>	<u>50,057</u>	<u>202,095</u>	<u>203,760</u>	<u>673,275</u>
Operating income (loss)	(64,856)	-	-	916	(63,940)
Nonoperating revenues (expenses)					
Earnings (charges) on investments	<u>11,768</u>	<u>-</u>	<u>-</u>	<u>(29)</u>	<u>11,739</u>
Change in net position	(53,088)	-	-	887	(52,201)
Net position – beginning	<u>383,600</u>	<u>-</u>	<u>-</u>	<u>612</u>	<u>384,212</u>
Net position – ending	<u>\$ 330,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 332,011</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2019

	<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	\$ 152,507	\$ 50,057	\$ 202,095	\$ 204,676	\$ 609,335
Payments to suppliers	(138,531)	(39,771)	(191,430)	(203,847)	(573,579)
Payments to employees	(19)	(10,144)	(15,636)	(5,065)	(30,864)
Net cash flows from operating activities	<u>13,957</u>	<u>142</u>	<u>(4,971)</u>	<u>(4,236)</u>	<u>4,892</u>
Cash flows from investing activities					
Earnings (charges) on investments	<u>12,302</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>12,305</u>
Net change in cash and cash equivalents	26,259	142	(4,971)	(4,233)	17,197
Cash and cash equivalents – beginning	<u>382,146</u>	<u>2,537</u>	<u>22,266</u>	<u>8,719</u>	<u>415,668</u>
Cash and cash equivalents – ending	<u>\$ 408,405</u>	<u>\$ 2,679</u>	<u>\$ 17,295</u>	<u>\$ 4,486</u>	<u>\$ 432,865</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (64,856)	\$ —	\$ —	\$ 916	\$ (63,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Increase (decrease) in accounts payable	78,813	429	(10,577)	(578)	68,087
Increase (decrease) in salaries payable	—	(143)	(246)	(99)	(488)
Increase (decrease) in due to other governments	—	—	5,947	(4,555)	1,392
Increase (decrease) in compensated absences payable	—	(144)	(95)	80	(159)
Total adjustments	<u>78,813</u>	<u>142</u>	<u>(4,971)</u>	<u>(5,152)</u>	<u>68,832</u>
Net cash flows from operating activities	<u>\$ 13,957</u>	<u>\$ 142</u>	<u>\$ (4,971)</u>	<u>\$ (4,236)</u>	<u>\$ 4,892</u>

STATISTICAL SECTION (UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

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 CAFR 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			
	2010	2011	2012	2013
Governmental activities				
Investment in capital assets	\$ 16,341,354	\$ 17,498,478	\$ 17,167,531	\$ 17,435,976
Restricted	1,329,092	1,694,212	1,788,007	896,106
Unrestricted	9,008,528	9,133,279	9,738,832	10,274,835
Total governmental activities net position	<u>\$ 26,678,974</u>	<u>\$ 28,325,969</u>	<u>\$ 28,694,370</u>	<u>\$ 28,606,917</u>
Business-type activities				
Investment in capital assets	\$ 10,530,204	\$ 10,961,855	\$ 12,360,674	\$ 14,356,782
Unrestricted	2,621,579	3,248,534	2,403,645	1,158,470
Total business-type activities net position	<u>\$ 13,151,783</u>	<u>\$ 14,210,389</u>	<u>\$ 14,764,319</u>	<u>\$ 15,515,252</u>
Primary government				
Investment in capital assets	\$ 26,871,558	\$ 28,460,333	\$ 29,528,205	\$ 31,792,758
Restricted	1,329,092	1,694,212	1,788,007	896,106
Unrestricted	11,630,107	12,381,813	12,142,477	11,433,305
Total primary government net position	<u>\$ 39,830,757</u>	<u>\$ 42,536,358</u>	<u>\$ 43,458,689</u>	<u>\$ 44,122,169</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.

2014	2015	2016	2017	2018	2019
\$ 18,837,904	\$ 24,909,453	\$ 25,178,721	\$ 22,750,377	\$ 26,972,898	\$ 26,988,912
917,300	675,052	786,678	898,739	1,010,521	1,096,698
11,472,102	8,765,793	8,249,560	10,678,219	8,736,913	9,070,332
<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>	<u>\$ 37,155,942</u>
\$ 14,464,713	\$ 16,167,536	\$ 16,306,381	\$ 16,292,000	\$ 17,295,916	\$ 17,452,137
1,793,112	238,381	1,116,957	1,298,744	1,329,268	2,025,812
<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>	<u>\$ 19,477,949</u>
\$ 33,302,617	\$ 41,076,989	\$ 41,485,102	\$ 39,042,377	\$ 44,268,814	\$ 44,441,049
917,300	675,052	786,678	898,739	1,010,521	1,096,698
13,265,214	9,004,174	9,366,517	11,976,963	10,066,181	11,096,144
<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>	<u>\$ 56,633,891</u>

CITY OF ARDEN HILLS

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

	2010	2011	2012	Fiscal Year 2013
Expenses				
Governmental activities				
General government	\$ 1,232,225	\$ 1,199,609	\$ 1,186,404	\$ 1,133,379
Public safety	1,585,447	1,736,422	1,900,443	1,956,260
Public works	636,406	614,761	894,954	944,104
Parks and recreation	732,824	811,533	838,138	807,363
Economic development	3,311	6,862	61,770	403,143
Interest on long-term debt	46,470	39,146	31,287	25,767
Total governmental activities	<u>4,236,683</u>	<u>4,408,333</u>	<u>4,912,996</u>	<u>5,270,016</u>
Business-type activities				
Water	1,678,954	1,573,669	1,983,200	1,843,530
Sewer	1,367,429	1,454,302	1,595,379	1,560,796
Surface water management	321,693	353,330	388,406	453,727
Recycling	129,139	137,622	142,114	144,541
Total business-type activities	<u>3,497,215</u>	<u>3,518,923</u>	<u>4,109,099</u>	<u>4,002,594</u>
Total primary government	<u>\$ 7,733,898</u>	<u>\$ 7,927,256</u>	<u>\$ 9,022,095</u>	<u>\$ 9,272,610</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 271,972	\$ 353,224	\$ 377,621	\$ 338,546
Public safety	207,876	385,133	376,576	341,114
Public works	-	-	-	-
Parks and recreation	98,395	110,830	118,179	113,374
Operating grants and contributions	275,869	410,228	291,712	343,486
Capital grants and contributions	1,171,451	946,122	134,710	326,213
Total governmental activities	<u>2,025,563</u>	<u>2,205,537</u>	<u>1,298,798</u>	<u>1,462,733</u>
Business-type activities				
Charges for services				
Water	1,824,086	1,950,932	2,285,161	2,271,072
Sewer	1,574,493	1,852,364	1,739,123	1,798,889
Surface water management	518,672	531,845	567,361	639,747
Recycling	121,892	142,858	121,688	122,666
Operating grants and contributions	20,114	20,846	19,802	19,694
Capital grants and contributions	-	140,428	25,506	156,585
Total business-type activities	<u>4,059,257</u>	<u>4,639,273</u>	<u>4,758,641</u>	<u>5,008,653</u>
Total primary government	<u>\$ 6,084,820</u>	<u>\$ 6,844,810</u>	<u>\$ 6,057,439</u>	<u>\$ 6,471,386</u>

2014	2015	2016	2017	2018	2019
\$ 1,294,830	\$ 1,281,557	\$ 1,384,908	\$ 1,322,106	\$ 1,286,845	\$ 1,337,262
1,887,877	1,978,210	2,047,961	2,158,835	2,248,540	2,471,567
852,109	194,667	800,157	3,512,218	1,695,449	1,416,785
711,174	711,181	751,910	759,737	765,843	798,717
522,193	733,528	361,029	276,841	391,156	369,256
11,004	817	—	—	—	—
<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>	<u>6,393,587</u>
1,893,217	1,803,405	1,833,468	2,159,874	2,147,359	2,295,820
1,506,927	1,587,808	1,513,219	1,780,260	1,654,079	1,663,498
432,788	489,377	468,965	481,026	499,049	513,209
150,417	239,727	141,190	147,919	168,145	172,232
<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>4,644,759</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>	<u>\$ 11,038,346</u>
\$ 275,735	\$ 271,991	\$ 299,692	\$ 314,166	\$ 214,833	\$ 250,643
366,452	628,573	735,730	915,632	619,406	817,238
4,973	5,205	4,535	7,029	6,150	5,250
116,951	119,338	134,579	123,550	113,968	106,317
300,536	389,219	308,900	2,031,474	840,634	347,823
2,302,439	3,080,749	462,105	448,945	2,494,823	613,263
<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>	<u>2,140,534</u>
2,132,191	2,099,242	2,165,773	2,127,452	2,256,859	2,286,542
1,857,272	1,855,802	1,989,066	1,796,144	1,769,466	1,892,740
762,884	782,501	812,044	834,973	839,499	850,971
130,369	129,030	134,739	151,272	134,228	140,149
19,611	124,228	26,323	24,655	27,429	24,752
—	—	59,248	—	735,220	332,092
<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>5,527,246</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>	<u>\$ 7,667,780</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2010	2011	2012	2013
Net (expense) revenue				
Governmental activities	\$ (2,211,120)	\$ (2,202,796)	\$ (3,614,198)	\$ (3,807,283)
Business-type activities	562,042	1,120,350	649,542	1,006,059
Total primary government	<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>	<u>\$ (2,801,224)</u>
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 2,836,982	\$ 2,920,078	\$ 3,095,488	\$ 3,094,036
Tax increment collections	566,725	342,109	431,060	466,280
Franchise taxes	85,131	90,123	94,532	96,820
Unrestricted investment earnings	231,340	307,769	218,519	(168,071)
Gain on sale of capital assets	-	46,712	-	-
Transfers	143,000	143,000	143,000	230,765
Total governmental activities	<u>3,863,178</u>	<u>3,849,791</u>	<u>3,982,599</u>	<u>3,719,830</u>
Business-type activities				
Investment earnings	53,455	81,256	47,388	(24,361)
Transfers	(143,000)	(143,000)	(143,000)	(230,765)
Total business-type activities	<u>(89,545)</u>	<u>(61,744)</u>	<u>(95,612)</u>	<u>(255,126)</u>
Total primary government	<u>\$ 3,773,633</u>	<u>\$ 3,788,047</u>	<u>\$ 3,886,987</u>	<u>\$ 3,464,704</u>
Change in net position				
Governmental activities	\$ 1,652,058	\$ 1,646,995	\$ 368,401	\$ (87,453)
Business-type activities	472,497	1,058,606	553,930	750,933
Total primary government	<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>	<u>\$ 922,331</u>	<u>\$ 663,480</u>

2014	2015	2016	2017	2018	2019
\$ (1,912,101)	\$ (404,885)	\$ (3,400,424)	\$ (4,188,941)	\$ (2,098,019)	\$ (4,253,053)
918,978	870,486	1,230,351	365,417	1,294,069	882,487
<u>\$ (993,123)</u>	<u>\$ 465,601</u>	<u>\$ (2,170,073)</u>	<u>\$ (3,823,524)</u>	<u>\$ (803,950)</u>	<u>\$ (3,370,566)</u>
\$ 3,182,331	\$ 3,191,426	\$ 3,278,287	\$ 3,526,347	\$ 3,578,894	\$ 3,793,754
565,422	697,898	242,544	295,788	351,569	388,697
103,711	72,837	132,548	109,070	101,237	100,464
450,261	245,540	155,191	139,347	159,316	322,346
-	-	-	-	-	-
230,765	230,765	230,765	230,765	300,000	83,402
<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>	<u>4,688,663</u>
54,360	35,857	17,835	32,754	40,371	53,680
<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(300,000)</u>	<u>(83,402)</u>
<u>(176,405)</u>	<u>(194,908)</u>	<u>(212,930)</u>	<u>(198,011)</u>	<u>(259,629)</u>	<u>(29,722)</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>	<u>\$ 4,658,941</u>
\$ 2,620,389	\$ 4,033,581	\$ 638,911	\$ 112,376	\$ 2,392,997	\$ 435,610
742,573	675,578	1,017,421	167,406	1,034,440	852,765
<u>\$ 3,362,962</u>	<u>\$ 4,709,159</u>	<u>\$ 1,656,332</u>	<u>\$ 279,782</u>	<u>\$ 3,427,437</u>	<u>\$ 1,288,375</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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>
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
2019	3,793,754	388,697	100,464	4,282,915

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Reserved	\$ 32,587	\$ -	\$ -	\$ -
Unreserved	1,730,605	-	-	-
Nonspendable	-	29,063	22,326	22,754
Assigned	-	106,592	126,134	119,440
Unassigned	-	2,015,680	2,202,459	2,223,512
Total General Fund	<u>\$ 1,763,192</u>	<u>\$ 2,151,335</u>	<u>\$ 2,350,919</u>	<u>\$ 2,365,706</u>
All other governmental funds				
Reserved	\$ 1,331,259	\$ -	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	468,786	-	-	-
Capital project funds	7,212,442	-	-	-
Nonspendable	-	-	628	910
Restricted	-	1,696,379	1,799,380	888,707
Committed	-	264,016	452,496	421,989
Assigned	-	6,993,767	6,863,115	7,111,210
Unassigned	-	(542,821)	(303,339)	(134,316)
Total all other governmental funds	<u>\$ 9,012,487</u>	<u>\$ 8,411,341</u>	<u>\$ 8,812,280</u>	<u>\$ 8,288,500</u>

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

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
21,059	23,983	26,271	288,519	25,482	22,438
139,721	251,497	257,771	285,548	262,805	205,962
<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>2,987,183</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>	<u>\$ 3,215,583</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
395	845	214	664	214	214
917,300	675,052	786,678	898,739	1,010,521	1,096,484
471,161	449,898	450,433	471,996	508,241	580,243
7,346,178	3,902,898	3,872,938	6,138,393	2,873,879	4,057,047
<u>(150,893)</u>	<u>(216,521)</u>	<u>(217,607)</u>	<u>(439,147)</u>	<u>(189,404)</u>	<u>(227,892)</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>	<u>\$ 5,506,096</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Taxes				
General property tax	\$ 2,867,028	\$ 2,913,248	\$ 3,087,160	\$ 3,086,064
Tax increments	566,725	342,109	431,060	466,280
Special assessments	388,768	561,238	252,879	382,366
Licenses and permits	255,265	429,991	415,070	382,039
Intergovernmental	878,944	246,416	143,085	316,859
Charges for services	322,978	419,197	450,589	410,995
Fines and forfeits	27,013	29,593	33,192	32,055
Earnings on investments	231,340	296,249	215,119	(164,535)
Franchise taxes	85,131	90,123	94,532	96,820
Antenna rental fees	65,759	72,351	75,745	76,574
Miscellaneous reimbursements/Other	118,096	365,259	113,974	43,777
Total revenues	<u>5,807,047</u>	<u>5,765,774</u>	<u>5,312,405</u>	<u>5,129,294</u>
Expenditures				
Current				
General government	1,127,726	1,060,744	1,054,662	1,054,852
Public safety	1,561,046	1,640,801	1,728,669	1,779,549
Public works	322,793	273,165	377,101	391,711
Parks and recreation	605,210	661,746	679,282	675,073
Economic development	3,311	6,862	57,766	90,222
Capital outlay				
General government	108,575	684,492	8,847	9,545
Public safety	18,927	91,579	169,894	170,511
Public works	865,334	1,063,181	376,872	1,017,328
Parks and recreation	1,141,300	64,923	109,761	68,493
Economic development	-	-	5,330	328,248
Debt service				
Principal	235,000	245,000	255,000	260,000
Interest and paying agent fees	46,525	39,325	31,698	23,520
Total expenditures	<u>6,035,747</u>	<u>5,831,818</u>	<u>4,854,882</u>	<u>5,869,052</u>
Revenues over (under) expenditures	(228,700)	(66,044)	457,523	(739,758)
Other financing sources (uses)				
Sale of capital assets	-	46,712	-	-
Transfers in	719,791	143,000	143,000	230,765
Transfers out	<u>(576,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>143,000</u>	<u>189,712</u>	<u>143,000</u>	<u>230,765</u>
Net change in fund balances	<u>\$ (85,700)</u>	<u>\$ 123,668</u>	<u>\$ 600,523</u>	<u>\$ (508,993)</u>
Debt service as a percentage of noncapital expenditures	<u>7.12 %</u>	<u>6.99 %</u>	<u>6.21 %</u>	<u>5.82 %</u>

2014	2015	2016	2017	2018	2019
\$ 3,210,025	\$ 3,203,004	\$ 3,260,537	\$ 3,541,705	\$ 3,578,628	\$ 3,795,624
565,422	697,898	242,544	295,788	351,569	388,697
304,315	908,964	373,415	308,990	735,369	828,487
327,727	518,846	598,686	729,197	526,444	714,530
1,408,240	1,396,269	396,275	2,124,414	1,003,685	603,966
400,224	496,908	577,041	590,141	427,905	440,616
29,569	32,792	31,868	29,989	37,080	34,512
433,402	236,947	148,679	133,231	154,369	310,607
103,711	72,837	132,548	109,070	101,237	100,464
110,144	189,534	123,815	128,765	57,067	134,505
89,482	241,463	94,442	164,256	249,322	157,122
<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>	<u>7,509,130</u>
1,155,120	1,143,037	1,194,579	1,189,500	1,164,657	1,195,335
1,826,098	1,920,280	1,981,506	2,058,037	2,088,345	2,399,296
580,872	336,398	479,814	443,633	579,535	632,531
648,214	573,587	621,832	618,614	653,977	679,589
286,991	249,484	229,688	264,905	324,548	300,052
5,559	—	—	—	13,770	115,924
66,079	52,936	47,880	100,215	233,301	69,666
1,833,535	6,198,264	786,873	734,411	2,916,604	713,156
18,883	—	—	337,808	2,783,238	549,812
231,025	502,842	151,306	7,520	—	3,300
270,000	280,000	—	—	—	—
14,773	4,900	—	—	—	—
<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>	<u>6,658,661</u>
45,112	(3,266,266)	486,372	2,400,903	(3,535,300)	850,469
—	—	—	—	69,158	27,390
230,765	230,765	230,765	471,590	300,000	300,000
—	—	—	—	—	—
<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>471,590</u>	<u>369,158</u>	<u>327,390</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>\$ 1,177,859</u>
<u>5.73 %</u>	<u>6.20 %</u>	<u>— %</u>	<u>— %</u>	<u>— %</u>	<u>— %</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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		
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
2019	3,795,624	388,697	100,464	4,284,785

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>	<u>Less Fiscal Disparity Contribution</u>
2010	\$ 15,659,356	\$ 164,655	\$ 15,824,011	\$ 590,269	\$ 3,096,380
2011	14,606,183	178,841	14,785,024	531,415	2,921,351
2012	13,848,510	190,989	14,039,499	436,893	2,505,319
2013	13,262,619	213,949	13,476,568	438,897	2,474,502
2014	13,413,316	216,679	13,629,995	510,906	2,375,745
2015	14,162,432	224,125	14,386,557	684,465	2,303,582
2016	14,364,828	236,271	14,601,099	207,526	2,280,682
2017	14,671,678	262,904	14,934,582	256,243	2,365,021
2018	15,751,958	276,244	16,028,202	308,152	2,141,470
2019	16,457,522	256,847	16,714,369	345,318	2,174,854

Source: Ramsey County Assessor

Adjusted Tax Capacity (ATC) Value	Total Direct Tax Rate	Estimated Market Value (EMV)	ATC as a Percentage of EMV
\$ 12,137,362	22.67 %	\$1,171,068,100	1.04 %
11,332,258	24.19	1,109,327,600	1.02
11,097,287	25.54	1,043,419,700	1.06
10,563,169	27.93	1,035,471,700	1.02
10,743,344	27.95	1,055,153,800	1.02
11,398,510	27.29	1,122,428,000	1.02
12,112,891	26.54	1,144,221,600	1.06
12,313,318	27.21	1,173,397,600	1.05
13,578,580	25.53	1,260,228,800	1.08
14,194,197	25.56	1,313,244,900	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	
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
2019	25.555	52.879	26.330	8.265	113.029

(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).

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,082,940	1	7.63 %	\$ 1,799,250	1	14.82 %
Land O'Lakes, Inc.	563,520	2	3.97	390,146	3	3.21
Space Center Arden Hills, LLC	497,282	3	3.50	-	-	-
St. Paul Fire and Marine Insurance Company	456,080	4	3.21	-	-	-
Presbyterian Homes, Inc.	364,506	5	2.57	-	-	-
NSP	360,920	6	2.54	262,674	9	2.16
CSM Corporation	279,656	7	1.97	369,250	4	3.04
RAM Development, LLC	221,298	8	1.56	-	-	-
LSREF4 Bison, LLC	210,216	9	1.48	-	-	-
SUP I Shannon Square, LLC	197,812	10	1.39	-	-	-
Arden Hills Industrial, LLC	-	-	-	436,234	2	3.59
Inland Shannon Square Cub, LLC	-	-	-	363,602	5	3.00
IRET Properties, LP	-	-	-	359,250	6	2.96
Mutual Service Insurance Company	-	-	-	305,508	7	2.52
Pharmacia Deltec, Inc.	-	-	-	273,250	8	2.25
Northwoods, LLC	-	-	-	229,250	10	1.89
Total	<u>\$ 4,234,230</u>		<u>29.83 %</u>	<u>\$ 4,788,414</u>		<u>39.45 %</u>
Total capacity value	<u>\$ 14,194,197</u>			<u>\$ 12,137,362</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
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)	(12,416)	3,358,326	99.96
2016	3,478,775	3,408,642	97.98	(79,442)	(10,371)	3,477,713	99.97
2017	3,641,290	3,562,166	97.83	(66,924)	11,545	3,640,635	99.98
2018	3,786,942	3,710,786	97.99	(58,021)	14,720	3,783,527	99.91
2019	3,938,420	3,871,967	98.31	(55,679)	–	3,927,646	99.73

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			
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	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	2,415,000	156,952	2,571,952	2,571,952	0.71	260
2019	-	2,415,000	141,394	2,556,394	2,556,394	0.69	256

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt
as of December 31, 2019

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 94,028,237	2.46 %	\$ 2,315,110
County library	25,044,690	4.90	1,226,979
Independent School District No. 621	218,628,356	13.39	29,273,333
Independent School District No. 623	172,215,228	0.75	1,295,794
Intermediate School District No. 916	73,357,058	4.98	3,649,535
Metropolitan Council	1,363,814,945	0.36	4,924,569
Metropolitan Council	255,531	11.65	<u>29,772</u>
Total overlapping debt			42,715,092
City of Arden Hills	-	100.00	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 42,715,092</u></u>

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

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

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

CITY OF ARDEN HILLS

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Debt limit	\$ 35,132,043	\$ 33,279,828	\$ 31,302,591	\$ 31,064,151
Total net debt applicable to the limit	—	—	—	—
Legal debt margin	<u>\$ 35,132,043</u>	<u>\$ 33,279,828</u>	<u>\$ 31,302,591</u>	<u>\$ 31,064,151</u>
Total net debt applicable to the limit as a percentage of debt limit	—	—	—	—

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

2014	2015	2016	2017	2018	2019
\$ 31,654,614	\$ 33,672,840	\$ 34,326,648	\$ 35,201,928	\$ 37,806,864	\$ 39,397,347
-	-	-	-	-	-
<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>	<u>\$ 39,397,347</u>

- - - - -

Legal Debt Margin Calculation for Fiscal Year 2019

Total estimated market value	\$ 1,313,244,900
Debt limit (3% of market value)	39,397,347
Debt applicable to the limit	
General obligation bonds	-
Less amount set aside for repayment of general obligation debt	-
Total net debt applicable to the limit	<u>-</u>
Legal debt margin	<u>\$ 39,397,347</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
2019	4,179,282	3,387,940	791,342	-	75,745	10.4 %

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>
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	3.5
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	3.2
2018	9,889	36,553	361,472,617	36.3	11,647	2.7
2019	9,988	37,284	372,389,090	36.4	11,957	3.0

Sources:

- (1) Population data is obtained from the Metropolitan Council website. 2019 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. 2019 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.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ARDEN HILLS

Principal Employers
Current Year and Nine Years Ago

Employer	2019 (1)			2010 (2)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	3,200	1	29.2 %	2,000	1	16.1 %
Land O'Lakes, Inc.	1,565	2	14.3	800	2	6.5
University of Northwestern	1,020	3	9.3	–	–	–
Bethel University	930	4	8.5	–	–	–
Presbyterian Homes of Arden Hills	500	5	4.6	500	4	4.0
National Recoveries	350	6	3.2	–	–	–
Mounds View Public Schools	275	7	2.5	–	–	–
Gradient Financial	175	8	1.6	–	–	–
Delkor	160	9	1.5	–	–	–
International Paper	112	10	1.0	–	–	–
Country and MSI Insurance	–	–	–	300	6	2.4
Fair Isaac & Co.	–	–	–	500	3	4.0
Smiths Medical M.D., Inc.	–	–	–	500	5	4.0
Total	<u>8,287</u>		<u>75.7 %</u>	<u>4,600</u>		<u>37.0 %</u>
Total city employees	<u>10,969</u>			<u>12,402</u>		

(1) Total city employees is based on information available at the time of report issuance and is often on a one-year delay.

(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			
	2010	2011	2012	2013
Police (see note 2)				
Towed vehicles	2	3	7	2
Traffic accidents	138	96	140	149
Driving impaired/alcohol	9	13	15	23
Traffic stops	332	328	17	78
Traffic investigations	11	24	33	78
Total calls for service	N/A	N/A	N/A	N/A
Fire				
Number of calls answered	452	559	522	561
Highways and streets				
Street resurfacing (miles)	1.8	1.9	5.2	4.4
Potholes repaired	325	250	250	250
Sanitation (residential)				
Refuse collected (tons/day)	7.95	7.85	7.90	8.05
Recyclables collected (tons/day)	2.34	2.01	2.20	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	20	19	30
Water				
New connections	3	2	31	10
Water main breaks	7	2	12	6
Average daily consumption (thousands of gallons)	1,162	1,135	1,269	1,162

N/A – Not Applicable

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

2014	2015	2016	2017	2018	2019
1	N/A	N/A	N/A	N/A	N/A
144	N/A	N/A	N/A	N/A	N/A
18	N/A	N/A	N/A	N/A	N/A
20	N/A	N/A	N/A	N/A	N/A
40	N/A	N/A	N/A	N/A	N/A
N/A	4,892	4,413	5,152	5,331	5,253
651	804	930	986	1,039	1,138
–	2.84	0.25	0.20	1.00	0.30
250	600	600	700	800	750
8.65	8.76	8.75	8.80	N/A	N/A
2.21	2.16	2.06	2.22	2.17	2.20
N/A	N/A	N/A	N/A	2	2
N/A	N/A	N/A	N/A	73.7	44.8
22	22	22	30	25	20
2	7	8	8	6	1
2	10	6	7	8	4
983	857	812	853	869	841

CITY OF ARDEN HILLS

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

Function	Fiscal Year			
	2010	2011	2012	2013
General government	7.30	6.79	6.12	6.11
Public safety				
General public safety	2.68	2.73	2.66	2.46
Highways and streets				
General highways and streets	2.23	2.40	3.53	4.49
Parks and recreation	8.09	8.10	7.43	7.02
Water	3.00	3.51	3.56	3.70
Sewer	3.74	4.30	4.25	4.49
Recycling	0.16	0.20	0.21	0.20
Surface water management	1.63	2.24	2.61	2.66
Total	<u>28.83</u>	<u>30.27</u>	<u>30.37</u>	<u>31.13</u>

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

2014	2015	2016	2017	2018	2019
6.45	6.37	4.56	4.10	4.61	5.10
2.60	2.70	2.47	2.19	2.39	2.34
4.20	4.22	3.47	2.70	3.08	2.86
6.70	6.74	6.09	5.58	5.96	6.13
3.75	3.69	3.46	3.42	3.24	3.39
4.60	4.43	4.24	4.21	3.99	4.11
0.20	0.18	0.16	0.15	0.23	0.32
2.65	2.64	2.64	2.43	2.30	2.35
<u>31.15</u>	<u>30.97</u>	<u>27.09</u>	<u>24.78</u>	<u>25.80</u>	<u>26.60</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2010	2011	2012	2013
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	54	54	54	54
Trails (miles)	15	15	15	15
Tennis courts	4	4	4	5
Softball/baseball fields	6	6	6	8
Basketball courts	10	10	10	10
Hockey/skating rinks	5	5	5	6
Permanent restrooms	3	3	3	2
Water				
Water mains (miles)	43	43	43	43
Fire hydrants	520	520	520	537
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500
Sewer				
Sanitary sewers (miles)	44	44	44	49
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

2014	2015	2016	2017	2018	2019
57	57	57	57	57	57
250	250	250	252	252	254
18	18	18	18	18	18
111	111	111	111	111	111
14	14	14	14	14	14
54	54	54	54	54	54
21	21	21	21	22	22
6	6	5	5	5	5
8	8	8	7	7	7
10	10	10	10	10	10
6	6	6	6	6	6
3	3	3	3	3	4
43	43	43	43	44	44
537	537	537	537	537	537
1,500	1,500	1,500	1,500	1,500	2,160
52	52	52	52	52	52
25	25	25	25	25	25

THIS PAGE INTENTIONALLY LEFT BLANK