

CITY OF



ARDEN HILLS

ARDEN HILLS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report
Year Ended
December 31, 2020

FINANCE DEPARTMENT

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CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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INTRODUCTORY SECTION



May 3, 2021

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, 2020.

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, 2020. The independent auditor’s report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1951, is a northern suburb of the Minneapolis/St. Paul metropolitan area, situated in Ramsey County. The City occupies 9.65 square miles and serves an estimated population of 10,108. 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, community information (newsletter), and general government buildings. The City contracts with Ramsey County for police services, Lake Johanna Fire Department for fire services, and Metro-INET for information 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. Governmental funds with annually adopted budgets include the General Fund and most special revenue funds. EDA TIF District No. 5 was established in 2019, but the project has not yet moved forward; thus, there is no legally adopted budget for this fund. A budget was not legally adopted for the two special revenue funds new to the City in the current year.

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

LOCAL ECONOMY

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

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past 10 years, the unemployment rate has fluctuated from a high of 6.6 percent in 2011, to a recent low of 2.7 percent in 2018. The current rate of 6.5 percent is primarily due to the novel coronavirus and associated impacts of a global pandemic.

During the past 10 years, property taxes have remained a stable and significant source of total General Fund and special revenue fund revenues. Intergovernmental makes up approximately 3 percent of total revenues in the General Fund and special revenue funds for the current fiscal year, excluding coronavirus relief funds.

LONG-TERM FINANCIAL PLANNING

The unassigned General Fund balance of \$3,155,257 (60.5 percent of total subsequent year General Fund expenditures budgeted) meets the 50.0 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance also includes \$28,782 of nonspendable equity for prepaid items, \$105,747 of assigned equity for compensated absences, and \$90,720 assigned equity for the 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 status of the development is on hold due to litigation brought by Ramsey County against the City, 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. City representatives are working hard to ensure they capture sufficient tax revenues from the property to cover any increased costs due to the development. 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 for the fiscal year ended December 31, 2019. This is the 14th 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 Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated 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, 2019

Christopher P. Morill

Executive Director/CEO

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

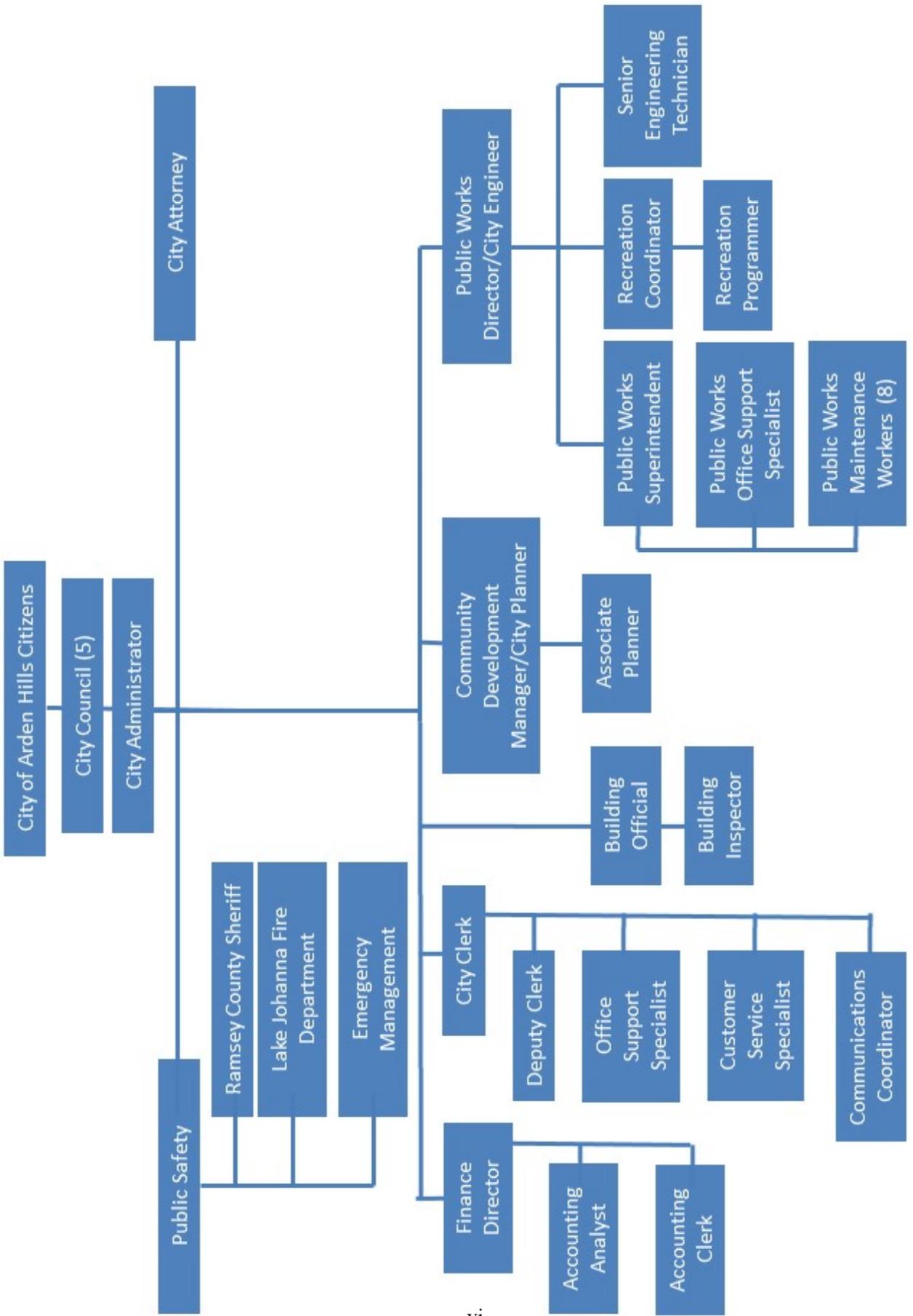
City Council and Appointed Officials
December 31, 2020

CITY COUNCIL

		<u>Term Expires</u>
David Grant	Mayor	December 31, 2022
Brenda Holden	Councilmember	December 31, 2024
Fran Holmes	Councilmember	December 31, 2022
Dave McClung	Councilmember	December 31, 2024
Steve Scott	Councilmember	December 31, 2022

APPOINTED OFFICIALS

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



FINANCIAL SECTION



PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
May 3, 2021

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CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2020

As the management of the City of Arden Hills, Minnesota (the City), we offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. 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 \$58,339,467 (*net position*). Of this amount, \$13,534,699 (*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 \$1,705,576 in 2020.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,673,430. Of this total amount, \$32,462 is nonspendable and \$1,137,740 is restricted, leaving an unrestricted (committed, assigned, and unassigned) balance of \$9,503,228.
- At the end of the current fiscal year, the General Fund has a total fund balance of \$3,380,506. At December 31, 2020, the unassigned fund balance of the General Fund was \$3,155,257, or 60.5 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 Comprehensive Annual Financial Report 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 \$58,339,467 at December 31, 2020.

The largest portion of the City's net position, \$43,667,028, or 74.8 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 is 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	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 15,458,034	\$ 12,945,479	\$ 3,831,773	\$ 3,151,779	\$ 19,289,807	\$ 16,097,258
Capital assets	26,418,066	26,988,912	19,589,800	20,008,531	46,007,866	46,997,443
Total assets	<u>\$ 41,876,100</u>	<u>\$ 39,934,391</u>	<u>\$ 23,421,573</u>	<u>\$ 23,160,310</u>	<u>\$ 65,297,673</u>	<u>\$ 63,094,701</u>
Deferred outflows of resources						
Pension plan deferments – PERA	\$ 125,948	\$ 56,374	\$ 81,715	\$ 39,435	\$ 207,663	\$ 95,809
Liabilities						
Long-term liabilities outstanding	\$ 982,605	\$ 795,864	\$ 2,986,238	\$ 3,104,472	\$ 3,968,843	\$ 3,900,336
Other liabilities	1,658,408	1,847,726	237,965	483,552	1,896,373	2,331,278
Total liabilities	<u>\$ 2,641,013</u>	<u>\$ 2,643,590</u>	<u>\$ 3,224,203</u>	<u>\$ 3,588,024</u>	<u>\$ 5,865,216</u>	<u>\$ 6,231,614</u>
Deferred inflows of resources						
Pension plan deferments – PERA	\$ 45,668	\$ 191,233	\$ 29,630	\$ 133,772	\$ 75,298	\$ 325,005
State aid received for subsequent years	1,225,355	–	–	–	1,225,355	–
Total deferred inflows of resources	<u>\$ 1,271,023</u>	<u>\$ 191,233</u>	<u>\$ 29,630</u>	<u>\$ 133,772</u>	<u>\$ 1,300,653</u>	<u>\$ 325,005</u>
Net position						
Net investment in capital assets	\$ 26,418,066	\$ 26,988,912	\$ 17,248,962	\$ 17,452,137	\$ 43,667,028	\$ 44,441,049
Restricted	1,137,740	1,096,698	–	–	1,137,740	1,096,698
Unrestricted	10,534,206	9,070,332	3,000,493	2,025,812	13,534,699	11,096,144
Total net position	<u>\$ 38,090,012</u>	<u>\$ 37,155,942</u>	<u>\$ 20,249,455</u>	<u>\$ 19,477,949</u>	<u>\$ 58,339,467</u>	<u>\$ 56,633,891</u>

Restricted net position of \$1,137,740 comprises 2.0 percent of net position at the close of the fiscal year ended December 31, 2020. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$13,534,699, or approximately 23.2 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

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

Both governmental activities and business-type activities experienced changes in deferred outflows of resources, deferred inflows of resources, and long-term liabilities as a result of the City's participation in a state-wide defined benefit pension plan. The City reported an increase in current and other assets and deferred inflows of resources with the receipt of state aid funding with an entitlement applicable to future funding periods.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2020, with comparative amounts for the year ended December 31, 2019:

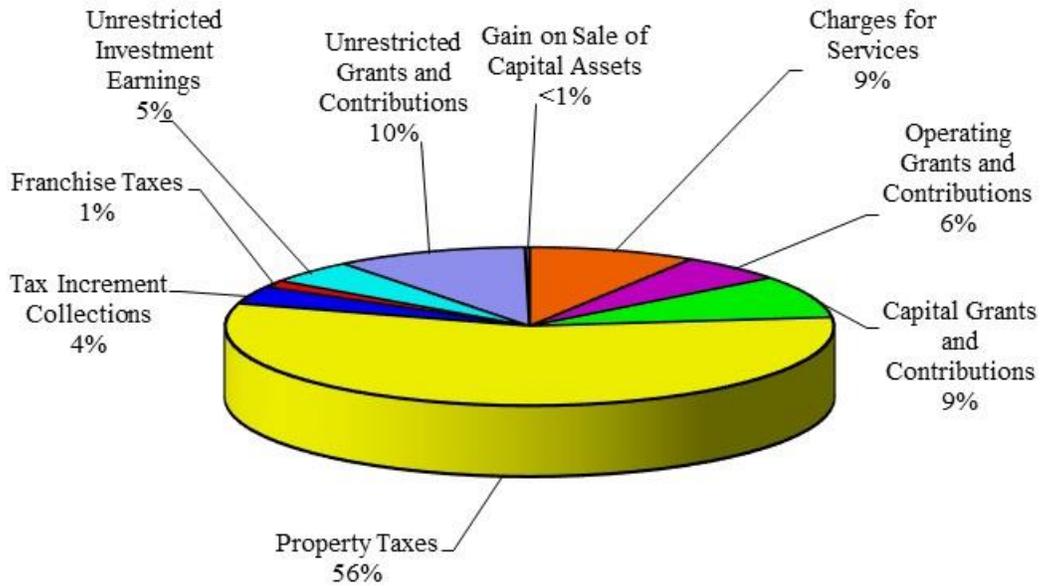
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 647,552	\$ 1,179,448	\$ 5,201,133	\$ 5,170,402	\$ 5,848,685	\$ 6,349,850
Operating grants and contributions	409,403	347,823	25,365	24,752	434,768	372,575
Capital grants and contributions	634,369	613,263	60,661	332,092	695,030	945,355
General revenues						
Property taxes	4,100,177	3,793,754	-	-	4,100,177	3,793,754
Tax increment collections	273,043	388,697	-	-	273,043	388,697
Franchise taxes	101,057	100,464	-	-	101,057	100,464
Unrestricted grants and contributions	745,040	-	-	-	745,040	-
Unrestricted investment earnings	348,886	322,346	68,781	53,680	417,667	376,026
Gain on sale of capital assets	17,500	-	-	-	17,500	-
Total revenues	<u>7,277,027</u>	<u>6,745,795</u>	<u>5,355,940</u>	<u>5,580,926</u>	<u>12,632,967</u>	<u>12,326,721</u>
Expenses						
General government	1,460,627	1,337,262	-	-	1,460,627	1,337,262
Public safety	2,737,348	2,471,567	-	-	2,737,348	2,471,567
Public works	1,267,480	1,416,785	-	-	1,267,480	1,416,785
Parks and recreation	634,195	798,717	-	-	634,195	798,717
Economic development	480,307	369,256	-	-	480,307	369,256
Water	-	-	1,996,083	2,295,820	1,996,083	2,295,820
Sewer	-	-	1,665,146	1,663,498	1,665,146	1,663,498
Surface water management	-	-	546,365	513,209	546,365	513,209
Recycling	-	-	139,840	172,232	139,840	172,232
Total expenses	<u>6,579,957</u>	<u>6,393,587</u>	<u>4,347,434</u>	<u>4,644,759</u>	<u>10,927,391</u>	<u>11,038,346</u>
Increase (decrease) in net position before transfers	697,070	352,208	1,008,506	936,167	1,705,576	1,288,375
Transfers	237,000	83,402	(237,000)	(83,402)	-	-
Increase in net position	934,070	435,610	771,506	852,765	1,705,576	1,288,375
Net position – beginning	<u>37,155,942</u>	<u>36,720,332</u>	<u>19,477,949</u>	<u>18,625,184</u>	<u>56,633,891</u>	<u>55,345,516</u>
Net position – ending	<u>\$ 38,090,012</u>	<u>\$ 37,155,942</u>	<u>\$ 20,249,455</u>	<u>\$ 19,477,949</u>	<u>\$ 58,339,467</u>	<u>\$ 56,633,891</u>

Governmental Activities – Current year operating results of governmental activities increased net position by \$934,070, compared to an increase of \$435,610 in the prior year. The change from the prior year was mainly due to an increase in unrestricted grants and contributions. The City recognized more unrestricted grants and contributions with coronavirus relief funds received in the current year for COVID-19-related expenses.

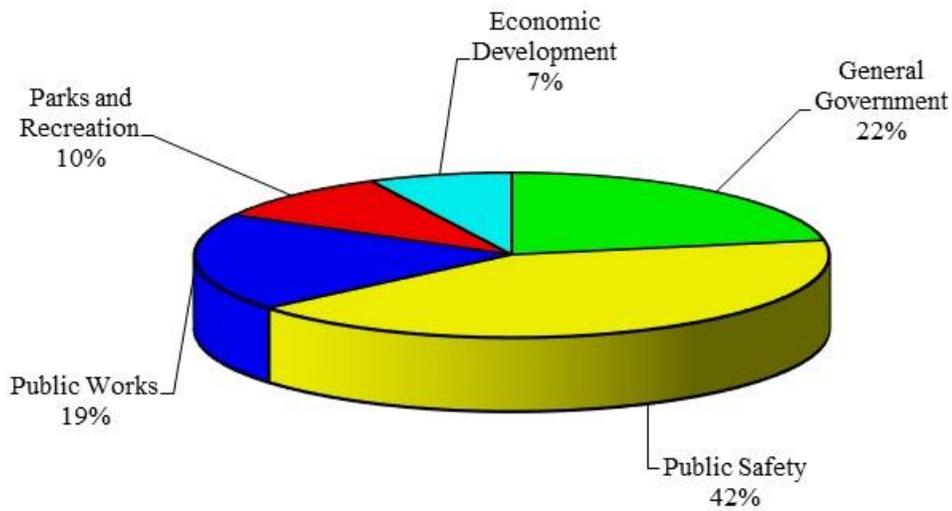
Business-Type Activities – Current year operating results of business-type activities increased net position by \$771,506, due to positive results of the utility operations of the City. Program revenues exceeded program expenses for each of the City’s business-type activities.

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

Governmental Activities – Revenue

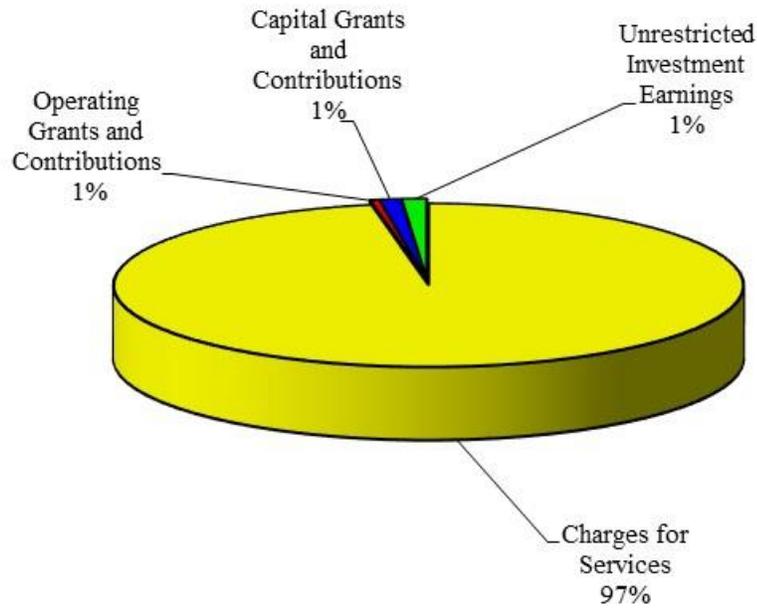


Governmental Activities – Expenses

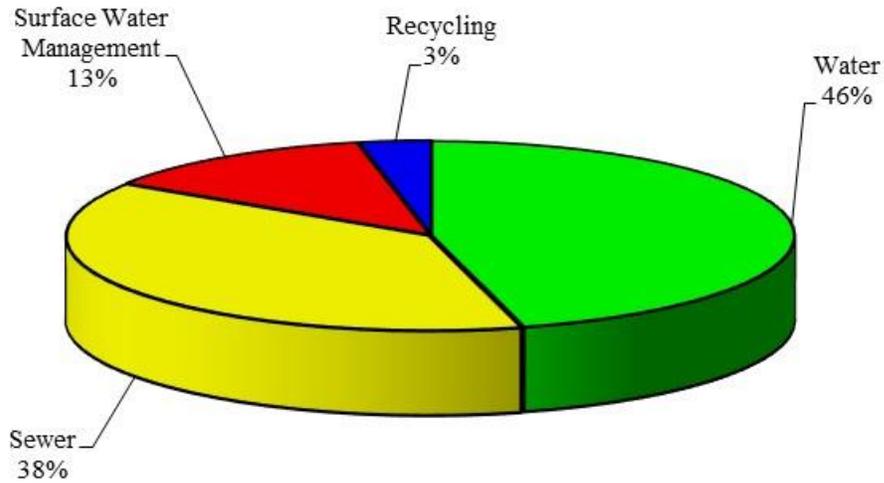


Below are specific graphs that provide comparisons of the business-type activities' revenue and expenses:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,673,430, an increase of \$1,951,751 in comparison with the prior year. Committed, assigned, and unassigned fund balance, which are available for spending at the government's discretion, have a total balance of \$9,503,228 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 (\$1,021,370), 2) for cable TV purposes (\$116,370), or 3) is not in spendable form for prepaid items (\$32,462).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,155,257, while total fund balance equaled \$3,380,506. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to expenditures. Unassigned fund balance represents 60.5 percent of the total subsequent year General Fund expenditures.

The City's General Fund equity increased by \$164,923 during the current fiscal year, compared to a \$612,740 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, materials and supplies, and other services and charges. Conservative budgeting for less predictable sources, such as earnings on investments and reimbursements, contributed to the favorable revenue variance. The City also recognized \$419,614 in federal coronavirus relief funds that were not anticipated in the budget.

Fund balance in the Permanent Improvement Revolving Fund increased by \$1,165,868 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: \$1,528,912 for water, \$926,628 for sewer, \$402,958 for surface water management, and \$141,995 for recycling. Water net position increased \$296,717, sewer net position increased \$185,370, surface water management net position increased \$265,624, and recycling net position increased \$23,795 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$332,821 more than estimated in the budget. Intergovernmental revenue exceeded budgeted levels by \$477,752, primarily due to the receipt of federal coronavirus relief funds as previously discussed. An unfavorable variance in charges and services, largely due to the COVID-19 pandemic, partially offset the variance in intergovernmental revenue sources. Expenditures within the General Fund were less than budget by \$444,842 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 increasing expenditures and transfers out by \$491,150. The largest change was approving \$478,000 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, 2020 amounts to \$46,007,866 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818	\$ 2,679,818
Construction in progress	429,828	5,137,764	381,935	3,193,168	811,763	8,330,932
Buildings and structures	3,688,414	3,526,203	580,147	621,690	4,268,561	4,147,893
Infrastructure and improvements	18,198,967	14,054,209	–	–	18,198,967	14,054,209
Distribution and collection systems	–	–	18,298,005	15,931,197	18,298,005	15,931,197
Machinery and equipment	279,004	344,129	329,713	262,476	608,717	606,605
Office furniture and equipment	20,639	31,416	–	–	20,639	31,416
Vehicles	1,121,396	1,215,373	–	–	1,121,396	1,215,373
Total	<u>\$ 26,418,066</u>	<u>\$ 26,988,912</u>	<u>\$ 19,589,800</u>	<u>\$ 20,008,531</u>	<u>\$ 46,007,866</u>	<u>\$ 46,997,443</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.

The City finalized several larger projects in the current year, which reduced construction in progress, while increasing specific capital asset categories listed in the table above.

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 \$2,215,000, which is secured by specified revenue sources.

**Table 4
Outstanding Debt
Summary of Long-Term Debt**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Utility revenue bonds	\$ –	\$ –	\$ 2,215,000	\$ 2,415,000	\$ 2,215,000	\$ 2,415,000
Premium	–	–	125,838	141,394	125,838	141,394
Compensated absences	106,271	86,680	76,829	51,988	183,100	138,668
Net pension liability	876,334	709,184	568,571	496,090	1,444,905	1,205,274
Total	\$ 982,605	\$ 795,864	\$ 2,986,238	\$ 3,104,472	\$ 3,968,843	\$ 3,900,336

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 increased from the prior year, due to 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 2020 level.
- The COVID-19 pandemic continues to cause volatility in economic conditions and tremendous disruption in the way governments, businesses, and individuals function. The ongoing extent of the negative impact on the economy and city operations is unknown at this time.

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report 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

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CITY OF ARDEN HILLS

Statement of Net Position
as of December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 13,557,636	\$ 2,490,447	\$ 16,048,083
Accrued interest receivable	36,554	6,824	43,378
Accounts receivable	449,643	1,298,664	1,748,307
Taxes receivable	93,628	-	93,628
Special assessments receivable	1,274,318	-	1,274,318
Due from other governmental units	13,793	5,523	19,316
Prepaid items	32,462	20,898	53,360
Inventory	-	9,417	9,417
Capital assets			
Nondepreciable	3,109,646	381,935	3,491,581
Depreciable, net of accumulated depreciation	23,308,420	19,207,865	42,516,285
Total assets	<u>41,876,100</u>	<u>23,421,573</u>	<u>65,297,673</u>
Deferred outflows of resources			
Pension plan deferments – PERA	125,948	81,715	207,663
Liabilities			
Accounts payable	621,102	38,870	659,972
Salaries payable	75,638	-	75,638
Deposits payable	518,460	-	518,460
Due to other governmental units	385,575	164,511	550,086
Accrued interest payable	-	34,584	34,584
Unearned revenue	57,633	-	57,633
Long-term liabilities (bonds and compensated absences)			
Due within one year	79,704	267,622	347,326
Due in more than one year	26,567	2,150,045	2,176,612
Net pension liability			
Due in more than one year	876,334	568,571	1,444,905
Total liabilities	<u>2,641,013</u>	<u>3,224,203</u>	<u>5,865,216</u>
Deferred inflows of resources			
Pension plan deferments – PERA	45,668	29,630	75,298
State aid received for subsequent years	1,225,355	-	1,225,355
Total deferred inflows of resources	<u>1,271,023</u>	<u>29,630</u>	<u>1,300,653</u>
Net position			
Net investment in capital assets	26,418,066	17,248,962	43,667,028
Restricted for			
Tax increment purposes	1,021,370	-	1,021,370
Cable TV	116,370	-	116,370
Unrestricted	10,534,206	3,000,493	13,534,699
Total net position	<u>\$ 38,090,012</u>	<u>\$ 20,249,455</u>	<u>\$ 58,339,467</u>

CITY OF ARDEN HILLS

Statement of Activities
Year Ended December 31, 2020

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	\$ 1,460,627	\$ 198,708	\$ 144,998	\$ 286	\$ (1,116,635)	\$ -	\$ (1,116,635)
Public safety	2,737,348	431,830	135,564	18,252	(2,151,702)	-	(2,151,702)
Public works	1,267,480	3,900	105,621	384,920	(773,039)	-	(773,039)
Parks and recreation	634,195	13,114	23,220	230,911	(366,950)	-	(366,950)
Economic development	480,307	-	-	-	(480,307)	-	(480,307)
Total governmental activities	6,579,957	647,552	409,403	634,369	(4,888,633)	-	(4,888,633)
Business-type activities							
Water	1,996,083	2,316,891	528	36,895	-	358,231	358,231
Sewer	1,665,146	1,870,850	603	23,766	-	230,073	230,073
Surface water management	546,365	876,527	392	-	-	330,554	330,554
Recycling	139,840	136,865	23,842	-	-	20,867	20,867
Total business-type activities	4,347,434	5,201,133	25,365	60,661	-	939,725	939,725
Total primary government	<u>\$ 10,927,391</u>	<u>\$ 5,848,685</u>	<u>\$ 434,768</u>	<u>\$ 695,030</u>	(4,888,633)	939,725	(3,948,908)
General revenues							
Property taxes					4,100,177	-	4,100,177
Tax increment collections					273,043	-	273,043
Franchise taxes					101,057	-	101,057
Unrestricted grants and contributions					745,040	-	745,040
Unrestricted investment earnings					348,886	68,781	417,667
Gain on sale of capital assets					17,500	-	17,500
Transfers					237,000	(237,000)	-
Total general revenues and transfers					<u>5,822,703</u>	<u>(168,219)</u>	<u>5,654,484</u>
Change in net position					934,070	771,506	1,705,576
Net position – beginning					37,155,942	19,477,949	56,633,891
Net position – ending					<u>\$ 38,090,012</u>	<u>\$ 20,249,455</u>	<u>\$ 58,339,467</u>

CITY OF ARDEN HILLS

Balance Sheet
Governmental Funds
as of December 31, 2020

	General	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Assets					
Cash and investments	\$ 4,032,832	\$ 6,399,348	\$ 2,672,568	\$ -	\$ 13,104,748
Accrued interest receivable	10,757	17,415	7,224	-	35,396
Accounts receivable	10,962	400,000	30,297	-	441,259
Taxes receivable	90,406	-	3,222	-	93,628
Special assessments receivable	8,142	1,266,176	-	-	1,274,318
Interfund receivable	-	194,879	35,222	(230,101)	-
Due from other governmental units	13,793	-	-	-	13,793
Prepaid items	28,782	-	3,680	-	32,462
Total assets	\$ 4,195,674	\$ 8,277,818	\$ 2,752,213	\$ (230,101)	\$ 14,995,604
Liabilities					
Accounts payable	\$ 78,664	\$ 166,366	\$ 144,960	\$ -	\$ 389,990
Salaries payable	75,638	-	-	-	75,638
Deposits payable	518,460	-	-	-	518,460
Interfund payable	-	-	230,101	(230,101)	-
Due to other governmental units	46,531	317,947	9,476	-	373,954
Unearned revenue	57,633	-	-	-	57,633
Total liabilities	776,926	484,313	384,537	(230,101)	1,415,675
Deferred inflows of resources					
Unavailable revenue – taxes	30,100	-	3,222	-	33,322
Unavailable revenue – special assessments	8,142	1,239,680	-	-	1,247,822
Unavailable revenue – long-term receivable	-	400,000	-	-	400,000
State aid received for subsequent years	-	1,225,355	-	-	1,225,355
Total deferred inflows of resources	38,242	2,865,035	3,222	-	2,906,499
Fund balances (deficits)					
Nonspendable	28,782	-	3,680	-	32,462
Restricted	-	-	1,137,740	-	1,137,740
Committed	-	-	619,013	-	619,013
Assigned	196,467	4,928,470	834,122	-	5,959,059
Unassigned	3,155,257	-	(230,101)	-	2,925,156
Total fund balances (deficits)	3,380,506	4,928,470	2,364,454	-	10,673,430
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,195,674	\$ 8,277,818	\$ 2,752,213	\$ (230,101)	\$ 14,995,604
Fund balances reported above					\$ 10,673,430
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					3,109,646
Depreciable					23,308,420
Internal service funds are used to allocate costs to individual funds. Net position is included in governmental activities in the Statement of Net Position.					
					219,173
Certain long-term obligations are not payable with current financial resources and, therefore, are not reported in governmental funds.					
Compensated absences					(105,747)
Net pension liability					(876,334)
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					125,948
Deferred inflows of resources – pension plans					(45,668)
Deferred inflows of resources – unavailable revenues (taxes, special assessments, and long-term receivable)					1,681,144
Net position of governmental activities					<u>\$ 38,090,012</u>

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2020

	General	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Revenues					
Taxes					
General property taxes	\$ 3,629,819	\$ 250,000	\$ 220,000	\$ -	\$ 4,099,819
Tax increments	-	-	273,043	-	273,043
Special assessments	4,758	325,023	-	-	329,781
Licenses and permits	431,628	-	-	-	431,628
Intergovernmental	629,432	316,394	285,426	-	1,231,252
Charges for services	215,918	-	-	-	215,918
Fines and forfeits	13,581	-	-	-	13,581
Earnings on investments	101,743	172,701	64,000	-	338,444
Franchise taxes	-	-	101,057	-	101,057
Antenna rental fees	140,707	-	-	-	140,707
Miscellaneous reimbursements	57,630	-	-	-	57,630
Other	4,325	100,000	270,163	-	374,488
Total revenues	<u>5,229,541</u>	<u>1,164,118</u>	<u>1,213,689</u>	<u>-</u>	<u>7,607,348</u>
Expenditures					
Current					
General government	927,319	-	273,824	-	1,201,143
Public safety	2,435,773	-	-	-	2,435,773
Public works	675,739	-	-	-	675,739
Parks and recreation	547,787	-	-	-	547,787
Economic development	-	-	415,839	-	415,839
Capital outlay					
General government	-	-	107,865	-	107,865
Public safety	-	-	299,107	-	299,107
Public works	-	112,575	91,594	-	204,169
Parks and recreation	-	22,675	-	-	22,675
Total expenditures	<u>4,586,618</u>	<u>135,250</u>	<u>1,188,229</u>	<u>-</u>	<u>5,910,097</u>
Revenues over (under) expenditures	642,923	1,028,868	25,460	-	1,697,251
Other financing sources (uses)					
Sale of capital assets	-	-	17,500	-	17,500
Transfers in	-	137,000	578,000	(478,000)	237,000
Transfers out	(478,000)	-	-	478,000	-
Total other financing sources (uses)	<u>(478,000)</u>	<u>137,000</u>	<u>595,500</u>	<u>-</u>	<u>254,500</u>
Net changes in fund balances	164,923	1,165,868	620,960	-	1,951,751
Fund balances – beginning	<u>3,215,583</u>	<u>3,762,602</u>	<u>1,743,494</u>	<u>-</u>	<u>8,721,679</u>
Fund balances – ending	<u>\$ 3,380,506</u>	<u>\$ 4,928,470</u>	<u>\$ 2,364,454</u>	<u>\$ -</u>	<u>\$ 10,673,430</u>

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CITY OF ARDEN HILLS

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2020

Net changes in fund balances – total governmental funds	\$ 1,951,751
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	326,525
Depreciation expense	(897,371)
Adjustments are made between the governmental funds and the Statement of Activities for the long-term liability activity of the net pension liability.	(167,150)
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	69,574
Deferred inflows of resources – pension plans	145,565
Deferred inflows of resources – unavailable revenues	(360,611)
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.	(112,838)
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>(21,375)</u>
Change in net position of governmental activities	<u><u>\$ 934,070</u></u>

CITY OF ARDEN HILLS

Statement of Net Position
Proprietary Funds
as of December 31, 2020

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Assets						
Current assets						
Cash and investments	\$ 1,352,952	\$ 667,739	\$ 321,802	\$ 147,954	\$ 2,490,447	\$ 452,888
Accrued interest receivable	3,687	1,833	909	395	6,824	1,158
Accounts receivable						
Customers	522,646	478,430	223,235	–	1,224,311	8,384
Customer accounts certified to county	30,431	34,497	5,118	4,307	74,353	–
Due from other governmental units	5,523	–	–	–	5,523	–
Prepaid items	6,628	7,642	6,628	–	20,898	–
Inventory	9,417	–	–	–	9,417	–
Total current assets	<u>1,931,284</u>	<u>1,190,141</u>	<u>557,692</u>	<u>152,656</u>	<u>3,831,773</u>	<u>462,430</u>
Noncurrent assets						
Capital assets						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	12,760,264	9,807,900	5,395,646	–	27,963,810	–
Machinery and equipment	301,955	338,598	745	–	641,298	–
Office furniture and equipment	5,216	3,199	–	–	8,415	–
Construction in progress	86,417	151,480	144,038	–	381,935	–
Total capital assets	<u>13,972,328</u>	<u>10,317,741</u>	<u>5,540,429</u>	<u>–</u>	<u>29,830,498</u>	<u>–</u>
Less accumulated depreciation	<u>(4,952,454)</u>	<u>(4,329,270)</u>	<u>(958,974)</u>	<u>–</u>	<u>(10,240,698)</u>	<u>–</u>
Total capital assets (net of accumulated depreciation)	<u>9,019,874</u>	<u>5,988,471</u>	<u>4,581,455</u>	<u>–</u>	<u>19,589,800</u>	<u>–</u>
Total assets	<u>10,951,158</u>	<u>7,178,612</u>	<u>5,139,147</u>	<u>152,656</u>	<u>23,421,573</u>	<u>462,430</u>
Deferred outflows of resources						
Pension plan deferments – PERA	28,346	32,333	21,036	–	81,715	–
Liabilities						
Current liabilities						
Accounts payable	20,453	8,194	1,969	8,254	38,870	231,112
Due to other governmental units	147,116	17,395	–	–	164,511	11,621
Accrued interest payable	29,896	4,688	–	–	34,584	–
Bonds payable	180,000	30,000	–	–	210,000	–
Compensated absences payable	19,309	21,655	14,853	1,805	57,622	393
Total current liabilities	<u>396,774</u>	<u>81,932</u>	<u>16,822</u>	<u>10,059</u>	<u>505,587</u>	<u>243,126</u>
Noncurrent liabilities						
Bonds payable	1,843,858	286,980	–	–	2,130,838	–
Compensated absences payable	6,436	7,218	4,951	602	19,207	131
Net pension liability	197,230	224,972	146,369	–	568,571	–
Total noncurrent liabilities	<u>2,047,524</u>	<u>519,170</u>	<u>151,320</u>	<u>602</u>	<u>2,718,616</u>	<u>131</u>
Total liabilities	<u>2,444,298</u>	<u>601,102</u>	<u>168,142</u>	<u>10,661</u>	<u>3,224,203</u>	<u>243,257</u>
Deferred inflows of resources						
Pension plan deferments – PERA	10,278	11,724	7,628	–	29,630	–
Net position						
Net investment in capital assets	6,996,016	5,671,491	4,581,455	–	17,248,962	–
Unrestricted	1,528,912	926,628	402,958	141,995	3,000,493	219,173
Total net position	<u>\$ 8,524,928</u>	<u>\$ 6,598,119</u>	<u>\$ 4,984,413</u>	<u>\$ 141,995</u>	<u>\$ 20,249,455</u>	<u>\$ 219,173</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, 2020

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,316,044	\$ 1,867,371	\$ 876,148	\$ 136,573	\$ 5,196,136	\$ 505,708
Permit fees	–	915	–	–	915	–
Miscellaneous	847	2,564	379	292	4,082	25,346
Total operating revenues	<u>2,316,891</u>	<u>1,870,850</u>	<u>876,527</u>	<u>136,865</u>	<u>5,201,133</u>	<u>531,054</u>
Operating expenses						
Personal services	336,739	398,951	234,579	29,965	1,000,234	5,568
Supplies and maintenance	28,437	14,781	6,567	–	49,785	101,557
Other services and charges	217,553	140,939	169,504	4,717	532,713	254,140
Rent	29,729	28,757	12,781	–	71,267	–
Insurance	22,594	46,008	4,297	386	73,285	–
Utilities	11,756	17,295	–	–	29,051	–
Purchased services	46,379	11,457	11,338	6,176	75,350	293,069
Purchased water	925,984	–	–	–	925,984	–
Recycling charges	–	–	–	98,596	98,596	–
Sewer charges	–	808,265	–	–	808,265	–
Depreciation	318,037	189,459	107,299	–	614,795	–
Total operating expenses	<u>1,937,208</u>	<u>1,655,912</u>	<u>546,365</u>	<u>139,840</u>	<u>4,279,325</u>	<u>654,334</u>
Operating income (loss)	379,683	214,938	330,162	(2,975)	921,808	(123,280)
Nonoperating revenues (expenses)						
Intergovernmental revenue	528	603	392	23,842	25,365	–
Earnings on investments	38,486	18,297	9,070	2,928	68,781	10,442
Interest and fiscal charges	(58,875)	(9,234)	–	–	(68,109)	–
Total nonoperating revenues (expenses)	<u>(19,861)</u>	<u>9,666</u>	<u>9,462</u>	<u>26,770</u>	<u>26,037</u>	<u>10,442</u>
Income (loss) before contributions and transfers	359,822	224,604	339,624	23,795	947,845	(112,838)
Capital contributions – connection fees	36,895	23,766	–	–	60,661	–
Transfers out	(100,000)	(63,000)	(74,000)	–	(237,000)	–
Change in net position	296,717	185,370	265,624	23,795	771,506	(112,838)
Net position						
Beginning 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>
End of year	<u>\$ 8,524,928</u>	<u>\$ 6,598,119</u>	<u>\$ 4,984,413</u>	<u>\$ 141,995</u>	<u>\$ 20,249,455</u>	<u>\$ 219,173</u>

CITY OF ARDEN HILLS

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2020

	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	\$ 2,319,753	\$ 1,883,573	\$ 904,828	\$ 137,178	\$ 5,245,332	\$ 522,670
Payments to suppliers	(1,426,791)	(1,030,919)	(190,477)	(129,537)	(2,777,724)	(505,884)
Payments to employees	(352,628)	(417,484)	(249,547)	(29,675)	(1,049,334)	(7,352)
Payments for interfund services used	(55,019)	(56,772)	(35,648)	(3,421)	(150,860)	–
Net cash flows from operating activities	<u>485,315</u>	<u>378,398</u>	<u>429,156</u>	<u>(25,455)</u>	<u>1,267,414</u>	<u>9,434</u>
Cash flows from noncapital financing activities						
Grants received	528	603	392	23,842	25,365	–
Transfers out	(100,000)	(63,000)	(74,000)	–	(237,000)	–
Net cash flows from noncapital financing activities	<u>(99,472)</u>	<u>(62,397)</u>	<u>(73,608)</u>	<u>23,842</u>	<u>(211,635)</u>	<u>–</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(78,805)	(41,745)	(75,514)	–	(196,064)	–
Capital contributions – connection fees received	36,895	23,766	–	–	60,661	–
Principal payments on bonds	(175,000)	(25,000)	–	–	(200,000)	–
Interest paid	(75,249)	(11,749)	–	–	(86,998)	–
Net cash flows from capital and related financing activities	<u>(292,159)</u>	<u>(54,728)</u>	<u>(75,514)</u>	<u>–</u>	<u>(422,401)</u>	<u>–</u>
Cash flows from investing activities						
Earnings on investments	<u>38,777</u>	<u>17,810</u>	<u>8,358</u>	<u>3,012</u>	<u>67,957</u>	<u>10,589</u>
Net change in cash and cash equivalents	<u>132,461</u>	<u>279,083</u>	<u>288,392</u>	<u>1,399</u>	<u>701,335</u>	<u>20,023</u>
Cash and cash equivalents – beginning	<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>
Cash and cash equivalents – ending	<u>\$ 1,352,952</u>	<u>\$ 667,739</u>	<u>\$ 321,802</u>	<u>\$ 147,954</u>	<u>\$ 2,490,447</u>	<u>\$ 452,888</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 379,683	\$ 214,938	\$ 330,162	\$ (2,975)	\$ 921,808	\$ (123,280)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	318,037	189,459	107,299	–	614,795	–
Decrease (increase) in customer receivables	8,385	12,723	(4,659)	313	16,762	(8,384)
Decrease (increase) in due from other governments	(5,523)	–	32,960	–	27,437	–
Decrease (increase) in prepaid items	(6,328)	(7,342)	(6,328)	–	(19,998)	–
Decrease (increase) in inventory	(2,036)	–	–	–	(2,036)	–
Decrease (increase) in deferred outflows	(14,751)	(16,812)	(10,717)	–	(42,280)	–
Increase (decrease) in accounts payable	1,825	3,756	(15,293)	(59)	(9,771)	143,704
Increase (decrease) in due to other governments	(192,839)	(16,603)	(17)	(23,024)	(232,483)	(822)
Increase (decrease) in net pension liability	26,202	29,718	16,561	–	72,481	–
Increase (decrease) in compensated absences payable	8,500	9,488	6,563	290	24,841	(1,784)
Increase (decrease) in deferred inflows	(35,840)	(40,927)	(27,375)	–	(104,142)	–
Total adjustments	<u>105,632</u>	<u>163,460</u>	<u>98,994</u>	<u>(22,480)</u>	<u>345,606</u>	<u>132,714</u>
Net cash flows from operating activities	<u>\$ 485,315</u>	<u>\$ 378,398</u>	<u>\$ 429,156</u>	<u>\$ (25,455)</u>	<u>\$ 1,267,414</u>	<u>\$ 9,434</u>
Noncash investing, capital, and financing activities						
Due from other governmental units						
Amortization of bond premium (discount)	\$ 13,457	\$ 2,099	\$ –	\$ –	\$ 15,556	\$ –

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements
December 31, 2020

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, 2020, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 3 and EDA TIF District No. 4 Special Revenue Funds by \$50 and \$14,110, 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 are 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. 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.

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.

Imposed nonexchange revenue transactions, state aid received for subsequent years, is deferred and recognized as an inflow of resources in the period that the resources are appropriated. This item is reported both in the governmental funds Balance Sheet and the government-wide Statement of Net Position as a deferred inflow of resources.

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	
Municipal bonds	AAA	S&P	Level 2	\$ –	\$ 151,356	\$ 239,388	\$ 390,744
Municipal bonds	AAA	Moody's	Level 2	–	–	237,250	237,250
Municipal bonds	AA	S&P	Level 2	–	1,035,175	1,032,591	2,067,766
Municipal bonds	AA	Moody's	Level 2	–	–	1,280,804	1,280,804
Municipal bonds	A	S&P	Level 2	–	343,168	–	343,168
Municipal bonds	A	Moody's	Level 2	–	–	333,092	333,092
Negotiable certificates of deposit	N/R	N/A	Level 2	–	3,509,686	670,704	4,180,390
Investment pools/mutual funds							
4M Fund	N/R	N/A	N/A	6,804,467	–	–	6,804,467
Wells Fargo Money Market Advantage	AAA	S&P	Level 1	9,457	–	–	9,457
Total investments				\$ 6,813,924	\$ 5,039,385	\$ 3,793,829	15,647,138
Deposits							400,445
Petty cash							500
Total cash and investments							\$ 16,048,083

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 \$400,445. 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, 2020 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	5,137,764	221,708	–	(4,929,644)	429,828
Total capital assets, not being depreciated	7,817,582	221,708	–	(4,929,644)	3,109,646
Capital assets, being depreciated					
Buildings and structures	6,967,774	–	(70,504)	357,058	7,254,328
Infrastructure and improvements	18,337,328	–	–	4,572,586	22,909,914
Machinery and equipment	938,089	13,222	–	–	951,311
Office furniture and equipment	153,553	–	–	–	153,553
Vehicles	2,027,761	91,595	–	–	2,119,356
Total capital assets, being depreciated	28,424,505	104,817	(70,504)	4,929,644	33,388,462
Less accumulated depreciation for					
Buildings and structures	3,441,571	194,847	(70,504)	–	3,565,914
Infrastructure and improvements	4,283,119	427,828	–	–	4,710,947
Machinery and equipment	593,960	78,347	–	–	672,307
Office furniture and equipment	122,137	10,777	–	–	132,914
Vehicles	812,388	185,572	–	–	997,960
Total accumulated depreciation	9,253,175	897,371	(70,504)	–	10,080,042
Total capital assets being depreciated – net	19,171,330	(792,554)	–	4,929,644	23,308,420
Governmental activities capital assets – net	\$ 26,988,912	\$ (570,846)	\$ –	\$ –	\$ 26,418,066

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	\$ 3,193,168	\$ 196,064	\$ –	\$ (3,007,297)	\$ 381,935
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	25,042,583	–	–	2,921,227	27,963,810
Machinery and equipment	555,228	–	–	86,070	641,298
Office furniture and equipment	8,415	–	–	–	8,415
Total capital assets, being depreciated	26,441,266	–	–	3,007,297	29,448,563
Less accumulated depreciation for					
Buildings and structures	213,350	41,543	–	–	254,893
Distribution and collection systems	9,111,386	554,419	–	–	9,665,805
Machinery and equipment	292,752	18,833	–	–	311,585
Office furniture and equipment	8,415	–	–	–	8,415
Total accumulated depreciation	9,625,903	614,795	–	–	10,240,698
Total capital assets, being depreciated – net	16,815,363	(614,795)	–	3,007,297	19,207,865
Business-type activities capital assets – net	\$ 20,008,531	\$ (418,731)	\$ –	\$ –	\$ 19,589,800

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 132,293
Public safety	9,425
Public works	545,677
Parks and recreation	146,153
Economic development	63,823
	<u>897,371</u>
	<u>\$ 897,371</u>
Business-type activities	
Water	\$ 318,037
Sewer	189,459
Surface water management	107,299
	<u>614,795</u>
	<u>\$ 614,795</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Balance – End of Year</u>
Business-type activities					
General Obligation Bonds					
Utility Revenue Bonds of 2018A	07/18/2018	02/01/2029	3.00–4.00 %	\$ 2,415,000	\$ 2,215,000

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.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in General Obligation Bonds and Compensated Absences Payable

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 86,680	\$ 123,937	\$ 104,346	\$ 106,271	\$ 79,704
Business-type activities					
Utility revenue bonds	2,415,000	–	200,000	2,215,000	210,000
Premium	141,394	–	15,556	125,838	–
Total bonds	2,556,394	–	215,556	2,340,838	210,000
Compensated absences	51,988	85,213	60,372	76,829	57,622
Total business-type activities	2,608,382	85,213	275,928	2,417,667	267,622
Total government-wide	<u>\$ 2,695,062</u>	<u>\$ 209,150</u>	<u>\$ 380,274</u>	<u>\$ 2,523,938</u>	<u>\$ 347,326</u>

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
2021	\$ 210,000	\$ 78,800
2022	220,000	70,200
2023	225,000	61,300
2024	235,000	52,100
2025	245,000	42,500
2026–2029	1,080,000	71,550
	<u>\$ 2,215,000</u>	<u>\$ 376,450</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	\$ 2,591,450	\$ 286,998	\$ 4,248,402

NOTE 5 – FUND BALANCES

A. Classifications

At December 31, 2020, a summary of the City’s governmental fund balance classifications are as follows:

	General	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 28,782	\$ –	\$ 3,680	\$ 32,462
Restricted for				
Tax increment purposes	–	–	1,021,370	1,021,370
Cable TV	–	–	116,370	116,370
Total restricted	–	–	1,137,740	1,137,740
Committed for				
Economic development authority	–	–	619,013	619,013
Assigned for				
Compensated absences	105,747	–	–	105,747
Subsequent year’s budget	90,720	–	–	90,720
Capital improvements	–	4,928,470	461,581	5,390,051
Park improvements	–	–	246,917	246,917
Public safety capital equipment	–	–	125,624	125,624
Total assigned	196,467	4,928,470	834,122	5,959,059
Unassigned	3,155,257	–	(230,101)	2,925,156
Total	<u>\$ 3,380,506</u>	<u>\$ 4,928,470</u>	<u>\$ 2,364,454</u>	<u>\$ 10,673,430</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, 2020, the unassigned fund balance of the General Fund was 60.5 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 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 the 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 6.5 percent of their annual covered salary in fiscal year 2020, and the City was required to contribute 7.5 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2020, were \$134,798. The City's contributions were equal to the required contributions as set by state statutes.

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

D. Pension Costs

GERF Pension Costs

At December 31, 2020, the City reported a liability of \$1,444,905 for its proportionate share of the GERF’s net pension liability. The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0241 percent at the end of the measurement period and 0.0218 percent for the beginning of the period.

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	\$ 1,444,905
State’s proportionate share of the net pension liability associated with the City	\$ 44,478

For the year ended December 31, 2020, the City recognized pension expense of \$10,949 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$3,871 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

At December 31, 2020, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 11,917	\$ 5,467
Changes in actuarial assumptions	–	50,679
Difference between projected and actual investment earnings	32,655	–
Changes in proportion	95,370	19,152
Contributions paid to the PERA subsequent to the measurement date	<u>67,721</u>	<u>–</u>
Total	<u><u>\$ 207,663</u></u>	<u><u>\$ 75,298</u></u>

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

A total of \$67,721 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (62,307)
2022	\$ 32,986
2023	\$ 59,057
2024	\$ 34,908

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Active member payroll growth	3.00% 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

GERF – CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the PUB-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

GERF – CHANGES IN PLAN PROVISIONS

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

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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.50 %	5.10 %
International stocks	17.50	5.30 %
Bonds (fixed income)	20.00	0.75 %
Alternative assets (private markets)	25.00	5.90 %
Cash	2.00	– %
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 table 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	\$ 2,315,682	\$ 1,444,905	\$ 726,584

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org; 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, 2020 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 194,879	\$ –
Nonmajor – other governmental	35,222	230,101
Intra-activity eliminations	(230,101)	(230,101)
	<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	\$ 137,000	\$ 341,000	\$ 478,000
Proprietary funds			
Water	–	100,000	100,000
Sewer	–	63,000	63,000
Surface Water Management	–	74,000	74,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 137,000</u>	<u>\$ 578,000</u>	<u>\$ 715,000</u>

Transfers are made in accordance with budget appropriations or as approved by the City Council for special funding of city activities. All of the transfers presented above were approved by the City Council to finance current and future capital expenditures of the City.

NOTE 8 – DEFICIT FUND BALANCES/NET POSITION

The City had deficit fund balances/net position at December 31, 2020 as follows:

	<u>Amount</u>
Governmental funds	
Nonmajor – EDA TIF District No. 5	\$ 22,000
Nonmajor – Karth Lake Improvement District	13,222
Nonmajor – TCAAP	<u>194,879</u>
	<u>\$ 230,101</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, 2020 was \$319,256, and the City rebated \$226,677 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. 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 statutes 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 \$620,986 in 2020.

F. Construction Contract Commitments

At year-end, the City had the following construction project commitments:

<u>Project</u>	<u>Amount</u>
Nonmajor Fund – Equipment, Building, and Replacement Fund	
City Hall HVAC project	\$ 254,360
Water Fund	
Highway 10 water main	5,514
Sewer Fund	
Lift station 6 rehabilitation	<u>7,613</u>
	<u>\$ 267,487</u>

G. COVID-19 Pandemic

The COVID-19 pandemic has caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, any potential impact it may have on the City’s future operations and financial condition cannot be determined at this time, and has not been reflected in these financial statements.

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, 2020 are as follows:

<u>Bond</u>	<u>Description</u>	<u>Amount Outstanding</u>
Commercial Facilities Revenue Note, Series 2008	Office facilities	\$ 2,912,421
Housing Facility Revenue Note, Series 2011A	Senior housing	7,942,494
Housing Facility Revenue Note, Series 2011B	Senior housing	7,942,494
Housing Facility Revenue Note, Series 2012A	Senior housing	7,942,494
Housing Facility Revenue Note, Series 2012B	Senior housing	1,582,305
Housing Facility Revenue Note, Series 2015	Senior housing	<u>8,668,651</u>
Total		<u>\$ 36,990,859</u>

REQUIRED SUPPLEMENTARY INFORMATION

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, 2020

City Fiscal Year-End	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's 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%
12/31/2020	06/30/2020	0.0241%	\$ 1,444,905	\$ 44,478	\$ 1,489,383	\$ 1,715,236	84.24%	79.10%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2020

City Fiscal Year-End	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%
12/31/2020	\$ 134,798	\$ 134,798	\$ –	\$ 1,797,307	7.50%

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

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CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
General property taxes	\$ 3,619,700	\$ 3,619,700	\$ 3,629,819	\$ 10,119
Special assessments	1,190	1,190	4,758	3,568
Licenses and permits				
Business	68,370	68,370	68,631	261
Nonbusiness	397,980	397,980	362,997	(34,983)
Total licenses and permits	466,350	466,350	431,628	(34,722)
Intergovernmental				
State				
Road maintenance	101,630	101,630	105,465	3,835
PERA aid	2,590	2,590	–	(2,590)
Police aid	47,460	47,460	64,353	16,893
Federal				
Coronavirus Relief Fund	–	–	459,614	459,614
Total intergovernmental	151,680	151,680	629,432	477,752
Charges for services				
General government	19,910	19,910	16,497	(3,413)
Public safety	136,590	136,590	85,835	(50,755)
Parks and recreation	127,780	127,780	13,114	(114,666)
Administrative charges	115,650	115,650	100,472	(15,178)
Total charges for services	399,930	399,930	215,918	(184,012)
Fines and forfeits	30,030	30,030	13,581	(16,449)
Earnings on investments	65,000	65,000	101,743	36,743
Antenna rental fees	140,680	140,680	140,707	27
Miscellaneous reimbursements	17,880	17,880	57,630	39,750
Other	4,280	4,280	4,325	45
Total revenues	4,896,720	4,896,720	5,229,541	332,821
Expenditures				
Current				
General government				
City Council				
Personal services	37,210	37,210	37,208	2
Other services and charges	34,890	34,890	28,010	6,880
Total City Council	72,100	72,100	65,218	6,882
Elections				
Other services and charges	23,000	23,000	25,443	(2,443)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
General government (continued)				
Administration				
Personal services	214,890	214,890	211,483	3,407
Materials and supplies	550	550	180	370
Other services and charges	135,000	135,000	103,250	31,750
Total administration	<u>350,440</u>	<u>350,440</u>	<u>314,913</u>	<u>35,527</u>
Finance				
Personal services	58,340	58,340	58,488	(148)
Materials and supplies	20,500	20,500	8,170	12,330
Other services and charges	107,420	107,420	77,758	29,662
Total finance	<u>186,260</u>	<u>186,260</u>	<u>144,416</u>	<u>41,844</u>
TCAAP				
Personal services	36,610	37,110	36,316	794
Other services and charges	51,000	51,000	6,392	44,608
Total TCAAP	<u>87,610</u>	<u>88,110</u>	<u>42,708</u>	<u>45,402</u>
Planning and zoning				
Personal services	138,260	138,260	136,150	2,110
Other services and charges	67,950	67,950	18,797	49,153
Total planning and zoning	<u>206,210</u>	<u>206,210</u>	<u>154,947</u>	<u>51,263</u>
General government buildings				
Personal services	40,410	40,620	34,927	5,693
Materials and supplies	8,000	8,000	4,346	3,654
Other services and charges	155,840	155,840	140,401	15,439
Total general government buildings	<u>204,250</u>	<u>204,460</u>	<u>179,674</u>	<u>24,786</u>
Total general government	1,129,870	1,130,580	927,319	203,261
Public safety				
Police and animal control				
Other services and charges	1,338,120	1,338,120	1,427,395	(89,275)
Dispatch				
Other services and charges	45,580	45,580	45,578	2
Fire protection				
Other services and charges	620,990	620,990	620,986	4
Emergency management				
Personal services	4,690	4,690	5,009	(319)
Other services and charges	1,150	1,150	1,300	(150)
Total emergency management	<u>5,840</u>	<u>5,840</u>	<u>6,309</u>	<u>(469)</u>

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2020

	<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	264,240	264,240	265,192	(952)
Materials and supplies	2,750	2,750	2,065	685
Other services and charges	60,960	60,960	68,248	(7,288)
Total protective inspections	<u>327,950</u>	<u>327,950</u>	<u>335,505</u>	<u>(7,555)</u>
Total public safety	2,338,480	2,338,480	2,435,773	(97,293)
Public works				
Street maintenance				
Personal services	295,030	300,480	270,909	29,571
Materials and supplies	38,000	38,000	33,903	4,097
Other services and charges	390,700	390,700	370,927	19,773
Total public works	<u>723,730</u>	<u>729,180</u>	<u>675,739</u>	<u>53,441</u>
Parks and recreation				
Park maintenance				
Personal services	280,230	286,390	259,311	27,079
Materials and supplies	43,250	43,250	23,786	19,464
Other services and charges	156,640	156,640	95,795	60,845
Total park maintenance	<u>480,120</u>	<u>486,280</u>	<u>378,892</u>	<u>107,388</u>
Recreation				
Personal services	237,830	238,660	153,773	84,887
Materials and supplies	35,250	35,250	1,314	33,936
Other services and charges	73,030	73,030	13,808	59,222
Total recreation	<u>346,110</u>	<u>346,940</u>	<u>168,895</u>	<u>178,045</u>
Total parks and recreation	<u>826,230</u>	<u>833,220</u>	<u>547,787</u>	<u>285,433</u>
Total expenditures	<u>5,018,310</u>	<u>5,031,460</u>	<u>4,586,618</u>	<u>444,842</u>
Revenues over (under) expenditures	(121,590)	(134,740)	642,923	777,663
Other financing sources (uses)				
Transfers out	–	(478,000)	(478,000)	–
Net change in fund balance	<u>\$ (121,590)</u>	<u>\$ (612,740)</u>	164,923	<u>\$ 777,663</u>
Fund balance – beginning			<u>3,215,583</u>	
Fund balance – ending			<u>\$ 3,380,506</u>	

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CITY OF ARDEN HILLS

Notes to Required Supplementary Information
December 31, 2020

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)
December 31, 2020

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

2020 CHANGES IN PLAN PROVISIONS

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

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, 2020

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.

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SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds – Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statutes, 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, 2020

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,820,028	\$ 852,540	\$ 2,672,568
Accrued interest receivable	4,949	2,275	7,224
Accounts receivable	29,011	1,286	30,297
Taxes receivable	3,222	-	3,222
Interfund receivable	35,222	-	35,222
Prepaid items	3,680	-	3,680
	<u>3,680</u>	<u>-</u>	<u>3,680</u>
Total assets	<u>\$ 1,896,112</u>	<u>\$ 856,101</u>	<u>\$ 2,752,213</u>
Liabilities			
Accounts payable	\$ 122,981	\$ 21,979	\$ 144,960
Interfund payable	35,222	194,879	230,101
Due to other governmental units	9,476	-	9,476
Total liabilities	<u>167,679</u>	<u>216,858</u>	<u>384,537</u>
Deferred inflows of resources			
Unavailable revenue – taxes	3,222	-	3,222
Fund balances (deficits)			
Nonspendable	3,680	-	3,680
Restricted	1,137,740	-	1,137,740
Committed	619,013	-	619,013
Assigned	-	834,122	834,122
Unassigned	(35,222)	(194,879)	(230,101)
Total fund balances (deficits)	<u>1,725,211</u>	<u>639,243</u>	<u>2,364,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,896,112</u>	<u>\$ 856,101</u>	<u>\$ 2,752,213</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2020

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
General property taxes	\$ 100,000	\$ 120,000	\$ 220,000
Tax increments	273,043	-	273,043
Intergovernmental	285,426	-	285,426
Earnings on investments	52,628	11,372	64,000
Franchise taxes	101,057	-	101,057
Other	-	270,163	270,163
Total revenues	<u>812,154</u>	<u>401,535</u>	<u>1,213,689</u>
Expenditures			
Current			
General government	273,824	-	273,824
Economic development	415,839	-	415,839
Capital outlay			
General government	13,222	94,643	107,865
Public safety	-	299,107	299,107
Public works	38,999	52,595	91,594
Total expenditures	<u>741,884</u>	<u>446,345</u>	<u>1,188,229</u>
Revenues over (under) expenditures	70,270	(44,810)	25,460
Other financing sources			
Sale of capital assets	-	17,500	17,500
Transfers in	-	578,000	578,000
Total other financing sources	<u>-</u>	<u>595,500</u>	<u>595,500</u>
Net change in fund balances	70,270	550,690	620,960
Fund balances – beginning	<u>1,654,941</u>	<u>88,553</u>	<u>1,743,494</u>
Fund balances – ending	<u>\$ 1,725,211</u>	<u>\$ 639,243</u>	<u>\$ 2,364,454</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

EDA 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 expenditures. 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 expenditures.

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 expenditures.

CARES Act 2020 Fund – This fund was established in 2020. The revenue is derived from federal coronavirus relief funds distributed to the City for expenditures incurred directly, due to the COVID-19 pandemic.

Karth Lake Improvement District Fund – This fund accounts for revenue sources, including taxes, that are restricted to finance capital and other improvements within the Karth Lake Improvement District.

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2020

	Cable	EDA Operating	EDA TIF District No. 3	EDA TIF District No. 4	EDA TIF District No. 5
Assets					
Cash and investments	\$ 96,744	\$ 604,144	\$ 776,737	\$ 342,403	\$ -
Accrued interest receivable	258	1,647	2,131	913	-
Accounts receivable	29,011	-	-	-	-
Taxes receivable	-	3,222	-	-	-
Interfund receivable	-	13,222	22,000	-	-
Prepaid items	-	3,680	-	-	-
Total assets	\$ 126,013	\$ 625,915	\$ 800,868	\$ 343,316	\$ -
Liabilities					
Accounts payable	\$ 9,643	\$ -	\$ -	\$ 113,338	\$ -
Interfund payable	-	-	-	-	22,000
Due to other governmental units	-	-	9,476	-	-
Total liabilities	9,643	-	9,476	113,338	22,000
Deferred inflows of resources					
Unavailable revenue – taxes	-	3,222	-	-	-
Fund balances (deficits)					
Nonspendable	-	3,680	-	-	-
Restricted	116,370	-	791,392	229,978	-
Committed	-	619,013	-	-	-
Unassigned	-	-	-	-	(22,000)
Total fund balances (deficits)	116,370	622,693	791,392	229,978	(22,000)
Total liabilities, deferred inflows of resources, and fund balances	\$ 126,013	\$ 625,915	\$ 800,868	\$ 343,316	\$ -

CARES Act 2020	Karth Lake Improvement District	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 1,820,028
-	-	4,949
-	-	29,011
-	-	3,222
-	-	35,222
-	-	3,680
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,896,112</u>
\$ -	\$ -	\$ 122,981
-	13,222	35,222
-	-	9,476
-	13,222	167,679
-	-	3,222
-	-	3,680
-	-	1,137,740
-	-	619,013
-	(13,222)	(35,222)
-	(13,222)	1,725,211
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,896,112</u>

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2020

	Cable	EDA Operating	EDA TIF District No. 3	EDA TIF District No. 4	EDA TIF District No. 5
Revenues					
Taxes					
General property taxes	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Tax increments (abatements)	-	-	(29,193)	302,236	-
Intergovernmental	-	-	-	-	-
Earnings on investments	4,007	17,969	25,197	5,416	-
Franchise taxes	101,057	-	-	-	-
Total revenues	105,064	117,969	(3,996)	307,652	-
Expenditures					
Current					
General government	137,358	-	-	-	-
Economic development	-	75,519	1,850	228,470	-
Capital outlay					
General government	-	-	-	-	-
Public works	-	-	-	-	-
Total expenditures	137,358	75,519	1,850	228,470	-
Revenues over (under) expenditures	(32,294)	42,450	(5,846)	79,182	-
Fund balances (deficits) – beginning	148,664	580,243	797,238	150,796	(22,000)
Fund balances (deficits) – ending	\$ 116,370	\$ 622,693	\$ 791,392	\$ 229,978	\$ (22,000)

CARES Act 2020	Karth Lake Improvement District	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 100,000
-	-	273,043
285,426	-	285,426
39	-	52,628
-	-	101,057
<u>285,465</u>	<u>-</u>	<u>812,154</u>
136,466	-	273,824
110,000	-	415,839
-	13,222	13,222
38,999	-	38,999
<u>285,465</u>	<u>13,222</u>	<u>741,884</u>
-	(13,222)	70,270
-	-	1,654,941
<u>\$ -</u>	<u>\$ (13,222)</u>	<u>\$ 1,725,211</u>

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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, 2020

	Equipment, Building, and Replacement	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Assets					
Cash and investments	\$ 474,516	\$ 246,260	\$ 131,764	\$ -	\$ 852,540
Accrued interest receivable	1,266	657	352	-	2,275
Accounts receivable	-	-	1,286	-	1,286
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 475,782</u>	<u>\$ 246,917</u>	<u>\$ 133,402</u>	<u>\$ -</u>	<u>\$ 856,101</u>
Liabilities					
Accounts payable	\$ 14,201	\$ -	\$ 7,778	\$ -	\$ 21,979
Interfund payable	-	-	-	194,879	194,879
Total liabilities	<u>14,201</u>	<u>-</u>	<u>7,778</u>	<u>194,879</u>	<u>216,858</u>
Fund balances (deficits)					
Assigned	461,581	246,917	125,624	-	834,122
Unassigned	-	-	-	(194,879)	(194,879)
Total fund balances (deficits)	<u>461,581</u>	<u>246,917</u>	<u>125,624</u>	<u>(194,879)</u>	<u>639,243</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 475,782</u>	<u>\$ 246,917</u>	<u>\$ 133,402</u>	<u>\$ -</u>	<u>\$ 856,101</u>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2020

	Equipment, Building, and Replacement	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Revenues					
General property taxes	\$ 50,000	\$ -	\$ 70,000	\$ -	\$ 120,000
Earnings on investments	9,874	822	676	-	11,372
Other	-	251,911	18,252	-	270,163
Total revenues	<u>59,874</u>	<u>252,733</u>	<u>88,928</u>	<u>-</u>	<u>401,535</u>
Expenditures					
Capital outlay					
General government	94,643	-	-	-	94,643
Public safety	-	-	299,107	-	299,107
Public works	52,595	-	-	-	52,595
Total expenditures	<u>147,238</u>	<u>-</u>	<u>299,107</u>	<u>-</u>	<u>446,345</u>
Revenues over (under) expenditures	(87,364)	252,733	(210,179)	-	(44,810)
Other financing sources					
Sale of capital assets	17,500	-	-	-	17,500
Transfers in	237,000	-	341,000	-	578,000
Total other financing sources	<u>254,500</u>	<u>-</u>	<u>341,000</u>	<u>-</u>	<u>595,500</u>
Net changes in fund balances	167,136	252,733	130,821	-	550,690
Fund balances (deficits) – beginning	<u>294,445</u>	<u>(5,816)</u>	<u>(5,197)</u>	<u>(194,879)</u>	<u>88,553</u>
Fund balances (deficits) – ending	<u>\$ 461,581</u>	<u>\$ 246,917</u>	<u>\$ 125,624</u>	<u>\$ (194,879)</u>	<u>\$ 639,243</u>

CITY OF ARDEN HILLS

Special Revenue Fund – Cable Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 5,000	\$ 5,000	\$ 4,007	\$ (993)
Franchise taxes	96,320	96,320	101,057	4,737
Total revenues	<u>101,320</u>	<u>101,320</u>	<u>105,064</u>	<u>3,744</u>
Expenditures				
Current				
General government				
Personal services	65,090	65,090	63,373	1,717
Other services and charges	73,690	73,690	73,985	(295)
Total expenditures	<u>138,780</u>	<u>138,780</u>	<u>137,358</u>	<u>1,422</u>
Net change in fund balances	<u>\$ (37,460)</u>	<u>\$ (37,460)</u>	(32,294)	<u>\$ 5,166</u>
Fund balances – beginning			<u>148,664</u>	
Fund balances – ending			<u>\$ 116,370</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ 100,000	\$ 100,000	\$ 100,000	\$ –
Earnings on investments	10,000	10,000	17,969	7,969
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>117,969</u>	<u>7,969</u>
Expenditures				
Economic development				
Current				
Personal services	52,160	52,160	51,300	860
Materials and supplies	400	400	–	400
Other services and charges	77,290	77,290	24,219	53,071
Total expenditures	<u>129,850</u>	<u>129,850</u>	<u>75,519</u>	<u>54,331</u>
Net change in fund balances	<u>\$ (19,850)</u>	<u>\$ (19,850)</u>	42,450	<u>\$ 62,300</u>
Fund balance – beginning			<u>580,243</u>	
Fund balance – ending			<u>\$ 622,693</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments (abatements)	\$ -	\$ -	\$ (29,193)	\$ (29,193)
Earnings on investments	<u>13,000</u>	<u>13,000</u>	<u>25,197</u>	<u>12,197</u>
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>(3,996)</u>	<u>(16,996)</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>1,800</u>	<u>1,800</u>	<u>1,850</u>	<u>(50)</u>
Net change in fund balances	<u>\$ 11,200</u>	<u>\$ 11,200</u>	<u>(5,846)</u>	<u>\$ (17,046)</u>
Fund balances – beginning			<u>797,238</u>	
Fund balances – ending			<u>\$ 791,392</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 283,410	\$ 283,410	\$ 302,236	\$ 18,826
Earnings on investments	<u>2,000</u>	<u>2,000</u>	<u>5,416</u>	<u>3,416</u>
Total revenues	<u>285,410</u>	<u>285,410</u>	<u>307,652</u>	<u>22,242</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>214,360</u>	<u>214,360</u>	<u>228,470</u>	<u>(14,110)</u>
Net change in fund balances	<u>\$ 71,050</u>	<u>\$ 71,050</u>	<u>79,182</u>	<u>\$ 8,132</u>
Fund balances – beginning			<u>150,796</u>	
Fund balances – ending			<u>\$ 229,978</u>	

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INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF ARDEN HILLS

Combining Statement of Net Position
Internal Service Funds
as of December 31, 2020

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Assets					
Current assets					
Cash and investments	\$ 431,466	\$ -	\$ 18,978	\$ 2,444	\$ 452,888
Accrued interest receivable	1,151	-	-	7	1,158
Accounts receivable	8,384	-	-	-	8,384
Total assets	<u>441,001</u>	<u>-</u>	<u>18,978</u>	<u>2,451</u>	<u>462,430</u>
Liabilities					
Current liabilities					
Accounts payable	222,958	-	8,093	61	231,112
Due to other governmental units	-	-	10,885	736	11,621
Compensated absences payable	-	-	-	393	393
Total current liabilities	<u>222,958</u>	<u>-</u>	<u>18,978</u>	<u>1,190</u>	<u>243,126</u>
Noncurrent liabilities					
Compensated absences payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>131</u>
Total liabilities	<u>222,958</u>	<u>-</u>	<u>18,978</u>	<u>1,321</u>	<u>243,257</u>
Net position					
Unrestricted	<u>\$ 218,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,130</u>	<u>\$ 219,173</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2020

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 137,092	\$ 11,430	\$ 178,520	\$ 178,666	\$ 505,708
Miscellaneous	25,346	-	-	-	25,346
Total operating revenues	<u>162,438</u>	<u>11,430</u>	<u>178,520</u>	<u>178,666</u>	<u>531,054</u>
Operating expenses					
Personal services	-	-	-	5,568	5,568
Supplies and maintenance	-	-	101,542	15	101,557
Other services and charges	174,792	3,960	74,596	792	254,140
Purchased services	110,561	7,470	2,382	172,656	293,069
Total operating expenses	<u>285,353</u>	<u>11,430</u>	<u>178,520</u>	<u>179,031</u>	<u>654,334</u>
Operating income (loss)	(122,915)	-	-	(365)	(123,280)
Nonoperating revenues (expenses)					
Earnings (charges) on investments	<u>10,446</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>10,442</u>
Change in net position	(112,469)	-	-	(369)	(112,838)
Net position – beginning	<u>330,512</u>	<u>-</u>	<u>-</u>	<u>1,499</u>	<u>332,011</u>
Net position – ending	<u>\$ 218,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,130</u>	<u>\$ 219,173</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2020

	<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	\$ 154,054	\$ 11,430	\$ 178,520	\$ 178,666	\$ 522,670
Payments to suppliers	(141,583)	(13,421)	(175,620)	(175,260)	(505,884)
Payments to employees	–	(688)	(1,217)	(5,447)	(7,352)
Net cash flows from operating activities	<u>12,471</u>	<u>(2,679)</u>	<u>1,683</u>	<u>(2,041)</u>	<u>9,434</u>
Cash flows from investing activities					
Earnings (charges) on investments	<u>10,590</u>	<u>–</u>	<u>–</u>	<u>(1)</u>	<u>10,589</u>
Net change in cash and cash equivalents	23,061	(2,679)	1,683	(2,042)	20,023
Cash and cash equivalents – beginning	<u>408,405</u>	<u>2,679</u>	<u>17,295</u>	<u>4,486</u>	<u>432,865</u>
Cash and cash equivalents – ending	<u>\$ 431,466</u>	<u>\$ –</u>	<u>\$ 18,978</u>	<u>\$ 2,444</u>	<u>\$ 452,888</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (122,915)	\$ –	\$ –	\$ (365)	\$ (123,280)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Decrease (increase) in accounts receivable	(8,384)	–	–	–	(8,384)
Increase (decrease) in accounts payable	143,770	(1,991)	3,722	(1,797)	143,704
Increase (decrease) in due to other governments	–	–	(822)	–	(822)
Increase (decrease) in compensated absences payable	–	(688)	(1,217)	121	(1,784)
Total adjustments	<u>135,386</u>	<u>(2,679)</u>	<u>1,683</u>	<u>(1,676)</u>	<u>132,714</u>
Net cash flows from operating activities	<u>\$ 12,471</u>	<u>\$ (2,679)</u>	<u>\$ 1,683</u>	<u>\$ (2,041)</u>	<u>\$ 9,434</u>

**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION

(UNAUDITED)

This part of the City's Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report relates to the services the City provides and the activities it performs.

Source – Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Report for the relevant year.

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Investment in capital assets	\$ 17,498,478	\$ 17,167,531	\$ 17,435,976	\$ 18,837,904
Restricted	1,694,212	1,788,007	896,106	917,300
Unrestricted	9,133,279	9,738,832	10,274,835	11,472,102
Total governmental activities net position	<u>\$ 28,325,969</u>	<u>\$ 28,694,370</u>	<u>\$ 28,606,917</u>	<u>\$ 31,227,306</u>
Business-type activities				
Net investment in capital assets	\$ 10,961,855	\$ 12,360,674	\$ 14,356,782	\$ 14,464,713
Unrestricted	3,248,534	2,403,645	1,158,470	1,793,112
Total business-type activities net position	<u>\$ 14,210,389</u>	<u>\$ 14,764,319</u>	<u>\$ 15,515,252</u>	<u>\$ 16,257,825</u>
Primary government				
Net investment in capital assets	\$ 28,460,333	\$ 29,528,205	\$ 31,792,758	\$ 33,302,617
Restricted	1,694,212	1,788,007	896,106	917,300
Unrestricted	12,381,813	12,142,477	11,433,305	13,265,214
Total primary government net position	<u>\$ 42,536,358</u>	<u>\$ 43,458,689</u>	<u>\$ 44,122,169</u>	<u>\$ 47,485,131</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, which decreased unrestricted net position. Prior year information has not been restated.

2015	2016	2017	2018	2019	2020
\$ 24,909,453	\$ 25,178,721	\$ 22,750,377	\$ 26,972,898	\$ 26,988,912	\$ 26,418,066
675,052	786,678	898,739	1,010,521	1,096,698	1,137,740
8,765,793	8,249,560	10,678,219	8,736,913	9,070,332	10,534,206
<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>	<u>\$ 38,090,012</u>
\$ 16,167,536	\$ 16,306,381	\$ 16,292,000	\$ 17,295,916	\$ 17,452,137	\$ 17,248,962
238,381	1,116,957	1,298,744	1,329,268	2,025,812	3,000,493
<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>	<u>\$ 20,249,455</u>
\$ 41,076,989	\$ 41,485,102	\$ 39,042,377	\$ 44,268,814	\$ 44,441,049	\$ 43,667,028
675,052	786,678	898,739	1,010,521	1,096,698	1,137,740
9,004,174	9,366,517	11,976,963	10,066,181	11,096,144	13,534,699
<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>	<u>\$ 58,339,467</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental activities				
General government	\$ 1,199,609	\$ 1,186,404	\$ 1,133,379	\$ 1,294,830
Public safety	1,736,422	1,900,443	1,956,260	1,887,877
Public works	614,761	894,954	944,104	852,109
Parks and recreation	811,533	838,138	807,363	711,174
Economic development	6,862	61,770	403,143	522,193
Interest on long-term debt	39,146	31,287	25,767	11,004
Total governmental activities	<u>4,408,333</u>	<u>4,912,996</u>	<u>5,270,016</u>	<u>5,279,187</u>
Business-type activities				
Water	1,573,669	1,983,200	1,843,530	1,893,217
Sewer	1,454,302	1,595,379	1,560,796	1,506,927
Surface water management	353,330	388,406	453,727	432,788
Recycling	137,622	142,114	144,541	150,417
Total business-type activities	<u>3,518,923</u>	<u>4,109,099</u>	<u>4,002,594</u>	<u>3,983,349</u>
Total primary government	<u>\$ 7,927,256</u>	<u>\$ 9,022,095</u>	<u>\$ 9,272,610</u>	<u>\$ 9,262,536</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 353,224	\$ 377,621	\$ 338,546	\$ 275,735
Public safety	385,133	376,576	341,114	366,452
Public works	-	-	-	4,973
Parks and recreation	110,830	118,179	113,374	116,951
Operating grants and contributions	410,228	291,712	343,486	300,536
Capital grants and contributions	946,122	134,710	326,213	2,302,439
Total governmental activities	<u>2,205,537</u>	<u>1,298,798</u>	<u>1,462,733</u>	<u>3,367,086</u>
Business-type activities				
Charges for services				
Water	1,950,932	2,285,161	2,271,072	2,132,191
Sewer	1,852,364	1,739,123	1,798,889	1,857,272
Surface water management	531,845	567,361	639,747	762,884
Recycling	142,858	121,688	122,666	130,369
Operating grants and contributions	20,846	19,802	19,694	19,611
Capital grants and contributions	140,428	25,506	156,585	-
Total business-type activities	<u>4,639,273</u>	<u>4,758,641</u>	<u>5,008,653</u>	<u>4,902,327</u>
Total primary government	<u>\$ 6,844,810</u>	<u>\$ 6,057,439</u>	<u>\$ 6,471,386</u>	<u>\$ 8,269,413</u>

2015	2016	2017	2018	2019	2020
\$ 1,281,557	\$ 1,384,908	\$ 1,322,106	\$ 1,286,845	\$ 1,337,262	\$ 1,460,627
1,978,210	2,047,961	2,158,835	2,248,540	2,471,567	2,737,348
194,667	800,157	3,512,218	1,695,449	1,416,785	1,267,480
711,181	751,910	759,737	765,843	798,717	634,195
733,528	361,029	276,841	391,156	369,256	480,307
817	—	—	—	—	—
<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>	<u>6,579,957</u>
1,803,405	1,833,468	2,159,874	2,147,359	2,295,820	1,996,083
1,587,808	1,513,219	1,780,260	1,654,079	1,663,498	1,665,146
489,377	468,965	481,026	499,049	513,209	546,365
239,727	141,190	147,919	168,145	172,232	139,840
<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>4,347,434</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>	<u>\$ 10,927,391</u>
\$ 271,991	\$ 299,692	\$ 314,166	\$ 214,833	\$ 250,643	\$ 198,708
628,573	735,730	915,632	619,406	817,238	431,830
5,205	4,535	7,029	6,150	5,250	3,900
119,338	134,579	123,550	113,968	106,317	13,114
389,219	308,900	2,031,474	840,634	347,823	409,403
3,080,749	462,105	448,945	2,494,823	613,263	634,369
<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>	<u>1,691,324</u>
2,099,242	2,165,773	2,127,452	2,256,859	2,286,542	2,316,891
1,855,802	1,989,066	1,796,144	1,769,466	1,892,740	1,870,850
782,501	812,044	834,973	839,499	850,971	876,527
129,030	134,739	151,272	134,228	140,149	136,865
124,228	26,323	24,655	27,429	24,752	25,365
—	59,248	—	735,220	332,092	60,661
<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>5,287,159</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>	<u>\$ 6,978,483</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2011	2012	2013	2014
Net (expense) revenue				
Governmental activities	\$ (2,202,796)	\$ (3,614,198)	\$ (3,807,283)	\$ (1,912,101)
Business-type activities	<u>1,120,350</u>	<u>649,542</u>	<u>1,006,059</u>	<u>918,978</u>
Total primary government	<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>	<u>\$ (2,801,224)</u>	<u>\$ (993,123)</u>
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 2,920,078	\$ 3,095,488	\$ 3,094,036	\$ 3,182,331
Tax increment collections	342,109	431,060	466,280	565,422
Franchise taxes	90,123	94,532	96,820	103,711
Unrestricted grants and contributions	-	-	-	-
Unrestricted investment earnings	307,769	218,519	(168,071)	450,261
Gain on sale of capital assets	46,712	-	-	-
Transfers	<u>143,000</u>	<u>143,000</u>	<u>230,765</u>	<u>230,765</u>
Total governmental activities	<u>3,849,791</u>	<u>3,982,599</u>	<u>3,719,830</u>	<u>4,532,490</u>
Business-type activities				
Investment earnings	81,256	47,388	(24,361)	54,360
Transfers	<u>(143,000)</u>	<u>(143,000)</u>	<u>(230,765)</u>	<u>(230,765)</u>
Total business-type activities	<u>(61,744)</u>	<u>(95,612)</u>	<u>(255,126)</u>	<u>(176,405)</u>
Total primary government	<u>\$ 3,788,047</u>	<u>\$ 3,886,987</u>	<u>\$ 3,464,704</u>	<u>\$ 4,356,085</u>
Change in net position				
Governmental activities	\$ 1,646,995	\$ 368,401	\$ (87,453)	\$ 2,620,389
Business-type activities	<u>1,058,606</u>	<u>553,930</u>	<u>750,933</u>	<u>742,573</u>
Total primary government	<u>\$ 2,705,601</u>	<u>\$ 922,331</u>	<u>\$ 663,480</u>	<u>\$ 3,362,962</u>

2015	2016	2017	2018	2019	2020
\$ (404,885)	\$ (3,400,424)	\$ (4,188,941)	\$ (2,098,019)	\$ (4,253,053)	\$ (4,888,633)
870,486	1,230,351	365,417	1,294,069	882,487	939,725
<u>\$ 465,601</u>	<u>\$ (2,170,073)</u>	<u>\$ (3,823,524)</u>	<u>\$ (803,950)</u>	<u>\$ (3,370,566)</u>	<u>\$ (3,948,908)</u>
\$ 3,191,426	\$ 3,278,287	\$ 3,526,347	\$ 3,578,894	\$ 3,793,754	\$ 4,100,177
697,898	242,544	295,788	351,569	388,697	273,043
72,837	132,548	109,070	101,237	100,464	101,057
–	–	–	–	–	745,040
245,540	155,191	139,347	159,316	322,346	348,886
–	–	–	–	–	17,500
230,765	230,765	230,765	300,000	83,402	237,000
4,438,466	4,039,335	4,301,317	4,491,016	4,688,663	5,822,703
35,857	17,835	32,754	40,371	53,680	68,781
(230,765)	(230,765)	(230,765)	(300,000)	(83,402)	(237,000)
(194,908)	(212,930)	(198,011)	(259,629)	(29,722)	(168,219)
<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>	<u>\$ 5,654,484</u>
\$ 4,033,581	\$ 638,911	\$ 112,376	\$ 2,392,997	\$ 435,610	\$ 934,070
675,578	1,017,421	167,406	1,034,440	852,765	771,506
<u>\$ 4,709,159</u>	<u>\$ 1,656,332</u>	<u>\$ 279,782</u>	<u>\$ 3,427,437</u>	<u>\$ 1,288,375</u>	<u>\$ 1,705,576</u>

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CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment Collections</u>	<u>Franchise Taxes</u>	<u>Total</u>
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
2020	4,100,177	273,043	101,057	4,474,277

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 29,063	\$ 22,326	\$ 22,754	\$ 21,059
Assigned	106,592	126,134	119,440	139,721
Unassigned	<u>2,015,680</u>	<u>2,202,459</u>	<u>2,223,512</u>	<u>2,185,162</u>
Total General Fund	<u>\$ 2,151,335</u>	<u>\$ 2,350,919</u>	<u>\$ 2,365,706</u>	<u>\$ 2,345,942</u>
All other governmental funds				
Nonspendable	\$ -	\$ 628	\$ 910	\$ 395
Restricted	1,696,379	1,799,380	888,707	917,300
Committed	264,016	452,496	421,989	471,161
Assigned	6,993,767	6,863,115	7,111,210	7,346,178
Unassigned	<u>(542,821)</u>	<u>(303,339)</u>	<u>(134,316)</u>	<u>(150,893)</u>
Total all other governmental funds	<u>\$ 8,411,341</u>	<u>\$ 8,812,280</u>	<u>\$ 8,288,500</u>	<u>\$ 8,584,141</u>
Total all governmental funds	<u>\$ 10,562,676</u>	<u>\$ 11,163,199</u>	<u>\$ 10,654,206</u>	<u>\$ 10,930,083</u>

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 23,983	\$ 26,271	\$ 288,519	\$ 25,482	\$ 22,438	\$ 28,782
251,497	257,771	285,548	262,805	205,962	196,467
<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>3,155,257</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>	<u>\$ 3,380,506</u>
\$ 845	\$ 214	\$ 664	\$ 214	\$ 214	\$ 3,680
675,052	786,678	898,739	1,010,521	1,096,484	1,137,740
449,898	450,433	471,996	508,241	580,243	619,013
3,902,898	3,872,938	6,138,393	2,873,879	4,057,047	5,762,592
<u>(216,521)</u>	<u>(217,607)</u>	<u>(439,147)</u>	<u>(189,404)</u>	<u>(227,892)</u>	<u>(230,101)</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>	<u>\$ 7,292,924</u>
<u>\$ 7,894,582</u>	<u>\$ 7,837,469</u>	<u>\$ 10,709,962</u>	<u>\$ 7,543,820</u>	<u>\$ 8,721,679</u>	<u>\$ 10,673,430</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes				
General property tax	\$ 2,913,248	\$ 3,087,160	\$ 3,086,064	\$ 3,210,025
Tax increments	342,109	431,060	466,280	565,422
Special assessments	561,238	252,879	382,366	304,315
Licenses and permits	429,991	415,070	382,039	327,727
Intergovernmental	246,416	143,085	316,859	1,408,240
Charges for services	419,197	450,589	410,995	400,224
Fines and forfeits	29,593	33,192	32,055	29,569
Earnings on investments	296,249	215,119	(164,535)	433,402
Franchise taxes	90,123	94,532	96,820	103,711
Antenna rental fees	72,351	75,745	76,574	110,144
Miscellaneous/other	365,259	113,974	43,777	89,482
Total revenues	<u>5,765,774</u>	<u>5,312,405</u>	<u>5,129,294</u>	<u>6,982,261</u>
Expenditures				
Current				
General government	1,060,744	1,054,662	1,054,852	1,155,120
Public safety	1,640,801	1,728,669	1,779,549	1,826,098
Public works	273,165	377,101	391,711	580,872
Parks and recreation	661,746	679,282	675,073	648,214
Economic development	6,862	57,766	90,222	286,991
Capital outlay				
General government	684,492	8,847	9,545	5,559
Public safety	91,579	169,894	170,511	66,079
Public works	1,063,181	376,872	1,017,328	1,833,535
Parks and recreation	64,923	109,761	68,493	18,883
Economic development	-	5,330	328,248	231,025
Debt service				
Principal	245,000	255,000	260,000	270,000
Interest and paying agent fees	39,325	31,698	23,520	14,773
Total expenditures	<u>5,831,818</u>	<u>4,854,882</u>	<u>5,869,052</u>	<u>6,937,149</u>
Revenues over (under) expenditures	(66,044)	457,523	(739,758)	45,112
Other financing sources (uses)				
Sale of capital assets	46,712	-	-	-
Transfers in	143,000	143,000	230,765	230,765
Total other financing sources (uses)	<u>189,712</u>	<u>143,000</u>	<u>230,765</u>	<u>230,765</u>
Net change in fund balances	<u>\$ 123,668</u>	<u>\$ 600,523</u>	<u>\$ (508,993)</u>	<u>\$ 275,877</u>
Debt service as a percentage of noncapital expenditures	<u>6.99 %</u>	<u>6.21 %</u>	<u>5.82 %</u>	<u>5.73 %</u>

	2015	2016	2017	2018	2019	2020
\$	3,203,004	\$ 3,260,537	\$ 3,541,705	\$ 3,578,628	\$ 3,795,624	\$ 4,099,819
	697,898	242,544	295,788	351,569	388,697	273,043
	908,964	373,415	308,990	735,369	828,487	329,781
	518,846	598,686	729,197	526,444	714,530	431,628
	1,396,269	396,275	2,124,414	1,003,685	603,966	1,231,252
	496,908	577,041	590,141	427,905	440,616	215,918
	32,792	31,868	29,989	37,080	34,512	13,581
	236,947	148,679	133,231	154,369	310,607	338,444
	72,837	132,548	109,070	101,237	100,464	101,057
	189,534	123,815	128,765	57,067	134,505	140,707
	241,463	94,442	164,256	249,322	157,122	432,118
	<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>	<u>7,607,348</u>
	1,143,037	1,194,579	1,189,500	1,164,657	1,195,335	1,201,143
	1,920,280	1,981,506	2,058,037	2,088,345	2,399,296	2,435,773
	336,398	479,814	443,633	579,535	632,531	675,739
	573,587	621,832	618,614	653,977	679,589	547,787
	249,484	229,688	264,905	324,548	300,052	415,839
	–	–	–	13,770	115,924	107,865
	52,936	47,880	100,215	233,301	69,666	299,107
	6,198,264	786,873	734,411	2,916,604	713,156	204,169
	–	–	337,808	2,783,238	549,812	22,675
	502,842	151,306	7,520	–	3,300	–
	280,000	–	–	–	–	–
	4,900	–	–	–	–	–
	<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>	<u>5,910,097</u>
	(3,266,266)	486,372	2,400,903	(3,535,300)	850,469	1,697,251
	–	–	–	69,158	27,390	17,500
	<u>230,765</u>	<u>230,765</u>	<u>471,590</u>	<u>300,000</u>	<u>300,000</u>	<u>237,000</u>
	<u>230,765</u>	<u>230,765</u>	<u>471,590</u>	<u>369,158</u>	<u>327,390</u>	<u>254,500</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>\$ 1,951,751</u>
	<u>6.20 %</u>	<u>– %</u>	<u>– %</u>	<u>– %</u>	<u>– %</u>	<u>– %</u>

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CITY OF ARDEN HILLS

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

Fiscal Year	Property Tax		Franchise Tax	Total
	General	Tax Increment		
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
2020	4,099,819	273,043	101,057	4,473,919

CITY OF ARDEN HILLS

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

Fiscal Year Ended December 31,	Real Property	Personal Property	Total Tax Capacity	Less Tax Increment District	Less Fiscal Disparity Contribution
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
2020	17,592,301	268,599	17,860,900	273,444	2,627,733

Source: Ramsey County Assessor

Adjusted Tax Capacity (ATC) Value	Total Direct Tax Rate	Estimated Market Value (EMV)	ATC as a Percentage of EMV
\$ 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
14,959,723	25.41	1,406,207,500	1.06

CITY OF ARDEN HILLS

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rate	Overlapping Rates			Total
	City Operating Rate	Ramsey County	School District	Special Taxing Districts	
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
2020	25.414	52.302	24.964	8.249	110.929

Note: 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	2020			2011		
	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	7.24 %	\$ 1,599,250	1	14.11 %
Land O'Lakes, Inc.	736,212	2	4.92	367,236	4	3.24
Space Center Arden Hills, LLC	529,992	3	3.54	-	-	-
St. Paul Fire and Marine Insurance Company	494,128	4	3.30	355,254	5	3.13
NSP	389,682	5	2.60	262,518	8	2.32
Presbyterian Homes, Inc.	385,774	6	2.58	-	-	-
RAM Development, LLC	232,400	7	1.55	-	-	-
CSM Corporation	228,214	8	1.53	429,500	2	3.79
LSREF4 BISON LLC	220,766	9	1.48	-	-	-
SUP I Shannon Square LLC	197,812	10	1.32	-	-	-
Arden Hills Industrial, LLC	-	-	-	392,460	3	3.46
Mutual Service Insurance Company	-	-	-	339,250	6	2.99
IRET Properties, LP	-	-	-	310,364	7	2.74
Pharmacia Deltec, Inc.	-	-	-	245,850	9	2.17
Inland Shannon Square Cub, LLC	-	-	-	168,450	10	1.49
Total	<u>\$ 4,497,920</u>		<u>30.07 %</u>	<u>\$ 4,470,132</u>		<u>39.45 %</u>
Total capacity value	<u>\$ 14,959,723</u>			<u>\$ 11,332,258</u>		

Source: Ramsey County Assessor

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
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)	11,553	3,640,643	99.98
2018	3,786,942	3,710,786	97.99	(58,021)	16,646	3,785,453	99.96
2019	3,938,420	3,871,967	98.31	(55,679)	8,587	3,936,233	99.94
2020	4,135,340	4,116,483	99.54	(6,522)	—	4,123,006	99.70

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental	Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Activities General Obligation TIF Bonds	Revenue Bonds	Premium	Total			
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	255
2020	-	2,215,000	125,838	2,340,838	2,340,838	0.61	232

(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.

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CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt
as of December 31, 2020

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 124,895,434	2.45 %	\$ 3,061,652
County library	22,712,406	4.87	1,105,961
Independent School District No. 621	204,505,060	13.24	27,070,263
Independent School District No. 623	170,735,015	0.78	1,324,026
Intermediate School District No. 916	75,365,000	4.94	3,725,338
Metropolitan Council	1,479,171,214	0.36	5,257,241
Rice Creek Watershed	255,531	11.58	<u>29,598</u>
Total overlapping debt			41,574,079
City of Arden Hills	-	100.00	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 41,574,079</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			
	2011	2012	2013	2014
Debt limit	\$ 33,279,828	\$ 31,302,591	\$ 31,064,151	\$ 31,654,614
Total net debt applicable to the limit	—	—	—	—
Legal debt margin	<u>\$ 33,279,828</u>	<u>\$ 31,302,591</u>	<u>\$ 31,064,151</u>	<u>\$ 31,654,614</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.

2015	2016	2017	2018	2019	2020
\$ 33,672,840	\$ 34,326,648	\$ 35,201,928	\$ 37,806,864	\$ 39,397,347	\$ 42,186,225
—	—	—	—	—	—
<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>	<u>\$ 42,186,225</u>

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Legal Debt Margin Calculation for Fiscal Year 2020

Total estimated market value	\$1,406,207,500
Debt limit (3% of market value)	42,186,225
Debt applicable to the limit	
General obligation bonds	—
Less amount set aside for repayment of general obligation debt	<u>—</u>
Total net debt applicable to the limit	<u>—</u>
Legal debt margin	<u>\$ 42,186,225</u>

CITY OF ARDEN HILLS

Pledged Revenue Coverage
Last Three 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	\$ -	\$ 52,333	14.3 %
2019	4,179,282	3,387,940	791,342	-	94,288	8.4
2020	4,187,741	3,085,624	1,102,117	200,000	86,998	3.8

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

Note 2: Fiscal year 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

Fiscal Year	Population (1)	Per Capita Personal Income (3)	Arden Hills Total Personal Income (4)	Median Age (6)	School Enrollment (5)	Unemployment Rate (2)
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	10,008	36,989	370,185,912	36.4	11,957	3.0
2020	10,108	37,729	381,365,527	36.2	12,061	6.5

Sources:

- (1) Population data is obtained from the Metropolitan Council website. Fiscal year 2020 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. Fiscal year 2020 is estimated by city staff.
- (4) Personal income is calculated based on the population and per capita personal income.
- (5) Enrollment numbers are based off of Independent School District No. 621, Mounds View from the Minnesota Department of Education website.
- (6) Median age is from www.city-data.com website.

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CITY OF ARDEN HILLS

Principal Employers
Current Year and Nine Years Ago

Employer	2020			2011 (1)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	3,200	1	29.6 %	2,000	1	17.1 %
Land O'Lakes, Inc.	1,565	2	14.5	800	2	6.8
University of Northwestern	1,020	3	9.4	–	–	–
Bethel University	930	4	8.6	–	–	–
Presbyterian Homes of Arden Hills	500	5	4.6	500	4	4.3
National Recoveries	350	6	3.2	–	–	–
Independent School District No. 621, Mounds View Public Schools	225	7	2.1	–	–	–
Gradient Financial	175	8	1.6	–	–	–
Delkor	160	9	1.5	–	–	–
International Paper	112	10	1.0	–	–	–
Smiths Medical M.D., Inc.	–	–	–	525	3	4.5
Fair Issac Corp.	–	–	–	280	5	2.4
Country and MSI Insurance	–	–	–	236	6	2.0
Total	<u>8,237</u>		<u>76.3 %</u>	<u>4,341</u>		<u>37.1 %</u>
Total city employees	<u>10,799</u>	(2)		<u>11,703</u>		

(1) Information only readily available for the listed employers.

(2) This is an estimate from 2019. Information for 2020 is not yet available.

Note: This does not purport to be a comprehensive list and is based on available data from the City's 2018 Official Statement, and updates received since then through a survey of individual employers. Some employers do not respond to inquiries for employment data.

Source: City staff research; Metropolitan Council.

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2011	2012	2013	2014
Police (see Note 2)				
Towed vehicles	3	7	2	1
Traffic accidents	96	140	149	144
Driving impaired/alcohol	13	15	23	18
Traffic stops	328	17	78	20
Traffic investigations	24	33	78	40
Total calls for service	N/A	N/A	N/A	N/A
Fire				
Number of calls answered	559	522	561	651
Highways and streets				
Street resurfacing (miles)	1.9	5.2	4.4	–
Potholes repaired	250	250	250	250
Sanitation (residential)				
Refuse collected (tons/day)	7.85	7.90	8.05	8.65
Recyclables collected (tons/day)	2.01	2.20	2.20	2.21
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	20	19	30	22
Water				
New connections	2	31	10	2
Water main breaks	2	12	6	2
Average daily consumption (thousands of gallons)	1,135	1,269	1,162	983

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 calls for service is now provided.

Note 3: Recyclables – numbers based off 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

2015	2016	2017	2018	2019	2020
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
4,892	4,413	5,152	5,331	5,253	3,924
804	930	986	1,039	1,138	1,044
2.84	0.25	0.20	1.00	0.30	2.32
600	600	700	800	750	1,000
8.76	8.75	8.80	N/A	N/A	N/A
2.16	2.06	2.22	2.17	2.20	2.19
N/A	N/A	N/A	2	2	–
N/A	N/A	N/A	73.7	44.8	–
22	22	30	25	20	2
7	8	8	8	2	3
10	6	7	8	4	2
857	812	853	869	841	855

CITY OF ARDEN HILLS

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

Function	Fiscal Year			
	2011	2012	2013	2014
General government	6.79	6.12	6.11	6.45
Public safety	2.73	2.66	2.46	2.60
Public works	2.40	3.53	4.49	4.20
Parks and recreation	8.10	7.43	7.02	6.70
Water	3.51	3.56	3.70	3.75
Sewer	4.30	4.25	4.49	4.60
Surface water management	2.24	2.61	2.66	2.65
Recycling	0.20	0.21	0.20	0.20
Total	<u>30.27</u>	<u>30.37</u>	<u>31.13</u>	<u>31.15</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

2015	2016	2017	2018	2019	2020
6.37	4.56	4.10	4.61	5.10	5.61
2.70	2.47	2.19	2.39	2.34	2.66
4.22	3.47	2.70	3.08	2.86	2.64
6.74	6.09	5.58	5.96	6.13	5.14
3.69	3.46	3.42	3.24	3.39	3.54
4.43	4.24	4.21	3.99	4.11	4.20
2.64	2.64	2.43	2.30	2.35	2.53
0.18	0.16	0.15	0.23	0.32	0.29
<u>30.97</u>	<u>27.09</u>	<u>24.78</u>	<u>25.80</u>	<u>26.60</u>	<u>26.61</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2011	2012	2013	2014
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	21
Tennis courts	4	4	5	6
Softball/baseball fields	6	6	8	8
Basketball courts	10	10	10	10
Hockey/skating rinks	5	5	6	6
Permanent restrooms	3	3	2	3
Water				
Water mains (miles)	43	43	43	43
Fire hydrants	520	520	537	537
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500
Sewer				
Sanitary sewers (miles)	44	44	49	52
Storm sewers (miles)	20	20	20	25

* Information used for parks and recreation 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

2015	2016	2017	2018	2019	2020
57	57	57	57	57	57
250	250	252	252	254	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	22	22	22
6	5	5	5	5	5
8	8	7	7	7	7
10	10	10	10	10	10
6	6	6	6	6	6
3	3	3	3	4	4
43	43	43	44	44	44
537	537	537	537	537	537
1,500	1,500	1,500	1,500	2,160	2,160
52	52	52	52	52	52
25	25	25	25	25	25

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