

CITY OF



ARDEN HILLS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

**CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA**

**Comprehensive Annual Financial Report
for Year Ended
December 31, 2011**

DEPARTMENT OF FINANCE

Susan K. Iverson, Director of Finance and Administrative Services

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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RAMSEY COUNTY, MINNESOTA

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INTRODUCTORY SECTION



June 19, 2012

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, 2011.

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 unqualified (“clean”) opinion on the City of Arden Hills, Minnesota’s (the City) financial statements for the year ended December 31, 2011. The independent auditor’s report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1951, is a northern suburb of the Minneapolis/St. Paul metropolitan area, situated in Ramsey County. The City occupies 9.82 square miles and serves a population of 9,552. 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.

City of Arden Hills ♦ 1245 West Highway 96 ♦ Arden Hills, MN ♦ 55112-5743

Phone 651.792.7800 ♦ Fax 651.634.5137 ♦ www.ci.arden-hills.mn.us

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, and recycling systems; community development, building inspection, and planning; and general government operations, including administration, finance/accounting, information systems, community information (newsletter), and general government buildings. The City contracts with Ramsey County for police services and Lake Johanna Fire Department for fire services.

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

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

LOCAL ECONOMY

A number of high-profile leaders in the medical, technology, and business sectors, including Boston Scientific, Land O' Lakes, Syntegra, MSI Insurance, Manufacturer's Services, Fair Isaac, Presbyterian Homes, and Sims Deltec, 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 4.5 percent in 2002 to a current rate of 6.1 percent. Unemployment is expected to remain at or below the regional and national average.

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

LONG-TERM FINANCIAL PLANNING

Total General Fund balance (54 percent of total subsequent year General Fund expenditures budgeted) is slightly above the 50 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance is made up of a \$29,063 of nonspendable equity for prepaid items, leaving \$2,122,272 of assigned and unassigned fund balance (to accommodate cash flows due to the timing of tax and state aid receipts).

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

Projections for the next 10 years indicate that property tax contributions, user fees, and investment income will need to be reevaluated to support scheduled replacements. In 2007, the City established a citizen committee, called the Financial Planning and Analysis Committee, to work on establishing fund balance policies and where future tax rates should be set. A 10-year financial plan is also being completed. Until mid-2009, the City was in negotiations with the federal government to acquire a portion of the Army property, formerly known as TCAAP, and was working with a developer. This development was expected to add to the City's tax base and included commercial/industrial, residential, and civic uses. The developer terminated its development plan. It is unknown at this time what the future use of this property will be. The City is currently working and exploring options to determine its use and transfer. A public auction was expected to be held in late summer of 2010 and is currently on hold. The current 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) and building permit fees. Changes in state tax law over the past few years have resulted in funding changes for both schools and local governments. The elimination of the homestead and agricultural credit aids program, and large cuts in both local government aid and the market value homestead credit programs resulted in revenue losses to the City. In addition, as the City continues toward full development, we anticipate future decreases in building permit revenues.

MAJOR INITIATIVES

As previously mentioned, the development of the TCAAP property is a major project for the City. This project also drives transportation issues as the site will increase traffic flows and require access. Currently, the City has U.S. Highway 10, Interstate Highway 694, and Ramsey County 96 as major corridors running through the City. All of these highways border the TCAAP and present transportation issues within the City; the City has a vested interest in improvements to these corridors and will need to work cooperatively with the state, county, and federal transportation authorities and legislators. The City is also looking at developing the B2 District as a downtown area.

ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. This is the fifth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department, and through the helpful guidance and assistance from our auditing firm, MMKR. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor, City Council, and city administrator for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Susan K. Iverson". The signature is written in a cursive, flowing style.

Susan K. Iverson
Director of Finance and Administrative Services

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Enner

Executive Director

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2011

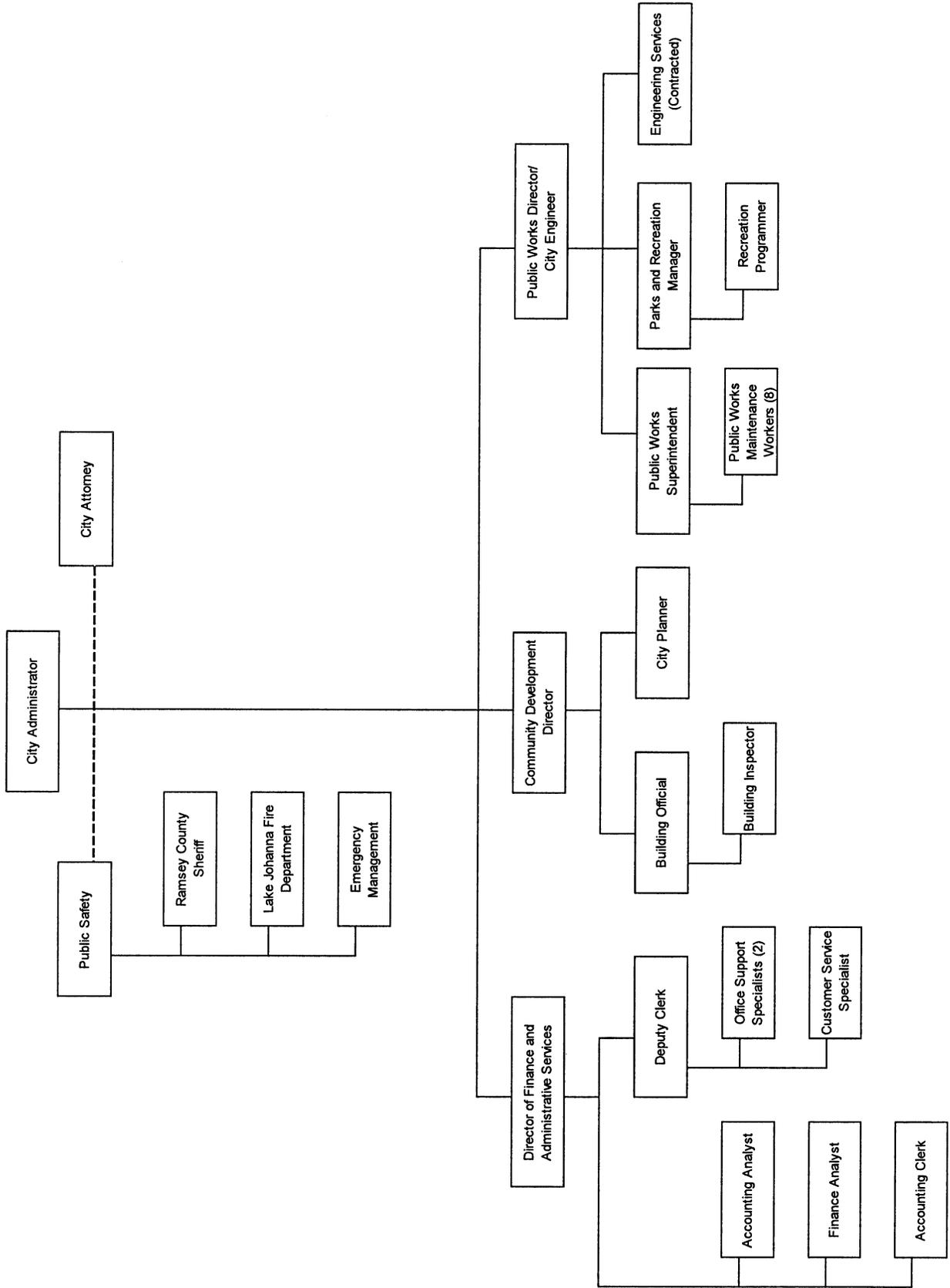
CITY COUNCIL

		<u>Term Expires</u>
David Grant	Mayor	December 31, 2014
Brenda Holden	Councilmember	December 31, 2012
Fran Holmes	Councilmember	December 31, 2014
Nick Tamble	Councilmember	December 31, 2012
Ed Werner	Councilmember	December 31, 2014

APPOINTED OFFICIALS

Patrick Klaers	City Administrator/Clerk
Susan K. Iverson	Director of Finance and Administrative Services/Treasurer
Jerome Filla	City Attorney

**CITY OF ARDEN HILLS
ORGANIZATION CHART
Approved November 29, 2010**



FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Arden Hills, Minnesota

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(continued)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the budgetary comparison information for the General Fund and major special revenue funds, which follows the basic financial statements, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 required supplementary information 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.

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, combining and individual fund statements and schedules, 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 combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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.

Malloy, Montague, Karowski, Radovitch, & Co., P.A.

June 19, 2012

CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2011

As the management of the City of Arden Hills, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$42,536,358 (net assets). Of this amount, \$12,381,813 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,705,601.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,562,676. Of this total amount, \$29,063 is nonspendable, \$1,696,379 is restricted, leaving an unrestricted balance of \$8,837,234.
- At the end of the current fiscal year, the General Fund has a fund balance of \$2,151,335. The total General Fund balance is equal to 60 percent of total General Fund expenditures. At December 31, 2011, the unassigned fund balance of the General Fund was 53 percent of the subsequent year's budgeted expenditures less transfers.
- The City's total long-term debt decreased by \$224,369 during the current fiscal year, from \$1,471,888 to \$1,247,519. The decrease is due to scheduled debt payments of \$245,000 for tax increment bonds, and compensated absences balance increases of \$20,631.

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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 use 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 fund 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 City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual major governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Economic Development Authority (EDA) Operating, Tax Increment Bonds, Equipment, Building, and Replacement, and Permanent Improvement Revolving Funds, which are considered to be major funds.

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

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

The basic governmental fund 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. 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. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City maintains one internal service fund to account for uninsured losses. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, surface water management, and recycling operations. Water, sewer, and surface water management are considered to be major funds of the City.

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

Other Information – In addition to the basic financial statements, including the accompanying notes, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental 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

As noted earlier, net assets may serve over time as a useful indicator of a City’s financial position. In the case of the City, assets exceeded liabilities by \$42,536,358 at the close of the most recent fiscal year.

The largest portion of the City’s net assets (\$28,460,333 or 67 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure, and equipment) net of accumulated depreciation. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 12,582,280	\$ 12,274,881	\$ 3,817,274	\$ 3,369,778	\$ 16,399,554	\$ 15,644,659
Capital assets	17,498,478	16,341,354	10,961,855	10,530,204	28,460,333	26,871,558
Total assets	\$ 30,080,758	\$ 28,616,235	\$ 14,779,129	\$ 13,899,982	\$ 44,859,887	\$ 42,516,217
Liabilities						
Long-term liabilities outstanding	\$ 1,173,535	\$ 1,410,136	\$ 73,984	\$ 61,752	\$ 1,247,519	\$ 1,471,888
Other liabilities	581,254	527,125	494,756	686,447	1,076,010	1,213,572
Total liabilities	\$ 1,754,789	\$ 1,937,261	\$ 568,740	\$ 748,199	\$ 2,323,529	\$ 2,685,460
Net assets						
Invested in capital assets, net of related debt	\$ 17,498,478	\$ 16,341,354	\$ 10,961,855	\$ 10,530,204	\$ 28,460,333	\$ 26,871,558
Restricted	1,694,212	1,329,092	-	-	1,694,212	1,329,092
Unrestricted	9,133,279	9,008,528	3,248,534	2,621,579	12,381,813	11,630,107
Total net assets	\$ 28,325,969	\$ 26,678,974	\$ 14,210,389	\$ 13,151,783	\$ 42,536,358	\$ 39,830,757

An additional portion of the City's net assets (\$1,694,212 or 4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$12,381,813 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, 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.

Governmental Activities – Governmental activities increased the City’s net assets by \$1,646,995, accounting for 61 percent of the total growth in net assets. Key elements of this increase are as follows:

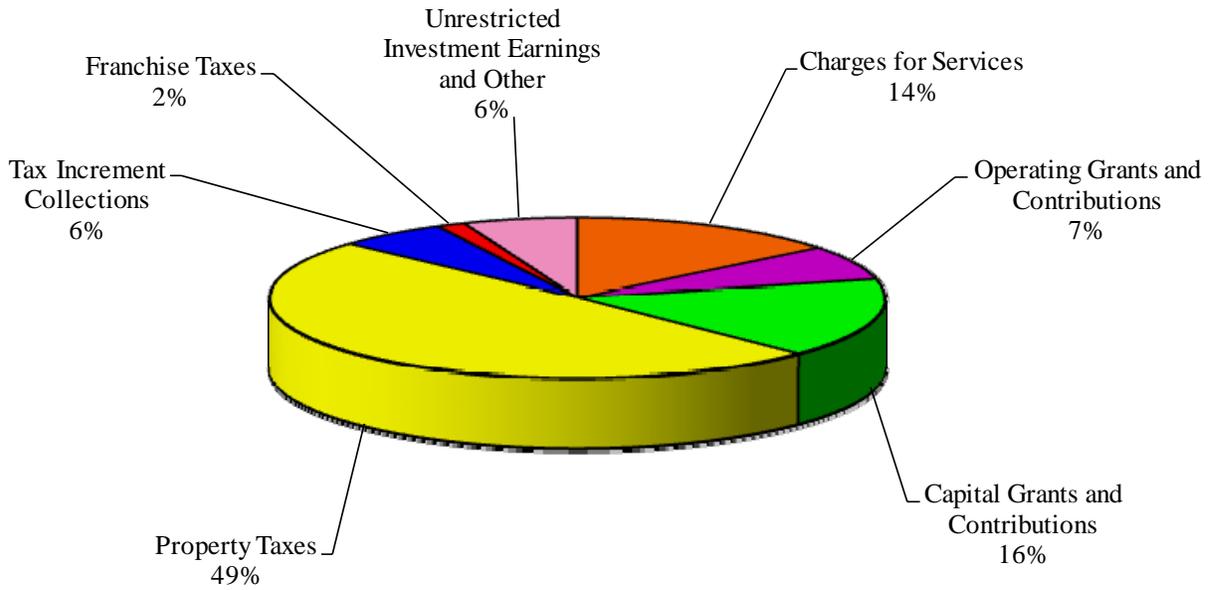
Table 2
Changes in Net Assets
for the Years Ended December 31, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 849,187	\$ 578,243	\$ 4,477,999	\$ 4,039,143	\$ 5,327,186	\$ 4,617,386
Operating grants and contributions	410,228	275,869	20,846	20,114	431,074	295,983
Capital grants and contributions	946,122	1,171,451	140,428	–	1,086,550	1,171,451
General revenues						
Property taxes	2,920,078	2,836,982	–	–	2,920,078	2,836,982
Tax increment collections	342,109	566,725	–	–	342,109	566,725
Franchise taxes	90,123	85,131	–	–	90,123	85,131
Unrestricted investment earnings	307,769	231,340	81,256	53,455	389,025	284,795
Gain on sale of capital assets	46,712	–	–	–	46,712	–
Total revenues	5,912,328	5,745,741	4,720,529	4,112,712	10,632,857	9,858,453
Expenses						
General government	1,199,609	1,232,225	–	–	1,199,609	1,232,225
Public safety	1,736,422	1,585,447	–	–	1,736,422	1,585,447
Public works	614,761	636,406	–	–	614,761	636,406
Parks and recreation	811,533	732,824	–	–	811,533	732,824
Economic development	6,862	3,311	–	–	6,862	3,311
Interest on long-term debt	39,146	46,470	–	–	39,146	46,470
Water	–	–	1,573,669	1,678,954	1,573,669	1,678,954
Sewer	–	–	1,454,302	1,367,429	1,454,302	1,367,429
Surface water management	–	–	353,330	321,693	353,330	321,693
Recycling	–	–	137,622	129,139	137,622	129,139
Total expenses	4,408,333	4,236,683	3,518,923	3,497,215	7,927,256	7,733,898
Increase in net assets before transfers	1,503,995	1,509,058	1,201,606	615,497	2,705,601	2,124,555
Transfers	143,000	143,000	(143,000)	(143,000)	–	–
Increase in net assets	1,646,995	1,652,058	1,058,606	472,497	2,705,601	2,124,555
Net assets – beginning	26,678,974	25,026,916	13,151,783	12,679,286	39,830,757	37,706,202
Net assets – ending	\$ 28,325,969	\$ 26,678,974	\$ 14,210,389	\$ 13,151,783	\$ 42,536,358	\$ 39,830,757

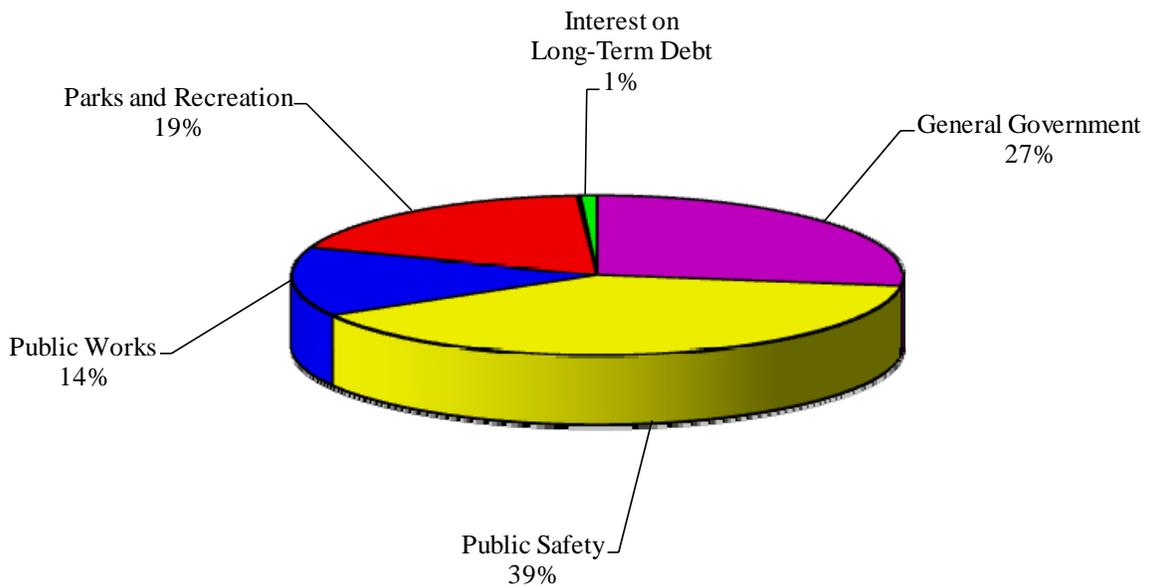
The current year increase to governmental net assets of \$1,646,995 was similar to the \$1,652,058 increase in the prior year. The decrease in capital grants and contributions was due to less construction compared to the prior year for the Elmer L. Anderson/Safe Routes to School Trail Improvement Project, which received state and federal grants. Governmental charges for services were up due to new construction projects in the City, including Presbyterian Homes and Pulte Homes developments. Property taxes (excluding tax increment) were up as last year’s number reflected a number of tax petitions, and investment income was more than the previous year, which is a result of increased cash and investments from charges for services and decreased construction costs. General government expenses decreased with budget due to the current economic conditions. Public safety costs increased as all contracts (police, fire and dispatch) increased in 2011, notably the fire contract as we were in the second year of implementation of a full-time duty crew. Public works expenses decreased, again as a result of budget cuts and economic conditions. Parks and recreation expenses increased due to increased registrations and programs. Economic development expenses were up as a State-of-the-City event was held for area businesses. Transfers from business-type activities to governmental activities were made for equipment reserves in the amount of \$143,000.

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

Governmental Activities – Revenue

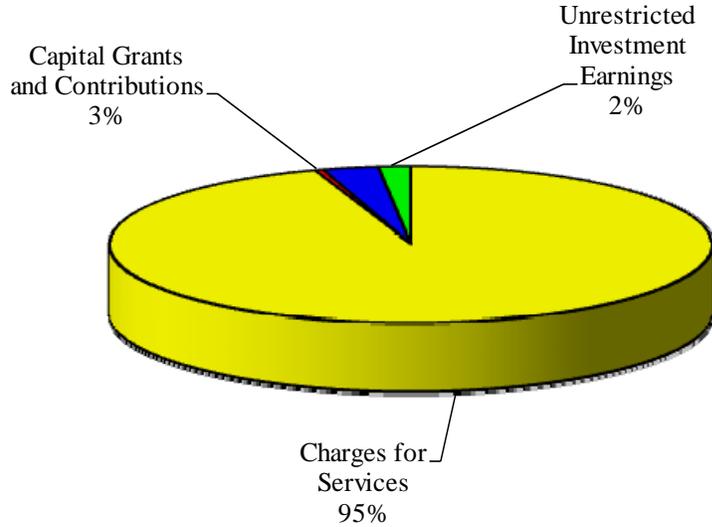


Governmental Activities – Expenses

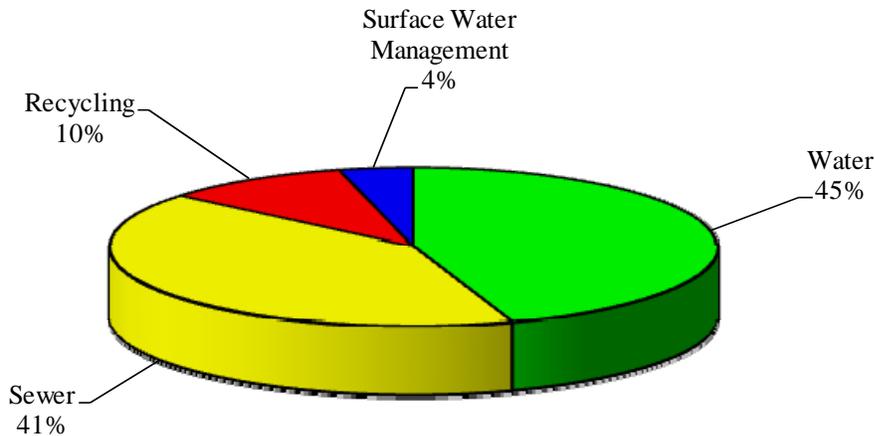


Business-Type Activities – Business-type activities increased the City’s net assets by \$1,058,606, accounting for 39 percent of the total growth in net assets. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



Grants from the Metropolitan Council for sewer improvements and the Ramsey County Conservation District accounted for \$140,428 of the increase in utility revenues. The balance of the increase in utility revenues is a result rate change and new construction projects in the City, including Presbyterian Homes and Pulte Homes developments. Water operating costs decreased by \$105,285 due to improvements made in previous years resulting in less maintenance costs. Increased operating costs for Metropolitan Council sanitary sewer charges, recycling, and maintenance resulted in an increase in sewer, recycling, and surface water management expenses of \$126,993. Overall, the increase in business-type activities of \$1,058,606 was \$586,109 more than the increase in the prior year.

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 \$10,562,676, an increase of \$123,668 in comparison with the prior year. Committed, assigned, and unassigned fund balance, which is available for spending at the government's discretion, has a balance of \$8,837,234 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) to pay debt service (\$2,167), 2) for tax increment purposes (\$1,402,743), 3) for cable TV purposes (\$291,469), or 4) is not in spendable form for prepaid items (\$29,063).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,015,680 while total fund balance reached \$2,151,335. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned balance and total fund balance to total fund expenditures. Unassigned fund balance represents 53 percent of the total subsequent year General Fund expenditures, without transfers out.

The City's General Fund balance increased by \$387,849 during the current fiscal year; this was due to new construction projects in the City, including Presbyterian Homes and Pulte Homes developments as revenue was collected for plan reviews and building permits and inspections.

The EDA Operating Fund increased by \$41,088, due to a transfer of \$12,600 from the General Fund, the collection of excess increment, and investment earnings. The only expenditures were for the State-of-the-City program.

The Tax Increment Bonds Debt Service Fund remained the same as planned with scheduled debt payment and transfer amounts.

The Equipment, Building, and Replacement Fund decreased by \$442,521 as expenditures exceeded actual revenues and transfers based on the timing of the purchase of capital equipment. Future transfers will replenish the fund.

The Permanent Improvement Revolving Fund decreased by \$98,655 as expenditures exceeded actual revenues and transfers based on the timing of actual projects. The 2011 PMP project was a large project and accounted for much of this change.

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 assets in the respective proprietary funds include \$1,561,163 for water, \$901,072 for sewer, \$716,598 for surface water management, and \$69,701 for recycling. Water net assets increased \$375,316, sewer net assets increased \$482,175, surface water management net assets increased \$173,636, and recycling net assets increased \$27,479 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$238,080 more than estimated in the budget. Tax revenues fell short of anticipated levels by \$94,903 as unallotment of the Market Value Homestead Credit (MVHC) by the state totaled \$61,774, which the City budgets with tax sources, with the remainder being delinquencies increased due to economic conditions. Fines and forfeits were \$20,848 less than budget, while earnings on investments were \$7,718 less than budget. These unfavorable variances were due to the current economic downturn. Intergovernmental revenues surpassed budgeted levels by \$3,917 as Mobile Home Homestead Credit was not included in the budget. Licenses and permits, charges for services, antenna rental fees, and miscellaneous and other reimbursements all surpassed budgeted levels by \$177,391, \$97,596, \$7,351, and \$75,294, respectively. Expenditures within the General Fund were less than budget by \$149,558 spread across several functions. These favorable variances were due to decreased spending for consultants and other professional services and decreased maintenance costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$28,460,333 (net of accumulated depreciation). This investment in capital assets includes items such as land, buildings and structures, infrastructure and improvements, machinery and equipment, office furniture and equipment, vehicles, park facilities, roads, trails and sidewalks, and pedestrian tunnels and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 6 percent (a 7 percent increase for governmental activities and a 4 percent increase for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,652,057	\$ 2,435,238	\$ –	\$ –	\$ 2,652,057	\$ 2,435,238
Construction in progress	3,118,151	3,121,825	1,363,312	880,285	4,481,463	4,002,110
Buildings and structures	4,275,162	4,408,517	608	816	4,275,770	4,409,333
Infrastructure and improvements	6,375,759	5,543,650	–	–	6,375,759	5,543,650
Distribution and collection systems	–	–	9,512,571	9,540,141	9,512,571	9,540,141
Machinery and equipment	528,707	513,875	74,550	85,171	603,257	599,046
Office furniture and equipment	85,736	68,338	–	–	85,736	68,338
Vehicles	462,906	249,911	10,814	23,791	473,720	273,702
Total	<u>\$ 17,498,478</u>	<u>\$ 16,341,354</u>	<u>\$ 10,961,855</u>	<u>\$ 10,530,204</u>	<u>\$ 28,460,333</u>	<u>\$ 26,871,558</u>

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

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,065,000, a decrease of \$245,000 from 2010. This entire liability is backed by the full faith and credit of the City. Remaining debt is the liability for compensated absences of \$182,519, which represents an increase of \$20,631 over the December 31, 2010 liability balance.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation tax increment bonds	\$ 1,065,000	\$ 1,310,000	\$ –	\$ –	\$ 1,065,000	\$ 1,310,000
Compensated absences payable	108,535	100,136	73,984	61,752	182,519	161,888
Total	<u>\$ 1,173,535</u>	<u>\$ 1,410,136</u>	<u>\$ 73,984</u>	<u>\$ 61,752</u>	<u>\$ 1,247,519</u>	<u>\$ 1,471,888</u>

The City maintains an “AA+” rating from Standard & Poor’s and Fitch and an “Aa” rating from Moody’s for general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value. The current debt limitation for the City is \$33,279,828. None of the City’s outstanding debt is counted within the statutory limitation.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The unemployment rate for the City is currently 6.1 percent, which is a decrease from a rate of 6.4 percent last year.
- Dramatic increases in local government aids and other state sources are not anticipated to increase dramatically based on legislation at the time of writing this report.
- Property tax collection rates are expected to remain strong, at or near the 2011 level, of 99 percent.

All of these factors were considered in preparing the City’s budget for the 2012 fiscal year.

REQUESTS FOR INFORMATION

This 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 office of the Director of Finance and Administrative Services, 1245 West Highway 96, Arden Hills, Minnesota 55112.

BASIC FINANCIAL STATEMENTS

CITY OF ARDEN HILLS

Statement of Net Assets
as of December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 11,021,661	\$ 2,758,321	\$ 13,779,982
Accrued interest receivable	51,714	14,757	66,471
Accounts receivable	259,364	875,377	1,134,741
Taxes receivable	89,232	-	89,232
Special assessments receivable	1,012,994	-	1,012,994
Due from other governmental units	109,601	106,279	215,880
Prepaid items	29,063	58,800	87,863
Inventory	-	3,740	3,740
Unamortized discount	8,651	-	8,651
Capital assets – net of accumulated depreciation			
Nondepreciable	5,770,208	1,363,312	7,133,520
Depreciable	11,728,270	9,598,543	21,326,813
Total assets	<u>30,080,758</u>	<u>14,779,129</u>	<u>44,859,887</u>
Liabilities			
Accounts payable	166,348	137,246	303,594
Salaries payable	55,871	34,547	90,418
Contracts payable	81,845	76,537	158,382
Accrued bond interest payable	14,667	-	14,667
Deposits payable	147,624	-	147,624
Due to other governmental units	46,173	246,426	292,599
Unearned revenue	68,726	-	68,726
Compensated absences payable			
Due within one year	81,401	55,488	136,889
Due in more than one year	27,134	18,496	45,630
Bonds payable			
Due within one year	255,000	-	255,000
Due in more than one year	810,000	-	810,000
Total liabilities	<u>1,754,789</u>	<u>568,740</u>	<u>2,323,529</u>
Net assets			
Invested in capital assets	17,498,478	10,961,855	28,460,333
Restricted for			
Tax increment purposes	1,402,743	-	1,402,743
Cable TV	291,469	-	291,469
Unrestricted	9,133,279	3,248,534	12,381,813
Total net assets	<u>\$ 28,325,969</u>	<u>\$ 14,210,389</u>	<u>\$ 42,536,358</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Activities
Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/programs							
Primary government							
Governmental activities							
General government	\$ 1,199,609	\$ 353,224	\$ 244,973	\$ -	\$ (601,412)	\$ -	\$ (601,412)
Public safety	1,736,422	385,133	78,386	33,484	(1,239,419)	-	(1,239,419)
Public works	614,761	-	76,017	659,742	120,998	-	120,998
Parks and recreation	811,533	110,830	10,775	252,896	(437,032)	-	(437,032)
Economic development	6,862	-	77	-	(6,785)	-	(6,785)
Interest on long-term debt	39,146	-	-	-	(39,146)	-	(39,146)
Total governmental activities	<u>4,408,333</u>	<u>849,187</u>	<u>410,228</u>	<u>946,122</u>	<u>(2,202,796)</u>	<u>-</u>	<u>(2,202,796)</u>
Business-type activities							
Water	1,573,669	1,950,932	-	-	-	377,263	377,263
Sewer	1,454,302	1,852,364	-	130,131	-	528,193	528,193
Surface water management	353,330	531,845	-	10,297	-	188,812	188,812
Recycling	137,622	142,858	20,846	-	-	26,082	26,082
Total business-type activities	<u>3,518,923</u>	<u>4,477,999</u>	<u>20,846</u>	<u>140,428</u>	<u>-</u>	<u>1,120,350</u>	<u>1,120,350</u>
Total primary government	<u>\$ 7,927,256</u>	<u>\$ 5,327,186</u>	<u>\$ 431,074</u>	<u>\$ 1,086,550</u>	<u>(2,202,796)</u>	<u>1,120,350</u>	<u>(1,082,446)</u>
General revenues							
Property taxes					2,920,078	-	2,920,078
Tax increment collections					342,109	-	342,109
Franchise taxes					90,123	-	90,123
Unrestricted investment earnings					307,769	81,256	389,025
Gain on sale of capital assets					46,712	-	46,712
Transfers					143,000	(143,000)	-
Total general revenues and transfers					<u>3,849,791</u>	<u>(61,744)</u>	<u>3,788,047</u>
Change in net assets					1,646,995	1,058,606	2,705,601
Net assets – beginning					<u>26,678,974</u>	<u>13,151,783</u>	<u>39,830,757</u>
Net assets – ending					<u>\$ 28,325,969</u>	<u>\$ 14,210,389</u>	<u>\$ 42,536,358</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Balance Sheet
Governmental Funds
as of December 31, 2011

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Assets								
Cash and investments	\$ 2,140,487	\$ 109,188	\$ 2,167	\$ -	\$ 6,063,901	\$ 2,300,154	\$ -	\$ 10,615,897
Accrued interest receivable	5,057	454	-	-	31,331	12,811	-	49,653
Accounts receivable	233,826	-	-	-	-	25,538	-	259,364
Taxes receivable	89,232	-	-	-	-	-	-	89,232
Special assessments receivable	4,165	-	-	-	1,008,829	-	-	1,012,994
Interfund receivable	-	-	-	-	431,256	-	(431,256)	-
Due from other governmental units	67,565	-	-	-	42,036	-	-	109,601
Prepaid items	29,063	-	-	-	-	-	-	29,063
Total assets	\$ 2,569,395	\$ 109,642	\$ 2,167	\$ -	\$ 7,577,353	\$ 2,338,503	\$ (431,256)	\$ 12,165,804
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 48,664	\$ -	\$ -	\$ 79,929	\$ 325	\$ 7,377	\$ -	\$ 136,295
Salaries payable	54,411	-	-	-	-	1,460	-	55,871
Contracts payable	-	-	-	-	57,709	24,136	-	81,845
Deposits payable	147,624	-	-	-	-	-	-	147,624
Interfund payable	-	-	-	273,999	-	157,257	(431,256)	-
Due to other governmental units	39,391	-	-	-	4,119	2,663	-	46,173
Deferred revenue – unearned	68,726	-	-	-	-	-	-	68,726
Deferred revenue – not available	59,244	-	-	-	1,007,350	-	-	1,066,594
Total liabilities	418,060	-	-	353,928	1,069,503	192,893	(431,256)	1,603,128
Fund balances (deficits)								
Nonspendable	29,063	-	-	-	-	-	-	29,063
Restricted	-	-	2,167	-	-	1,694,212	-	1,696,379
Committed	-	109,642	-	-	-	154,374	-	264,016
Assigned	106,592	-	-	-	6,507,850	485,917	-	7,100,359
Unassigned	2,015,680	-	-	(353,928)	-	(188,893)	-	1,472,859
Total fund balances (deficits)	2,151,335	109,642	2,167	(353,928)	6,507,850	2,145,610	-	10,562,676
Total liabilities and fund balances	\$ 2,569,395	\$ 109,642	\$ 2,167	\$ -	\$ 7,577,353	\$ 2,338,503	\$ (431,256)	\$ 12,165,804
Fund balance reported above								\$ 10,562,676
Amounts reported for governmental activities in the Statement of Net Assets are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.								
Nondepreciable								
Depreciable								
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.								
Internal service funds are used to allocate costs to individual funds. Net assets are included in governmental activities in the Statement of Net Assets.								
Long-term liabilities, including bonds payable, compensated absences payable, interest payable, and unamortized discounts are not due and payable in the current period and, therefore, are not reported in the funds.								
Net assets of governmental activities								<u>\$ 27,948,197</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2011

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Revenues								
Taxes								
General property taxes	\$ 2,913,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,913,248
Tax increments	-	29,281	-	-	-	312,828	-	342,109
Special assessments	-	-	-	-	561,238	-	-	561,238
Licenses and permits	429,991	-	-	-	-	-	-	429,991
Intergovernmental	126,691	-	-	-	-	119,725	-	246,416
Charges for services	419,197	-	-	-	-	-	-	419,197
Fines and forfeits	29,593	-	-	-	-	-	-	29,593
Earnings on investments	32,282	2,713	-	-	186,705	74,549	-	296,249
Franchise fees	-	-	-	-	-	90,123	-	90,123
Antenna rental fees	72,351	-	-	-	-	-	-	72,351
Miscellaneous reimbursements	35,714	-	-	-	1,500	-	-	37,214
Other	146,230	-	-	-	15,083	166,732	-	328,045
Total revenues	<u>4,205,297</u>	<u>31,994</u>	<u>-</u>	<u>-</u>	<u>764,526</u>	<u>763,957</u>	<u>-</u>	<u>5,765,774</u>
Expenditures								
Current								
General government	989,136	-	-	-	-	71,608	-	1,060,744
Public safety	1,640,801	-	-	-	-	-	-	1,640,801
Public works	273,165	-	-	-	-	-	-	273,165
Parks and recreation	661,746	-	-	-	-	-	-	661,746
Economic development	-	3,506	-	-	-	3,356	-	6,862
Capital outlay								
General government	-	-	-	672,233	-	12,259	-	684,492
Public safety	-	-	-	-	-	91,579	-	91,579
Public works	-	-	-	-	1,063,181	-	-	1,063,181
Parks and recreation	-	-	-	-	-	64,923	-	64,923
Debt service								
Principal	-	-	245,000	-	-	-	-	245,000
Interest and paying agent fees	-	-	39,325	-	-	-	-	39,325
Total expenditures	<u>3,564,848</u>	<u>3,506</u>	<u>284,325</u>	<u>672,233</u>	<u>1,063,181</u>	<u>243,725</u>	<u>-</u>	<u>5,831,818</u>
Revenues over (under) expenditures	640,449	28,488	(284,325)	(672,233)	(298,655)	520,232	-	(66,044)
Other financing sources (uses)								
Transfers in	-	12,600	284,325	183,000	200,000	-	(536,925)	143,000
Transfers out	(252,600)	-	-	-	-	(284,325)	536,925	-
Sale of fixed assets	-	-	-	46,712	-	-	-	46,712
Total other financing sources (uses)	<u>(252,600)</u>	<u>12,600</u>	<u>284,325</u>	<u>229,712</u>	<u>200,000</u>	<u>(284,325)</u>	<u>-</u>	<u>189,712</u>
Net change in fund balances	387,849	41,088	-	(442,521)	(98,655)	235,907	-	123,668
Fund balances (deficits) – beginning	<u>1,763,486</u>	<u>68,554</u>	<u>2,167</u>	<u>88,593</u>	<u>6,606,505</u>	<u>1,909,703</u>	<u>-</u>	<u>10,439,008</u>
Fund balances (deficits) – ending	<u>\$ 2,151,335</u>	<u>\$ 109,642</u>	<u>\$ 2,167</u>	<u>\$ (353,928)</u>	<u>\$ 6,507,850</u>	<u>\$ 2,145,610</u>	<u>\$ -</u>	<u>\$ 10,562,676</u>

See notes to basic financial statements

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, 2011

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

Net changes in fund balances – total governmental funds	\$ 123,668
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay	1,763,750
Depreciation expense	(606,626)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	88,322
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas material amounts are deferred and amortized in the Statement of Activities. Long-term debt at year-end consists of:</p>	
Payments on bonds payable	245,000
Unamortized discount	(2,883)
Interest payable	3,062
<p>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.</p>	
	41,101
<p>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.</p>	
Compensated absences	(8,399)
Change in net assets of governmental activities	<u>\$ 1,646,995</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Net Assets
 Proprietary Funds
 as of December 31, 2011

	Business-Type Activities – Enterprise Funds					Internal
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	Service Fund Risk Management
Assets						
Current assets						
Cash and investments	\$ 1,501,403	\$ 484,430	\$ 693,548	\$ 78,940	\$ 2,758,321	\$ 405,764
Accrued interest receivable	8,053	2,526	4,055	123	14,757	2,061
Accounts receivable						
Customers	292,175	405,418	66,294	–	763,887	–
Customer accounts certified to county	46,311	55,338	6,136	3,705	111,490	–
Due from other governmental units	–	106,279	–	–	106,279	–
Prepaid items	1,330	56,813	657	–	58,800	–
Inventory	3,740	–	–	–	3,740	–
Total current assets	<u>1,853,012</u>	<u>1,110,804</u>	<u>770,690</u>	<u>82,768</u>	<u>3,817,274</u>	<u>407,825</u>
Noncurrent assets						
Capital assets						
Buildings and structures	2,220	1,950	–	–	4,170	–
Distribution and collection systems	7,330,783	5,902,545	2,098,345	–	15,331,673	–
Machinery and equipment	270,263	597,771	1,187	–	869,221	–
Office equipment and furnishings	6,951	5,024	–	–	11,975	–
Vehicles	91,238	45,421	49,633	–	186,292	–
Construction in progress	216,463	784,976	361,873	–	1,363,312	–
Total capital assets	<u>7,917,918</u>	<u>7,337,687</u>	<u>2,511,038</u>	<u>–</u>	<u>17,766,643</u>	<u>–</u>
Less accumulated depreciation	<u>(3,061,821)</u>	<u>(3,465,000)</u>	<u>(277,967)</u>	<u>–</u>	<u>(6,804,788)</u>	<u>–</u>
Total capital assets (net of accumulated depreciation)	<u>4,856,097</u>	<u>3,872,687</u>	<u>2,233,071</u>	<u>–</u>	<u>10,961,855</u>	<u>–</u>
Total assets	<u>6,709,109</u>	<u>4,983,491</u>	<u>3,003,761</u>	<u>82,768</u>	<u>14,779,129</u>	<u>407,825</u>
Liabilities						
Current liabilities						
Accounts payable	15,068	90,817	20,357	11,004	137,246	30,053
Salaries payable	11,489	14,365	7,919	774	34,547	–
Contracts payable	1,473	73,328	1,736	–	76,537	–
Due to other governmental units	237,994	2,219	6,159	54	246,426	–
Compensated absences payable	19,369	21,752	13,441	926	55,488	–
Total current liabilities	<u>285,393</u>	<u>202,481</u>	<u>49,612</u>	<u>12,758</u>	<u>550,244</u>	<u>30,053</u>
Noncurrent liabilities						
Compensated absences payable (net of current portion)	<u>6,456</u>	<u>7,251</u>	<u>4,480</u>	<u>309</u>	<u>18,496</u>	<u>–</u>
Total liabilities	<u>291,849</u>	<u>209,732</u>	<u>54,092</u>	<u>13,067</u>	<u>568,740</u>	<u>30,053</u>
Net assets						
Invested in capital assets	4,856,097	3,872,687	2,233,071	–	10,961,855	–
Unrestricted	1,561,163	901,072	716,598	69,701	3,248,534	377,772
Total net assets	<u>\$ 6,417,260</u>	<u>\$ 4,773,759</u>	<u>\$ 2,949,669</u>	<u>\$ 69,701</u>	<u>\$14,210,389</u>	<u>\$ 377,772</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended December 31, 2011

	Business-Type Activities – Enterprise Funds					Internal
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	Service Fund Risk Management
Operating revenues						
Charges for services	\$ 1,946,667	\$ 1,850,250	\$ 531,794	\$ 100,542	\$ 4,429,253	\$ –
Permit fees	2,892	1,774	–	–	4,666	–
Miscellaneous	1,373	340	51	42,316	44,080	–
Total operating revenues	1,950,932	1,852,364	531,845	142,858	4,477,999	–
Operating expenses						
Personal services	262,963	329,027	184,215	17,980	794,185	–
Supplies and maintenance	38,859	28,968	16,400	203	84,430	–
Other services and charges	111,287	211,755	42,273	4,147	369,462	8,895
Rent	19,700	19,700	8,755	–	48,155	–
Insurance	24,836	24,836	24,836	–	74,508	–
Utilities	13,106	29,304	2,071	18,234	62,715	–
Purchased services	16,444	25,234	27,386	5,970	75,034	–
Purchased water	914,306	–	–	–	914,306	–
Recycling charges	–	–	–	91,088	91,088	–
Sewer charges	–	654,703	–	–	654,703	–
Depreciation	172,168	130,775	47,394	–	350,337	–
Total operating expenses	1,573,669	1,454,302	353,330	137,622	3,518,923	8,895
Operating income (loss)	377,263	398,062	178,515	5,236	959,076	(8,895)
Nonoperating revenues						
Intergovernmental revenue	–	130,131	10,297	20,846	161,274	–
Insurance dividend	–	–	–	–	–	38,476
Earnings on investments	41,053	15,982	22,824	1,397	81,256	11,520
Total nonoperating revenues	41,053	146,113	33,121	22,243	242,530	49,996
Income before transfers	418,316	544,175	211,636	27,479	1,201,606	41,101
Transfers out	(43,000)	(62,000)	(38,000)	–	(143,000)	–
Change in net assets	375,316	482,175	173,636	27,479	1,058,606	41,101
Net assets – beginning	6,041,944	4,291,584	2,776,033	42,222	13,151,783	336,671
Net assets – ending	\$ 6,417,260	\$ 4,773,759	\$ 2,949,669	\$ 69,701	\$ 14,210,389	\$ 377,772

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2011

	Business-Type Activities – Enterprise Funds					Internal
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	Service Fund Risk Management
Cash flows from operating activities						
Receipts from customers and users	\$ 1,893,479	\$ 1,776,926	\$ 531,647	\$ 141,523	\$ 4,343,575	\$ –
Payments to suppliers	(1,433,443)	(872,026)	(75,627)	(116,344)	(2,497,440)	(7,590)
Payments to employees	(258,057)	(323,837)	(178,466)	(17,226)	(777,586)	–
Payments for interfund services used	(46,265)	(47,911)	(32,360)	(2,888)	(129,424)	–
Miscellaneous other	–	–	–	–	–	38,476
Net cash provided (used) by operating activities	155,714	533,152	245,194	5,065	939,125	30,886
Cash flows from noncapital financing activities						
Grants received	–	23,852	10,297	20,846	54,995	–
Transfers out	(43,000)	(62,000)	(38,000)	–	(143,000)	–
Net cash provided (used) by noncapital financing activities	(43,000)	(38,148)	(27,703)	20,846	(88,005)	–
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(123,450)	(456,042)	(202,496)	–	(781,988)	–
Cash flows from investing activities						
Earnings on investments	40,663	15,701	22,477	1,327	80,168	11,313
Net increase (decrease) in cash and cash equivalents	29,927	54,663	37,472	27,238	149,300	42,199
Cash and cash equivalents – beginning	1,471,476	429,767	656,076	51,702	2,609,021	363,565
Cash and cash equivalents – ending	\$ 1,501,403	\$ 484,430	\$ 693,548	\$ 78,940	\$ 2,758,321	\$ 405,764
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 377,263	\$ 398,062	\$ 178,515	\$ 5,236	\$ 959,076	\$ (8,895)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Miscellaneous other	–	–	–	–	–	38,476
Depreciation	172,168	130,775	47,394	–	350,337	–
Decrease (increase) in customer receivables	(57,453)	(75,438)	(198)	(1,335)	(134,424)	–
Decrease (increase) in prepaid items	(1,264)	(56,747)	(591)	–	(58,602)	–
Decrease (increase) in inventory	2,197	–	–	–	2,197	–
Increase (decrease) in accounts payable	12,683	67,944	19,294	5,474	105,395	1,305
Increase (decrease) in salaries payable	668	920	2,557	222	4,367	–
Increase (decrease) in contracts payable	(6,810)	65,719	(3,660)	–	55,249	–
Increase (decrease) in due to other governments	(347,976)	(2,353)	(1,309)	(5,064)	(356,702)	–
Increase (decrease) in compensated absences payable	4,238	4,270	3,192	532	12,232	–
Total adjustments	(221,549)	135,090	66,679	(171)	(19,951)	39,781
Net cash provided (used) by operating activities	\$ 155,714	\$ 533,152	\$ 245,194	\$ 5,065	\$ 939,125	\$ 30,886

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements
December 31, 2011

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 has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and 1) the ability of the primary government to impose its will on that organization, or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government.

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the American Institute of Certified Public Accountants and GASB. The following is a summary of the significant accounting policies.

B. Reporting Entity

In accordance with GASB pronouncements and accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include the primary government and its component units.

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. 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 and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. 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 business-type activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The City reports the following major governmental funds:

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

EDA Operating Fund – The EDA Operating Fund (special revenue fund) accounts for revenue sources that are legally restricted to expenditures for specified purposes (not including major capital projects).

Tax Increment Bonds Fund – The Tax Increment Bonds Fund (debt service fund) accounts for the accumulation of tax increment resources and payment of tax increment bond principle and interest when the City is obligated in some manner for the payment.

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

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

The City reports the following major proprietary funds:

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

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

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

The City reports the following nonmajor proprietary fund:

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

Additionally, the City reports the following fund type:

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City’s Internal Service Fund accounts for the payment of property, liability, and workmen’s compensation insurance deductibles and funds wellness activities for all departments.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, and are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Budgets and Budgetary Accounting

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

F. Legal Compliance – Budgets

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. The City Administrator is authorized to transfer appropriations within any fund budget. Adjustments to appropriations between funds, and budget additions and deletions must be authorized by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service Fund (if necessary). Supplementary budgets are adopted for the proprietary funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance and are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the capital project funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.

For the year ended December 31, 2011, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 2 Fund by \$416.

G. Cash and Investments

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Investment income is accrued at the balance sheet date.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary fund types have original maturities of 90 days or less. Therefore, the entire balance in such fund types is considered cash equivalents.

H. 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 "interfund loan 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."

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

The City Council annually adopts a tax levy and certifies it to the county in December (levy/assessment date) of each year for collection in the following year. The county is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the county and remitted to the City on or before July 15 and December 15 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The county possesses this authority.

In the government-wide financial statements, the City recognizes property tax revenue in the period for which taxes were levied. Uncollectible property taxes are not material and have not been reported.

In the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December, and January are recognized as revenue for the current year. Taxes collected by the county by December 31 (remitted to the City the following January) and taxes and credits not received at year-end are classified as delinquent and due from county taxes receivable. The portion of delinquent taxes not collected by the City in January are fully offset by deferred revenue because they are not available to finance current expenditures.

The City's property tax revenue includes payments from the Metropolitan Revenue Distribution (Fiscal Disparities Formula) per Minnesota Statute § 473F. This statute provides a means of spreading a portion of the taxable valuation of commercial/industrial real property to various taxing authorities within the defined metropolitan area. The valuation "shared" is a portion of commercial/industrial property valuation growth since 1971. Property taxes paid to the City through this formula for 2011 totaled \$265,220. Receipt of property taxes from this "fiscal disparities pool" does not increase or decrease total tax revenue.

J. Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years as approved through City Council resolution. Collection of annual installments (including interest) is handled by the county auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by the City Council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land, in which event the property is subject to such sale after five years.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

In the governmental fund financial statements, revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the county and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred revenues.

K. Inventories

The original cost of materials and supplies has been recorded as 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 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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2011, no interest was capitalized in connection with construction in progress.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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. In accordance with the provisions of GASB Statement of No. 16, “Accounting for Compensated Absences,” no liability is recorded for nonvesting accumulating rights to receive PTO benefits. However, 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.

O. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Classifications

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. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the Director of Finance and Administrative Services and/or the City Administrator is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

Q. Net Assets

In the government-wide and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Assets** – Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Assets** – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

S. Use of Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

T. Reconciliation of Government-Wide and Fund Financial Statements

The following is an explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets:

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, compensated absences payable, interest payable, and unamortized discounts are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the (\$1,179,551) difference are as follows:

Bonds payable	\$ (1,065,000)
Accrued interest payable	(14,667)
Unamortized discounts	8,651
Compensated absences payable	<u>(108,535)</u>
	<u>\$ (1,179,551)</u>

U. Change in Accounting Principle

For the year ended December 31, 2011, the City has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. More information on these fund balance classifications is included elsewhere in these notes.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

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 city deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the city clerk/treasurer or 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. Authorized collateral includes the following:

1. United States government treasury bills, treasury notes, or treasury bonds;
2. Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
3. General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
4. Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
5. Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
6. Time deposits that are fully insured by any federal agency.

The City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City's deposits was \$834,783 while the balance on the bank records was \$936,044. Of the bank balance, all was covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2011, the City had the following cash and investments:

Investment Type	Rating	Interest Risk – Maturity Duration in Years				Carrying Value
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years	
Federal National Mortgage Association	AA+	\$ 1,003,000	\$ –	\$ –	\$ –	\$ 1,003,000
Federal Home Loan Mortgage Corporation	AA+	2,201,628	–	–	–	2,201,628
Federal Home Loan Bank	AA+	200,038	–	254,205	–	454,243
Municipal bonds	AAA	175,558	–	–	–	175,558
Municipal bonds	AA+	–	1,236,158	532,277	–	1,768,435
Municipal bonds	AA	120,097	261,837	652,418	254,830	1,289,182
Municipal bonds	AA-	–	522,255	309,228	–	831,483
Municipal bonds	AA2	–	–	–	665,467	665,467
Municipal bonds	Aa1	207,654	–	291,435	–	499,089
Municipal bonds	A1	–	105,463	–	271,513	376,976
Negotiable certificates of deposit	N/R	592,852	195,303	–	–	788,155
Investment pools/mutual funds						
External investment pool – 4M Fund	N/R	1,695,841	–	–	–	1,695,841
Money market funds						
Wells Fargo Advantage Government	AAA	1,195,630	–	–	–	1,195,630
Total investments		\$ 7,392,298	\$ 2,321,016	\$ 2,039,563	\$ 1,191,810	12,944,687
Deposits						834,783
Petty cash						512
Total cash and investments						\$ 13,779,982

N/R – Not Rated

Note: Ratings listed above were obtained from Moody’s Investors Service, Inc. and Standard & Poor’s Corporation.

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City’s investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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 does not have a formal investment policy addressing this risk, but typically limits its exposure by only purchasing insured or registered investments, or by the control of who holds the securities.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes authorize the City to invest in the following:

1. Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of Congress, excluding mortgage-backed securities defined as high-risk.
2. 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 national bond rating service, and all of the investments have a final maturity of 13 months or less, and whose only investments are in securities described in (1) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
3. Obligations of the state of Minnesota or any of its municipalities as follows:
 - a) any security which is a general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service;
 - b) any security which is a revenue obligation of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service; and
 - c) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the state of Minnesota and is rated “A” or better by a national bond rating agency.
4. Bankers’ acceptance of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two national rating agencies, and maturing in 270 days or less.
6. 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 by a national bond rating agency.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the governmental entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York or certain Minnesota securities broker-dealers; or a bank qualified as a depositor.
8. General obligation temporary bonds of the same governmental entity issued under Section 429.091, Subd. 7; Section 469.178, Subd. 5; or Section 475.61, Subd. 6.

The City’s investment policy does 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 does not have an investment policy limiting the duration of investments.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding United States guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies state that no more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the United States government, or a maximum of 25 percent with any individual counterparty in an external investment pool. At year-end, the City’s investments in Federal National Mortgage Association (FNMA) investments represented 8 percent and Federal Home Loan Mortgage Corporation (FHLMC) investments represented 17 percent, and City of Oshkosh, WI represented 5 percent. The FNMA and FHLMC issuers have an implicit guarantee from the federal government, but are not backed by the full faith and credit of the federal government.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

A. Governmental Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,435,238	\$ –	\$ –	\$ 216,819	\$ 2,652,057
Construction in progress	3,121,825	1,317,215	–	(1,320,889)	3,118,151
Total capital assets, not being depreciated	5,557,063	1,317,215	–	(1,104,070)	5,770,208
Capital assets, being depreciated					
Building and structures	6,302,382	68,301	–	–	6,370,683
Infrastructure and improvements	6,981,170	5,066	–	1,104,070	8,090,306
Machinery and equipment	823,929	98,797	–	–	922,726
Office furniture and equipment	81,630	25,561	–	–	107,191
Vehicles	493,930	248,810	(52,970)	–	689,770
Total capital assets, being depreciated	14,683,041	446,535	(52,970)	1,104,070	16,180,676
Less accumulated depreciation for					
Building and structures	1,893,865	201,656	–	–	2,095,521
Infrastructure and improvements	1,437,520	277,027	–	–	1,714,547
Machinery and equipment	310,054	83,965	–	–	394,019
Office furniture and equipment	13,292	8,163	–	–	21,455
Vehicles	244,019	35,815	(52,970)	–	226,864
Total accumulated depreciation	3,898,750	606,626	(52,970)	–	4,452,406
Total capital assets being depreciated – net	10,784,291	(160,091)	–	1,104,070	11,728,270
Governmental activities capital assets – net	\$ 16,341,354	\$ 1,157,124	\$ –	\$ –	\$ 17,498,478

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	\$ 880,285	\$ 781,988	\$ –	\$ (298,961)	\$ 1,363,312
Capital assets, being depreciated					
Building and structures	4,170	–	–	–	4,170
Distribution and collection systems	15,032,712	–	–	298,961	15,331,673
Machinery and equipment	869,221	–	–	–	869,221
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total capital assets, being depreciated	16,104,370	–	–	298,961	16,403,331
Less accumulated depreciation for					
Building and structures	3,354	208	–	–	3,562
Distribution and collection systems	5,492,571	326,531	–	–	5,819,102
Machinery and equipment	784,050	10,621	–	–	794,671
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	162,501	12,977	–	–	175,478
Total accumulated depreciation	6,454,451	350,337	–	–	6,804,788
Total capital assets, being depreciated – net	9,649,919	(350,337)	–	298,961	9,598,543
Business-type activities capital assets – net	\$ 10,530,204	\$ 431,651	\$ –	\$ –	\$ 10,961,855

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 139,286
Public safety	5,912
Public works	317,256
Parks and recreation	144,172
	<u>606,626</u>
	<u>\$ 606,626</u>
Business-type activities	
Water	\$ 172,168
Sewer	130,775
Surface water management	47,394
	<u>350,337</u>
	<u>\$ 350,337</u>

D. Construction Commitments

At December 31, 2011, the City had construction project contracts in progress. The commitment related to the remaining contract is summarized as follows:

<u>Project</u>	<u>Amount</u>
2011 PMP	\$ 20,303
Safe Routes to School Project (ELA)	1,297
	<u>21,600</u>
	<u>\$ 21,600</u>

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Debt

The City may issue general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The City's only bond issue was utilized to enhance development within the City through the use of tax increment bonds; the proceeds of this issue did not create assets that would be considered property of the City. The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2011, the governmental activities and business-type activities long-term debt of the City consisted of the following:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding at December 31, 2011</u>
Governmental activities					
G.O. Tax Increment Refunding Bonds, Series 2004A	11/04/2004	02/01/2015	3.00–3.50 %	<u>\$ 2,395,000</u>	\$ 1,065,000
Compensated absences payable	N/A	N/A	N/A	N/A	<u>108,535</u>
Total city indebtedness – governmental activities					<u>\$ 1,173,535</u>
Business-type activities					
Compensated absences payable	N/A	N/A	N/A	N/A	<u>\$ 73,984</u>

N/A – Not Applicable

B. Minimum Debt Payments

Annual debt service requirements to maturity for long-term debt is as follows:

<u>Year Ending December 31,</u>	<u>G.O. Tax Increment Bonds</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 255,000	\$ 31,248
2013	260,000	23,070
2014	270,000	14,322
2015	<u>280,000</u>	<u>4,900</u>
Total	<u>\$ 1,065,000</u>	<u>\$ 73,540</u>

It is not practical to determine the specific year for payment of long-term accrued compensated absences.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. tax increment bonds	\$ 1,310,000	\$ –	\$ 245,000	\$ 1,065,000	\$ 255,000
Compensated absences payable	100,136	120,678	112,279	108,535	81,401
Total governmental activity long-term liabilities	<u>\$ 1,410,136</u>	<u>\$ 120,678</u>	<u>\$ 357,279</u>	<u>\$ 1,173,535</u>	<u>\$ 336,401</u>
Business-type activities					
Compensated absences payable	<u>\$ 61,752</u>	<u>\$ 73,688</u>	<u>\$ 61,456</u>	<u>\$ 73,984</u>	<u>\$ 55,488</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund and special revenue funds.

All general obligation indebtedness outstanding at December 31, 2011 is backed by the full faith and credit of the City, including tax increment bonds.

D. Revenue Pledged

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

Bond 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
G.O. Tax Increment Refunding Bonds, Series 2004A	Site improvements	Tax increment	100%	2005–2015	\$ 1,138,540	\$ 284,325	\$ 273,765

E. Arbitrage Rebate

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. In the opinion of management, any obligation would be immaterial.

NOTE 5 – FUND BALANCES

During fiscal 2011, the City implemented the requirements of a new accounting pronouncement, GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

A. Classifications

At December 31, 2011, a summary of the City’s governmental fund balance classifications are as follows:

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable							
Prepaid items	\$ 29,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,063
Restricted for:							
Debt service	-	-	2,167	-	-	-	2,167
Tax increment	-	-	-	-	-	1,402,743	1,402,743
Cable TV	-	-	-	-	-	291,469	291,469
Total restricted	-	-	2,167	-	-	1,694,212	1,696,379
Committed to							
Economic development authority	-	109,642	-	-	-	154,374	264,016
Assigned to							
Compensated absences	106,592	-	-	-	-	-	106,592
Capital improvements	-	-	-	-	6,507,850	-	6,507,850
Capital equipment and buildings	-	-	-	-	-	485,917	485,917
Total assigned	106,592	-	-	-	6,507,850	485,917	7,100,359
Unassigned	2,015,680	-	-	(353,928)	-	(188,893)	1,472,859
Total	\$ 2,151,335	\$ 109,642	\$ 2,167	\$ (353,928)	\$ 6,507,850	\$ 2,145,610	\$ 10,562,676

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 percent of the subsequent year’s General Fund budgeted expenditures less transfers. At December 31, 2011, the unassigned fund balance of the General Fund was 53 percent of the subsequent year’s budgeted expenditures less transfers.

C. Reclassifications/Combinations

Pursuant to the guidelines established by GASB Statement No. 54, the City has reclassified the following funds: Parks, previously reported as a special revenue fund to a capital project fund and Risk Management, previously reported as a special revenue fund to an internal service fund.

The following funds have been reclassified from individual special revenue funds to be reported within the following funds, increasing fund balance as of the beginning of the year:

General Fund, as previously stated	\$ 1,763,192
TCAAP	294
General Fund, as restated	<u>\$ 1,763,486</u>
Public Safety Capital Equipment Fund, as previously stated	\$ 517,344
Community Services	12,962
Public Safety Capital Equipment Fund, as restated	<u>\$ 530,306</u>

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association (PERA) of Minnesota. PERA administers the General Employees' Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statutes, and vest after three years of credited service. The defined retirement 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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained at mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members and 7.25 percent for Coordinated Plan GERP members. The City’s contributions for years ended December 31, 2011, 2010, and 2009 were \$101,810, \$89,840, and \$90,585, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statutes.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivable and Payable

Interfund receivable and payable balances at December 31, 2011 are as follows:

Fund	Receivable	Payable
Permanent Improvement Revolving	\$ 431,256	\$ –
Equipment, Building, and Replacement	–	273,999
Nonmajor – Parks	–	157,257
Total	<u>\$ 431,256</u>	<u>\$ 431,256</u>

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

B. Transfers In and Transfers Out

Transfers Out	Transfers In				Total
	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	
General Fund	\$ 12,600	\$ –	\$ 40,000	\$ 200,000	\$ 252,600
Nonmajor governmental funds	–	284,325	–	–	284,325
Water	–	–	43,000	–	43,000
Sewer	–	–	62,000	–	62,000
Surface Water Management	–	–	38,000	–	38,000
Total	<u>\$ 12,600</u>	<u>\$ 284,325</u>	<u>\$ 183,000</u>	<u>\$ 200,000</u>	<u>\$ 679,925</u>

Interfund transfers allow the City to allocate financial resources to the funds that receive benefits from services provided by another fund. All of the City’s interfund transfers fall under that category. All of the 2011 transfers are considered routine and consistent with previous practices.

NOTE 8 – DEFICIT FUND BALANCES

The City had deficit fund balances at December 31, 2011 as follows:

	<u>Amount</u>
Equipment, Building, and Replacement	\$ 353,928
Nonmajor – Parks	<u>188,893</u>
	<u>\$ 542,821</u>

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

NOTE 9 – 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 approximately 800 other governmental units. The City pays an annual premium to 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.

C. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2011.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Tax Increment Districts

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

E. Ice Arena Financing

The City, along with three other cities and Ramsey County, entered into an agreement January 1, 1997 with the Minnesota Amateur Sports Commission to provide financing of a four-sheet ice arena. The agreement provides for rental income to cover principal, interest, and operating expenses. In the case of default, each City will be responsible for a specific portion of the debt. The City's percentage is 15.5 percent of one of the four sheets and the amount of the debt will not exceed \$9,000,000 for all four sheets in the complex. No expenditures were incurred under this commitment in 2011.

F. 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, expires December 31, 2013, and allows renewal for two additional five-year periods. 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 \$379,402 in 2011.

NOTE 10 – 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, 2011 could not be determined; however, their original issue amounts are as follows:

Bond	Description	Amount Issued
Commercial Facilities Revenue Note, Series 2008	Office facilities	\$ 5,500,000
Educational Facilities Revenue Note, Series 2010	Educational facilities	8,000,000
Senior Housing Revenue Note, Series 2011A	Senior housing	<u>10,000,000</u>
Totals		<u><u>\$ 23,500,000</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 3,008,151	\$ 3,008,151	\$ 2,913,248	\$ (94,903)
Licenses and permits				
Business	50,900	50,900	48,646	(2,254)
Non-business	201,700	201,700	381,345	179,645
Total licenses and permits	<u>252,600</u>	<u>252,600</u>	<u>429,991</u>	<u>177,391</u>
Intergovernmental				
State				
Road maintenance	67,649	67,649	76,017	8,368
Mobile home homestead credit	–	–	3,773	3,773
PERA aid	5,179	5,179	5,179	–
Police aid	49,946	49,946	41,722	(8,224)
Total intergovernmental	<u>122,774</u>	<u>122,774</u>	<u>126,691</u>	<u>3,917</u>
Charges for services				
General government	57,700	57,700	155,472	97,772
Public safety	11,000	11,000	15,330	4,330
Parks and recreation	92,000	92,000	110,168	18,168
Administrative charges				
Enterprise funds	150,338	150,338	129,424	(20,914)
Special revenue funds	10,563	10,563	8,803	(1,760)
Total charges for services	<u>321,601</u>	<u>321,601</u>	<u>419,197</u>	<u>97,596</u>
Fines and forfeits	50,441	50,441	29,593	(20,848)
Earnings on investments	40,000	40,000	32,282	(7,718)
Antenna rental fees	65,000	65,000	72,351	7,351
Miscellaneous reimbursements	7,550	7,550	35,714	28,164
Other	99,100	99,100	146,230	47,130
Total revenues	<u>3,967,217</u>	<u>3,967,217</u>	<u>4,205,297</u>	<u>238,080</u>
Expenditures				
Current				
General government				
City Council				
Personal services	31,186	31,186	31,230	(44)
Materials and supplies	–	–	132	(132)
Other services and charges	38,520	38,520	40,325	(1,805)
Total City Council	<u>69,706</u>	<u>69,706</u>	<u>71,687</u>	<u>(1,981)</u>
Elections				
Personal services	–	–	60	(60)
Other services and charges	1,720	1,720	17,208	(15,488)
Total elections	<u>1,720</u>	<u>1,720</u>	<u>17,268</u>	<u>(15,548)</u>

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2011

	<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	197,028	197,028	205,510	(8,482)
Other services and charges	141,800	141,800	116,584	25,216
Total administration	<u>338,828</u>	<u>338,828</u>	<u>322,094</u>	<u>16,734</u>
Finance				
Personal services	66,564	66,564	58,523	8,041
Materials and supplies	24,495	24,495	23,627	868
Other services and charges	48,686	48,686	49,573	(887)
Total finance	<u>139,745</u>	<u>139,745</u>	<u>131,723</u>	<u>8,022</u>
TCAAP				
Materials and supplies	-	-	1,155	(1,155)
Other services and charges	70,000	70,000	26,743	43,257
Total TCAAP	<u>70,000</u>	<u>70,000</u>	<u>27,898</u>	<u>42,102</u>
Planning and zoning				
Personal services	183,606	183,606	190,788	(7,182)
Materials and supplies	1,300	1,300	1,703	(403)
Other services and charges	85,900	85,900	23,422	62,478
Total planning and zoning	<u>270,806</u>	<u>270,806</u>	<u>215,913</u>	<u>54,893</u>
General government buildings				
Personal services	32,220	32,220	35,520	(3,300)
Materials and supplies	7,000	7,000	9,493	(2,493)
Other services and charges	198,650	198,650	157,540	41,110
Total general government buildings	<u>237,870</u>	<u>237,870</u>	<u>202,553</u>	<u>35,317</u>
Total general government	1,128,675	1,128,675	989,136	139,539
Public safety				
Police and fire protection				
Other services and charges	1,362,223	1,362,223	1,361,179	1,044
Emergency management				
Personal services	7,795	7,795	8,170	(375)
Other services and charges	18,650	18,650	1,529	17,121
Total emergency management	<u>26,445</u>	<u>26,445</u>	<u>9,699</u>	<u>16,746</u>
Protective inspections				
Personal services	216,977	216,977	217,420	(443)
Materials and supplies	3,200	3,200	2,640	560
Other services and charges	39,125	39,125	49,863	(10,738)
Total protective inspections	<u>259,302</u>	<u>259,302</u>	<u>269,923</u>	<u>(10,621)</u>
Total public safety	1,647,970	1,647,970	1,640,801	7,169

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
Public works				
Street maintenance				
Personal services	170,353	170,353	171,448	(1,095)
Materials and supplies	67,880	67,880	58,445	9,435
Other services and charges	42,750	42,750	43,272	(522)
Total public works	<u>280,983</u>	<u>280,983</u>	<u>273,165</u>	<u>7,818</u>
Parks and recreation				
Park maintenance				
Personal services	266,113	266,113	282,386	(16,273)
Materials and supplies	55,980	55,980	71,818	(15,838)
Other services and charges	90,732	90,732	83,364	7,368
Total park maintenance	<u>412,825</u>	<u>412,825</u>	<u>437,568</u>	<u>(24,743)</u>
Recreation				
Personal services	147,628	147,628	125,375	22,253
Materials and supplies	16,275	16,275	18,512	(2,237)
Other services and charges	55,050	55,050	60,397	(5,347)
Total recreation	<u>218,953</u>	<u>218,953</u>	<u>204,284</u>	<u>14,669</u>
Celebrating Arden Hills				
Materials and supplies	19,000	19,000	18,776	224
Other services and charges	6,000	6,000	1,118	4,882
Total Celebrating Arden Hills	<u>25,000</u>	<u>25,000</u>	<u>19,894</u>	<u>5,106</u>
Total parks and recreation	<u>656,778</u>	<u>656,778</u>	<u>661,746</u>	<u>(4,968)</u>
Total expenditures	<u>3,714,406</u>	<u>3,714,406</u>	<u>3,564,848</u>	<u>149,558</u>
Revenues over (under) expenditures	252,811	252,811	640,449	387,638
Other financing sources (uses)				
Transfers out	<u>(252,600)</u>	<u>(252,600)</u>	<u>(252,600)</u>	<u>–</u>
Net change in fund balance	<u>\$ 211</u>	<u>\$ 211</u>	387,849	<u>\$ 387,638</u>
Fund balance – beginning			<u>1,763,486</u>	
Fund balance – ending			<u>\$ 2,151,335</u>	

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – EDA Operating Fund
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ 9,100	\$ 9,100	\$ 29,281	\$ 20,181
Earnings on investments	–	–	2,713	2,713
Total revenues	<u>9,100</u>	<u>9,100</u>	<u>31,994</u>	<u>22,894</u>
Expenditures				
Economic development				
Current				
Materials and supplies	3,000	3,000	306	2,694
Other services and charges	9,000	9,000	3,200	5,800
Capital outlay				
Economic development	<u>15,000</u>	<u>15,000</u>	–	<u>15,000</u>
Total expenditures	<u>27,000</u>	<u>27,000</u>	<u>3,506</u>	<u>23,494</u>
Revenue over (under) expenditures	(17,900)	(17,900)	28,488	46,388
Other financing sources (uses)				
Transfers in	<u>12,600</u>	<u>12,600</u>	<u>12,600</u>	–
Net change in fund balances	<u>\$ (5,300)</u>	<u>\$ (5,300)</u>	41,088	<u>\$ 46,388</u>
Fund balance – beginning			<u>68,554</u>	
Fund balance – ending			<u>\$ 109,642</u>	

CITY OF ARDEN HILLS

Note to Required Supplementary Information
December 31, 2011

NOTE – LEGAL COMPLIANCE – BUDGETS

The General and Economic Development Authority (EDA) Operating Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for these funds. For the year ended December 31, 2011, these funds operated within budgeted appropriations.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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

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

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2011

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,819,326	\$ 480,828	\$ 2,300,154
Accrued interest receivable	10,369	2,442	12,811
Accounts receivable	22,891	2,647	25,538
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,852,586</u>	<u>\$ 485,917</u>	<u>\$ 2,338,503</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 2,386	\$ 4,991	\$ 7,377
Salaries payable	1,460	-	1,460
Contracts payable	-	24,136	24,136
Interfund payable	-	157,257	157,257
Due to other governmental units	154	2,509	2,663
Total liabilities	<u>4,000</u>	<u>188,893</u>	<u>192,893</u>
Fund balances			
Restricted	1,694,212	-	1,694,212
Committed	154,374	-	154,374
Assigned	-	485,917	485,917
Unassigned	-	(188,893)	(188,893)
Total fund balances	<u>1,848,586</u>	<u>297,024</u>	<u>2,145,610</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,852,586</u>	<u>\$ 485,917</u>	<u>\$ 2,338,503</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2011

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 312,828	\$ -	\$ 312,828
Intergovernmental	77	119,648	119,725
Earnings on investments	60,843	13,706	74,549
Franchise fees	90,123	-	90,123
Other	-	166,732	166,732
Total revenues	<u>463,871</u>	<u>300,086</u>	<u>763,957</u>
Expenditures			
Current			
General government	71,608	-	71,608
Economic development	3,356	-	3,356
Capital outlay			
General government	12,259	-	12,259
Public safety	-	91,579	91,579
Parks and recreation	-	64,923	64,923
Total expenditures	<u>87,223</u>	<u>156,502</u>	<u>243,725</u>
Revenues over (under) expenditures	376,648	143,584	520,232
Other financing sources (uses)			
Transfer to debt service funds			
Total other financing sources (uses)	<u>(284,325)</u>	<u>-</u>	<u>(284,325)</u>
Net change in fund balances	92,323	143,584	235,907
Fund balances – beginning	<u>1,756,263</u>	<u>153,440</u>	<u>1,909,703</u>
Fund balances – ending	<u>\$ 1,848,586</u>	<u>\$ 297,024</u>	<u>\$ 2,145,610</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

EDA TIF District No. 2 Fund – This fund was established as a 25-year Redevelopment Development District in 1989. Improvements for this district were funded with the issuance of general obligation bonds in 1998. Revenue is derived from tax increment and transfers are made to the bond fund to make bond payments.

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

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Subcombining Balance Sheet
 December 31, 2011

	<u>Cable</u>	<u>EDA Revolving</u>	<u>EDA TIF District No. 2</u>	<u>EDA TIF District No. 3</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets					
Cash and investments	\$ 271,157	\$ 153,594	\$ 1,226,105	\$ 168,470	\$ 1,819,326
Accrued interest receivable	1,421	780	7,403	765	10,369
Accounts receivable	22,891	-	-	-	22,891
Total assets	\$ 295,469	\$ 154,374	\$ 1,233,508	\$ 169,235	\$ 1,852,586
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,386	\$ -	\$ -	\$ -	\$ 2,386
Salaries payable	1,460	-	-	-	1,460
Due to other governmental units	154	-	-	-	154
Total liabilities	4,000	-	-	-	4,000
Fund balances					
Restricted	291,469	-	1,233,508	169,235	1,694,212
Committed	-	154,374	-	-	154,374
Total fund balances	291,469	154,374	1,233,508	169,235	1,848,586
Total liabilities and fund balances	\$ 295,469	\$ 154,374	\$ 1,233,508	\$ 169,235	\$ 1,852,586

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2011

	Cable	EDA Revolving	EDA TIF District No. 2	EDA TIF District No. 3	Total Nonmajor Special Revenue Funds
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 273,765	\$ 39,063	\$ 312,828
Intergovernmental	-	-	-	77	77
Earnings on investments	7,933	4,483	43,937	4,490	60,843
Franchise fees	90,123	-	-	-	90,123
Total revenues	<u>98,056</u>	<u>4,483</u>	<u>317,702</u>	<u>43,630</u>	<u>463,871</u>
Expenditures					
Current					
General government	71,608	-	-	-	71,608
Economic development	-	-	1,716	1,640	3,356
Capital outlay					
General government	12,259	-	-	-	12,259
Total expenditures	<u>83,867</u>	<u>-</u>	<u>1,716</u>	<u>1,640</u>	<u>87,223</u>
Revenues over (under) expenditures	14,189	4,483	315,986	41,990	376,648
Other financing sources (uses)					
Transfer to debt service funds	-	-	(284,325)	-	(284,325)
Net change in fund balances	14,189	4,483	31,661	41,990	92,323
Fund balances – beginning	277,280	149,891	1,201,847	127,245	1,756,263
Fund balances – ending	<u>\$ 291,469</u>	<u>\$ 154,374</u>	<u>\$ 1,233,508</u>	<u>\$ 169,235</u>	<u>\$ 1,848,586</u>

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Balance Sheet
 December 31, 2011

	<u>Parks</u>	<u>Public Safety Capital Equipment</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets			
Cash and investments	\$ —	\$ 480,828	\$ 480,828
Accrued interest receivable	—	2,442	2,442
Accounts receivable	—	2,647	2,647
	<u>—</u>	<u>485,917</u>	<u>485,917</u>
Total assets	<u>\$ —</u>	<u>\$ 485,917</u>	<u>\$ 485,917</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 4,991	\$ —	\$ 4,991
Contracts payable	24,136	—	24,136
Interfund payable	157,257	—	157,257
Due to other governmental units	2,509	—	2,509
Total liabilities	<u>188,893</u>	<u>—</u>	<u>188,893</u>
Fund balances			
Assigned	—	485,917	485,917
Unassigned	(188,893)	—	(188,893)
Total fund balances	<u>(188,893)</u>	<u>485,917</u>	<u>297,024</u>
Total liabilities and fund balances	<u>\$ —</u>	<u>\$ 485,917</u>	<u>\$ 485,917</u>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2011

	<u>Parks</u>	<u>Public Safety Capital Equipment</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues			
Intergovernmental	\$ 119,648	\$ -	\$ 119,648
Earnings on investments	-	13,706	13,706
Other	133,248	33,484	166,732
Total revenues	<u>252,896</u>	<u>47,190</u>	<u>300,086</u>
Expenditures			
Capital outlay			
Public safety	-	91,579	91,579
Parks and recreation	64,923	-	64,923
Total expenditures	<u>64,923</u>	<u>91,579</u>	<u>156,502</u>
Net change in fund balances	187,973	(44,389)	143,584
Fund balances – beginning	<u>(376,866)</u>	<u>530,306</u>	<u>153,440</u>
Fund balances – ending	<u>\$ (188,893)</u>	<u>\$ 485,917</u>	<u>\$ 297,024</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 7,000	\$ 7,000	\$ 7,933	\$ 933
Franchise fees	76,000	76,000	90,123	14,123
Total revenues	<u>83,000</u>	<u>83,000</u>	<u>98,056</u>	<u>15,056</u>
Expenditures				
Current				
General government				
Personal services	32,208	32,208	32,797	(589)
Other services and charges	46,463	46,463	38,811	7,652
Capital outlay				
General government	20,000	20,000	12,259	7,741
Total expenditures	<u>98,671</u>	<u>98,671</u>	<u>83,867</u>	<u>14,804</u>
Net change in fund balances	<u>\$ (15,671)</u>	<u>\$ (15,671)</u>	14,189	<u>\$ 29,860</u>
Fund balances – beginning			<u>277,280</u>	
Fund balances – ending			<u>\$ 291,469</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA Revolving Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 4,483</u>	<u>\$ 1,983</u>
Net change in fund balances	<u>\$ 2,500</u>	<u>\$ 2,500</u>	4,483	<u>\$ 1,983</u>
Fund balances – beginning			<u>149,891</u>	
Fund balances – ending			<u>\$ 154,374</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA TIF District No. 2 Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 450,000	\$ 450,000	\$ 273,765	\$ (176,235)
Earnings on investments	10,000	10,000	43,937	33,937
Total revenues	<u>460,000</u>	<u>460,000</u>	<u>317,702</u>	<u>(142,298)</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>1,300</u>	<u>1,300</u>	<u>1,716</u>	<u>(416)</u>
Revenue over expenditures	458,700	458,700	315,986	(142,714)
Other financing sources (uses)				
Transfer to debt service funds	<u>(284,375)</u>	<u>(284,375)</u>	<u>(284,325)</u>	<u>50</u>
Net change in fund balances	<u>\$ 174,325</u>	<u>\$ 174,325</u>	31,661	<u>\$ (142,664)</u>
Fund balances – beginning			<u>1,201,847</u>	
Fund balances – ending			<u>\$ 1,233,508</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 30,000	\$ 30,000	\$ 39,063	\$ 9,063
Intergovernmental	–	–	77	77
Earnings on investments	2,000	2,000	4,490	2,490
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>43,630</u>	<u>11,630</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,000</u>	<u>4,000</u>	<u>1,640</u>	<u>2,360</u>
Net change in fund balances	<u>\$ 28,000</u>	<u>\$ 28,000</u>	41,990	<u>\$ 13,990</u>
Fund balances – beginning			<u>127,245</u>	
Fund balances – ending			<u>\$ 169,235</u>	

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION

(UNAUDITED)

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

The contents of the statistical section include:

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

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

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

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

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

Source – Unless otherwise noted, the information in these tables is derived from the CAFR for the relevant year. The City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in calendar year 2004; therefore, tables presenting government-wide financial data include information beginning in that year. The City started the CAFR in the format prescribed by the Government Finance Officers Association of the United States and Canada in its Certificate of Achievement for Excellence in Financial Reporting in the calendar year 2006; therefore, some data was not available for past years, but will be reported from 2006 forward. The City implemented GASB Statement No. 44 in calendar year 2006; therefore, some data was not available for past years, but will be reported from 2006 forward.

CITY OF ARDEN HILLS

Net Assets by Component
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related deb	\$ 6,245,206	\$ 9,881,335	\$ 13,300,454	\$ 13,832,891	\$ 13,859,332	\$ 14,789,291	\$ 16,341,354	\$ 17,498,478
Restricted	2,342,323	–	459,194	630,255	836,195	1,060,973	1,329,092	1,694,212
Unrestricted	9,234,880	10,164,226	7,730,510	9,029,227	9,304,608	9,176,652	9,008,528	9,133,279
Total governmental activities net assets	<u>\$ 17,822,409</u>	<u>\$ 20,045,561</u>	<u>\$ 21,490,158</u>	<u>\$ 23,492,373</u>	<u>\$ 24,000,135</u>	<u>\$ 25,026,916</u>	<u>\$ 26,678,974</u>	<u>\$ 28,325,969</u>
Business-type activities								
Invested in capital assets, net of related deb	\$ 9,444,977	\$ 10,393,723	\$ 10,804,213	\$ 10,701,103	\$ 10,449,932	\$ 10,507,344	\$ 10,530,204	\$ 10,961,855
Unrestricted	2,023,594	1,163,456	1,073,804	1,615,782	1,977,168	2,171,942	2,621,579	3,248,534
Total business-type activities net assets	<u>\$ 11,468,571</u>	<u>\$ 11,557,179</u>	<u>\$ 11,878,017</u>	<u>\$ 12,316,885</u>	<u>\$ 12,427,100</u>	<u>\$ 12,679,286</u>	<u>\$ 13,151,783</u>	<u>\$ 14,210,389</u>
Primary government								
Invested in capital assets, net of related deb	\$ 15,690,183	\$ 20,275,058	\$ 24,104,667	\$ 24,533,994	\$ 24,309,264	\$ 25,296,635	\$ 26,871,558	\$ 28,460,333
Restricted	2,342,323	–	459,194	630,255	836,195	1,060,973	1,329,092	1,694,212
Unrestricted	11,258,474	11,327,682	8,804,314	10,645,009	11,281,776	11,348,594	11,630,107	12,381,813
Total primary government net assets	<u>\$ 29,290,980</u>	<u>\$ 31,602,740</u>	<u>\$ 33,368,175</u>	<u>\$ 35,809,258</u>	<u>\$ 36,427,235</u>	<u>\$ 37,706,202</u>	<u>\$ 39,830,757</u>	<u>\$ 42,536,358</u>

CITY OF ARDEN HILLS

Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities								
General government	\$ 934,322	\$ 978,463	\$ 1,300,163	\$ 1,778,811	\$ 1,640,599	\$ 1,622,425	\$ 1,232,225	\$ 1,199,609
Public safety	1,147,225	1,153,493	1,388,756	1,348,220	1,582,531	1,648,349	1,585,447	1,736,422
Public works	1,677,910	530,829	239,026	484,983	538,869	436,200	636,406	614,761
Parks and recreation	467,154	668,885	610,008	644,137	710,298	734,148	732,824	811,533
Economic development	213,804	465,467	962,061	128,709	43,791	48,322	3,311	6,862
Interest on long-term debt	122,259	181,257	72,758	66,820	60,233	53,496	46,470	39,146
Miscellaneous	269,111	87,080	-	-	-	-	-	-
Total governmental activities expenses	<u>4,831,785</u>	<u>4,065,474</u>	<u>4,572,772</u>	<u>4,451,680</u>	<u>4,576,321</u>	<u>4,542,940</u>	<u>4,236,683</u>	<u>4,408,333</u>
Business-type activities								
Water	1,201,108	1,321,076	1,395,983	1,461,455	1,510,998	1,648,815	1,678,954	1,573,669
Sewer	975,768	1,113,189	1,167,629	1,280,486	1,143,557	1,268,018	1,367,429	1,454,302
Surface water management	97,515	110,022	115,872	147,395	219,483	269,562	321,693	353,330
Recycling	78,761	78,538	81,630	81,582	113,709	118,197	129,139	137,622
Total business-type activities expenses	<u>2,353,152</u>	<u>2,622,825</u>	<u>2,761,114</u>	<u>2,970,918</u>	<u>2,987,747</u>	<u>3,304,592</u>	<u>3,497,215</u>	<u>3,518,923</u>
Total primary government expenses	<u>\$ 7,184,937</u>	<u>\$ 6,688,299</u>	<u>\$ 7,333,886</u>	<u>\$ 7,422,598</u>	<u>\$ 7,564,068</u>	<u>\$ 7,847,532</u>	<u>\$ 7,733,898</u>	<u>\$ 7,927,256</u>
Program revenues								
Governmental activities								
Charges for services								
General government	\$ 157,284	\$ 363,706	\$ 295,708	\$ 302,501	\$ 298,395	\$ 341,736	\$ 271,972	\$ 353,224
Public safety	538,455	339,305	310,703	357,460	221,614	307,306	207,876	385,133
Parks and recreation	81,158	146,118	91,492	89,912	94,293	91,305	98,395	110,830
Miscellaneous	34,857	29,594	-	-	-	-	-	-
Operating grants and contributions	183,727	315,649	940,864	1,542,972	599,862	210,140	275,869	410,228
Capital grants and contributions	260,058	803,339	918,211	512,589	141,325	705,858	1,171,451	946,122
Total governmental activities program revenues	<u>1,255,539</u>	<u>1,997,711</u>	<u>2,556,978</u>	<u>2,805,434</u>	<u>1,355,489</u>	<u>1,656,345</u>	<u>2,025,563</u>	<u>2,205,537</u>
Business-type activities								
Charges for services								
Water	1,000,507	1,139,980	1,283,944	1,416,406	1,327,075	1,709,639	1,824,086	1,950,932
Sewer	829,907	1,017,970	1,062,748	1,344,716	1,121,188	1,313,897	1,574,493	1,852,364
Surface water management	191,346	372,683	401,739	456,047	473,856	503,070	518,672	531,845
Recycling	73,492	73,454	71,199	66,304	83,235	87,700	121,892	142,858
Operating grants and contributions	18,489	17,869	18,076	57,342	20,301	19,866	20,114	20,846
Capital grants and contributions	-	37,700	225,000	-	-	-	-	140,428
Total business-type activities program revenues	<u>2,113,741</u>	<u>2,659,656</u>	<u>3,062,706</u>	<u>3,340,815</u>	<u>3,025,655</u>	<u>3,634,172</u>	<u>4,059,257</u>	<u>4,639,273</u>
Total primary government program revenues	<u>\$ 3,369,280</u>	<u>\$ 4,657,367</u>	<u>\$ 5,619,684</u>	<u>\$ 6,146,249</u>	<u>\$ 4,381,144</u>	<u>\$ 5,290,517</u>	<u>\$ 6,084,820</u>	<u>\$ 6,844,810</u>

(continued)

CITY OF ARDEN HILLS

Changes in Net Assets
Last Eight Fiscal Years (continued)
(Accrual Basis of Accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense) revenue								
Governmental activities	\$ (3,576,246)	\$ (2,067,763)	\$ (2,015,794)	\$ (1,646,246)	\$ (3,220,832)	\$ (2,886,595)	\$ (2,211,120)	\$ (2,202,796)
Business-type activities	(239,411)	36,831	301,592	369,897	37,908	329,580	562,042	1,120,350
Total primary government net expense	<u>\$ (3,815,657)</u>	<u>\$ (2,030,932)</u>	<u>\$ (1,714,202)</u>	<u>\$ (1,276,349)</u>	<u>\$ (3,182,924)</u>	<u>\$ (2,557,015)</u>	<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>
General revenues and other changes in net assets								
Governmental activities								
Taxes								
Property taxes	\$ 2,480,338	\$ 2,303,598	\$ 2,476,537	\$ 2,626,669	\$ 2,727,372	\$ 2,860,820	\$ 2,836,982	\$ 2,920,078
Tax increments	377,400	449,274	462,468	470,419	506,808	540,408	566,725	342,109
Franchise taxes	56,593	63,428	95,148	75,620	60,520	104,148	85,131	90,123
Unrestricted grants and contributions	31,146	33,300	11,396	-	-	-	-	-
Investment earnings	283,525	265,029	428,625	475,753	433,894	275,500	231,340	307,769
Gain on sale of capital assets	-	274,508	-	-	-	-	-	46,712
Transfers	(30,762)	-	(13,783)	-	-	132,500	143,000	143,000
Total governmental activities	<u>3,198,240</u>	<u>3,389,137</u>	<u>3,460,391</u>	<u>3,648,461</u>	<u>3,728,594</u>	<u>3,913,376</u>	<u>3,863,178</u>	<u>3,849,791</u>
Business-type activities								
Property tax	-	-	13,735	13,746	-	-	-	-
Investment earnings	58,944	51,777	65,121	55,225	72,307	55,106	53,455	81,256
Transfers	30,762	-	13,783	-	-	(132,500)	(143,000)	(143,000)
Total business-type activities	<u>89,706</u>	<u>51,777</u>	<u>92,639</u>	<u>68,971</u>	<u>72,307</u>	<u>(77,394)</u>	<u>(89,545)</u>	<u>(61,744)</u>
Total primary government	<u>\$ 3,287,946</u>	<u>\$ 3,440,914</u>	<u>\$ 3,553,030</u>	<u>\$ 3,717,432</u>	<u>\$ 3,800,901</u>	<u>\$ 3,835,982</u>	<u>\$ 3,773,633</u>	<u>\$ 3,788,047</u>
Change in net assets								
Governmental activities	\$ (378,006)	\$ 1,321,374	\$ 1,444,597	\$ 2,002,215	\$ 507,762	\$ 1,026,781	\$ 1,652,058	\$ 1,646,995
Business-type activities	(149,705)	88,608	394,231	438,868	110,215	252,186	472,497	1,058,606
Total primary government	<u>\$ (527,711)</u>	<u>\$ 1,409,982</u>	<u>\$ 1,838,828</u>	<u>\$ 2,441,083</u>	<u>\$ 617,977</u>	<u>\$ 1,278,967</u>	<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>

CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Increments</u>	<u>Franchise Tax</u>	<u>Total</u>
2004	\$ 2,480,338	\$ 377,400	\$ 56,593	\$ 2,914,331
2005	2,303,598	449,274	63,428	2,816,300
2006	2,476,537	462,468	95,148	3,034,153
2007	2,626,669	470,419	75,620	3,172,708
2008	2,727,372	506,808	60,520	3,294,700
2009	2,860,820	540,408	104,148	3,505,376
2010	2,836,982	566,725	85,131	3,488,838
2011	2,920,078	342,109	90,123	3,352,310

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 87,068	\$ 92,925	\$ 116,730	\$ 12,508	\$ 149,183	\$ 17,356	\$ 16,586	\$ 24,304	\$ 32,587	\$ -
Unreserved	666,104	1,021,914	1,198,199	1,502,272	1,437,255	2,153,575	1,834,179	1,797,956	1,730,605	-
Nonspendable	-	-	-	-	-	-	-	-	-	29,063
Assigned	-	-	-	-	-	-	-	-	-	106,592
Unassigned	-	-	-	-	-	-	-	-	-	2,015,680
Total General Fund	<u>\$ 753,172</u>	<u>\$ 1,114,839</u>	<u>\$ 1,314,929</u>	<u>\$ 1,514,780</u>	<u>\$ 1,586,438</u>	<u>\$ 2,170,931</u>	<u>\$ 1,850,765</u>	<u>\$ 1,822,260</u>	<u>\$ 1,763,192</u>	<u>\$ 2,151,335</u>
All other governmental funds										
Reserved	\$ 650,075	\$ 797,141	\$ 3,212,744	\$ 1,962	\$ 461,213	\$ 632,316	\$ 838,308	\$ 1,063,087	\$ 1,331,259	\$ -
Unreserved, reported in										
Special revenue funds	746,537	612,674	433,128	1,145,991	714,613	974,546	765,771	733,626	468,786	-
Capital project funds	9,321,298	7,685,451	6,182,081	6,734,710	6,764,066	7,039,989	7,773,523	7,242,406	7,212,442	-
Restricted	-	-	-	-	-	-	-	-	-	1,696,379
Committed	-	-	-	-	-	-	-	-	-	264,016
Assigned	-	-	-	-	-	-	-	-	-	6,993,767
Unassigned	-	-	-	-	-	-	-	-	-	(542,821)
Total all other governmental funds	<u>\$ 10,717,910</u>	<u>\$ 9,095,266</u>	<u>\$ 9,827,953</u>	<u>\$ 7,882,663</u>	<u>\$ 7,939,892</u>	<u>\$ 8,646,851</u>	<u>\$ 9,377,602</u>	<u>\$ 9,039,119</u>	<u>\$ 9,012,487</u>	<u>\$ 8,411,341</u>

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

CITY OF ARDEN HILLS

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes										
General property tax	\$ 2,348,102	\$ 2,516,610	\$ 2,521,369	\$ 2,409,065	\$ 2,477,595	\$ 2,624,566	\$ 2,706,745	\$ 2,835,253	\$ 2,867,028	\$ 2,913,248
Tax increments	-	-	377,400	449,274	462,468	470,419	506,808	540,408	566,725	342,109
Special assessments	70,894	334,491	235,803	397,980	625,190	493,986	223,155	410,935	388,768	561,238
Licenses and permits	299,719	655,550	510,963	325,109	384,333	365,185	228,776	318,849	255,265	429,991
Intergovernmental	202,990	823,770	77,826	330,914	1,003,142	253,687	145,288	130,622	878,944	246,416
Charges for services	151,985	157,577	144,869	157,694	254,060	289,923	282,553	332,358	322,978	419,197
Fines and forfeits	41,782	31,334	43,055	45,993	47,347	28,653	30,189	26,111	27,013	29,593
Earnings on investments	454,802	270,196	283,525	265,029	428,625	475,753	433,894	275,500	231,340	296,249
Franchise fees	-	-	56,593	63,428	95,148	75,620	60,520	104,148	85,131	90,123
Antenna rental fees	-	-	-	-	58,772	53,256	72,784	63,009	65,759	72,351
Miscellaneous/others	452,776	468,223	259,539	374,202	116,826	1,369,401	519,154	147,187	118,096	365,259
Total revenues	4,023,050	5,257,751	4,510,942	4,818,688	5,953,506	6,500,449	5,209,866	5,184,380	5,807,047	5,765,774
Expenditures										
Current										
General government	768,987	751,899	823,980	861,906	1,274,640	1,689,801	1,504,149	1,283,267	1,127,726	1,060,744
Public safety	1,007,117	1,076,010	1,130,919	1,137,742	1,274,167	1,318,006	1,420,785	1,526,819	1,561,046	1,640,801
Public works	338,627	989,506	386,427	488,668	213,353	246,530	265,448	282,019	322,793	273,165
Parks and recreation	452,255	436,908	428,135	595,904	480,153	501,993	562,283	606,822	605,210	661,746
Economic development	82,817	67,949	152,165	407,646	857,786	128,709	43,791	48,322	3,311	6,862
Miscellaneous	163,569	159,246	269,111	181,641	-	-	-	-	-	-
Capital outlay										
General government	482,286	2,752,133	2,472,767	57,219	36,023	65,351	331,650	285,028	108,575	684,492
Public safety	-	-	-	13,539	111,641	27,266	157,451	156,543	18,927	91,579
Public works	-	-	-	896,616	1,300,670	944,352	123,080	1,088,586	865,334	1,063,181
Parks and recreation	-	-	-	61,343	153	5,364	110,544	128,037	1,141,300	64,923
Debt service										
Principal	155,000	160,000	170,000	175,000	190,000	215,000	220,000	225,000	235,000	245,000
Interest	131,318	125,093	141,582	113,203	72,250	66,625	60,100	53,425	46,525	39,325
Total expenditures	3,581,976	6,518,744	5,975,086	4,990,427	5,810,836	5,208,997	4,799,281	5,683,868	6,035,747	5,831,818
Excess of revenues over (under) expenditures	441,074	(1,260,993)	(1,464,144)	(171,739)	142,670	1,291,452	410,585	(499,488)	(228,700)	(66,044)
Other financing sources (uses)										
Transfers in	584,660	1,241,334	520,140	2,084,969	596,005	734,441	1,045,100	809,621	719,791	143,000
Transfers out	(584,660)	(1,241,334)	(520,140)	(2,084,969)	(609,788)	(734,441)	(1,045,100)	(677,121)	(576,791)	-
Bond proceeds	-	-	2,395,000	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	(2,370,000)	-	-	-	-	-	-
Sales of capital assets	-	-	-	796,300	-	-	-	-	-	46,712
Total other financing sources (uses)	-	-	2,395,000	(1,573,700)	(13,783)	-	-	132,500	143,000	189,712
Net change in fund balances	\$ 441,074	\$ (1,260,993)	\$ 930,856	\$ (1,745,439)	\$ 128,887	\$ 1,291,452	\$ 410,585	\$ (366,988)	\$ (85,700)	\$ 123,668
Debt service as a percentage of noncapital expenditures	9.24 %	7.57 %	8.90 %	7.27 %	6.01 %	6.70 %	6.56 %	6.52 %	7.12 %	6.99 %

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		
2002	\$ 2,348,102	\$ -	\$ -	\$ 2,348,102
2003	2,516,610	-	-	2,516,610
2004	2,521,369	377,400	56,593	2,955,362
2005	2,409,065	449,274	63,428	2,921,767
2006	2,477,595	462,468	95,148	3,035,211
2007	2,624,566	470,419	75,620	3,170,605
2008	2,706,745	506,808	60,520	3,274,073
2009	2,835,253	540,408	104,148	3,479,809
2010	2,867,028	566,725	85,131	3,518,884
2011	2,913,248	342,109	90,123	3,345,480

Note: Franchise tax not applicable prior to 2004.

CITY OF ARDEN HILLS

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

Fiscal Year Ended December 31,	Residential Property	Commercial/ Industrial Property	All Other	Total Tax Capacity	Less Tax Increment District	Less Fiscal Disparity Contribution	Adjusted Tax Capacity (ATC) Value	Total Direct Tax Rate	Estimated Market Value (EMV)	ATC as a Percentage of EMV
2002	\$ 4,431,830	\$ 5,189,579	\$ 430,995	\$ 10,052,404	\$ 406,885	\$ 982,445	\$ 8,663,074	25.41 %	\$ 757,398,100	1.14 %
2003	4,852,184	5,815,069	487,490	11,154,743	466,274	1,253,781	9,434,688	24.01	885,830,200	1.07
2004	5,364,165	5,848,518	632,114	11,844,797	469,376	1,408,482	9,966,939	21.49	947,607,400	1.05
2005	6,077,869	6,334,160	735,924	13,147,953	482,822	1,348,079	11,317,052	19.94	1,039,955,700	1.09
2006	6,809,286	6,828,553	859,522	14,497,361	516,184	1,526,487	12,454,690	20.19	1,093,124,000	1.14
2007	7,222,459	7,242,448	911,841	15,376,748	524,628	1,611,881	13,240,239	20.21	1,166,210,900	1.14
2008	7,682,107	7,703,369	969,872	16,355,349	562,501	1,555,117	14,237,731	19.59	1,232,098,300	1.16
2009	7,781,733	7,803,271	982,450	16,567,454	583,017	2,865,756	13,118,681	20.53	1,229,529,900	1.07
2010	7,531,731	7,704,757	587,523	15,824,011	590,269	3,096,380	12,137,362	22.67	1,171,068,100	1.04
2011	6,729,785	6,873,795	1,181,444	14,785,024	531,415	2,921,351	11,332,258	24.19	1,109,327,600	1.02

Source: Ramsey County Board of Equalization and Assessment.

CITY OF ARDEN HILLS

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

Fiscal Year	Direct Rate	Overlapping Rates		Total
	City Operating Rate	Ramsey County	Independent School District No. 623	
2002	25.407 %	55.366 %	25.379 %	106.152 %
2003	24.014	54.603	21.984	100.601
2004	21.493	53.140	21.930	96.563
2005	19.941	49.210	22.112	91.263
2006	20.191	44.943	23.264	88.398
2007	20.206	44.940	22.910	88.056
2008	19.585	44.023	20.030	83.638
2009	20.534	46.546	22.937	90.017
2010	22.672	50.248	24.560	97.480
2011	24.187	54.678	25.573	104.438

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

Source: County Board of Equalization and Assessment

CITY OF ARDEN HILLS

Principal Property Taxpayers
Current Year and Five Years Ago

Taxpayer	2011			2006 (1)		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,599,250	1	14.11 %	\$ 1,699,250	1	13.64 %
CSM Corporation	429,500	2	3.79	404,234	2	3.25
Arden Hills Industrial, LLC	392,460	3	3.46	386,152	3	3.10
Land O'Lakes, Inc.	367,236	4	3.24	385,250	4	3.09
St. Paul Fire & Marine Ins. Co.	355,254	5	3.13	—	—	—
Mutual Service Insurance Company	339,250	6	2.99	330,422	6	2.65
IRET Properties, LP	310,364	7	2.74	292,226	8	2.35
NSP	262,518	8	2.32	249,852	9	2.01
Pharmacia Deltec, Inc.	245,850	9	2.17	221,824	10	1.78
Inland Shannon Square Cub, LLC	168,450	10	1.49	329,726	7	2.65
St. Paul Properties, Inc.	—	—	—	333,254	5	2.68
Total	<u>\$ 4,470,132</u>		<u>39.45 %</u>	<u>\$ 4,632,190</u>		<u>37.19 %</u>
Total capacity value	<u>\$ 11,332,258</u>			<u>\$ 12,454,690</u>		

(1) Nine year information is not available. Information from 2006 was used as the best information available for comparison.

Source: County Board of Equalization and Assessment

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
2002	\$ 2,201,002	\$ 2,182,275	99.15 %	\$ -	\$ 18,727	\$ 2,201,002	100.00 %
2003	2,265,712	2,265,712	100.00	-	-	2,265,712	100.00
2004	2,243,081	2,229,909	99.41	-	13,172	2,243,081	100.00
2005	2,353,044	2,339,226	99.41	-	13,818	2,353,044	100.00
2006	2,523,737	2,508,916	99.41	-	14,275	2,523,191	99.98
2007	2,634,851	2,615,411	99.26	(4,529)	12,906	2,632,846	99.92
2008	2,744,767	2,709,036	98.70	(24,859)	3,149	2,737,044	99.72
2009	2,892,774	2,829,900	97.83	(47,523)	3,845	2,881,268	99.60
2010	2,953,128	2,890,946	97.89	(29,095)	14,612	2,934,653	99.37
2011	3,040,964	3,008,068	98.92	(2,326)	-	3,010,394	98.99

Sources: Ramsey County Board of Equalization and Assessment and Ramsey County Department

CITY OF ARDEN HILLS

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Governmental Activities General Obligation TIF Bonds</u>	<u>Percentage of Personal Income</u>	<u>Per Capita (1)</u>
2002	\$ 2,875,000	0.96 %	\$ 297
2003	2,715,000	0.89	279
2004	4,940,000	1.60	514
2005	2,395,000	0.75	245
2006	2,205,000	0.67	225
2007	1,990,000	0.59	202
2008	1,770,000	0.52	179
2009	1,545,000	0.43	152
2010	1,310,000	0.36	137
2011	1,065,000	0.30	111

(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.

CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt
as of December 31, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 513,488,368	0.97 %	\$ 4,965,859
County Library	262,068,432	0.36	933,850
Independent School District No. 621	87,580,888	29.12	25,503,405
Northeast Metropolitan Intermediate School District No. 916	258,194,216	0.12	302,274
Metropolitan Council	3,312,665,183	0.15	4,824,666
Metropolitan Airports Commission	3,312,665,183	0.00	18,556
Total overlapping debt			36,548,610
City of Arden Hills	1,065,000	100.00	1,065,000
Total direct and overlapping debt			\$ 37,613,610

- (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.

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

CITY OF ARDEN HILLS

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 15,147,962	\$ 17,716,604	\$ 17,952,148	\$ 20,799,114	\$ 21,862,480	\$ 23,324,218	\$ 36,962,949	\$ 36,885,897	\$ 35,132,043	\$ 33,279,828
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 15,147,962</u>	<u>\$ 17,716,604</u>	<u>\$ 17,952,148</u>	<u>\$ 20,799,114</u>	<u>\$ 21,862,480</u>	<u>\$ 23,324,218</u>	<u>\$ 36,962,949</u>	<u>\$ 36,885,897</u>	<u>\$ 35,132,043</u>	<u>\$ 33,279,828</u>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2011	
Market value	\$ 1,109,327,600
Debt limit (3% of market value)	33,279,828
Debt applicable to limit	
General obligation bonds	-
Less amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 33,279,828</u>

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.

CITY OF ARDEN HILLS

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Arden Hills Total Personal Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (2)</u>
2002	9,696	\$ 30,805	\$ 298,685,280	36.2	10,742	4.5
2003	9,721	31,421	305,451,099	36.2	10,316	4.9
2004	9,620	32,050	308,316,402	36.2	10,228	4.6
2005	9,787	32,691	319,942,045	36.2	9,968	3.9
2006	9,812	33,344	327,189,372	36.2	9,929	3.8
2007	9,838	34,011	334,600,866	35.0	9,693	4.4
2008	9,864	34,691	342,180,245	35.0	9,757	4.7
2009	10,137	35,385	358,697,745	35.0	9,662	5.0
2010	9,552	37,900	362,020,800	36.2	9,662	6.4
2011	9,552	36,806	351,570,912	34.8	9,786	6.1

Note 1: Population data for 2001–2007 is based off of MNPRO estimates.

Note 2: Unemployment rate information from DEED, based off of Ramsey County statistics.

Note 3: Per capita personal income: 2010 Census, 2001–2007 estimate based off of 2000 census with 2 percent inflation.

Note 4: Personal income: calculated based on the population and per capita personal income.

Note 5: Enrollment numbers are based off of Independent School District No. 621, Mounds View – enrollment by grade provided by Mounds View District Center.

Note 6: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Sources:

- (1) Bureau of the Census/County Regional Planning Commission
- (2) US Bureau of Labor Statistics
- (3) State Department of Commerce
- (4) School district

CITY OF ARDEN HILLS

Principal Employers
Current Year and Five Years Ago

Employer	2011			2006 (1)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,000	1	14.1 %	—	—	— %
Land O'Lakes, Inc.	800	2	5.6	850	2	6.0
Smiths Medical M.D., Inc.	525	3	3.7	450	6	—
Presbyterian Homes of Arden Hills	500	5	3.5	482	5	3.4
Fair Isaac & Co.	280	4	2.0	250	10	—
Country and MSI Insurance	236	6	1.7	326	7	2.3
Guidant Corporation	—	—	—	3,000	1	21.2
Bethel University	—	—	—	800	3	5.6
Celestica	—	—	—	600	4	4.2
First Student, Inc.	—	—	—	295	8	2.1
Independent School District No. 621	—	—	—	255	9	1.8
*	—	7	—	—	—	—
*	—	8	—	—	—	—
*	—	9	—	—	—	—
*	—	10	—	—	—	—
Total	<u>4,341</u>		<u>30.6 %</u>	<u>7,308</u>		<u>46.6 %</u>
Total city employees	<u>14,173</u>			<u>14,173</u>		

* Information not available

(1) Nine year information is not available. Information from 2006 was used as the best information available for comparison. Used 2011 total city employees to calculate percent.

Source: County Board of Equalization and Assessment

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Eight Fiscal Years

Function	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Police								
Physical arrests (warranted)	–	–	22	12	11	14	13	21
Towed vehicles	–	–	11	–	–	–	2	3
Traffic accidents	–	–	180	189	145	117	138	96
Driving impaired/alcohol	–	–	27	22	29	21	9	13
Traffic stops	–	–	164	335	144	281	332	328
Traffic investigations	–	–	40	33	22	19	11	24
Fire								
Number of calls answered	–	–	226	248	228	214	448	559
Highways and streets								
Street resurfacing (miles)	0.6	1.4	1.1	1.3	–	1.4	1.8	1.9
Potholes repaired	50	50	50	100	200	250	325	250
Sanitation								
Refuse collected (tons/day)	7.12	7.12	7.12	7.12	7.21	8.05	7.95	7.85
Recyclables collected (tons/day)	2.53	2.75	2.86	2.58	2.68	2.05	2.34	2.01
Parks and recreation								
Athletic field permits issued	30	30	30	28	30	25	25	20
Water								
New connections	5	7	8	–	–	3	3	2
Water main breaks	3	6	5	7	7	5	7	2
Average daily consumption (thousands of gallons)	1,171	1,239	1,314	1,153	1,029	1,323	1,162	1,135

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

Note 2: Police information provided by the Ramsey County Sheriff's Department. The Ramsey County Sheriff's Department is contracted out by the City.

Note 3: Refuse approximation provided by BFI/Allied Waste (approximately 38 pounds per household per week – 2,974 households – converted to tons). Recyclables – numbers based off of yearly tonnage total divided into 365 days in the year.

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

Sources: Various city departments

CITY OF ARDEN HILLS

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

Function	Full-Time Equivalent Employees as of Fiscal Year Ended									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	5.427	5.667	5.667	5.667	5.705	6.500	6.400	6.572	7.184	6.894
Public safety										
General public safety	2.568	2.568	2.568	2.568	2.550	2.500	2.700	2.718	2.718	2.735
Highways and streets										
General highways and streets	2.325	2.506	2.554	2.542	2.500	2.300	2.300	2.385	2.443	2.203
Community development	0.900	0.900	0.900	0.900	0.900	1.500	1.600	0.020	-	-
Parks and recreation	6.308	6.483	6.655	6.577	6.873	7.200	7.500	8.318	6.945	8.880
Water	3.383	3.564	3.611	3.599	3.557	3.400	3.400	3.402	3.291	3.500
Sewer	3.883	4.126	4.174	4.162	4.120	3.900	3.900	4.013	3.907	4.049
Recycling	0.143	0.143	0.143	0.143	0.143	0.100	0.100	0.142	0.168	0.214
Surface water management	1.736	1.843	1.890	1.878	1.836	1.700	1.800	1.573	2.247	2.539
Total	<u>26.671</u>	<u>27.800</u>	<u>28.161</u>	<u>28.035</u>	<u>28.184</u>	<u>29.100</u>	<u>29.700</u>	<u>29.143</u>	<u>28.901</u>	<u>31.014</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; 2002 hours are averaged.

Source: City Budget Office

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Highways and streets										
Streets (miles)	57	57	57	57	57	57	57	57	57	57
Streetlights	250	250	250	250	250	250	250	250	250	250
Traffic signals	18	18	18	18	18	18	18	18	18	18
Parks and recreation*										
Parks acreage	102	102	102	102	102	102	111	111	111	111
Parks	13	13	13	13	13	13	14	14	14	14
Trails acreage	52	52	52	52	52	52	52	53	54	54
Trails (miles)	2	2	2	2	2	2	11	13	15	15
Tennis courts	4	4	4	4	4	4	4	4	4	4
Softball/baseball fields	6	6	6	6	6	6	6	6	6	6
Basketball courts	10	10	10	10	10	10	10	10	10	10
Hockey/skating rinks	5	5	5	5	5	5	5	5	5	5
Permanent restrooms	2	2	2	2	2	2	2	2	3	3
Water										
Water mains (miles)	44	44	44	44	44	44	44	44	44	44
Fire hydrants	520	520	520	520	520	520	520	520	520	520
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Sewer										
Sanitary sewers (miles)	42	42	42	42	42	42	42	44	44	44
Storm sewers (miles)	20	20	20	20	20	20	20	20	20	20

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

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

Sources: Various city departments