

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report
for Year Ended
December 31, 2008

DEPARTMENT OF FINANCE

Susan K. Iverson, Finance Director

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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RAMSEY COUNTY, MINNESOTA

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INTRODUCTORY SECTION



June 15, 2009

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, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2008.

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, 2008. 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 9,864. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. Councilmembers serve four-year terms, with two members elected every two years. The mayor is elected for a four-year term. The mayor and members of the City Council are elected at large.

The City provides a full range of services: the construction and maintenance of streets and other infrastructure; recreational and cultural activities; water, sewer, surface water, 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 2.9 percent in 1999 to a current rate of 4.7 percent. Unemployment is expected to remain at or below the regional and national average.

During the past 10 years, property taxes (excluding TIF) have increased in amount and increased as a percentage of total General Fund and special revenue fund revenues, from 56 percent in 1999 to 58 percent in the current fiscal year (a 10-year increase of 2 percent). Intergovernmental revenues have declined from 12 percent in 1999 to 3 percent of total revenues in the General Fund for the current fiscal year (a 10-year decrease of 9 percent).

During the same 10-year period, the City's expenses related to public safety have increased from 20 percent in 1999 to 33 percent in the current fiscal year. This increase reflects the increased operating costs for police and fire contracts. Parks and recreation has increased from 8 percent in 1999 to 14 percent in the current fiscal year. This reflects the increased maintenance costs on parks, recreation facilities, and trails. Economic development has decreased from 3 percent in 1999 to 1 percent in the current fiscal year. This decrease reflects that the City is near being fully developed and efforts to revitalize redevelopment have not been the focus in recent years. General government expenses have increased from 12 percent in 1999 to 31 percent in the current fiscal year (a 10-year increase of 19 percent). Much of the increase reflects growth in the community and added administrative services to residents, as well as increased operating costs. Public works expenses have remained fairly flat as a percentage of expenditures resulting from the joint public works facility with Ramsey County.

LONG-TERM FINANCIAL PLANNING

Total General Fund balances (58 percent of total General Fund expenditures) are 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 \$16,586 reserve for prepaid items, leaving \$1,834,179 of unreserved, undesignated 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 recently, the City was in negotiations with the federal government to acquire a portion of the Army property, formerly known as the 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 has submitted a letter to the City to terminate its development plan. It is unknown at this time what the future use of this property will be. The City is currently working with the federal government to determine its use and transfer. The current site is approximately 585 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.

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, 2007. This is the second 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 for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Susan K. Iverson".

Susan K. Iverson
Finance Director/Treasurer

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, 2007

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.



President

Executive Director

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2008

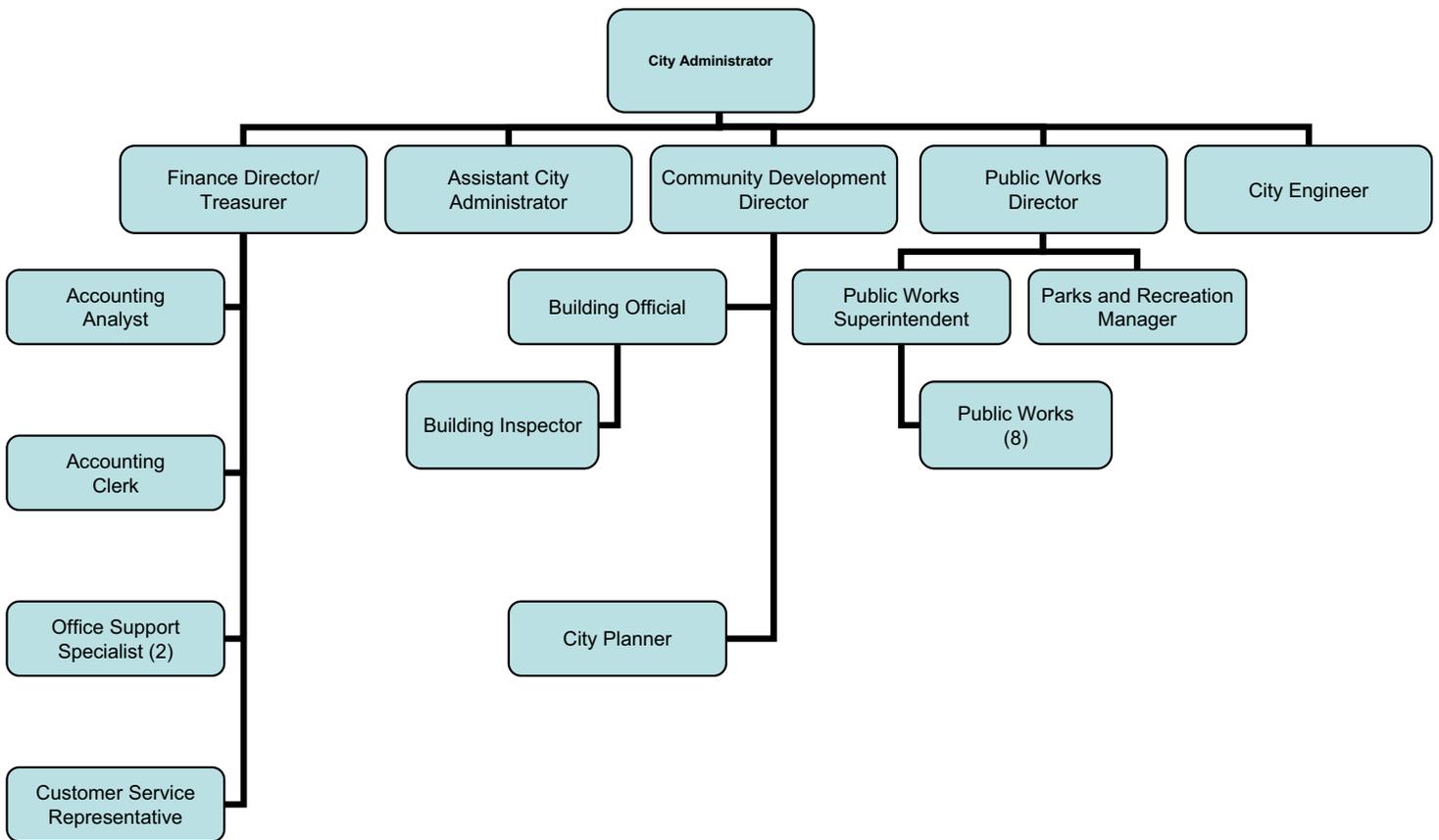
CITY COUNCIL

		<u>Term Expires</u>
Stan Harpstead	Mayor	December 31, 2010
David Grant	Councilmember	December 31, 2008
Brenda Holden	Councilmember	December 31, 2008
Fran Holmes	Councilmember	December 31, 2010
David McClung	Councilmember	December 31, 2010

APPOINTED OFFICIALS

Ronald Moorse	City Administrator/Clerk
Susan K. Iverson	Finance Director/Treasurer
Jerome Filla	City Attorney

City of Arden Hills Organization Chart



FINANCIAL SECTION



PRINCIPALS

Kenneth W. Malloy, CPA
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 and Residents
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, 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2009, 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 is important for assessing the results of our audit.

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, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

(continued)

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 a required part of the basic financial statements.

The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mallay, Montague, Karnawati, Radosevich, & Co, P.A.

June 15, 2009

CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2008

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, 2008. 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 \$36,427,235 (net assets). Of this amount, \$11,281,776 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$617,977.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,228,367. Of this total amount, \$854,894 is reserved, leaving an unreserved – undesignated balance of \$10,373,473.
- At the end of the current fiscal year, the General Fund has a fund balance of \$1,850,765. The total General Fund balance is equal to 58 percent of total General Fund expenditures.
- The City's total long-term debt decreased by \$196,365 during the current fiscal year, from \$2,121,039 to \$1,924,674. The decrease is due to scheduled debt payments of \$220,000 for tax increment bonds and compensated absences balance increases of \$23,635.

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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds 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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, TCAAP, Economic Development (EDA) Operating, Tax Increment Bonds, and Permanent Improvement Revolving Funds, which are considered to be major funds.

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

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

The basic governmental funds financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

Proprietary Funds – The City maintains one type 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.

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

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

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found following the proprietary funds statements within the financial section of this report.

Other Information – The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgeted comparisons.

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 \$36,427,235 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$24,309,264 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	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 12,373,391	\$ 12,181,304	\$ 2,328,254	\$ 1,920,766	\$ 14,701,645	\$ 14,102,070
Capital assets	13,859,332	13,832,891	10,449,932	10,701,103	24,309,264	24,533,994
Total assets	\$ 26,232,723	\$ 26,014,195	\$ 12,778,186	\$ 12,621,869	\$ 39,010,909	\$ 38,636,064
Liabilities						
Long-term liabilities outstanding	\$ 1,868,122	\$ 2,064,774	\$ 56,552	\$ 56,265	\$ 1,924,674	\$ 2,121,039
Other liabilities	364,466	457,048	294,534	248,719	659,000	705,767
Total liabilities	\$ 2,232,588	\$ 2,521,822	\$ 351,086	\$ 304,984	\$ 2,583,674	\$ 2,826,806
Net assets						
Invested in capital assets, net of related debt	\$ 13,859,332	\$ 13,832,891	\$ 10,449,932	\$ 10,701,103	\$ 24,309,264	\$ 24,533,994
Restricted	836,195	630,255	-	-	836,195	630,255
Unrestricted	9,304,608	9,029,227	1,977,168	1,615,782	11,281,776	10,645,009
Total net assets	\$ 24,000,135	\$ 23,492,373	\$ 12,427,100	\$ 12,316,885	\$ 36,427,235	\$ 35,809,258

An additional portion of the City's net assets (\$836,195 or 2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,281,776) may be used to meet the City'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 City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

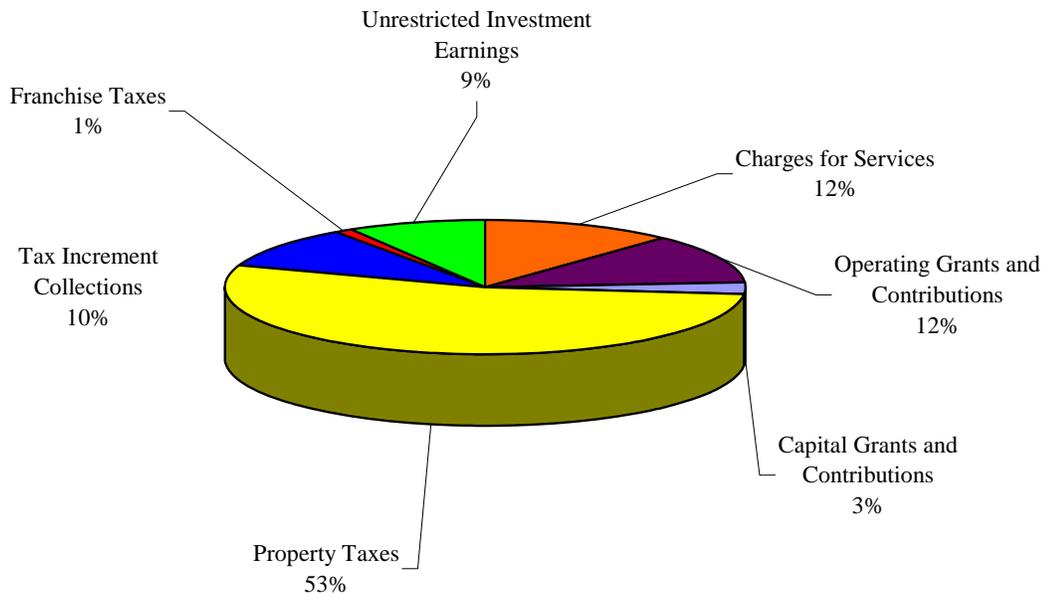
Governmental Activities – Governmental activities increased the City’s net assets by \$507,762, accounting for 82 percent of the total growth in net assets. Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$ 614,302	\$ 749,873	\$ 3,005,354	\$ 3,283,473	\$ 3,619,656	\$ 4,033,346
Operating grants and contributions	599,862	1,542,972	20,301	57,342	620,163	1,600,314
Capital grants and contributions	141,325	512,589	–	–	141,325	512,589
General revenues						
Property taxes	2,727,372	2,626,669	–	13,746	2,727,372	2,640,415
Tax increment collections	506,808	470,419	–	–	506,808	470,419
Franchise taxes	60,520	75,620	–	–	60,520	75,620
Unrestricted investment earnings	433,894	475,753	72,307	55,225	506,201	530,978
Total revenues	<u>5,084,083</u>	<u>6,453,895</u>	<u>3,097,962</u>	<u>3,409,786</u>	<u>8,182,045</u>	<u>9,863,681</u>
Expenses						
General government	1,640,599	1,778,811	–	–	1,640,599	1,778,811
Public safety	1,582,531	1,348,220	–	–	1,582,531	1,348,220
Public works	538,869	484,983	–	–	538,869	484,983
Parks and recreation	710,298	644,137	–	–	710,298	644,137
Economic development	43,791	128,709	–	–	43,791	128,709
Interest on long-term debt	60,233	66,820	–	–	60,233	66,820
Water	–	–	1,510,998	1,461,455	1,510,998	1,461,455
Sewer	–	–	1,143,557	1,280,486	1,143,557	1,280,486
Recycling	–	–	113,709	81,582	113,709	81,582
Surface water management	–	–	219,483	147,395	219,483	147,395
Total expenses	<u>4,576,321</u>	<u>4,451,680</u>	<u>2,987,747</u>	<u>2,970,918</u>	<u>7,564,068</u>	<u>7,422,598</u>
Increase (decrease) in net assets	507,762	2,002,215	110,215	438,868	617,977	2,441,083
Net assets – beginning	<u>23,492,373</u>	<u>21,490,158</u>	<u>12,316,885</u>	<u>11,878,017</u>	<u>35,809,258</u>	<u>33,368,175</u>
Net assets – ending	<u>\$ 24,000,135</u>	<u>\$ 23,492,373</u>	<u>\$ 12,427,100</u>	<u>\$ 12,316,885</u>	<u>\$ 36,427,235</u>	<u>\$ 35,809,258</u>

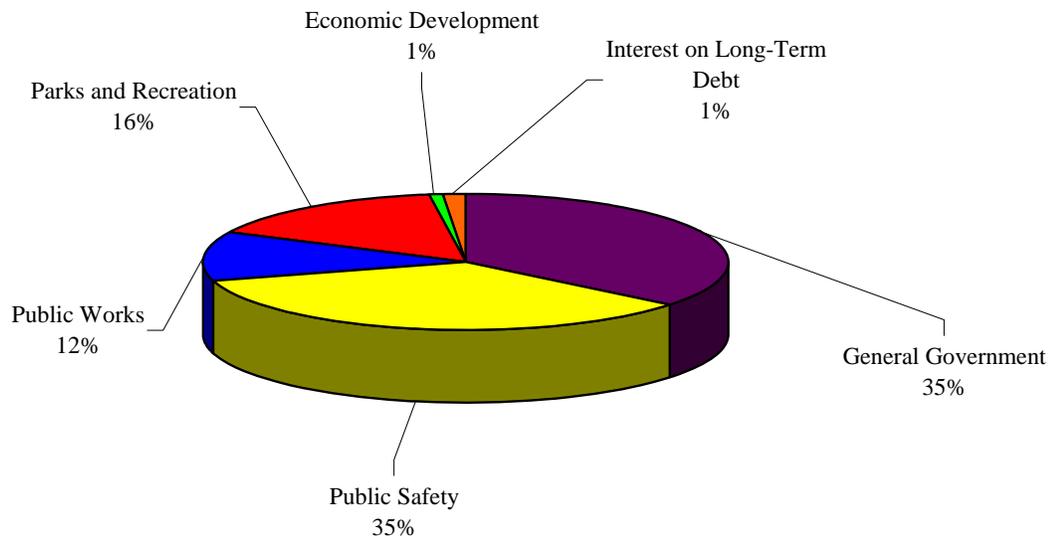
The current year increase to governmental net assets of \$507,762 was \$1,494,453 less than the \$2,002,215 increase in the prior year. Decreases in charges for services, operating grants and contributions, capital grants and contributions, franchise taxes, and investment earnings contributed to this decrease.

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

Governmental Activities – Revenue

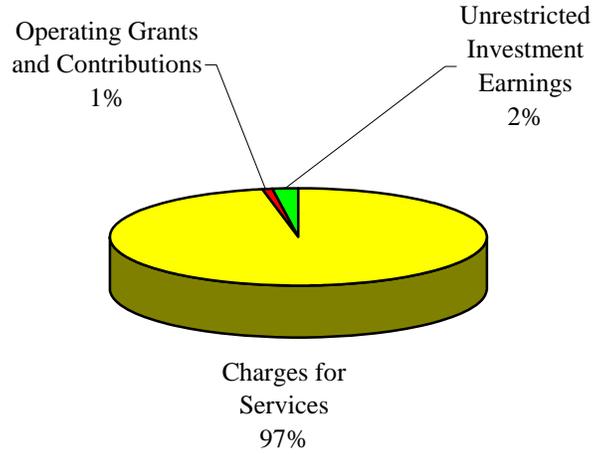


Governmental Activities – Expenses

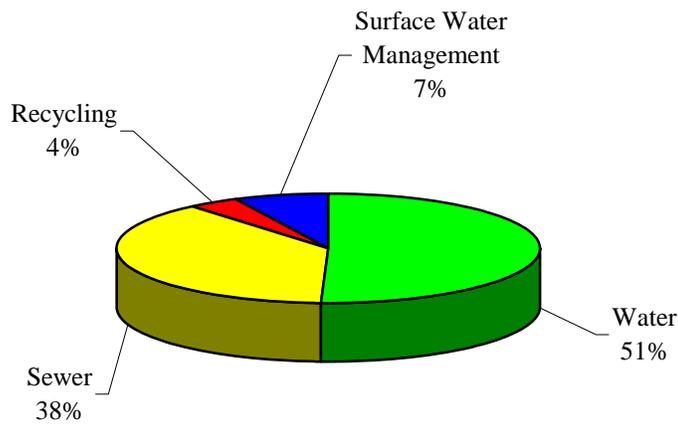


Business-Type Activities – Business-type activities increased the City’s net assets by \$110,215. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



Reductions in customer billings, decreased operating grants, and increased operating costs resulted in an increase in business-type activities of \$110,215, which was \$328,653 less 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, unreserved fund balance may serve as a useful measure of a city'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 \$11,228,367, an increase of \$410,585 in comparison with the prior year. Approximately 8 percent of this amount (\$854,894) is reserved because it has been committed 1) to pay debt service (\$2,113), 2) for tax increment purposes (\$836,195), or 3) is reserved for prepaid items (\$16,586). The remaining balance of \$10,373,473 is reported as unreserved – undesignated fund balance in the various governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$1,850,765. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total General Fund balance represents 58 percent of total General Fund expenditures.

The City's General Fund balance decreased by \$320,166 during the current fiscal year; this was due to a transfer to the Equipment, Building, and Replacement Fund (\$500,000), and favorable variances in expenditures on top of the approved budget amendment.

The TCAAP Fund decreased by \$76,442 as both developer reimbursements and planned expenditures were less than expected.

The Economic Development Authority (EDA) Operating Fund increased by \$4,286, which was due to actual revenues exceeding actual expenditures.

The Tax Increment Bonds Debt Service Fund increased by \$52 as planned with scheduled debt payments and transfer amounts.

The Permanent Improvement Revolving Fund increased by \$579,205 as actual revenues and transfers exceeded expenditures.

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 \$733,129 for water, \$603,829 for sewer, \$601,447 for surface water management, and \$38,763 for recycling. Water net assets decreased \$150,992, sewer net assets decreased \$3,732, surface water management net assets increased \$273,666, and recycling net assets decreased \$8,727 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$50,460 less than estimated in the budget. Tax revenues fell short of anticipated levels by \$107,603 as there was an increase in delinquent taxes. Licenses and permits fell short of anticipated levels by \$10,324 while charges for services were \$45,203 less than budgeted and fines and forfeits were \$50,460 less than budgeted. These unfavorable variances were due to the current economic downturn. Intergovernmental revenues surpassed budgeted levels by \$24,099 as market value homestead credit and mobile home homestead credit were not included in the budget. Expenditures within the General Fund were less than budget by \$218,939 spread across several functions. These favorable variances were due to vacant positions filled during the year or not at all. The final budget was amended during the year and reflects a supplemental appropriation increasing budgeted transfers out by \$500,000.

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, 2008 amounts to \$24,309,264 (net of accumulated depreciation). This investment in capital assets includes 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 decrease in the City’s investment in capital assets for the current fiscal year was 0.9 percent (a 0.2 percent increase for governmental activities and a 2.3 percent decrease for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,435,238	\$ 2,435,238	\$ –	\$ –	\$ 2,435,238	\$ 2,435,238
Construction in progress	2,514,484	2,311,422	1,115,594	1,015,894	3,630,078	3,327,316
Buildings and structures	4,777,849	4,889,986	1,233	1,442	4,779,082	4,891,428
Infrastructure and improvements	3,913,997	3,944,152	–	–	3,913,997	3,944,152
Distribution and collection systems	–	–	9,183,625	9,485,642	9,183,625	9,485,642
Machinery and equipment	152,561	158,876	98,377	128,115	250,938	286,991
Office furniture and equipment	13,885	15,972	–	–	13,885	15,972
Vehicles	51,318	77,245	51,103	70,010	102,421	147,255
Total	<u>\$ 13,859,332</u>	<u>\$ 13,832,891</u>	<u>\$ 10,449,932</u>	<u>\$ 10,701,103</u>	<u>\$ 24,309,264</u>	<u>\$ 24,533,994</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 \$1,770,000, a decrease of \$220,000 from 2007. This entire liability is backed by the full faith and credit of the City. Remaining debt is the liability for compensated absences (\$154,674), which is an increase of \$23,635 from the December 31, 2007 liability balance.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
	General obligation tax increment bonds	\$ 1,770,000	\$ 1,990,000	\$ –	\$ –	\$ 1,770,000
Compensated absences payable	98,122	74,774	56,552	56,265	154,674	131,039
Total	<u>\$ 1,868,122</u>	<u>\$ 2,064,774</u>	<u>\$ 56,552</u>	<u>\$ 56,265</u>	<u>\$ 1,924,674</u>	<u>\$ 2,121,039</u>

The City maintains an “A+” 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 \$36,962,949. 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 4.7 percent, which is an increase from a rate of 4.4 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 2008 level of 98.7 percent.

All of these factors were considered in preparing the City’s budget for the 2009 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 Finance Director, 1245 West Highway 96, Arden Hills, Minnesota 55112.

BASIC FINANCIAL STATEMENTS

CITY OF ARDEN HILLS

Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 11,041,832	\$ 1,821,255	\$ 12,863,087
Accrued interest receivable	49,287	8,903	58,190
Accounts receivable	375,741	485,356	861,097
Taxes receivable	52,815	-	52,815
Special assessments receivable	738,457	-	738,457
Due from other governmental units	81,373	-	81,373
Inventory	-	12,431	12,431
Prepaid items	16,586	309	16,895
Unamortized discount	17,300	-	17,300
Capital assets – net of accumulated depreciation			
Nondepreciable	4,949,722	1,115,594	6,065,316
Depreciable	8,909,610	9,334,338	18,243,948
Total assets	<u>26,232,723</u>	<u>12,778,186</u>	<u>39,010,909</u>
Liabilities			
Accounts payable	131,028	25,924	156,952
Salaries payable	46,691	21,308	67,999
Contracts payable	11,579	-	11,579
Accrued bond interest payable	23,479	-	23,479
Deposits payable	66,243	-	66,243
Due to other governmental units	54,255	247,302	301,557
Unearned revenue	31,191	-	31,191
Compensated absences payable			
Due within one year	73,592	42,413	116,005
Due in more than one year	24,530	14,139	38,669
Bonds payable			
Due within one year	225,000	-	225,000
Due in more than one year	1,545,000	-	1,545,000
Total liabilities	<u>2,232,588</u>	<u>351,086</u>	<u>2,583,674</u>
Net assets			
Invested in capital assets	13,859,332	10,449,932	24,309,264
Restricted for			
Tax increment purposes	836,195	-	836,195
Unrestricted	9,304,608	1,977,168	11,281,776
Total net assets	<u>\$ 24,000,135</u>	<u>\$ 12,427,100</u>	<u>\$ 36,427,235</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Balance Sheet
Governmental Funds
as of December 31, 2008

	General	TCAAP	EDA Operating	Tax Increment Bonds	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Assets								
Cash and investments	\$ 1,631,618	\$ -	\$ 9	\$ 2,103	\$ 6,908,170	\$ 2,499,932	\$ -	\$ 11,041,832
Accrued interest receivable	7,502	-	-	10	31,993	9,782	-	49,287
Accounts receivable	53,286	322,455	-	-	-	-	-	375,741
Taxes receivable	52,815	-	-	-	-	-	-	52,815
Special assessments receivable	-	-	-	-	738,457	-	-	738,457
Interfund receivable	305,310	-	-	-	-	-	(305,310)	-
Due from other governmental units	50,785	-	-	-	30,588	-	-	81,373
Prepaid items	16,586	-	-	-	-	-	-	16,586
Total assets	\$ 2,117,902	\$ 322,455	\$ 9	\$ 2,113	\$ 7,709,208	\$ 2,509,714	\$ (305,310)	\$ 12,356,091
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 22,395	\$ 28,985	\$ -	\$ -	\$ 34,101	\$ 45,547	\$ -	\$ 131,028
Salaries payable	45,674	327	-	-	-	690	-	46,691
Contracts payable	-	-	-	-	-	11,579	-	11,579
Deposits payable	66,243	-	-	-	-	-	-	66,243
Interfund payable	-	274,559	11,040	-	-	19,711	(305,310)	-
Due to other governmental units	48,837	287	-	-	5,131	-	-	54,255
Unearned revenue	31,191	-	-	-	-	-	-	31,191
Deferred revenue	52,797	-	-	-	733,940	-	-	786,737
Total liabilities	267,137	304,158	11,040	-	773,172	77,527	(305,310)	1,127,724
Fund balances (deficits)								
Reserved for								
Prepaid items	16,586	-	-	-	-	-	-	16,586
Debt service	-	-	-	2,113	-	-	-	2,113
Tax increment purposes	-	-	-	-	-	836,195	-	836,195
Unreserved, undesignated reported in								
General Fund	1,834,179	-	-	-	-	-	-	1,834,179
Special revenue funds	-	18,297	(11,031)	-	-	758,505	-	765,771
Capital project funds	-	-	-	-	6,936,036	837,487	-	7,773,523
Total fund balances (deficits)	1,850,765	18,297	(11,031)	2,113	6,936,036	2,432,187	-	11,228,367
Total liabilities and fund balances	\$ 2,117,902	\$ 322,455	\$ 9	\$ 2,113	\$ 7,709,208	\$ 2,509,714	\$ (305,310)	\$ 12,356,091
Fund balance reported above								\$ 11,228,367
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.								
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>\$ 24,000,135</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, 2008

	General	TCAAP	EDA Operating	Tax Increment Bonds	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Revenues								
Taxes								
General property taxes	\$ 2,706,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,706,745
Tax increments	-	-	4,744	-	-	502,064	-	506,808
Special assessments	-	-	-	-	223,155	-	-	223,155
Licenses and permits	228,776	-	-	-	-	-	-	228,776
Intergovernmental	145,278	-	-	-	-	10	-	145,288
Charges for services	282,553	-	-	-	-	-	-	282,553
Fines and forfeits	30,189	-	-	-	-	-	-	30,189
Earnings on investments	64,830	1,289	10	52	278,356	89,357	-	433,894
Franchise fees	-	-	-	-	-	60,520	-	60,520
Antenna rental fees	72,784	-	-	-	-	-	-	72,784
Miscellaneous reimbursements	826	405,830	-	-	-	-	-	406,656
Other	58,754	-	-	-	-	53,744	-	112,498
Total revenues	3,590,735	407,119	4,754	52	501,511	705,695	-	5,209,866
Expenditures								
Current								
General government	947,858	483,561	-	-	-	72,730	-	1,504,149
Public safety	1,420,785	-	-	-	-	-	-	1,420,785
Public works	265,448	-	-	-	-	-	-	265,448
Parks and recreation	562,283	-	-	-	-	-	-	562,283
Economic development	-	-	468	-	-	43,323	-	43,791
Capital outlay								
General government	8,164	-	-	-	-	323,486	-	331,650
Public safety	5,589	-	-	-	-	151,862	-	157,451
Public works	774	-	-	-	122,306	-	-	123,080
Parks and recreation	-	-	-	-	-	110,544	-	110,544
Debt service								
Principal	-	-	-	220,000	-	-	-	220,000
Interest and paying agent fees	-	-	-	60,100	-	-	-	60,100
Total expenditures	3,210,901	483,561	468	280,100	122,306	701,945	-	4,799,281
Revenues over (under) expenditures	379,834	(76,442)	4,286	(280,048)	379,205	3,750	-	410,585
Other financing sources (uses)								
Transfers in	-	-	-	280,100	200,000	565,000	(1,045,100)	-
Transfers out	(700,000)	-	-	-	-	(345,100)	1,045,100	-
Total other financing sources (uses)	(700,000)	-	-	280,100	200,000	219,900	-	-
Net change in fund balances	(320,166)	(76,442)	4,286	52	579,205	223,650	-	410,585
Fund balances (deficits) – beginning	2,170,931	94,739	(15,317)	2,061	6,356,831	2,208,537	-	10,817,782
Fund balances (deficits) – ending	\$ 1,850,765	\$ 18,297	\$ (11,031)	\$ 2,113	\$ 6,936,036	\$ 2,432,187	\$ -	\$ 11,228,367

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, 2008

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

Net changes in fund balances – total governmental funds	\$ 410,585
<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	528,173
Depreciation expense	(480,377)
Net book value of capital asset disposals	(21,355)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(125,783)
<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	220,000
Unamortized discount	(2,883)
Interest payable	2,750
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(23,348)</u>
Change in net assets of governmental activities	<u>\$ 507,762</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Net Assets
 Proprietary Funds
 as of December 31, 2008

	Business-Type Activities – Enterprise Funds				Totals
	Water	Sewer	Surface Water Management	Nonmajor Recycling	
Assets					
Current assets					
Cash and investments	\$ 808,209	\$ 414,287	\$ 553,000	\$ 45,759	\$ 1,821,255
Accrued interest receivable	3,848	2,343	2,611	101	8,903
Accounts receivable					
Customers	154,412	197,250	64,018	–	415,680
Customer accounts certified to county	32,955	31,502	3,710	1,509	69,676
Prepaid items	126	127	56	–	309
Inventory	12,431	–	–	–	12,431
Total current assets	1,011,981	645,509	623,395	47,369	2,328,254
Noncurrent assets					
Capital assets					
Buildings and structures	2,220	1,950	–	–	4,170
Machinery and equipment	270,263	597,771	1,187	–	869,221
Distribution and collection systems	6,986,410	5,718,835	1,342,298	–	14,047,543
Office equipment and furnishings	6,951	5,024	–	–	11,975
Vehicles	91,239	53,078	49,633	–	193,950
Construction in progress	335,887	241,796	537,911	–	1,115,594
Total capital assets	7,692,970	6,618,454	1,931,029	–	16,242,453
Less accumulated depreciation	(2,559,031)	(3,084,333)	(149,157)	–	(5,792,521)
Total capital assets (net of accumulated depreciation)	5,133,939	3,534,121	1,781,872	–	10,449,932
Total assets	6,145,920	4,179,630	2,405,267	47,369	12,778,186
Liabilities					
Current liabilities					
Accounts payable	5,840	5,786	6,746	7,552	25,924
Salaries payable	8,880	8,992	3,117	319	21,308
Due to other governmental units	242,957	2,412	1,933	–	247,302
Compensated absences payable	15,880	18,368	7,614	551	42,413
Total current liabilities	273,557	35,558	19,410	8,422	336,947
Noncurrent liabilities					
Compensated absences payable (net of current portion)	5,295	6,122	2,538	184	14,139
Total liabilities	278,852	41,680	21,948	8,606	351,086
Net assets					
Invested in capital assets	5,133,939	3,534,121	1,781,872	–	10,449,932
Unrestricted	733,129	603,829	601,447	38,763	1,977,168
Total net assets	\$ 5,867,068	\$ 4,137,950	\$ 2,383,319	\$ 38,763	\$ 12,427,100

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, 2008

	Business-Type Activities – Enterprise Funds				Totals
	Water	Sewer	Surface Water Management	Nonmajor Recycling	
Operating revenues					
Charges for services	\$ 1,322,155	\$ 1,120,714	\$ 473,843	\$ 65,963	\$ 2,982,675
Permit fees	705	352	–	–	1,057
Miscellaneous	4,215	122	13	17,272	21,622
Total operating revenues	<u>1,327,075</u>	<u>1,121,188</u>	<u>473,856</u>	<u>83,235</u>	<u>3,005,354</u>
Operating expenses					
Personal services	243,638	297,511	104,063	10,279	655,491
Supplies and maintenance	28,770	23,028	8,798	–	60,596
Other services and charges	118,009	99,108	27,279	4,044	248,440
Rent	19,125	19,125	8,500	–	46,750
Insurance	15,892	15,892	15,892	–	47,676
Utilities	9,419	21,971	–	–	31,390
Purchased services	20,916	18,380	20,555	5,818	65,669
Purchased water	879,627	–	–	–	879,627
Recycling charges	–	–	–	93,568	93,568
Sewer charges	–	507,669	–	–	507,669
Depreciation	175,602	140,873	34,396	–	350,871
Total operating expenses	<u>1,510,998</u>	<u>1,143,557</u>	<u>219,483</u>	<u>113,709</u>	<u>2,987,747</u>
Operating income (loss)	(183,923)	(22,369)	254,373	(30,474)	17,607
Nonoperating revenues					
Intergovernmental revenue	–	–	–	20,301	20,301
Earnings on investments	32,931	18,637	19,293	1,446	72,307
Total nonoperating revenues	<u>32,931</u>	<u>18,637</u>	<u>19,293</u>	<u>21,747</u>	<u>92,608</u>
Change in net assets	(150,992)	(3,732)	273,666	(8,727)	110,215
Net assets – beginning	<u>6,018,060</u>	<u>4,141,682</u>	<u>2,109,653</u>	<u>47,490</u>	<u>12,316,885</u>
Net assets – ending	<u>\$ 5,867,068</u>	<u>\$ 4,137,950</u>	<u>\$ 2,383,319</u>	<u>\$ 38,763</u>	<u>\$ 12,427,100</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2008

	Business-Type Activities – Enterprise Funds				Totals
	Water	Sewer	Surface Water Management	Nonmajor Recycling	
Cash flows from operating activities					
Receipts from customers and users	\$ 1,331,232	\$ 1,135,127	\$ 486,471	\$ 83,746	\$ 3,036,576
Payments to suppliers	(963,213)	(657,188)	(87,706)	(94,625)	(1,802,732)
Payments to employees	(242,178)	(294,660)	(103,008)	(10,024)	(649,870)
Payments for interfund services used	(45,145)	(46,625)	(17,687)	(1,649)	(111,106)
Net cash provided (used) by operating activities	80,696	136,654	278,070	(22,552)	472,868
Cash flows from noncapital financing activities					
Grants received	–	–	–	20,301	20,301
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	–	(115,000)	(12,019)	–	(127,019)
Cash flows from investing activities					
Earnings on investments	31,210	17,442	17,505	1,487	67,644
Net increase (decrease) in cash and cash equivalents	111,906	39,096	283,556	(764)	433,794
Cash and cash equivalents – beginning	696,303	375,191	269,444	46,523	1,387,461
Cash and cash equivalents – ending	\$ 808,209	\$ 414,287	\$ 553,000	\$ 45,759	\$ 1,821,255
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (183,923)	\$ (22,369)	\$ 254,373	\$ (30,474)	\$ 17,607
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	175,602	140,873	34,396	–	350,871
Decrease (increase) in customer receivables	4,157	13,939	12,615	511	31,222
Decrease (increase) in prepaid items	(61)	(62)	9	–	(114)
Decrease (increase) in inventory	(139)	–	–	–	(139)
Increase (decrease) in accounts payable	83,600	1,422	(24,378)	7,156	67,800
Increase (decrease) in salaries payable	1,652	2,955	867	(140)	5,334
Increase (decrease) in compensated absences payable	(192)	(104)	188	395	287
Total adjustments	264,619	159,023	23,697	7,922	455,261
Net cash provided (used) by operating activities	\$ 80,696	\$ 136,654	\$ 278,070	\$ (22,552)	\$ 472,868

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements December 31, 2008

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.

TCAAP Fund – The TCAAP Fund (special revenue fund) accounts for revenues and expenditures associated with the acquisition and development of the old Twin Cities Army Ammunition Plant.

Economic Development Authority (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.

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

Investments are stated at fair value, based upon quoted market prices. 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.

All receivables are shown net of any allowance for uncollectibles. 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 2008 totaled \$221,945. 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.

Pursuant to GASB Statement No. 34, 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, 2008, 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
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 Statement of Governmental Accounting Standards 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.

P. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances (when applicable) represent tentative plans for future use of financial resources.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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 (\$1,874,301) difference are as follows:

Bonds payable	\$ (1,770,000)
Accrued interest payable	(23,479)
Unamortized discounts	17,300
Compensated absences payable	<u>(98,122)</u>
	<u>\$ (1,874,301)</u>

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 and bank balance of the City's deposits was \$1,341,579. The entire bank balance was properly collateralized.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2008, 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	
Federal National Mortgage Association	AAA	\$ 500,469	\$ –	\$ 500,469
Federal Home Loan Mortgage Corporation	AAA	1,003,572	–	1,003,572
Fannie Mae Strips	AAA	1,254,963	–	1,254,963
Freddie Mac Strips	AAA	1,003,380	–	1,003,380
Municipal bonds	AAA	–	506,460	506,460
Negotiable certificates of deposit	N/R	2,321,486	873,375	3,194,861
Investment pools/mutual funds				
External Investment Pool – 4M Fund	N/R	3,385,099	–	3,385,099
Money market funds				
Wells Fargo Advantage Government	AAA	252,390	–	252,390
Wachovia Evergreen U.S. Government Money Funds	AAA	419,814	–	419,814
Total investments		\$ 10,141,173	\$ 1,379,835	11,521,008
Deposits				1,341,579
Petty cash				500
Total cash and investments				\$ 12,863,087

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 (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long-term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota Statutes, the 4M Fund is comprised of top quality, rated investments.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City 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 U.S. government securities to the Federal Reserve Bank of New York or certain Minnesota securities broker-dealers; or a bank qualified as a depository.
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 U.S. 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 U.S. 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 Home Loan Mortgage Corporation investments represented 9 percent, Fannie Mae Strips represented 11 percent, and Freddie Mac Strips represented 9 percent. These 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, 2008 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	\$ –	\$ –	\$ –	\$ 2,435,238
Construction in progress	2,311,422	405,397	(21,355)	(180,980)	2,514,484
Total capital assets, not being depreciated	4,746,660	405,397	(21,355)	(180,980)	4,949,722
Capital assets, being depreciated					
Building and structures	6,196,742	88,724	–	–	6,285,466
Infrastructure and improvements	4,667,337	–	–	180,980	4,848,317
Machinery and equipment	357,301	34,052	–	–	391,353
Office furniture and equipment	20,870	–	–	–	20,870
Vehicles	250,427	–	–	–	250,427
Total capital assets, being depreciated	11,492,677	122,776	–	180,980	11,796,433
Less accumulated depreciation for					
Building and structures	1,306,756	200,861	–	–	1,507,617
Infrastructure and improvements	723,185	211,135	–	–	934,320
Machinery and equipment	198,425	40,367	–	–	238,792
Office furniture and equipment	4,898	2,087	–	–	6,985
Vehicles	173,182	25,927	–	–	199,109
Total accumulated depreciation	2,406,446	480,377	–	–	2,886,823
Total capital assets being depreciated – net	9,086,231	(357,601)	–	180,980	8,909,610
Governmental activities capital assets – net	<u>\$ 13,832,891</u>	<u>\$ 47,796</u>	<u>\$ (21,355)</u>	<u>\$ –</u>	<u>\$ 13,859,332</u>

B. Business-Type Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Business-type activities					
Capital assets, not being depreciated					
Construction in progress	\$ 1,015,894	\$ 127,019	\$ (27,319)	\$ –	\$ 1,115,594
Capital assets, being depreciated					
Building and structures	4,170	–	–	–	4,170
Distribution and collection systems	14,047,543	–	–	–	14,047,543
Machinery and equipment	869,221	–	–	–	869,221
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	193,950	–	–	–	193,950
Total capital assets, being depreciated	15,126,859	–	–	–	15,126,859
Less accumulated depreciation for					
Building and structures	2,728	209	–	–	2,937
Distribution and collection systems	4,561,901	302,017	–	–	4,863,918
Machinery and equipment	741,106	29,738	–	–	770,844
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	123,940	18,907	–	–	142,847
Total accumulated depreciation	5,441,650	350,871	–	–	5,792,521
Total capital assets, being depreciated – net	9,685,209	(350,871)	–	–	9,334,338
Business-type activities capital assets – net	<u>\$ 10,701,103</u>	<u>\$ (223,852)</u>	<u>\$ (27,319)</u>	<u>\$ –</u>	<u>\$ 10,449,932</u>

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 100,079
Public safety	2,948
Public works	233,883
Parks and recreation	<u>143,467</u>
	<u>\$ 480,377</u>
Business-type activities	
Water	\$ 175,602
Sewer	140,873
Surface water management	<u>34,396</u>
	<u>\$ 350,871</u>

D. Construction Commitments

At December 31, 2008, the City had a construction project contract in progress. The commitment related to the remaining contract is summarized as follows:

<u>Project</u>	<u>Amount</u>
City Hall repairs	<u>\$ 65,000</u>

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Debt

The City issues 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 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, 2008, 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, 2008</u>
Governmental activities					
G.O. tax increment bonds					
G.O. Tax Increment Refunding Bonds, Series 2004A	11/04/2004	02/01/2015	3.00–3.50 %	<u>\$ 2,395,000</u>	\$ 1,770,000
Compensated absences payable	N/A	N/A	N/A	N/A	<u>98,122</u>
Total city indebtedness – governmental activities					<u>\$ 1,868,122</u>
Business-type activities					
Compensated absences payable	N/A	N/A	N/A	N/A	<u>\$ 56,552</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>
2009	\$ 225,000	\$ 52,975
2010	235,000	46,075
2011	245,000	38,875
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>\$ 1,770,000</u>	<u>\$ 211,465</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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
G.O. tax increment bonds	\$ 1,990,000	\$ –	\$ 220,000	\$ 1,770,000	\$ 225,000
Compensated absences payable	<u>74,774</u>	<u>114,386</u>	<u>91,038</u>	<u>98,122</u>	<u>73,592</u>
Total governmental activity long-term liabilities	<u>\$ 2,064,774</u>	<u>\$ 114,386</u>	<u>\$ 311,038</u>	<u>\$ 1,868,122</u>	<u>\$ 298,592</u>
Business-type activities					
Compensated absences payable	<u>\$ 56,265</u>	<u>\$ 57,730</u>	<u>\$ 57,443</u>	<u>\$ 56,552</u>	<u>\$ 42,413</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, 2008 is backed by the full faith and credit of the City, including tax increment bonds.

NOTE 5 – 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 Public Employees' Retirement Fund (PERF) and the Public Employees' Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated or 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. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by PEPFF.

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 statute, 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.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Two methods are used to compute benefits for PERF'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 PEPFF members, the annuity accrual rate is 3 percent for each year of service. For all PEPFF members and for PERF 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 55 for PEPFF members, and 65 for PERF 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 PERF and PEPFF. That report may be obtained on the web at mnpera.org; by writing to PERA at Public Employees' Retirement Association, Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statute, 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. PERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate will increase to 9.4 percent in 2009. The City was required to contribute the following percentages of annual covered payroll in 2008: 11.78 percent for Basic Plan PERF members, 6.5 percent for Coordinated Plan PERF members, and 12.9 percent for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75 percent and 14.1 percent, respectively, effective January 1, 2009. The City's contributions for the years ended December 31, 2008, 2007, and 2006 were \$83,350, \$76,526, and \$69,124, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statutes.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivable and Payable

Interfund receivable and payable balances at December 31, 2008 are as follows:

Fund	Receivable	Payable
General	\$ 305,310	\$ –
TCAAP	–	274,559
EDA Operating	–	11,040
Nonmajor governmental funds	–	19,711
Total	<u>\$ 305,310</u>	<u>\$ 305,310</u>

Interfund receivables and payables are used for temporary cash deficits. These balances will be eliminated with developer reimbursements in the TCAAP Fund, tax revenues in the EDA Operating Fund, and charitable gambling proceeds in the nonmajor governmental funds.

B. Transfers In and Transfers Out

Transfers Out	Transfer In			Total
	Tax Increment Bonds Fund	Permanent Improvement Revolving Fund	Nonmajor Governmental Funds	
General Fund	\$ –	\$ 200,000	\$ 500,000	\$ 700,000
Nonmajor governmental funds	280,100	–	65,000	345,100
Total	<u>\$ 280,100</u>	<u>\$ 200,000</u>	<u>\$ 565,000</u>	<u>\$ 1,045,100</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 2008 transfers are considered routine and consistent with previous practices.

NOTE 7 – DEFICIT FUND BALANCES

The City had deficit fund balances at December 31, 2008 as follows:

	Amount
EDA Operating – major fund	\$ (11,031)
Community Services – nonmajor fund	(19,711)
Total	<u>\$ (30,742)</u>

These fund deficits will be eliminated with future tax collections in the EDA Operating Fund and charitable gambling proceeds in the Community Services Fund.

NOTE 8 – 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, 2008.

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 2008.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2008, 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 \$306,954 in 2008.

NOTE 9 – 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, 2008 could not be determined; however, their original issue amounts are as follows:

Bond	Description	Amount Issued
Health Care Facility Revenue Refunding Note, Series 2001A	Skilled nursing facilities	\$ 2,156,800
Housing Facility Revenue Note, Series 2001B	Senior housing facility	2,850,000
Commercial Facilities Revenue Note, Series 2008	Office facilities	<u>5,500,000</u>
Totals		<u><u>\$ 10,506,800</u></u>

NOTE 10 – CONTINGENT NOTE PAYABLE

The City has issued a tax increment pay-as-you-go revenue note. This note is not a general obligation of the City and is payable solely from available tax increments. Accordingly, this note is not reflected in the financial statements of the City. Details of the pay-as-you-go revenue note are as follows:

TIF District No. 3 – Within TIF District No. 3, there is a pay-as-you-go agreement. As of December 31, 2008, future tax increment flow will be used to pay a developer note up to a maximum amount of \$863,055.

NOTE 11 – SUBSEQUENT EVENT

Until recently, the City was in negotiations with the federal government to acquire a portion of the Army property, formerly know 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. In May 2009, the developer submitted a letter to terminate its development plan. The City is currently exploring alternative options and opportunities related to the development of the TCAAP property.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 2,814,348	\$ 2,814,348	\$ 2,706,745	\$ (107,603)
Licenses and permits				
Business	50,100	50,100	40,806	(9,294)
Non-business	189,000	189,000	187,970	(1,030)
Total licenses and permits	<u>239,100</u>	<u>239,100</u>	<u>228,776</u>	<u>(10,324)</u>
Intergovernmental				
State				
Road maintenance	62,000	62,000	64,581	2,581
Market value homestead credit	–	–	26,729	26,729
Mobile home homestead credit	–	–	4,182	4,182
PERA aid	5,179	5,179	5,179	–
Police aid	44,000	44,000	44,607	607
State grants	10,000	10,000	–	(10,000)
Total intergovernmental	<u>121,179</u>	<u>121,179</u>	<u>145,278</u>	<u>24,099</u>
Charges for services				
General government	70,000	70,000	51,754	(18,246)
Public safety	13,200	13,200	8,988	(4,212)
Parks and recreation	93,050	93,050	94,393	1,343
Administrative charges				
Enterprise funds	129,506	129,506	109,457	(20,049)
Special revenue funds	22,000	22,000	17,961	(4,039)
Total charges for services	<u>327,756</u>	<u>327,756</u>	<u>282,553</u>	<u>(45,203)</u>
Fines and forfeits	35,000	35,000	30,189	(4,811)
Earnings on investments	40,000	40,000	64,830	24,830
Antenna rental fees	55,762	55,762	72,784	17,022
Miscellaneous reimbursements	4,450	4,450	826	(3,624)
Other	3,600	3,600	58,754	55,154
Total revenues	<u>3,641,195</u>	<u>3,641,195</u>	<u>3,590,735</u>	<u>(50,460)</u>
Expenditures				
Current				
General government				
City Council				
Personal services	17,655	17,655	17,690	(35)
Materials and supplies	500	500	–	500
Other services and charges	43,330	43,330	36,920	6,410
Total City Council	<u>61,485</u>	<u>61,485</u>	<u>54,610</u>	<u>6,875</u>
Elections				
Personal services	13,390	13,390	15,325	(1,935)
Materials and supplies	1,000	1,000	1,796	(796)
Other services and charges	2,550	2,550	3,436	(886)
Total elections	<u>16,940</u>	<u>16,940</u>	<u>20,557</u>	<u>(3,617)</u>

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2008

	<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	242,986	242,986	181,193	61,793
Materials and supplies	–	–	973	(973)
Other services and charges	170,007	170,007	160,097	9,910
Total administration	<u>412,993</u>	<u>412,993</u>	<u>342,263</u>	<u>70,730</u>
Finance				
Personal services	60,918	60,918	60,135	783
Materials and supplies	21,725	21,725	22,942	(1,217)
Other services and charges	41,453	41,453	41,792	(339)
Total finance	<u>124,096</u>	<u>124,096</u>	<u>124,869</u>	<u>(773)</u>
Planning and zoning				
Personal services	156,307	156,307	109,722	46,585
Materials and supplies	1,300	1,300	1,778	(478)
Other services and charges	96,700	96,700	107,879	(11,179)
Total planning and zoning	<u>254,307</u>	<u>254,307</u>	<u>219,379</u>	<u>34,928</u>
General government buildings				
Personal services	33,809	33,809	32,417	1,392
Materials and supplies	5,000	5,000	6,758	(1,758)
Other services and charges	197,100	197,100	147,005	50,095
Total general government buildings	<u>235,909</u>	<u>235,909</u>	<u>186,180</u>	<u>49,729</u>
Total general government	1,105,730	1,105,730	947,858	157,872
Public safety				
Police and fire protection				
Other services and charges	1,154,638	1,154,638	1,197,336	(42,698)
Emergency management				
Personal services	4,745	4,745	4,889	(144)
Other services and charges	27,550	27,550	2,241	25,309
Total emergency management	<u>32,295</u>	<u>32,295</u>	<u>7,130</u>	<u>25,165</u>
Protective inspections				
Personal services	195,277	195,277	178,000	17,277
Materials and supplies	3,750	3,750	2,531	1,219
Other services and charges	37,000	37,000	35,788	1,212
Total protective inspections	<u>236,027</u>	<u>236,027</u>	<u>216,319</u>	<u>19,708</u>
Total public safety	1,422,960	1,422,960	1,420,785	2,175

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2008

	<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	164,250	164,250	167,086	(2,836)
Materials and supplies	54,583	54,583	64,899	(10,316)
Other services and charges	40,892	40,892	33,463	7,429
Total public works	<u>259,725</u>	<u>259,725</u>	<u>265,448</u>	<u>(5,723)</u>
Parks and recreation				
Park maintenance				
Personal services	244,642	244,642	234,820	9,822
Materials and supplies	39,334	39,334	41,573	(2,239)
Other services and charges	94,074	94,074	81,035	13,039
Total park maintenance	<u>378,050</u>	<u>378,050</u>	<u>357,428</u>	<u>20,622</u>
Recreation				
Personal services	129,775	129,775	138,245	(8,470)
Materials and supplies	15,675	15,675	15,794	(119)
Other services and charges	55,825	55,825	50,816	5,009
Total recreation	<u>201,275</u>	<u>201,275</u>	<u>204,855</u>	<u>(3,580)</u>
Total parks and recreation	579,325	579,325	562,283	17,042
Capital outlay				
General government	53,350	53,350	8,164	45,186
Public safety	5,500	5,500	5,589	(89)
Public works	1,750	1,750	774	976
Parks and recreation	1,500	1,500	-	1,500
Total capital outlay	<u>62,100</u>	<u>62,100</u>	<u>14,527</u>	<u>47,573</u>
Total expenditures	<u>3,429,840</u>	<u>3,429,840</u>	<u>3,210,901</u>	<u>218,939</u>
Revenues over expenditures	211,355	211,355	379,834	168,479
Other financing sources (uses)				
Transfer to capital funds	<u>(200,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 11,355</u>	<u>\$ (488,645)</u>	<u>(320,166)</u>	<u>\$ 168,479</u>
Fund balance – beginning			<u>2,170,931</u>	
Fund balance – ending			<u>\$ 1,850,765</u>	

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – TCAAP Fund
 Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ -	\$ -	\$ 1,289	\$ 1,289
Miscellaneous reimbursements				
Developer reimbursements	<u>1,000,000</u>	<u>1,000,000</u>	<u>405,830</u>	<u>(594,170)</u>
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>407,119</u>	<u>(592,881)</u>
Expenditures				
Current				
General government				
Personal services	71,303	71,303	57,682	13,621
Other services and charges	<u>935,445</u>	<u>935,445</u>	<u>425,879</u>	<u>509,566</u>
Total expenditures	<u>1,006,748</u>	<u>1,006,748</u>	<u>483,561</u>	<u>523,187</u>
Net change in fund balances	<u>\$ (6,748)</u>	<u>\$ (6,748)</u>	(76,442)	<u>\$ (69,694)</u>
Fund balances – beginning			<u>94,739</u>	
Fund balances – ending			<u>\$ 18,297</u>	

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – EDA Operating Fund
 Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ 15,000	\$ 15,000	\$ 4,744	\$ (10,256)
Earnings on investments	15,000	15,000	10	(14,990)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>4,754</u>	<u>(25,246)</u>
Expenditures				
Economic development				
Current				
Materials and supplies	6,000	6,000	15	5,985
Other services and charges	11,200	11,200	453	10,747
Capital outlay				
Economic development	11,000	11,000	–	11,000
Total expenditures	<u>28,200</u>	<u>28,200</u>	<u>468</u>	<u>27,732</u>
Net change in fund balance	<u>\$ 1,800</u>	<u>\$ 1,800</u>	4,286	<u>\$ 2,486</u>
Fund balance (deficits) – beginning			<u>(15,317)</u>	
Fund balance (deficits) – ending			<u>\$ (11,031)</u>	

CITY OF ARDEN HILLS

Note to Required Supplementary Information
December 31, 2008

NOTE – LEGAL COMPLIANCE – BUDGETS

The General, TCAAP, 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 all funds. For the year ended December 31, 2008, all 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, 2008

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,653,791	\$ 846,141	\$ 2,499,932
Accrued interest receivable	<u>6,857</u>	<u>2,925</u>	<u>9,782</u>
Total assets	<u>\$ 1,660,648</u>	<u>\$ 849,066</u>	<u>\$ 2,509,714</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 45,547	\$ -	\$ 45,547
Salaries payable	690	-	690
Contracts payable	-	11,579	11,579
Interfund payable	<u>19,711</u>	<u>-</u>	<u>19,711</u>
Total liabilities	65,948	11,579	77,527
Fund balances			
Reserved for			
Tax increment purposes	836,195	-	836,195
Unreserved – undesignated	<u>758,505</u>	<u>837,487</u>	<u>1,595,992</u>
Total fund balances	<u>1,594,700</u>	<u>837,487</u>	<u>2,432,187</u>
Total liabilities and fund balances	<u>\$ 1,660,648</u>	<u>\$ 849,066</u>	<u>\$ 2,509,714</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2008

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 502,064	\$ -	\$ 502,064
Intergovernmental	10	-	10
Earnings on investments	63,946	25,411	89,357
Franchise fees	60,520	-	60,520
Other	53,744	-	53,744
Total revenues	<u>680,284</u>	<u>25,411</u>	<u>705,695</u>
Expenditures			
Current			
General government	72,730	-	72,730
Economic development	43,323	-	43,323
Capital outlay			
General government	39,266	284,220	323,486
Public safety	-	151,862	151,862
Parks and recreation	110,544	-	110,544
Total expenditures	<u>265,863</u>	<u>436,082</u>	<u>701,945</u>
Revenues over (under) expenditures	414,421	(410,671)	3,750
Other financing sources (uses)			
Transfer from General Fund	-	500,000	500,000
Transfer from special revenue funds	-	65,000	65,000
Transfer to debt service funds	(280,100)	-	(280,100)
Transfer to capital project funds	(65,000)	-	(65,000)
Total other financing sources (uses)	<u>(345,100)</u>	<u>565,000</u>	<u>219,900</u>
Net change in fund balances	69,321	154,329	223,650
Fund balances – beginning	<u>1,525,379</u>	<u>683,158</u>	<u>2,208,537</u>
Fund balances – ending	<u>\$ 1,594,700</u>	<u>\$ 837,487</u>	<u>\$ 2,432,187</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

Community Services Fund – This fund was established for transactions associated with community services. Revenues are derived from the required 10 percent contribution of net profit from charitable gambling organizations operating in the City. Expenditures are made to support youth activities and transfers to the Public Safety Capital Equipment Fund.

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.

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.

Risk Management Fund – This fund was established to pool dividends received from the League of Minnesota Cities Insurance Trust for positive claims experience. This fund tracks dividend revenues and deductible costs for claims. The goal of this fund is to build a fund balance that would allow the City to increase deductible limits in order to reduce premium costs.

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, 2008

	<u>Community Services</u>	<u>Parks</u>	<u>Cable</u>	<u>Risk Management</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	\$ -	\$ 102,275	\$ 237,930	\$ 319,131	\$ 141,831	\$ 738,498	\$ 114,126	\$ 1,653,791
Accrued interest receivable	-	599	1,180	1,522	670	2,445	441	6,857
Total assets	\$ -	\$ 102,874	\$ 239,110	\$ 320,653	\$ 142,501	\$ 740,943	\$ 114,567	\$ 1,660,648
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 434	\$ -	\$ 25,798	\$ -	\$ -	\$ 19,315	\$ 45,547
Salaries payable	-	-	690	-	-	-	-	690
Interfund payable	19,711	-	-	-	-	-	-	19,711
Total liabilities	19,711	434	690	25,798	-	-	19,315	65,948
Fund balances								
Reserved for								
Tax increment purposes	-	-	-	-	-	740,943	95,252	836,195
Unreserved – undesignated	(19,711)	102,440	238,420	294,855	142,501	-	-	758,505
Total fund balances	(19,711)	102,440	238,420	294,855	142,501	740,943	95,252	1,594,700
Total liabilities and fund balances	\$ -	\$ 102,874	\$ 239,110	\$ 320,653	\$ 142,501	\$ 740,943	\$ 114,567	\$ 1,660,648

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2008

	Community Services	Parks	Cable	Risk Management	EDA Revolving	EDA TIF District No. 2	EDA TIF District No. 3	Total Nonmajor Special Revenue Funds
Revenues								
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,608	\$ 46,456	\$ 502,064
Intergovernmental	-	-	-	-	-	-	10	10
Earnings on investments	407	6,721	10,290	13,336	5,903	23,163	4,126	63,946
Franchise fees	-	-	60,520	-	-	-	-	60,520
Other	30,374	13,907	-	9,463	-	-	-	53,744
Total revenues	30,781	20,628	70,810	22,799	5,903	478,771	50,592	680,284
Expenditures								
Current								
General government	-	-	65,894	6,836	-	-	-	72,730
Economic development	-	-	-	-	-	756	42,567	43,323
Capital outlay								
General government	-	-	39,266	-	-	-	-	39,266
Parks and recreation	-	110,544	-	-	-	-	-	110,544
Total expenditures	-	110,544	105,160	6,836	-	756	42,567	265,863
Revenues over (under) expenditures	30,781	(89,916)	(34,350)	15,963	5,903	478,015	8,025	414,421
Other financing sources (uses)								
Transfer to debt service funds	-	-	-	-	-	(280,100)	-	(280,100)
Transfer to capital project funds	(65,000)	-	-	-	-	-	-	(65,000)
Total other financing sources (uses)	(65,000)	-	-	-	-	(280,100)	-	(345,100)
Net change in fund balances	(34,219)	(89,916)	(34,350)	15,963	5,903	197,915	8,025	69,321
Fund balances – beginning	14,508	192,356	272,770	278,892	136,598	543,028	87,227	1,525,379
Fund balances – ending	\$ (19,711)	\$ 102,440	\$ 238,420	\$ 294,855	\$ 142,501	\$ 740,943	\$ 95,252	\$ 1,594,700

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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, 2008

	<u>Equipment, Building, and Replacement</u>	<u>Public Safety Capital Equipment</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets			
Cash and investments	\$ 227,359	\$ 618,782	\$ 846,141
Accrued interest receivable	-	2,925	2,925
	<u>\$ 227,359</u>	<u>\$ 621,707</u>	<u>\$ 849,066</u>
Total assets			
Liabilities and Fund Balances			
Liabilities			
Contracts payable	\$ 11,579	\$ -	\$ 11,579
Fund balances			
Unreserved – undesignated	<u>215,780</u>	<u>621,707</u>	<u>837,487</u>
	<u>\$ 227,359</u>	<u>\$ 621,707</u>	<u>\$ 849,066</u>
Total liabilities and fund balances			

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2008

	<u>Equipment, Building, and Replacement</u>	<u>Public Safety Capital Equipment</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues			
Earnings on investments	\$ –	\$ 25,411	\$ 25,411
Expenditures			
Capital outlay			
General government	284,220	–	284,220
Public safety	–	151,862	151,862
Total expenditures	<u>284,220</u>	<u>151,862</u>	<u>436,082</u>
Revenues over (under) expenditures	(284,220)	(126,451)	(410,671)
Other financing sources			
Transfer from General Fund	500,000	–	500,000
Transfer from special revenue funds	–	65,000	65,000
Total other financing sources	<u>500,000</u>	<u>65,000</u>	<u>565,000</u>
Net change in fund balances	215,780	(61,451)	154,329
Fund balances – beginning	<u>–</u>	<u>683,158</u>	<u>683,158</u>
Fund balances – ending	<u>\$ 215,780</u>	<u>\$ 621,707</u>	<u>\$ 837,487</u>

CITY OF ARDEN HILLS

Special Revenue Fund – Community Services Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 1,500	\$ 1,500	\$ 407	\$ (1,093)
Other	<u>65,000</u>	<u>65,000</u>	<u>30,374</u>	<u>(34,626)</u>
Total revenues	<u>66,500</u>	<u>66,500</u>	<u>30,781</u>	<u>(35,719)</u>
Other financing sources (uses)				
Transfer to Public Safety Capital Equipment Fund	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>(34,219)</u>	<u>\$ (35,719)</u>
Fund balances – beginning			<u>14,508</u>	
Fund balances – ending			<u>\$ (19,711)</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – Parks Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Intergovernmental	\$ 25,000	\$ 25,000	\$ –	\$ (25,000)
Earnings on investments	–	–	6,721	6,721
Other	–	–	13,907	13,907
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>20,628</u>	<u>(4,372)</u>
Expenditures				
Capital outlay				
Parks and recreation	<u>253,000</u>	<u>253,000</u>	<u>110,544</u>	<u>142,456</u>
Net change in fund balances	<u>\$ (228,000)</u>	<u>\$ (228,000)</u>	<u>(89,916)</u>	<u>\$ 138,084</u>
Fund balances – beginning			<u>192,356</u>	
Fund balances – ending			<u>\$ 102,440</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, 2008

	<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	\$ 10,290	\$ 3,290
Franchise fees	70,000	70,000	60,520	(9,480)
Total revenues	<u>77,000</u>	<u>77,000</u>	<u>70,810</u>	<u>(6,190)</u>
Expenditures				
Current				
General government				
Personal services	35,973	35,973	26,296	9,677
Other services and charges	41,984	41,984	39,598	2,386
Capital outlay				
General government	6,000	6,000	39,266	(33,266)
Total expenditures	<u>83,957</u>	<u>83,957</u>	<u>105,160</u>	<u>(21,203)</u>
Net change in fund balances	<u>\$ (6,957)</u>	<u>\$ (6,957)</u>	(34,350)	<u>\$ (27,393)</u>
Fund balances – beginning			<u>272,770</u>	
Fund balances – ending			<u>\$ 238,420</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – Risk Management Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 13,000	\$ 13,000	\$ 13,336	\$ 336
Other				
Insurance loss proceeds	–	–	2,797	2,797
Insurance dividends	–	–	6,666	6,666
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>22,799</u>	<u>9,799</u>
Expenditures				
Current				
General government				
Other services and charges	<u>27,000</u>	<u>27,000</u>	<u>6,836</u>	<u>20,164</u>
Net change in fund balances	<u>\$ (14,000)</u>	<u>\$ (14,000)</u>	15,963	<u>\$ 29,963</u>
Fund balances – beginning			<u>278,892</u>	
Fund balances – ending			<u>\$ 294,855</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 5,000	\$ 5,000	\$ 5,903	\$ 903
Net change in fund balances	<u>\$ 5,000</u>	<u>\$ 5,000</u>	5,903	<u>\$ 903</u>
Fund balances – beginning			<u>136,598</u>	
Fund balances – ending			<u>\$ 142,501</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 418,000	\$ 418,000	\$ 455,608	\$ 37,608
Earnings on investments	10,000	10,000	23,163	13,163
Total revenues	<u>428,000</u>	<u>428,000</u>	<u>478,771</u>	<u>50,771</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>3,450</u>	<u>3,450</u>	<u>756</u>	<u>2,694</u>
Revenue over expenditures	424,550	424,550	478,015	53,465
Other financing sources (uses)				
Transfer to debt service funds	<u>(280,150)</u>	<u>(280,150)</u>	<u>(280,100)</u>	<u>50</u>
Net change in fund balances	<u>\$ 144,400</u>	<u>\$ 144,400</u>	197,915	<u>\$ 53,515</u>
Fund balances – beginning			<u>543,028</u>	
Fund balances – ending			<u>\$ 740,943</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 48,000	\$ 48,000	\$ 46,456	\$ (1,544)
Intergovernmental	–	–	10	10
Earnings on investments	2,500	2,500	4,126	1,626
Total revenues	<u>50,500</u>	<u>50,500</u>	<u>50,592</u>	<u>92</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>44,200</u>	<u>44,200</u>	<u>42,567</u>	<u>1,633</u>
Net change in fund balances	<u>\$ 6,300</u>	<u>\$ 6,300</u>	8,025	<u>\$ 1,725</u>
Fund balances – beginning			<u>87,227</u>	
Fund balances – ending			<u>\$ 95,252</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 Officer's 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 Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ 6,245,206	\$ 9,881,335	\$ 13,300,454	\$ 13,832,891	\$ 13,859,332
Restricted	2,342,323	–	459,194	630,255	836,195
Unrestricted	9,234,880	10,164,226	7,730,510	9,029,227	9,304,608
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>
Business-type activities					
Invested in capital assets, net of related debt	\$ 9,444,977	\$ 10,393,723	\$ 10,804,213	\$ 10,701,103	\$ 10,449,932
Unrestricted	2,023,594	1,163,456	1,073,804	1,615,782	1,977,168
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>
Primary government					
Invested in capital assets, net of related debt	\$ 15,690,183	\$ 20,275,058	\$ 24,104,667	\$ 24,533,994	\$ 24,309,264
Restricted	2,342,323	–	459,194	630,255	836,195
Unrestricted	11,258,474	11,327,682	8,804,314	10,645,009	11,281,776
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>

CITY OF ARDEN HILLS

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
General government	\$ 934,322	\$ 978,463	\$ 1,300,163	\$ 1,778,811	\$ 1,640,599
Public safety	1,147,225	1,153,493	1,388,756	1,348,220	1,582,531
Public works	1,677,910	530,829	239,026	484,983	538,869
Economic development	213,804	465,467	962,061	128,709	43,791
Parks and recreation	467,154	668,885	610,008	644,137	710,298
Interest on long-term debt	122,259	181,257	72,758	66,820	60,233
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>
Business-type activities					
Water	1,201,108	1,321,076	1,395,983	1,461,455	1,510,998
Sewer	975,768	1,113,189	1,167,629	1,280,486	1,143,557
Recycling	78,761	78,538	81,630	81,582	113,709
Surface water management	97,515	110,022	115,872	147,395	219,483
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>
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>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 157,284	\$ 363,706	\$ 295,708	\$ 302,501	\$ 298,395
Public safety	538,455	339,305	310,703	357,460	221,614
Parks and recreation	81,158	146,118	91,492	89,912	94,293
Miscellaneous	34,857	29,594	—	—	—
Operating grants and contributions	183,727	315,649	940,864	1,542,972	599,862
Capital grants and contributions	260,058	803,339	918,211	512,589	141,325
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>
Business-type activities					
Charges for services					
Water	1,000,507	1,139,980	1,283,944	1,416,406	1,327,075
Sewer	829,907	1,017,970	1,062,748	1,344,716	1,121,188
Recycling	73,492	73,454	71,199	66,304	83,235
Surface water management	191,346	372,683	401,739	456,047	473,856
Operating grants and contributions	18,489	17,869	18,076	57,342	20,301
Capital grants and contributions	—	37,700	225,000	—	—
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>
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>

CITY OF ARDEN HILLS

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Net (expense) revenue					
Governmental activities	\$ (3,576,246)	\$ (2,067,763)	\$ (2,015,794)	\$ (1,646,246)	\$ (3,220,832)
Business-type activities	(239,411)	36,831	301,592	369,897	37,908
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>
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
Tax increments	377,400	449,274	462,468	470,419	506,808
Franchise taxes	56,593	63,428	95,148	75,620	60,520
Unrestricted grants and contributions	31,146	33,300	11,396	—	—
Investment earnings	283,525	265,029	428,625	475,753	433,894
Gain on sale of capital assets	—	274,508	—	—	—
Transfers	(30,762)	—	(13,783)	—	—
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>
Business-type activities					
Property tax	—	—	13,735	13,746	—
Investment earnings	58,944	51,777	65,121	55,225	72,307
Transfers	30,762	—	13,783	—	—
Total business-type activities	<u>89,706</u>	<u>51,777</u>	<u>92,639</u>	<u>68,971</u>	<u>72,307</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>
Change in net assets					
Governmental activities	\$ (378,006)	\$ 1,321,374	\$ 1,444,597	\$ 2,002,215	\$ 507,762
Business-type activities	(149,705)	88,608	394,231	438,868	110,215
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>

CITY OF ARDEN HILLS

Governmental Activities Tax Revenues by Source
 Last Five 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

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 21,652	\$ 36,238	\$ 39,207	\$ 87,068	\$ 92,925	\$ 116,730	\$ 12,508	\$ 149,183	\$ 17,356	\$ 16,586
Unreserved	579,742	599,052	674,497	666,104	1,021,914	1,198,199	1,502,272	1,437,255	2,153,575	1,834,179
Total General Fund	<u>\$ 601,394</u>	<u>\$ 635,290</u>	<u>\$ 713,704</u>	<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>
All other governmental funds										
Reserved	\$ 1,128,548	\$ 970,050	\$ 710,050	\$ 650,075	\$ 797,141	\$ 3,212,744	\$ 1,962	\$ 461,213	\$ 632,316	\$ 838,308
Unreserved, reported in										
Special revenue funds	313,603	298,277	655,267	746,537	612,674	433,128	1,145,991	714,613	974,546	765,771
Capital project funds	8,156,522	10,296,740	8,928,663	9,321,298	7,685,451	6,182,081	6,734,710	6,764,066	7,039,989	7,773,523
Debt service funds	1,192,544	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 10,791,217</u>	<u>\$ 11,565,067</u>	<u>\$ 10,293,980</u>	<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>

CITY OF ARDEN HILLS

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes										
General property tax	\$ 1,947,576	\$ 1,972,822	\$ 2,029,591	\$ 2,348,102	\$ 2,516,610	\$ 2,521,369	\$ 2,409,065	\$ 2,477,595	\$ 2,624,566	\$ 2,706,745
Tax increments	250,311	473,418	574,976	-	-	377,400	449,274	462,468	470,419	506,808
Special assessments	209,100	136,133	102,585	70,894	334,491	235,803	397,980	625,190	493,986	223,155
Licenses and permits	402,105	345,841	493,771	299,719	655,550	510,963	325,109	384,333	365,185	228,776
Intergovernmental	339,031	377,633	366,543	202,990	823,770	77,826	330,914	1,003,142	253,687	145,288
Charges for services	125,807	138,471	141,707	151,985	157,577	144,869	157,694	254,060	289,923	282,553
Fines and forfeits	30,924	29,981	31,193	41,782	31,334	43,055	45,993	47,347	28,653	30,189
Earnings on investments	423,971	928,425	731,729	454,802	270,196	283,525	265,029	428,625	475,753	433,894
Franchise fees	-	-	-	-	-	56,593	63,428	95,148	75,620	60,520
Antenna rental fees	-	-	-	-	-	-	-	58,772	53,256	72,784
Miscellaneous/others	335,251	235,486	335,043	452,776	468,223	259,539	374,202	116,826	1,369,401	519,154
Total revenues	4,064,076	4,638,210	4,807,138	4,023,050	5,257,751	4,510,942	4,818,688	5,953,506	6,500,449	5,209,866
Expenditures										
Current										
General government	609,402	588,463	703,979	768,987	751,899	823,980	861,906	1,274,640	1,689,801	1,504,149
Public safety	1,014,436	1,040,375	1,106,927	1,007,117	1,076,010	1,130,919	1,137,742	1,274,167	1,318,006	1,420,785
Public works	240,443	245,064	285,862	338,627	989,506	386,427	488,668	213,353	246,530	265,448
Parks and recreation	412,575	463,297	505,629	452,255	436,908	428,135	595,904	480,153	501,993	562,283
Economic development	152,929	119,898	82,124	82,817	67,949	152,165	407,646	857,786	128,709	43,791
Miscellaneous	99,040	100,835	28,702	163,569	159,246	269,111	181,641	-	-	-
Capital outlay										
General government	2,366,250	1,073,613	3,175,930	482,286	2,752,133	2,472,767	57,219	36,023	65,351	331,650
Public safety	-	-	-	-	-	-	13,539	111,641	27,266	157,451
Public works	-	-	-	-	-	-	896,616	1,300,670	944,352	123,080
Parks and recreation	-	-	-	-	-	-	61,343	153	5,364	110,544
Debt service										
Principal	-	-	70,000	155,000	160,000	170,000	175,000	190,000	215,000	220,000
Interest	136,996	136,997	135,668	131,318	125,093	141,582	113,203	72,250	66,625	60,100
Total expenditures	5,032,071	3,768,542	6,094,821	3,581,976	6,518,744	5,975,086	4,990,427	5,810,836	5,208,997	4,799,281
Excess of revenues over (under) expenditures	(967,995)	869,668	(1,287,683)	441,074	(1,260,993)	(1,464,144)	(171,739)	142,670	1,291,452	410,585
Other financing sources (uses)										
Transfers in	757,028	2,146,503	981,204	584,660	1,241,334	520,140	2,084,969	596,005	734,441	1,045,100
Transfers out	(678,500)	(2,089,154)	(981,204)	(584,660)	(1,241,334)	(520,140)	(2,084,969)	(609,788)	(734,441)	(1,045,100)
Bond proceeds	-	-	-	-	-	2,395,000	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	(2,370,000)	-	-	-
Sales of capital assets	-	-	-	-	-	-	796,300	-	-	-
Total other financing sources (uses)	78,528	57,349	-	-	-	2,395,000	(1,573,700)	(13,783)	-	-
Net change in fund balances	\$ (889,467)	\$ 927,017	\$ (1,287,683)	\$ 441,074	\$ (1,260,993)	\$ 930,856	\$ (1,745,439)	\$ 128,887	\$ 1,291,452	\$ 410,585
Debt service as a percentage of noncapital expenditures	5.14 %	5.08 %	7.05 %	9.24 %	7.57 %	8.90 %	7.27 %	6.01 %	6.76 %	6.56 %

CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1999	\$ 2,197,887	\$ —	\$ 2,197,887
2000	2,446,240	—	2,446,240
2001	2,604,567	—	2,604,567
2002	2,348,102	—	2,348,102
2003	2,516,610	—	2,516,610
2004	2,898,769	56,593	2,955,362
2005	2,858,339	63,428	2,921,767
2006	2,940,063	95,148	3,035,211
2007	3,094,985	75,620	3,170,605
2008	3,213,553	60,520	3,274,073

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
1999	\$ 4,951,398	\$ 5,690,596	\$ 436,342	\$ 11,078,336	\$ 258,894	\$ 848,692	\$ 9,970,750	19.06 %	\$ 547,695,950	1.82 %
2000	5,184,000	6,355,117	445,672	11,984,789	514,917	1,096,927	10,372,945	19.05	593,898,200	1.75
2001	5,547,374	7,486,398	596,014	13,629,786	599,832	1,363,376	11,666,578	17.36	681,727,900	1.71
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

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	City Direct Rate	Overlapping Rates		Total
		Ramsey County	Independent School District No. 623	
1999	19.059 %	47.021 %	48.241 %	114.321 %
2000	19.047	44.839	46.421	110.307
2001	17.358	42.166	49.899	109.423
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

(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 Nine Years Ago

Taxpayer	2008			1997 (1)		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,699,250	1	11.93 %	\$ 620,450	2	6.02 %
CSM Corporation	471,218	2	3.31	140,625	10	1.36
Arden Hills Industrial, LLC	407,634	3	2.86	-	-	-
Mutual Service Insurance Company	399,138	4	2.80	258,812	7	2.51
Land O'Lakes, Inc.	368,728	5	2.59	644,360	1	6.25
St. Paul Properties, Inc.	349,956	6	2.46	470,352	4	4.56
Inland Shannon Square Cub, LLC	346,252	7	2.43	-	-	-
IRET Properties, LP	325,250	8	2.28	-	-	-
NSP	303,250	9	2.13	-	-	-
Pharmacia Deltec, Inc.	265,040	10	1.86	300,620	6	2.91
Control Data Corporation	-	-	-	556,118	3	5.39
NorthPark Commercial Properties	-	-	-	325,000	5	3.15
Trinet Essential Facilities VII, Inc.	-	-	-	168,296	8	1.63
International Paper Company	-	-	-	155,449	9	1.51
Total	<u>\$ 4,935,716</u>		<u>34.65 %</u>	<u>\$ 3,640,082</u>		<u>35.29 %</u>
Total capacity value	<u>\$ 14,237,731</u>			<u>\$ 10,313,870</u>		

(1) Nine year information is not available. Information from 1997 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		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 1,924,006	\$ 1,900,148	98.76 %	\$ 23,858	\$ 1,924,006	100.00 %
2000	1,975,700	1,951,159	98.76	24,541	1,975,700	100.00
2001	2,025,092	2,006,251	99.07	19,650	2,025,901	100.04
2002	2,201,002	2,182,275	99.15	17,496	2,199,771	99.94
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	14,006	2,353,232	100.01
2006	2,523,737	2,508,916	99.41	12,980	2,521,896	99.93
2007	2,634,851	2,615,411	99.26	13,617	2,629,028	99.78
2008	2,744,767	2,709,036	98.70	–	2,709,036	98.70

Note: Data source – Ehlers Bond Issue Summary book 2004 and annual financial reports.

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>
1999	\$ -	- %	\$ -
2000	3,100,000	1.08	321
2001	3,030,000	1.04	313
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

(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, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 159,484,648	2.51 %	\$ 4,008,197
Independent School District No. 621, Mounds View	136,384,068	10.94	14,920,417
Northeast Metropolitan Intermediate School District No. 916	9,259,693	1.61	149,081
Metropolitan Council	1,058,265,424	0.31	3,280,623
Metropolitan Airport Commission	239,618,008	0.31	<u>742,816</u>
Total overlapping debt			23,101,134
City of Arden Hills	1,770,000	100.00	<u>1,770,000</u>
Total direct and overlapping debt			<u><u>\$ 24,871,134</u></u>

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

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

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 10,953,919	\$ 11,877,964	\$ 13,490,514	\$ 15,147,962	\$ 17,716,604	\$ 17,952,148	\$ 20,799,114	\$ 21,862,480	\$ 23,324,218	\$ 36,962,949
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 10,953,919</u>	<u>\$ 11,877,964</u>	<u>\$ 13,490,514</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2008

Market value	\$1,232,098,300
Debt limit (3% of market value)	36,962,949
Debt applicable to limit	
General obligation bonds	-
Less amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 36,962,949</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 Nine Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Arden Hills Total Personal Income</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (2)</u>
2000	9,652	\$ 29,609	\$ 285,786,068	36.2	11,426	2.9
2001	9,671	30,201	292,084,793	36.2	11,095	3.6
2002	9,696	30,805	298,701,098	36.2	10,742	4.5
2003	9,722	31,421	305,467,275	36.2	10,316	4.9
2004	9,620	32,050	308,318,439	36.2	10,228	4.6
2005	9,787	32,691	319,944,160	36.2	9,968	3.9
2006	9,812	33,345	327,191,535	36.2	9,929	3.8
2007	9,838	34,011	334,603,078	35.0	9,693	4.4
2008	9,864	34,692	342,182,507	35.0	9,757	4.7

Note 1: Data prior to 2000 is not available.

Note 2: Population data for 2001–2007 is based off of MNPRO estimates.

Note 3: Unemployment rate information from DEED, based off of Ramsey County statistics.

Note 4: 2000 entries are from Ehlers Bond Issue Summary book 2004.

Note 5: Per capita personal income: 2000 Census, 2001–2007 estimate based off of 2000 census with 2 percent inflation.

Note 6: Personal income: calculated based on the population and per capita personal income.

Note 7: Enrollment numbers are based off of Independent School District No. 621, Mounds View – enrollment by grade provided by Mounds View District Center.

Note 8: 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) State Department of Labor
- (3) State Department of Commerce
- (4) School district

CITY OF ARDEN HILLS

Principal Employers
Current Year and Nine Years Ago

Employer	2008			1997 (1)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,000	1	14.1 %	2,000	1	16.3 %
Land O'Lakes, Inc.	800	2	5.6	700	3	5.7
Country and MSI Insurance	640	3	4.5	691	4	5.6
Celestica (Manufacturers Service, Ltd.)	600	4	4.2	-	-	-
Presbyterian Homes of Arden Hills	500	5	3.5	500	8	4.1
Fair Isaac & Co.	500	6	3.5	-	-	-
Smiths Medical M.D., Inc.	500	7	3.5	-	-	-
Bethel University	-	-	-	600	6	4.9
Independent School District No. 621, Mounds View	-	-	-	307	10	2.5
Alliant Techsystems	-	-	-	1,220	2	10.0
Control Data Systems	-	-	-	600	5	4.9
Manufacturers Service, Ltd.	-	-	-	500	7	4.1
Dynamark, Inc.	-	-	-	335	9	2.7
*	-	8	-	-	-	-
*	-	9	-	-	-	-
*	-	10	-	-	-	-
Total	<u>5,540</u>		<u>39.1 %</u>	<u>7,453</u>		<u>60.8 %</u>
Total city employees	<u>14,173</u>			<u>12,250</u>		

* Information not available

(1) Nine year information is not available. Information from 1997 was used as the best information available for comparison.

Source: County Board of Equalization and Assessment

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Five Fiscal Years

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Physical arrests (warranted)	–	–	22	4	11
Towed vehicles	–	–	11	–	–
Traffic accidents	–	–	164	335	144
Driving impaired/alcohol	–	–	27	47	29
Traffic stops	–	–	38	33	22
Traffic investigations	–	–	8	68	54
Fire					
Number of calls answered	–	–	226	248	228
Highways and streets					
Street resurfacing (miles)	0.6	1.4	1.1	1.3	–
Potholes repaired	50	50	50	100	200
Sanitation					
Refuse collected (tons/day)	7.12	7.12	7.12	7.12	7.21
Recyclables collected (tons/day)	2.53	2.75	2.86	2.58	2.68
Parks and recreation					
Athletic field permits issued	30	30	30	28	30
Water					
New connections	5	7	8	–	–
Water main breaks	3	6	5	7	7
Average daily consumption (thousands of gallons)	1,171	1,239	1,314	1,153	1,029

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

Note 2: Permits issued is an approximate number given by parks and recreation – no formal data has been recorded. The majority of the permits are free; only 5 permits of the 30 were paid for.

Note 3: Police information provided by the Ramsey County Sheriff's Department. The Ramsey County Sheriff's Department is contracted out by the City.

Note 4: Refuse approximation provided by BFI/Allied Waste (approximately 38 pounds per household per week – 2,622 households – converted to tons). Recyclables – numbers based off of yearly tonnage total divided into 365 days in the year.

Note 5: Fire information provided by Lake Johanna Fire Department, which is contracted out by the City.

Note 6: The City implemented GASB Statement No. 44 in fiscal 2006. Information is not available for the past 10 years.

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	5.427	5.427	5.427	5.427	5.667	5.667	5.667	5.705	6.500	6.400
Public safety										
General public safety	2.568	2.568	2.568	2.568	2.568	2.568	2.568	2.550	2.500	2.700
Highways and streets										
General highways and streets	2.305	2.325	2.325	2.325	2.506	2.554	2.542	2.500	2.300	2.300
Community development	0.900	0.900	0.900	0.900	0.900	0.900	0.900	0.900	1.500	1.600
Parks and recreation	6.188	6.308	6.308	6.308	6.483	6.655	6.577	6.873	7.200	7.500
Water	3.363	3.383	3.383	3.383	3.564	3.611	3.599	3.557	3.400	3.400
Sewer	3.863	3.883	3.883	3.883	4.126	4.174	4.162	4.120	3.900	3.900
Recycling	0.143	0.143	0.143	0.143	0.143	0.143	0.143	0.143	0.100	0.100
Surface water management	1.716	1.736	1.736	1.736	1.843	1.890	1.878	1.836	1.700	1.800
Total	26.471	26.671	26.671	26.671	27.800	28.161	28.035	28.184	29.100	29.700

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; 1999–2002 hours are averaged.

Source: City Budget Office

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	102	102	102	111
Parks	13	13	13	13	13	13	13	13	13	14
Trails acreage	52	52	52	52	52	52	52	52	52	52
Trails (miles)	2	2	2	2	2	2	2	2	2	11
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	2	2
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	42	42	42
Storm sewers (miles)	20	20	20	20	20	20	20	20	20	20

* Information used for the culture 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