

**CITY OF**



**ARDEN HILLS**

**ARDEN HILLS, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report  
Year Ended  
December 31, 2014

DEPARTMENT OF FINANCE

Susan K. Iverson, Director of Finance and Administrative Services

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CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

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CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

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**INTRODUCTORY SECTION**

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June 4, 2015

To the Honorable Mayor,  
Members of the City Council,  
and Citizens of the City of Arden Hills, Minnesota

State law requires that every general purpose local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR), Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Arden Hills, Minnesota’s (the City) financial statements for the year ended December 31, 2014. 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 9,652. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

The City provides a full range of services: the construction and maintenance of streets and other infrastructure; recreational and cultural activities; water, sewer, surface water management, and recycling systems; community development, building inspection, and planning; and general government operations, including administration, finance/accounting, information systems, community information (newsletter), and general government buildings. The City contracts with Ramsey County for police services and Lake Johanna Fire Department for fire services.

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

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

## **LOCAL ECONOMY**

A number of high-profile leaders in the medical, technology, and business sectors, including Boston Scientific, Land O' Lakes, Syntegra, MSI Insurance, Manufacturer's Services, 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 a low of 3.8 percent in 2006 to a high of 6.4 percent in 2010 and a current rate of 4.0 percent. Unemployment is expected to remain at or below the regional and national average.

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

## **LONG-TERM FINANCIAL PLANNING**

The unassigned General Fund balance (50 percent of total subsequent year General Fund expenditures budgeted) is at the 50 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance is made up of \$21,059 of nonspendable equity for prepaid items, leaving \$2,324,883 of assigned and unassigned fund balance (to accommodate cash flows due to the timing of tax and state aid receipts).

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

Projections for the next 10 years indicate that property tax contributions, user fees, and investment income will need to be reevaluated to support scheduled replacements. In 2007, the City established a citizen committee, called the Financial Planning and Analysis Committee, to work on establishing fund balance policies and where future tax rates should be set. A 10-year financial plan has been completed. In 2012, the City entered into a Joint Powers Agreement with Ramsey County to form a Joint Development Authority (JDA) to acquire and develop a portion of the Army property, formerly known as TCAAP. The county officially acquired this property April 15, 2013, and is cleaning it to residential standards. This development is expected to add to the City's tax base and includes commercial/industrial, residential, and civic uses. The site is approximately 430 acres.

### **RELEVANT FINANCIAL POLICIES**

Trends of the past decade, changes in state tax law, and recent legislation indicate that the City will have a greater reliance on property taxes as a source of financing for city operations in the future and less reliance on intergovernmental revenues (federal and state) and building permit fees. Changes in state tax law over the past few years have resulted in funding changes for both schools and local governments. The elimination of the homestead and agricultural credit aids program, and large cuts in both local government aid and the market value homestead credit programs resulted in revenue losses to the City. In addition, as the City continues toward full development, we anticipate future decreases in building permit revenues.

### **MAJOR INITIATIVES**

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

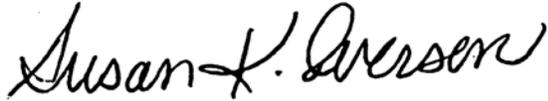
### **ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2013. This is the eighth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Susan K. Iverson". The signature is written in a cursive style with a large, stylized initial 'S'.

Susan K. Iverson  
Director of Finance and Administrative Services



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Arden Hills  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials  
December 31, 2014

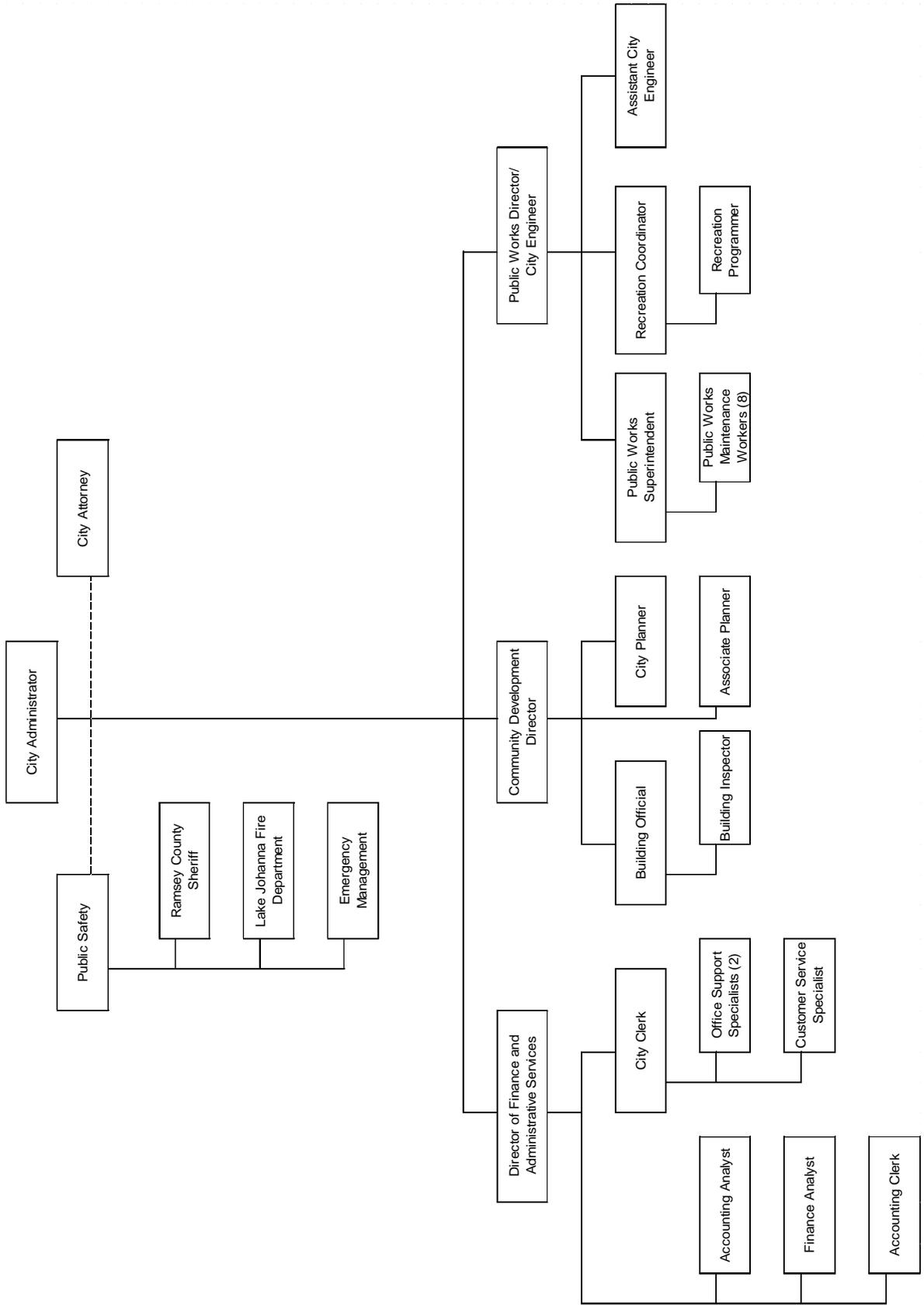
**CITY COUNCIL**

		<u>Term Expires</u>
David Grant	Mayor	December 31, 2018
Brenda Holden	Councilmember	December 31, 2016
Fran Holmes	Councilmember	December 31, 2018
Dave McClung	Councilmember	December 31, 2016
Ed Werner	Councilmember	December 31, 2014

**APPOINTED OFFICIALS**

Patrick Klaers	City Administrator
Susan K. Iverson	Director of Finance and Administrative Services/Treasurer
Amy Dietl	City Clerk
Joel Jamnik	City Attorney

CITY OF ARDEN HILLS  
 Organizational Chart  
 December 31, 2014



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**FINANCIAL SECTION**

**TAB**



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management  
City of Arden Hills, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

(continued)

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota

June 4, 2015

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## CITY OF ARDEN HILLS

### Management's Discussion and Analysis Year Ended December 31, 2014

As the management of the City of Arden Hills, Minnesota (the City), we offer readers of the City's comprehensive annual financial report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. 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 \$47,485,131 (net position). Of this amount, \$13,265,214 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,362,962.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,930,083. Of this total amount, \$21,454 is nonspendable and \$917,300 is restricted, leaving an unrestricted balance of \$9,991,329.
- At the end of the current fiscal year, the General Fund has a fund balance of \$2,345,942. At December 31, 2014, the unassigned fund balance of the General Fund was 50 percent of the subsequent year's budgeted expenditures.
- The City's total long-term debt decreased by \$293,036 during the current fiscal year, from \$754,504 to \$461,468. The decrease is due to scheduled debt payments of \$270,000 for tax increment bonds, and compensated absences balance decreases of \$23,036.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources as applicable, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and economic development. The business-type activities of the City include water, sewer, surface water management, and recycling.

The government-wide financial statements can be found in the financial section following this report.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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; Economic Development Authority (EDA) Operating; Tax Increment Bonds; Equipment, Building, and Replacement; and Permanent Improvement Revolving Funds, which are considered to be major funds.

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

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

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

**Proprietary Funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, surface water management, and recycling operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City maintains internal service funds for risk management, engineering, central garage, and technology. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

**Other Information** – In addition to the basic financial statements, including the accompanying notes, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds and internal service funds, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the CAFR to facilitate additional analysis, and is the third and final section of the report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a City’s financial position. In the case of the City, assets exceeded liabilities by \$47,485,131 at the close of the most recent fiscal year.

The largest portion of the City’s net position (\$33,302,617, or 70 percent) reflects its investment in capital assets (e.g. land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles) 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 Position:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 13,952,181	\$ 12,726,169	\$ 2,458,205	\$ 1,712,707	\$ 16,410,386	\$ 14,438,876
Capital assets	<u>18,837,904</u>	<u>17,435,976</u>	<u>14,464,713</u>	<u>14,356,782</u>	<u>33,302,617</u>	<u>31,792,758</u>
<b>Total assets</b>	<u>\$ 32,790,085</u>	<u>\$ 30,162,145</u>	<u>\$ 16,922,918</u>	<u>\$ 16,069,489</u>	<u>\$ 49,713,003</u>	<u>\$ 46,231,634</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 395,628	\$ 680,227	\$ 65,840	\$ 74,277	\$ 461,468	\$ 754,504
Other liabilities	<u>1,167,151</u>	<u>875,001</u>	<u>599,253</u>	<u>479,960</u>	<u>1,766,404</u>	<u>1,354,961</u>
<b>Total liabilities</b>	<u>\$ 1,562,779</u>	<u>\$ 1,555,228</u>	<u>\$ 665,093</u>	<u>\$ 554,237</u>	<u>\$ 2,227,872</u>	<u>\$ 2,109,465</u>
<b>Net position</b>						
Net investment in capital assets	\$ 18,837,904	\$ 17,435,976	\$ 14,464,713	\$ 14,356,782	\$ 33,302,617	\$ 31,792,758
Restricted	917,300	896,106	-	-	917,300	896,106
Unrestricted	<u>11,472,102</u>	<u>10,274,835</u>	<u>1,793,112</u>	<u>1,158,470</u>	<u>13,265,214</u>	<u>11,433,305</u>
<b>Total net position</b>	<u>\$ 31,227,306</u>	<u>\$ 28,606,917</u>	<u>\$ 16,257,825</u>	<u>\$ 15,515,252</u>	<u>\$ 47,485,131</u>	<u>\$ 44,122,169</u>

An additional portion of the City's net position (\$917,300, or 2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$13,265,214 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental Activities** – Governmental activities increased the City’s net position by \$2,620,389 in the current year. Key elements of this change are as follows:

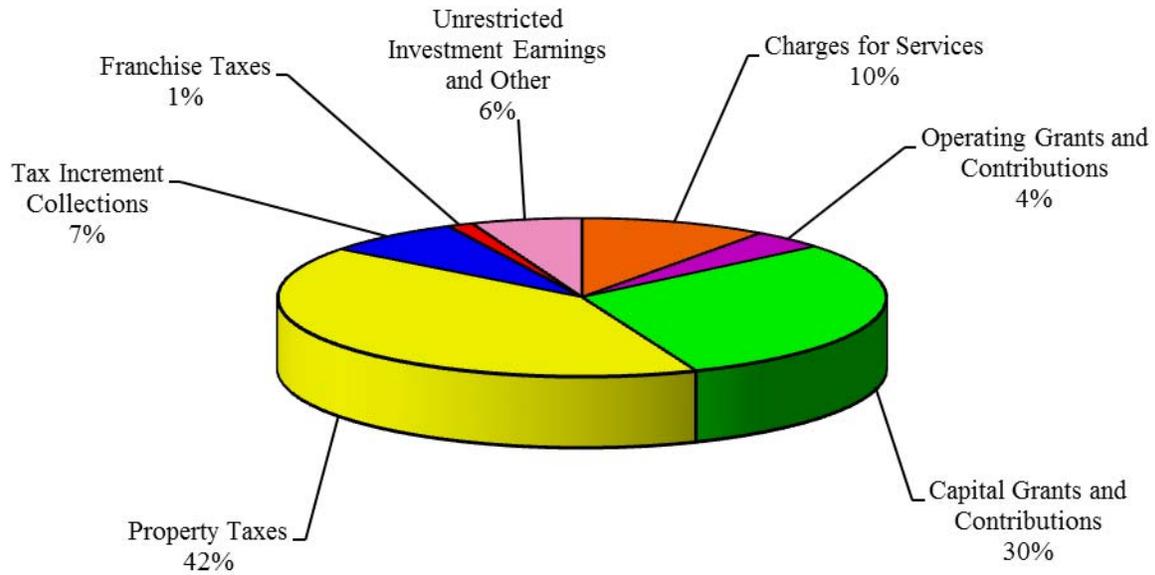
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 764,111	\$ 793,034	\$ 4,882,716	\$ 4,832,374	\$ 5,646,827	\$ 5,625,408
Operating grants and contributions	300,536	343,486	19,611	19,694	320,147	363,180
Capital grants and contributions	2,302,439	326,213	–	156,585	2,302,439	482,798
General revenues						
Property taxes	3,182,331	3,094,036	–	–	3,182,331	3,094,036
Tax increment collections	565,422	466,280	–	–	565,422	466,280
Franchise taxes	103,711	96,820	–	–	103,711	96,820
Unrestricted investment earnings	450,261	(168,071)	54,360	(24,361)	504,621	(192,432)
Total revenues	<u>7,668,811</u>	<u>4,951,798</u>	<u>4,956,687</u>	<u>4,984,292</u>	<u>12,625,498</u>	<u>9,936,090</u>
<b>Expenses</b>						
General government	1,294,830	1,133,379	–	–	1,294,830	1,133,379
Public safety	1,887,877	1,956,260	–	–	1,887,877	1,956,260
Public works	852,109	944,104	–	–	852,109	944,104
Parks and recreation	711,174	807,363	–	–	711,174	807,363
Economic development	522,193	403,143	–	–	522,193	403,143
Interest on long-term debt	11,004	25,767	–	–	11,004	25,767
Water	–	–	1,893,217	1,843,530	1,893,217	1,843,530
Sewer	–	–	1,506,927	1,560,796	1,506,927	1,560,796
Surface water management	–	–	432,788	453,727	432,788	453,727
Recycling	–	–	150,417	144,541	150,417	144,541
Total expenses	<u>5,279,187</u>	<u>5,270,016</u>	<u>3,983,349</u>	<u>4,002,594</u>	<u>9,262,536</u>	<u>9,272,610</u>
Increase (decrease) in net position before transfers	2,389,624	(318,218)	973,338	981,698	3,362,962	663,480
Transfers	<u>230,765</u>	<u>230,765</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>–</u>	<u>–</u>
Increase (decrease) in net position	2,620,389	(87,453)	742,573	750,933	3,362,962	663,480
Net position – beginning	<u>28,606,917</u>	<u>28,694,370</u>	<u>15,515,252</u>	<u>14,764,319</u>	<u>44,122,169</u>	<u>43,458,689</u>
Net position – ending	<u>\$ 31,227,306</u>	<u>\$ 28,606,917</u>	<u>\$ 16,257,825</u>	<u>\$ 15,515,252</u>	<u>\$ 47,485,131</u>	<u>\$ 44,122,169</u>

Revenues for governmental activities were \$7,668,811 for the current year, which is an increase of \$2,717,013 from the prior year. The largest change occurred in capital grants and contributions, which increased by \$1,976,226 for MSA funding and special assessments recognized in the current year. Unrestricted investment earnings increased by \$618,332. This increase was largely caused by an unrealized gain on marking investments to market value at year-end in accordance with Governmental Accounting Standards Board standards.

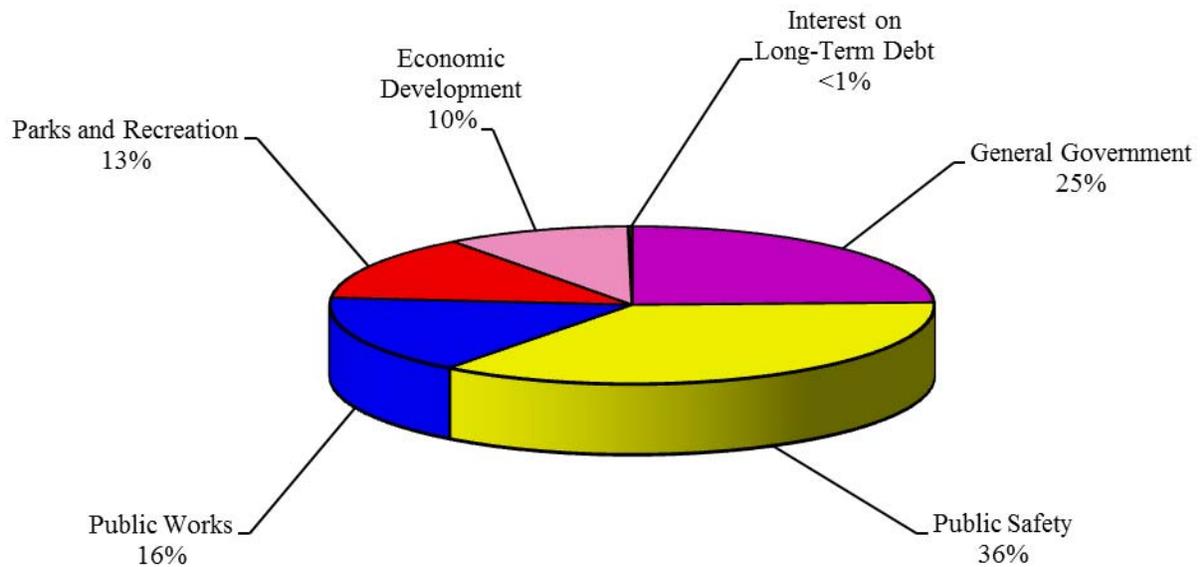
Expenses for governmental activities were similar to the prior year increasing by \$9,171, or 0.2 percent, over the prior year.

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

### Governmental Activities – Revenue

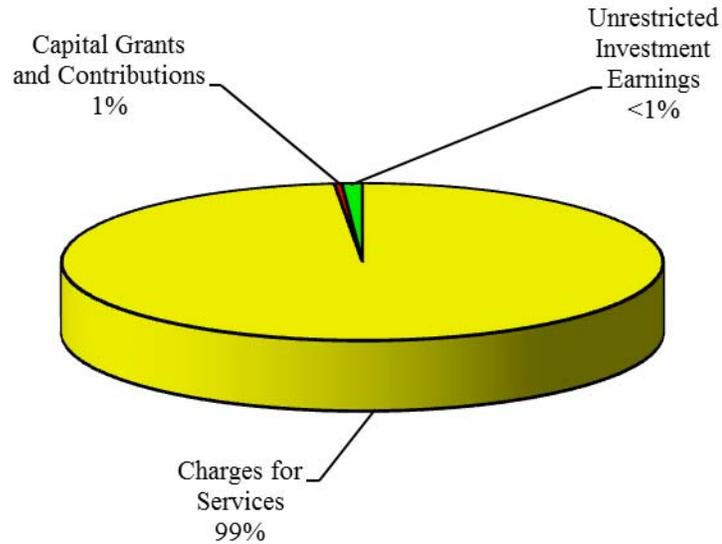


### Governmental Activities – Expenses

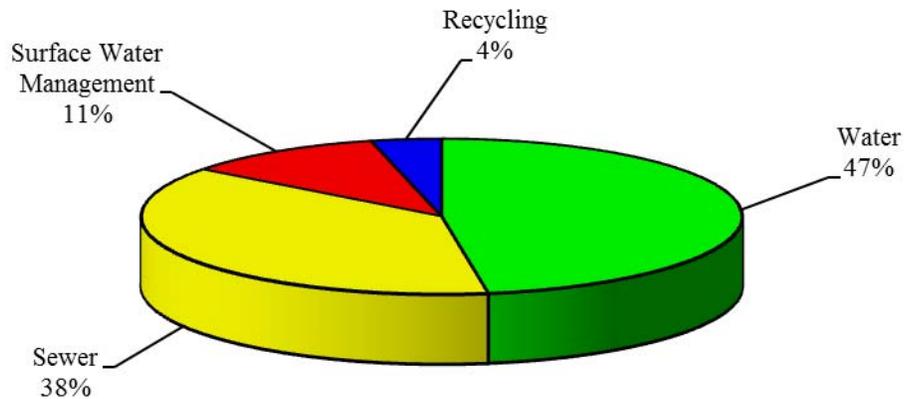


**Business-Type Activities** – Business-type activities increased the City’s net position by \$742,573 in the current year. Below are graphs showing the business-type activities revenue and expense comparisons:

**Business-Type Activities – Revenue**



**Business-Type Activities – Expenses**



Business-type activities charges for services increased \$50,342, or 1.0 percent, from the prior year due in part to utility rate increases. Capital grants and contributions decreased \$156,585 due to a grant that was received in the prior year from the Metropolitan Council for sanitary sewer improvements. In total, expenses decreased in business-type functions primarily due to reductions in other services and charges for sewer and surface water management functions.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,930,083, an increase of \$275,877 in comparison with the prior year. Committed, assigned, and unassigned fund balance, which are available for spending at the government's discretion, have a total balance of \$9,991,329 at year-end. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it has already been obligated: 1) for tax increment purposes (\$611,488), 2) for cable TV purposes (\$305,812), or 3) is not in spendable form for prepaid items (\$21,454).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,185,162, while total fund balance equaled \$2,345,942. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to expenditures. Unassigned fund balance represents 50 percent of the total subsequent year General Fund expenditures.

The City's General Fund balance decreased by \$19,764 during the current fiscal year compared to a \$162,417 decrease approved in the final budget; this was due to favorable revenue and expenditure variances, with several departments spending less than amounts approved in the budget.

Fund balance in the EDA Operating Fund increased by \$42,279, which compares to an anticipated fund balance reduction of \$38,512. Tax increment collections were \$13,280 more than expected in the final budget, while expenditures were \$57,339 below appropriations.

The Tax Increment Bonds Debt Service Fund decreased slightly as planned with scheduled debt payment and transfer amounts.

The Equipment, Building, and Replacement Fund decreased by \$663 as expenditures exceeded revenues and transfers in during the current year. The General Fund, Water Fund, Sewer Fund, and Surface Water Management Fund made transfers of \$280,765 to this fund in the current year.

The Permanent Improvement Revolving Fund increased by \$480,059 as revenues and net transfers exceeded expenditures in the current year based on the timing of actual projects.

**Proprietary Funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position in the respective proprietary funds include: \$993,194 for water, \$148,869 for sewer, \$582,138 for surface water management, and \$68,911 for recycling. Water net position increased \$199,819, sewer net position increased \$257,524, surface water management net position increased \$283,218, and recycling net position increased \$2,012 during the year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$99,895 more than estimated in the budget. Licenses and permits and charges for services revenue surpassed budgeted levels by \$67,854 and \$59,143, respectively, due to development activity surpassing expected amounts. An unfavorable variance in property taxes partially offset the favorable variances previously discussed. Expenditures within the General Fund were less than budget by \$42,758 spread across several functions.

During the year, budget amendments approved by the City Council decreased revenues by \$20,820 and reduced expenditures and transfers out by \$43,805.

## 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, 2014 amounts to \$33,302,617 (net of accumulated depreciation). This investment in capital assets includes items such as land, buildings and structures, infrastructure and improvements, machinery and equipment, office furniture and equipment, vehicles, park facilities, roads, trails and sidewalks, and pedestrian tunnels and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 5 percent (an 8 percent increase for governmental activities and a 1 percent increase for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818	\$ 2,679,818
Construction in progress	2,667,592	1,080,791	1,124,032	2,198,904	3,791,624	3,279,695
Buildings and structures	3,826,526	3,981,624	829,408	14,074	4,655,934	3,995,698
Infrastructure and improvements	8,541,707	8,736,865	–	–	8,541,707	8,736,865
Distribution and collection systems	–	–	12,383,520	12,065,508	12,383,520	12,065,508
Machinery and equipment	274,809	330,968	127,753	78,296	402,562	409,264
Office furniture and equipment	93,230	64,762	–	–	93,230	64,762
Vehicles	754,222	561,148	–	–	754,222	561,148
<b>Total</b>	<b>\$ 18,837,904</b>	<b>\$ 17,435,976</b>	<b>\$ 14,464,713</b>	<b>\$ 14,356,782</b>	<b>\$ 33,302,617</b>	<b>\$ 31,792,758</b>

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 \$280,000, a decrease of \$270,000 compared to the prior year. This entire liability is backed by the full faith and credit of the City. Remaining debt is the liability for compensated absences of \$181,468, which represents a decrease of \$23,036 from the December 31, 2013 liability balance.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
G.O. tax increment						
bonds payable	\$ 280,000	\$ 550,000	\$ –	\$ –	\$ 280,000	\$ 550,000
Compensated absences						
payable	115,628	130,227	65,840	74,277	181,468	204,504
<b>Total</b>	<b>\$ 395,628</b>	<b>\$ 680,227</b>	<b>\$ 65,840</b>	<b>\$ 74,277</b>	<b>\$ 461,468</b>	<b>\$ 754,504</b>

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

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

- Dramatic increases in local government aids and other state sources are not anticipated based on legislation at the time of writing this report.
- Property tax collection rates are expected to remain strong, at or near the 2014 level.

All of these factors were considered in preparing the City’s budget for the 2015 fiscal year.

**REQUESTS FOR INFORMATION**

This CAFR is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Director of Finance and Administrative Services, 1245 West Highway 96, Arden Hills, Minnesota 55112.

**BASIC FINANCIAL STATEMENTS**

**TAB**

## CITY OF ARDEN HILLS

Statement of Net Position  
as of December 31, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 12,002,778	\$ 1,104,479	\$ 13,107,257
Accrued interest receivable	54,070	10,188	64,258
Accounts receivable	76,734	1,337,840	1,414,574
Taxes receivable	369,545	-	369,545
Special assessments receivable	1,343,178	-	1,343,178
Due from other governmental units	79,731	72	79,803
Prepaid items	26,145	75	26,220
Inventory	-	5,551	5,551
Capital assets			
Nondepreciable	5,347,410	1,124,032	6,471,442
Depreciable, net of accumulated depreciation	13,490,494	13,340,681	26,831,175
Total assets	<u>32,790,085</u>	<u>16,922,918</u>	<u>49,713,003</u>
<b>Liabilities</b>			
Accounts payable	349,211	22,445	371,656
Salaries payable	64,739	38,998	103,737
Contracts payable	67,831	30,656	98,487
Accrued bond interest payable	4,083	-	4,083
Deposits payable	478,086	-	478,086
Due to other governmental units	147,232	507,154	654,386
Unearned revenue	55,969	-	55,969
Compensated absences payable			
Due within one year	86,721	49,379	136,100
Due in more than one year	28,907	16,461	45,368
Bonds payable			
Due within one year	280,000	-	280,000
Total liabilities	<u>1,562,779</u>	<u>665,093</u>	<u>2,227,872</u>
<b>Net position</b>			
Investment in capital assets	18,837,904	14,464,713	33,302,617
Restricted for			
Tax increment purposes	611,488	-	611,488
Cable TV	305,812	-	305,812
Unrestricted	11,472,102	1,793,112	13,265,214
Total net position	<u>\$ 31,227,306</u>	<u>\$ 16,257,825</u>	<u>\$ 47,485,131</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Activities  
Year Ended December 31, 2014

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,294,830	\$ 367,475	\$ 128,319	\$ -
Public safety	1,887,877	279,685	92,931	29,036
Public works	852,109	-	79,286	2,271,603
Parks and recreation	711,174	116,951	-	1,800
Economic development	522,193	-	-	-
Interest on long-term debt	11,004	-	-	-
Total governmental activities	<u>5,279,187</u>	<u>764,111</u>	<u>300,536</u>	<u>2,302,439</u>
Business-type activities				
Water	1,893,217	2,132,191	-	-
Sewer	1,506,927	1,857,272	-	-
Surface water management	432,788	762,884	-	-
Recycling	150,417	130,369	19,611	-
Total business-type activities	<u>3,983,349</u>	<u>4,882,716</u>	<u>19,611</u>	<u>-</u>
Total primary government	<u>\$ 9,262,536</u>	<u>\$ 5,646,827</u>	<u>\$ 320,147</u>	<u>\$ 2,302,439</u>
		General revenues		
		Property taxes		
		Tax increment collections		
		Franchise taxes		
		Unrestricted investment earnings		
		Transfers		
		Total general revenues and transfers		
		Change in net position		
		Net position – beginning		
		Net position – ending		

See notes to basic financial statements

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (799,036)	\$ —	\$ (799,036)
(1,486,225)	—	(1,486,225)
1,498,780	—	1,498,780
(592,423)	—	(592,423)
(522,193)	—	(522,193)
(11,004)	—	(11,004)
<u>(1,912,101)</u>	<u>—</u>	<u>(1,912,101)</u>
—	238,974	238,974
—	350,345	350,345
—	330,096	330,096
—	(437)	(437)
<u>—</u>	<u>918,978</u>	<u>918,978</u>
(1,912,101)	918,978	(993,123)
3,182,331	—	3,182,331
565,422	—	565,422
103,711	—	103,711
450,261	54,360	504,621
230,765	(230,765)	—
<u>4,532,490</u>	<u>(176,405)</u>	<u>4,356,085</u>
2,620,389	742,573	3,362,962
<u>28,606,917</u>	<u>15,515,252</u>	<u>44,122,169</u>
<u>\$ 31,227,306</u>	<u>\$ 16,257,825</u>	<u>\$ 47,485,131</u>

CITY OF ARDEN HILLS

Balance Sheet  
Governmental Funds  
as of December 31, 2014

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement
<b>Assets</b>				
Cash and investments	\$ 2,734,366	\$ 311,798	\$ -	\$ -
Accrued interest receivable	11,285	1,243	-	-
Accounts receivable	47,493	-	-	-
Taxes receivable	369,545	-	-	-
Special assessments receivable	11,426	-	-	-
Interfund receivable	-	-	-	-
Due from other governmental units	69,301	-	-	-
Prepaid items	21,059	395	-	-
	<u>21,059</u>	<u>395</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,264,475</u>	<u>\$ 313,436</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ 132,481	\$ -	\$ -	\$ -
Salaries payable	53,295	2,749	-	-
Contracts payable	-	-	-	-
Deposits payable	478,086	-	-	-
Interfund payable	-	-	-	63,517
Due to other governmental units	143,522	-	-	-
Unearned revenue	55,969	-	-	-
Total liabilities	<u>863,353</u>	<u>2,749</u>	<u>-</u>	<u>63,517</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue – taxes	43,754	-	-	-
Unavailable revenue – special assessments	11,426	-	-	-
Total deferred inflows of resources	<u>55,180</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficits)</b>				
Nonspendable	21,059	395	-	-
Restricted	-	-	-	-
Committed	-	310,292	-	-
Assigned	139,721	-	-	-
Unassigned	2,185,162	-	-	(63,517)
Total fund balances (deficits)	<u>2,345,942</u>	<u>310,687</u>	<u>-</u>	<u>(63,517)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,264,475</u>	<u>\$ 313,436</u>	<u>\$ -</u>	<u>\$ -</u>

Fund balance reported above

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Nondepreciable

Depreciable

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Internal service funds are used to allocate costs to individual funds. Net position is included in governmental activities in the Statement of Net Position.

Long-term liabilities, including bonds payable, compensated absences payable, and interest payable are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

See notes to basic financial statements

Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ 7,091,918	\$ 1,337,995	\$ -	\$ 11,476,077
32,301	7,105	-	51,934
-	29,241	-	76,734
-	-	-	369,545
1,331,752	-	-	1,343,178
150,893	-	(150,893)	-
10,430	-	-	79,731
-	-	-	21,454
<u>\$ 8,617,294</u>	<u>\$ 1,374,341</u>	<u>\$ (150,893)</u>	<u>\$ 13,418,653</u>
\$ 128,561	\$ 38,873	\$ -	\$ 299,915
-	2,080	-	58,124
67,831	-	-	67,831
-	-	-	478,086
-	87,376	(150,893)	-
206	-	-	143,728
-	-	-	55,969
196,598	128,329	(150,893)	1,103,653
-	-	-	43,754
1,329,737	-	-	1,341,163
1,329,737	-	-	1,384,917
-	-	-	21,454
-	917,300	-	917,300
-	160,869	-	471,161
7,090,959	255,219	-	7,485,899
-	(87,376)	-	2,034,269
<u>7,090,959</u>	<u>1,246,012</u>	<u>-</u>	<u>10,930,083</u>
<u>\$ 8,617,294</u>	<u>\$ 1,374,341</u>	<u>\$ (150,893)</u>	<u>\$ 13,418,653</u>
			\$ 10,930,083
			5,347,410
			13,490,494
			1,384,917
			462,759
			(388,357)
			<u>\$ 31,227,306</u>

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2014

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement
<b>Revenues</b>				
Taxes				
General property taxes	\$ 3,210,025	\$ -	\$ -	\$ -
Tax increments	-	61,280	-	-
Special assessments	2,244	-	-	-
Licenses and permits	327,727	-	-	-
Intergovernmental	136,249	-	-	-
Charges for services	400,224	-	-	-
Fines and forfeits	29,569	-	-	-
Earnings on investments	64,275	12,172	75	-
Franchise taxes	-	-	-	-
Antenna rental fees	110,144	-	-	-
Miscellaneous reimbursements	14,916	-	-	-
Other	9,370	-	-	36,160
Total revenues	<u>4,304,743</u>	<u>73,452</u>	<u>75</u>	<u>36,160</u>
<b>Expenditures</b>				
Current				
General government	1,056,906	-	-	-
Public safety	1,826,098	-	-	-
Public works	580,872	-	-	-
Parks and recreation	648,214	-	-	-
Economic development	-	68,840	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	317,588
Parks and recreation	-	-	-	-
Economic development	-	12,333	-	-
Debt service				
Principal	-	-	270,000	-
Interest and paying agent fees	-	-	14,773	-
Total expenditures	<u>4,112,090</u>	<u>81,173</u>	<u>284,773</u>	<u>317,588</u>
Revenues over (under) expenditures	192,653	(7,721)	(284,698)	(281,428)
<b>Other financing sources (uses)</b>				
Transfers in	-	50,000	282,575	280,765
Transfers out	(212,417)	-	-	-
Total other financing sources (uses)	<u>(212,417)</u>	<u>50,000</u>	<u>282,575</u>	<u>280,765</u>
Net change in fund balances	(19,764)	42,279	(2,123)	(663)
Fund balances (deficits) – beginning	<u>2,365,706</u>	<u>268,408</u>	<u>2,123</u>	<u>(62,854)</u>
Fund balances (deficits) – ending	<u>\$ 2,345,942</u>	<u>\$ 310,687</u>	<u>\$ -</u>	<u>\$ (63,517)</u>

See notes to basic financial statements

Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,210,025
-	504,142	-	565,422
302,071	-	-	304,315
-	-	-	327,727
1,271,991	-	-	1,408,240
-	-	-	400,224
-	-	-	29,569
309,527	47,353	-	433,402
-	103,711	-	103,711
-	-	-	110,144
-	-	-	14,916
-	29,036	-	74,566
<u>1,883,589</u>	<u>684,242</u>	<u>-</u>	<u>6,982,261</u>
-	98,214	-	1,155,120
-	-	-	1,826,098
-	-	-	580,872
-	-	-	648,214
-	218,151	-	286,991
-	5,559	-	5,559
-	66,079	-	66,079
1,515,947	-	-	1,833,535
-	18,883	-	18,883
-	218,692	-	231,025
-	-	-	270,000
-	-	-	14,773
<u>1,515,947</u>	<u>625,578</u>	<u>-</u>	<u>6,937,149</u>
367,642	58,664	-	45,112
162,417	-	(544,992)	230,765
(50,000)	(282,575)	544,992	-
<u>112,417</u>	<u>(282,575)</u>	<u>-</u>	<u>230,765</u>
480,059	(223,911)	-	275,877
<u>6,610,900</u>	<u>1,469,923</u>	<u>-</u>	<u>10,654,206</u>
<u>\$ 7,090,959</u>	<u>\$ 1,246,012</u>	<u>\$ -</u>	<u>\$ 10,930,083</u>

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CITY OF ARDEN HILLS

Reconciliation of the Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended December 31, 2014

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

Net changes in fund balances – total governmental funds	\$ 275,877
<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.</p>	
Capital outlay	1,970,380
Depreciation expense	(568,452)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	669,691
<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 position. 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 activity for the year consists of:</p>	
Payments on bonds payable	270,000
Interest payable	3,769
<p>Internal service funds are used to allocate costs to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities in the government-wide financial statements.</p>	
	(16,042)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	<u>15,166</u>
Change in net position of governmental activities	<u><u>\$ 2,620,389</u></u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Net Position  
 Proprietary Funds  
 as of December 31, 2014

	Business-Type Activities – Enterprise Funds					Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	
<b>Assets</b>						
<b>Current assets</b>						
Cash and investments	\$ 616,730	\$ –	\$ 406,732	\$ 81,017	\$ 1,104,479	\$ 526,701
Accrued interest receivable	7,720	–	2,057	411	10,188	2,136
Accounts receivable						
Customers	546,688	485,656	210,420	–	1,242,764	–
Customer accounts certified to county	40,200	45,327	5,532	4,017	95,076	–
Due from other governmental units	72	–	–	–	72	–
Interfund receivable	331,459	–	–	–	331,459	–
Prepaid items	25	25	25	–	75	4,691
Inventory	5,551	–	–	–	5,551	–
<b>Total current assets</b>	<b>1,548,445</b>	<b>531,008</b>	<b>624,766</b>	<b>85,445</b>	<b>2,789,664</b>	<b>533,528</b>
<b>Noncurrent assets</b>						
<b>Capital assets</b>						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	7,996,995	8,380,841	2,869,735	–	19,247,571	–
Machinery and equipment	315,109	634,405	1,187	–	950,701	–
Office furniture and equipment	6,951	5,024	–	–	11,975	–
Vehicles	91,238	45,421	49,633	–	186,292	–
Construction in progress	607,150	71,414	445,468	–	1,124,032	–
<b>Total capital assets</b>	<b>9,835,919</b>	<b>9,153,669</b>	<b>3,366,023</b>	<b>–</b>	<b>22,355,611</b>	<b>–</b>
Less accumulated depreciation	(3,579,421)	(3,861,834)	(449,643)	–	(7,890,898)	–
<b>Total capital assets     (net of accumulated depreciation)</b>	<b>6,256,498</b>	<b>5,291,835</b>	<b>2,916,380</b>	<b>–</b>	<b>14,464,713</b>	<b>–</b>
<b>Total assets</b>	<b>7,804,943</b>	<b>5,822,843</b>	<b>3,541,146</b>	<b>85,445</b>	<b>17,254,377</b>	<b>533,528</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	4,870	2,377	702	14,496	22,445	49,296
Salaries payable	12,962	15,670	9,567	799	38,998	6,615
Contracts payable	15,696	–	14,960	–	30,656	–
Interfund payable	–	331,459	–	–	331,459	–
Due to other governmental units	499,200	7,750	204	–	507,154	3,504
Compensated absences payable	16,892	18,662	12,896	929	49,379	8,516
<b>Total current liabilities</b>	<b>549,620</b>	<b>375,918</b>	<b>38,329</b>	<b>16,224</b>	<b>980,091</b>	<b>67,931</b>
<b>Noncurrent liabilities</b>						
Compensated absences payable (net of current portion)	5,631	6,221	4,299	310	16,461	2,838
<b>Total liabilities</b>	<b>555,251</b>	<b>382,139</b>	<b>42,628</b>	<b>16,534</b>	<b>996,552</b>	<b>70,769</b>
<b>Net position</b>						
Investment in capital assets	6,256,498	5,291,835	2,916,380	–	14,464,713	–
Unrestricted	993,194	148,869	582,138	68,911	1,793,112	462,759
<b>Total net position</b>	<b>\$ 7,249,692</b>	<b>\$ 5,440,704</b>	<b>\$ 3,498,518</b>	<b>\$ 68,911</b>	<b>\$ 16,257,825</b>	<b>\$ 462,759</b>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Year Ended December 31, 2014

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,126,839	\$ 1,853,166	\$ 762,461	\$ 116,505	\$ 4,858,971	\$ 833,313
Permit fees	2,365	765	–	–	3,130	–
Miscellaneous	2,987	3,341	423	13,864	20,615	63
Total operating revenues	<u>2,132,191</u>	<u>1,857,272</u>	<u>762,884</u>	<u>130,369</u>	<u>4,882,716</u>	<u>833,376</u>
Operating expenses						
Personal services	282,673	353,085	210,451	22,977	869,186	156,807
Supplies and maintenance	77,824	1,804	8,018	–	87,646	144,000
Other services and charges	212,551	258,683	80,938	5,282	557,454	83,002
Rent	22,189	22,189	10,042	–	54,420	–
Insurance	25,086	25,086	25,086	–	75,258	–
Utilities	12,766	16,896	–	15,598	45,260	–
Purchased services	40,788	41,231	36,212	10,657	128,888	498,971
Purchased water	1,037,314	–	–	–	1,037,314	–
Recycling charges	–	–	–	95,903	95,903	–
Sewer charges	–	648,846	–	–	648,846	–
Depreciation	182,026	139,107	62,041	–	383,174	–
Total operating expenses	<u>1,893,217</u>	<u>1,506,927</u>	<u>432,788</u>	<u>150,417</u>	<u>3,983,349</u>	<u>882,780</u>
Operating income (loss)	238,974	350,345	330,096	(20,048)	899,367	(49,404)
Nonoperating revenues						
Intergovernmental revenue	–	–	–	19,611	19,611	–
Insurance dividend	–	–	–	–	–	16,503
Earnings on investments	29,241	4,049	18,621	2,449	54,360	16,859
Total nonoperating revenues	<u>29,241</u>	<u>4,049</u>	<u>18,621</u>	<u>22,060</u>	<u>73,971</u>	<u>33,362</u>
Income (loss) before transfers	268,215	354,394	348,717	2,012	973,338	(16,042)
Transfers out	<u>(68,396)</u>	<u>(96,870)</u>	<u>(65,499)</u>	<u>–</u>	<u>(230,765)</u>	<u>–</u>
Change in net position	199,819	257,524	283,218	2,012	742,573	(16,042)
Net position – beginning	<u>7,049,873</u>	<u>5,183,180</u>	<u>3,215,300</u>	<u>66,899</u>	<u>15,515,252</u>	<u>478,801</u>
Net position – ending	<u>\$ 7,249,692</u>	<u>\$ 5,440,704</u>	<u>\$ 3,498,518</u>	<u>\$ 68,911</u>	<u>\$ 16,257,825</u>	<u>\$ 462,759</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended December 31, 2014

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Cash flows from operating activities						
Receipts from customers and users	\$ 2,075,005	\$ 1,867,166	\$ 745,285	\$ 130,187	\$ 4,817,643	\$ 833,376
Payments to suppliers	(1,211,939)	(925,946)	(170,430)	(124,287)	(2,432,602)	(693,118)
Payments to employees	(282,621)	(352,252)	(210,777)	(22,815)	(868,465)	(154,955)
Payments for interfund services used	(48,435)	(50,154)	(33,696)	(3,196)	(135,481)	–
Insurance dividend	–	–	–	–	–	16,503
Net cash flows from operating activities	<u>532,010</u>	<u>538,814</u>	<u>330,382</u>	<u>(20,111)</u>	<u>1,381,095</u>	<u>1,806</u>
Cash flows from noncapital financing activities						
Grants received	–	–	–	19,611	19,611	–
Cash received from other funds	359,422	–	49,856	–	409,278	–
Cash paid to other funds	–	(409,278)	–	–	(409,278)	(5,341)
Transfers out	(68,396)	(96,870)	(65,499)	–	(230,765)	–
Net cash flows from noncapital financing activities	<u>291,026</u>	<u>(506,148)</u>	<u>(15,643)</u>	<u>19,611</u>	<u>(211,154)</u>	<u>(5,341)</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(232,573)	(36,715)	(221,817)	–	(491,105)	–
Cash flows from investing activities						
Earnings on investments	26,267	4,049	18,947	2,482	51,745	16,813
Net change in cash and cash equivalents	<u>616,730</u>	<u>–</u>	<u>111,869</u>	<u>1,982</u>	<u>730,581</u>	<u>13,278</u>
Cash and cash equivalents – beginning	<u>–</u>	<u>–</u>	<u>294,863</u>	<u>79,035</u>	<u>373,898</u>	<u>513,423</u>
Cash and cash equivalents – ending	<u>\$ 616,730</u>	<u>\$ –</u>	<u>\$ 406,732</u>	<u>\$ 81,017</u>	<u>\$ 1,104,479</u>	<u>\$ 526,701</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 238,974	\$ 350,345	\$ 330,096	\$ (20,048)	\$ 899,367	\$ (49,404)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Insurance dividend	–	–	–	–	–	16,503
Depreciation	182,026	139,107	62,041	–	383,174	–
Decrease (increase) in customer receivables	(57,150)	(146,691)	(17,599)	(182)	(221,622)	–
Decrease (increase) in due from other governments	(36)	156,585	–	–	156,549	–
Decrease (increase) in prepaid items	271	54,341	271	–	54,883	23,494
Decrease (increase) in inventory	(2,114)	–	–	–	(2,114)	–
Increase (decrease) in accounts payable	(11,488)	(15,032)	458	(43)	(26,105)	13,040
Increase (decrease) in salaries payable	2,862	3,966	2,148	182	9,158	1,285
Increase (decrease) in contracts payable	(61,357)	(8,424)	(44,763)	–	(114,544)	–
Increase (decrease) in due to other governments	242,832	7,750	204	–	250,786	(3,679)
Increase (decrease) in compensated absences payable	(2,810)	(3,133)	(2,474)	(20)	(8,437)	567
Total adjustments	<u>293,036</u>	<u>188,469</u>	<u>286</u>	<u>(63)</u>	<u>481,728</u>	<u>51,210</u>
Net cash flows from operating activities	<u>\$ 532,010</u>	<u>\$ 538,814</u>	<u>\$ 330,382</u>	<u>\$ (20,111)</u>	<u>\$ 1,381,095</u>	<u>\$ 1,806</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements  
December 31, 2014

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

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

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

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

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

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Description of Funds

The City reports the following major governmental funds:

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

**EDA Operating Fund** – The EDA Operating Fund (special revenue fund) accounts for revenue sources, including tax increments and other sources, that are legally restricted or committed 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 principal and interest when the City is obligated in some manner for the payment.

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

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

The City reports the following major proprietary funds:

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

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

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

The City reports the following nonmajor proprietary fund:

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

Additionally, the City reports the following fund type:

**Internal Service Fund** – The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City’s internal service funds account for risk management, engineering, central garage, and technology services.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

### **E. Budgets and Budgetary Accounting**

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

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

### **F. Legal Compliance – Budgets**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution. The appropriated budget is prepared by fund, function, and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as amended by the City Council.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

For the year ended December 31, 2014, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 4 Fund by \$83,285.

### **G. Cash and Investments**

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

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

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

### **H. Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **I. Property Taxes**

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 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 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 inflows of resources 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. 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 inflows of resources.

### **K. Inventories**

The original cost of materials and supplies has been recorded as expenses/expenditures at the time of purchase for both the governmental and proprietary funds with the exception of water meters in the Water Fund. These funds do not maintain material amounts of materials and supplies. The water meter inventory in the Water Fund is stated at the lower of cost or market on the first-in, first-out method.

### **L. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenses/expenditures at the time of consumption.

### **M. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities), the City chose to include items dating back to June 30, 1980. These assets are reported at historical cost.

The City estimated historical cost for the initial reporting of these assets through back trending (estimating the current replacement cost and utilizing an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional infrastructure assets each period, they will be capitalized and reported at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2014, no interest was capitalized in connection with construction in progress.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Land and construction in progress are not depreciated.

### N. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused annual leave and sick pay benefits called personal time off (PTO). All PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO is payable when used or upon termination of employment. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement of No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive PTO benefits. However, a liability is recognized for that portion of accumulated PTO benefits that is vested as severance pay. PTO is payable when used and, in some cases, upon termination of employment. For regular employees, PTO is payable upon retirement or involuntary termination up to the amount accrued, not to exceed 240 hours, who have served at least 12 consecutive months prior to separation, and have given the City at least two weeks' notice prior to the effective date of such separation. The recorded portion of PTO (compensated absences) represents the estimated amount expected, based on previous years' history and those eligible for retirement, to be paid at separation.

### 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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

### P. Deferred Inflows of Resources

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Q. Net Position Classifications and Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any). Net position is displayed in three components:

- **Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of “restricted” or “investment in capital assets.”

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

### R. Fund Balance Classifications and Flow Assumptions

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the Director of Finance and Administrative Services and/or the City Administrator is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### S. Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenses/expenditures. Transactions that constitute reimbursements to a fund for expenses/expenditures initially made from it that are properly applicable to another fund, are recorded as expenses/expenditures in the reimbursing fund and as reductions of expenses/expenditures 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.

### T. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements, and the reported amounts during the reporting period. Actual results could differ from those estimates.

### U. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental funds Balance Sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, compensated absences payable, and interest payable are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (280,000)
Accrued interest payable	(4,083)
Compensated absences payable	<u>(104,274)</u>
	<u>\$ (388,357)</u>

### V. Future Change in Accounting Standards

GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for fiscal years beginning after June 15, 2014. The City has not yet determined the financial statement impact of adopting this new standard.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

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

The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a failure, the City’s deposits may be lost.

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

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the city clerk/treasurer or in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. Authorized collateral includes the following:

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

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

At year-end, the carrying amount of the City’s deposits and the bank balance was \$382,110. The entire bank balance was covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments

As of December 31, 2014, the City had the following cash and investments:

Investment Type	Rating	Interest Risk – Maturity Duration in Years				Carrying Value
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years	
Federal National Mortgage Association	AA	\$ –	\$ 939,691	\$ –	\$ –	\$ 939,691
Federal Home Loan Bank	AA	1,373,116	–	479,698	–	1,852,814
Municipal bonds	AAA	–	199,324	345,951	–	545,275
Municipal bonds	AA	500,000	1,265,729	1,721,418	269,915	3,757,062
Commercial paper	A-1+	100,095	–	–	–	100,095
Negotiable certificates of deposit	N/R	–	1,858,501	379,034	147,110	2,384,645
Investment pools/mutual funds						
External investment pool – 4M Fund	N/R	893,621	–	–	–	893,621
Wells Fargo Money Market Advantage	AAA	2,251,432	–	–	–	2,251,432
<b>Total investments</b>		<b>\$ 5,118,264</b>	<b>\$ 4,263,245</b>	<b>\$ 2,926,101</b>	<b>\$ 417,025</b>	<b>12,724,635</b>
Deposits						382,110
Petty cash						512
<b>Total cash and investments</b>						<b>\$ 13,107,257</b>

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 (4M) Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City’s investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy addressing this risk, but typically limits its exposure by only purchasing insured or registered investments, or by the control of who holds the securities.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

1. Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of Congress, excluding mortgage-backed securities defined as high-risk.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a national bond rating service, and all of the investments have a final maturity of 13 months or less, and whose only investments are in securities described in (1) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
3. Obligations of the state of Minnesota or any of its municipalities as follows:
  - a) any security which is a general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service;
  - b) any security which is a revenue obligation of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service; and
  - c) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the state of Minnesota and is rated “A” or better by a national bond rating agency.
4. Bankers’ acceptance of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two national rating agencies, and maturing in 270 days or less.
6. Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories by a national bond rating agency.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the governmental entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York or certain Minnesota securities broker-dealers; or a bank qualified as a depositor.
8. General obligation temporary bonds of the same governmental entity issued under Section 429.091, Subd. 7; Section 469.178, Subd. 5; or Section 475.61, Subd. 6.

The City’s investment policy does not further address credit risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City does not have an investment policy limiting the duration of investments.

**Concentration Risk** – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding United States guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies state that no more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the United States government, or a maximum of 25 percent with any individual counterparty in an external investment pool. At year-end, the City’s investments in Federal Home Loan Banks (FHLB) investments represented 15 percent, in Federal National Mortgage Association (FNMA) investments represented 7 percent, in Milwaukee County (Municipal Bonds) represented 5 percent, and in the City of Oshkosh, WI (Municipal Bonds) represented 5 percent.

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

### A. Governmental Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,679,818	\$ –	\$ –	\$ –	\$ 2,679,818
Construction in progress	1,080,791	1,671,775	–	(84,974)	2,667,592
Total capital assets, not being depreciated	3,760,609	1,671,775	–	(84,974)	5,347,410
Capital assets, being depreciated					
Building and structures	6,406,378	–	–	18,813	6,425,191
Infrastructure and improvements	11,044,109	–	–	66,161	11,110,270
Machinery and equipment	828,362	–	–	–	828,362
Office furniture and equipment	107,191	39,084	–	–	146,275
Vehicles	835,399	259,521	–	–	1,094,920
Total capital assets, being depreciated	19,221,439	298,605	–	84,974	19,605,018
Less accumulated depreciation for					
Building and structures	2,424,754	173,911	–	–	2,598,665
Infrastructure and improvements	2,307,244	261,319	–	–	2,568,563
Machinery and equipment	497,394	56,159	–	–	553,553
Office furniture and equipment	42,429	10,616	–	–	53,045
Vehicles	274,251	66,447	–	–	340,698
Total accumulated depreciation	5,546,072	568,452	–	–	6,114,524
Total capital assets being depreciated – net	13,675,367	(269,847)	–	84,974	13,490,494
Governmental activities capital assets – net	\$ 17,435,976	\$ 1,401,928	\$ –	\$ –	\$ 18,837,904

### 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	\$ 2,198,904	\$ 454,472	\$ –	\$ (1,529,344)	\$ 1,124,032
Capital assets, being depreciated					
Building and structures	18,784	–	–	816,256	835,040
Distribution and collection systems	18,555,959	–	–	691,612	19,247,571
Machinery and equipment	892,592	36,633	–	21,476	950,701
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total capital assets, being depreciated	19,665,602	36,633	–	1,529,344	21,231,579
Less accumulated depreciation for					
Building and structures	4,710	922	–	–	5,632
Distribution and collection systems	6,490,451	373,600	–	–	6,864,051
Machinery and equipment	814,296	8,652	–	–	822,948
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total accumulated depreciation	7,507,724	383,174	–	–	7,890,898
Total capital assets, being depreciated – net	12,157,878	(346,541)	–	1,529,344	13,340,681
Business-type activities capital assets – net	\$ 14,356,782	\$ 107,931	\$ –	\$ –	\$ 14,464,713

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

**C. Depreciation Expense by Function**

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 130,946
Public safety	2,964
Public works	298,570
Parks and recreation	132,813
Economic development	3,159
	<u>568,452</u>
	<u>\$ 568,452</u>
Business-type activities	
Water	\$ 182,026
Sewer	139,107
Surface water management	62,041
	<u>383,174</u>
	<u>\$ 383,174</u>

**D. Construction Commitments**

At December 31, 2014, the City had construction project contracts in progress. The commitment related to the remaining contract is summarized as follows:

<u>Project</u>	<u>Amount</u>
Round Lake Road	<u>\$ 420,469</u>

**NOTE 4 – LONG-TERM DEBT**

**A. Components of Long-Term Debt**

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

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

As of December 31, 2014, 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, 2014</u>
Governmental activities					
G.O. Tax Increment Refunding Bonds, Series 2004A	11/04/2004	02/01/2015	3.00–3.50 %	<u>\$ 2,395,000</u>	\$ 280,000
Compensated absences payable	N/A	N/A	N/A	N/A	<u>115,628</u>
Total city indebtedness – governmental activities					<u>\$ 395,628</u>
Business-type activities					
Compensated absences payable	N/A	N/A	N/A	N/A	<u>\$ 65,840</u>

N/A – Not Applicable

**B. Minimum Debt Payments**

Annual debt service requirements to maturity for long-term debt are 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>
2015	<u>\$ 280,000</u>	<u>\$ 4,900</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, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. tax increment bonds	\$ 550,000	\$ –	\$ 270,000	\$ 280,000	\$ 280,000
Compensated absences payable	130,227	148,568	163,167	115,628	86,721
Total governmental activity long-term liabilities	<u>\$ 680,227</u>	<u>\$ 148,568</u>	<u>\$ 433,167</u>	<u>\$ 395,628</u>	<u>\$ 366,721</u>
Business-type activities					
Compensated absences payable	<u>\$ 74,277</u>	<u>\$ 81,953</u>	<u>\$ 90,390</u>	<u>\$ 65,840</u>	<u>\$ 49,379</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, 2014 is backed by the full faith and credit of the City, including tax increment bonds.

**D. Revenue Pledged**

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

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Tax Increment Refunding Bonds, Series 2004A	Site improvements	Tax increment	100%	2005–2015	\$ 284,900	\$ 284,773	\$ 345,058

**E. Arbitrage Rebate**

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

## NOTE 5 – FUND BALANCES

### A. Classifications

At December 31, 2014, a summary of the City’s governmental fund balance classifications are as follows:

	General	EDA Operating	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 21,059	\$ 395	\$ –	\$ –	\$ –	\$ 21,454
Restricted for						
Tax increment	–	–	–	–	611,488	611,488
Cable TV	–	–	–	–	305,812	305,812
Total restricted	–	–	–	–	917,300	917,300
Committed for						
Economic development authority	–	310,292	–	–	160,869	471,161
Assigned for						
Compensated absences	104,274	–	–	–	–	104,274
Subsequent year’s budget	35,447	–	–	–	–	35,447
Capital improvements	–	–	–	7,090,959	–	7,090,959
Public safety capital equipment	–	–	–	–	180,358	180,358
TCAAP	–	–	–	–	74,861	74,861
Total assigned	139,721	–	–	7,090,959	255,219	7,485,899
Unassigned	2,185,162	–	(63,517)	–	(87,376)	2,034,269
Total	<u>\$ 2,345,942</u>	<u>\$ 310,687</u>	<u>\$ (63,517)</u>	<u>\$ 7,090,959</u>	<u>\$ 1,246,012</u>	<u>\$ 10,930,083</u>

### B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes the City will strive to maintain an unassigned General Fund balance of 50 percent of the subsequent year’s General Fund budgeted expenditures. At December 31, 2014, the unassigned fund balance of the General Fund was 50 percent of the subsequent year’s budgeted expenditures.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

### A. Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statutes, and vest after three years of credited service. The defined retirement benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

Two methods are used to compute benefits for PERA’s Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERP members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

### **B. Funding Policy**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members and 7.25 percent for Coordinated Plan GERP members. The City’s contributions for the past three years ending December 31, which were equal to the contractually required contributions for each year as set by state statutes, were as follows:

The City’s contributions for the past three years ended December 31, 2014, 2013, and 2012 were \$122,733, \$117,130, and \$109,550, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statutes.

Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5 percent for members and 7.5 percent for employers).

**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**A. Interfund Receivable and Payable**

Interfund receivable and payable balances at December 31, 2014 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 150,893	\$ –
Equipment, Building, and Replacement	–	63,517
Nonmajor – other governmental	–	87,376
Intra-activity eliminations	(150,893)	(150,893)
Total governmental funds	–	–
Proprietary funds		
Enterprise funds		
Water	331,459	–
Sewer	–	331,459
Total enterprise funds	331,459	331,459
Total	\$ 331,459	\$ 331,459

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

**B. Transfers In and Transfers Out**

Transfers Out	Transfers In				Total
	Governmental Funds				
	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	
Governmental funds					
General Fund	\$ –	\$ –	\$ 50,000	\$ 162,417	\$ 212,417
Permanent Improvement Revolving	50,000	–	–	–	50,000
Nonmajor – other governmental	–	282,575	–	–	282,575
Proprietary funds					
Water	–	–	68,396	–	68,396
Sewer	–	–	96,870	–	96,870
Surface Water Management	–	–	65,499	–	65,499
Total	\$ 50,000	\$ 282,575	\$ 280,765	\$ 162,417	\$ 775,757

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 2014 transfers are considered routine and consistent with previous practices.

## NOTE 8 – DEFICIT FUND BALANCES/NET POSITION

The City had deficit fund balances/net position at December 31, 2014 as follows:

	<u>Amount</u>
Governmental funds	
Equipment, Building, and Replacement	\$ 63,517
Nonmajor – Parks	87,376
Proprietary funds	
Internal service funds – Central Garage	<u>14,605</u>
	<u>\$ 165,498</u>

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

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

### A. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk-sharing pool with 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, 2014.

## NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### D. Tax Increment Districts

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

### E. Ice Arena Financing

The City, along with three other cities and Ramsey County, entered into an agreement January 1, 1997 with the Minnesota Amateur Sports Commission to provide financing of a four-sheet ice arena. The agreement provides for rental income to cover principal, interest, and operating expenses. In the case of default, each City will be responsible for a specific portion of the debt. The City's percentage is 15.5 percent of one of the four sheets and the amount of the debt will not exceed \$9,000,000 for all four sheets in the complex. No expenditures were incurred under this commitment in 2014.

### F. Lake Johanna Volunteer Fire Department, Inc.

The City receives fire protection under a contract with the Lake Johanna Volunteer Fire Department, Inc. The current contract calls for annual payments and expires December 31, 2018. 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 \$431,006 in 2014.

## NOTE 10 – CONDUIT DEBT OBLIGATION

The City has issued private activity bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds constitute special obligations of the City, payable solely from revenues of the projects pledged to the payment thereof. The bonds do not constitute a debt of the City and the City has no obligation for repayment. Accordingly, the bonds are not reported as liabilities in the City's financial statements. Bonds outstanding at December 31, 2014 could not be determined; however, their original issue amounts are as follows:

<u>Bond</u>	<u>Description</u>	<u>Amount Issued</u>
Commercial Facilities Revenue Note, Series 2008	Office facilities	\$ 5,500,000
Senior Housing Revenue Note, Series 2011A	Senior housing	10,000,000
Senior Housing Revenue Note, Series 2012A	Senior housing	<u>10,000,000</u>
Totals		<u>\$ 25,500,000</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**TAB**

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund  
 Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
General property taxes	\$ 3,287,556	\$ 3,287,556	\$ 3,210,025	\$ (77,531)
Special assessments	1,822	1,822	2,244	422
<b>Licenses and permits</b>				
Business	51,300	51,300	45,790	(5,510)
Nonbusiness	208,573	208,573	281,937	73,364
Total licenses and permits	<u>259,873</u>	<u>259,873</u>	<u>327,727</u>	<u>67,854</u>
<b>Intergovernmental</b>				
State				
Road maintenance	75,028	75,028	79,286	4,258
Market value homestead credit	-	-	3	3
PERA aid	5,179	5,179	5,179	-
Police aid	37,073	37,073	51,781	14,708
County	20,820	-	-	-
Total intergovernmental	<u>138,100</u>	<u>117,280</u>	<u>136,249</u>	<u>18,969</u>
<b>Charges for services</b>				
General government	58,498	58,498	105,614	47,116
Public safety	10,000	10,000	14,414	4,414
Parks and recreation	106,505	106,505	116,951	10,446
<b>Administrative charges</b>				
Internal service funds	11,700	11,700	10,631	(1,069)
Enterprise funds	133,003	133,003	135,301	2,298
Special revenue funds	21,375	21,375	17,313	(4,062)
Total charges for services	<u>341,081</u>	<u>341,081</u>	<u>400,224</u>	<u>59,143</u>
Fines and forfeits	31,900	31,900	29,569	(2,331)
Earnings on investments	65,000	65,000	64,275	(725)
Antenna rental fees	76,486	76,486	110,144	33,658
Miscellaneous reimbursements	6,200	6,200	14,916	8,716
Other	17,650	17,650	9,370	(8,280)
Total revenues	4,225,668	4,204,848	4,304,743	99,895
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
<b>City Council</b>				
Personal services	31,181	31,181	31,206	(25)
Materials and supplies	-	-	106	(106)
Other services and charges	51,238	51,238	56,260	(5,022)
Total City Council	<u>82,419</u>	<u>82,419</u>	<u>87,572</u>	<u>(5,153)</u>
<b>Elections</b>				
Other services and charges	18,910	18,910	17,430	1,480

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund (continued)  
 Year Ended December 31, 2014

	<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	173,781	173,781	174,919	(1,138)
Materials and supplies	–	–	1,141	(1,141)
Other services and charges	<u>122,228</u>	<u>122,228</u>	<u>72,326</u>	<u>49,902</u>
Total administration	296,009	296,009	248,386	47,623
Finance				
Personal services	60,500	60,500	58,875	1,625
Materials and supplies	24,100	24,100	22,516	1,584
Other services and charges	<u>82,650</u>	<u>82,650</u>	<u>75,962</u>	<u>6,688</u>
Total finance	167,250	167,250	157,353	9,897
TCAAP				
Personal services	59,099	59,099	60,654	(1,555)
Materials and supplies	1,000	1,000	200	800
Other services and charges	<u>262,222</u>	<u>56,000</u>	<u>51,889</u>	<u>4,111</u>
Total TCAAP	322,321	116,099	112,743	3,356
Planning and zoning				
Personal services	192,556	192,556	191,125	1,431
Materials and supplies	394	394	204	190
Other services and charges	<u>47,645</u>	<u>47,645</u>	<u>20,997</u>	<u>26,648</u>
Total planning and zoning	240,595	240,595	212,326	28,269
General government buildings				
Personal services	31,081	31,081	32,661	(1,580)
Materials and supplies	4,500	4,500	6,702	(2,202)
Other services and charges	<u>175,218</u>	<u>175,218</u>	<u>181,733</u>	<u>(6,515)</u>
Total general government buildings	210,799	210,799	221,096	(10,297)
Total general government	1,338,303	1,132,081	1,056,906	75,175
Public safety				
Police and animal control				
Other services and charges	1,039,029	1,039,029	1,045,386	(6,357)
Dispatch				
Other services and charges	60,352	60,352	60,352	–
Fire protection				
Other services and charges	431,006	431,006	431,006	–
Emergency management				
Personal services	2,646	2,646	2,645	1
Other services and charges	<u>12,850</u>	<u>12,850</u>	<u>3,331</u>	<u>9,519</u>
Total emergency management	15,496	15,496	5,976	9,520

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund (continued)  
 Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
Public safety (continued)				
Protective inspections				
Personal services	230,170	230,170	232,334	(2,164)
Materials and supplies	4,046	4,046	1,009	3,037
Other services and charges	45,782	45,782	50,035	(4,253)
Total protective inspections	<u>279,998</u>	<u>279,998</u>	<u>283,378</u>	<u>(3,380)</u>
Total public safety	1,825,881	1,825,881	1,826,098	(217)
Public works				
Street maintenance				
Personal services	193,134	193,134	212,540	(19,406)
Materials and supplies	37,625	37,625	129,754	(92,129)
Other services and charges	238,834	238,834	238,578	256
Total public works	<u>469,593</u>	<u>469,593</u>	<u>580,872</u>	<u>(111,279)</u>
Parks and recreation				
Park maintenance				
Personal services	282,789	282,789	252,885	29,904
Materials and supplies	36,000	36,000	24,358	11,642
Other services and charges	173,323	173,323	141,676	31,647
Total park maintenance	<u>492,112</u>	<u>492,112</u>	<u>418,919</u>	<u>73,193</u>
Recreation				
Personal services	164,915	164,915	150,755	14,160
Materials and supplies	16,275	16,275	20,115	(3,840)
Other services and charges	53,991	53,991	58,425	(4,434)
Total recreation	<u>235,181</u>	<u>235,181</u>	<u>229,295</u>	<u>5,886</u>
Total parks and recreation	<u>727,293</u>	<u>727,293</u>	<u>648,214</u>	<u>79,079</u>
Total expenditures	<u>4,361,070</u>	<u>4,154,848</u>	<u>4,112,090</u>	<u>42,758</u>
Revenues over (under) expenditures	(135,402)	50,000	192,653	142,653
Other financing sources (uses)				
Transfers out	<u>(50,000)</u>	<u>(212,417)</u>	<u>(212,417)</u>	<u>–</u>
Net change in fund balance	<u>\$ (185,402)</u>	<u>\$ (162,417)</u>	(19,764)	<u>\$ 142,653</u>
Fund balance – beginning			<u>2,365,706</u>	
Fund balance – ending			<u>\$ 2,345,942</u>	

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – EDA Operating Fund  
 Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes – tax increments	\$ 48,000	\$ 48,000	\$ 61,280	\$ 13,280
Earnings on investments	2,000	2,000	12,172	10,172
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>73,452</u>	<u>23,452</u>
<b>Expenditures</b>				
Economic development				
Current				
Personal services	45,875	45,875	46,674	(799)
Materials and supplies	650	650	237	413
Other services and charges	51,987	51,987	21,929	30,058
Capital outlay				
Economic development	40,000	40,000	12,333	27,667
Total expenditures	<u>138,512</u>	<u>138,512</u>	<u>81,173</u>	<u>57,339</u>
Revenue over (under) expenditures	(88,512)	(88,512)	(7,721)	80,791
<b>Other financing sources</b>				
Transfers in	50,000	50,000	50,000	–
Net change in fund balances	<u>\$ (38,512)</u>	<u>\$ (38,512)</u>	42,279	<u>\$ 80,791</u>
Fund balance – beginning			<u>268,408</u>	
Fund balance – ending			<u>\$ 310,687</u>	

CITY OF ARDEN HILLS

Note to Required Supplementary Information  
December 31, 2014

**NOTE – LEGAL COMPLIANCE – BUDGETS**

The General Fund and Economic Development Authority (EDA) Operating Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for these funds. Budgeted appropriations lapse at year-end.

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**SUPPLEMENTAL INFORMATION**

**TAB**

## NONMAJOR GOVERNMENTAL FUNDS

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

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

CITY OF ARDEN HILLS

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 as of December 31, 2014

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 1,048,749	\$ 289,246	\$ 1,337,995
Accrued interest receivable	5,455	1,650	7,105
Accounts receivable	26,045	3,196	29,241
	<u>1,080,249</u>	<u>294,092</u>	<u>1,374,341</u>
Total assets	<u>\$ 1,080,249</u>	<u>\$ 294,092</u>	<u>\$ 1,374,341</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 38,873	\$ 38,873
Salaries payable	2,080	-	2,080
Interfund payable	-	87,376	87,376
	<u>2,080</u>	<u>126,249</u>	<u>128,329</u>
Total liabilities	<u>2,080</u>	<u>126,249</u>	<u>128,329</u>
<b>Fund balances (deficits)</b>			
Restricted	917,300	-	917,300
Committed	160,869	-	160,869
Assigned	-	255,219	255,219
Unassigned	-	(87,376)	(87,376)
	<u>1,078,169</u>	<u>167,843</u>	<u>1,246,012</u>
Total fund balances	<u>1,078,169</u>	<u>167,843</u>	<u>1,246,012</u>
Total liabilities and fund balances	<u>\$ 1,080,249</u>	<u>\$ 294,092</u>	<u>\$ 1,374,341</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2014

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Taxes			
Tax increments	\$ 504,142	\$ -	\$ 504,142
Earnings on investments	36,709	10,644	47,353
Franchise taxes	103,711	-	103,711
Other	-	29,036	29,036
Total revenues	<u>644,562</u>	<u>39,680</u>	<u>684,242</u>
<b>Expenditures</b>			
Current			
General government	98,214	-	98,214
Economic development	218,151	-	218,151
Capital outlay			
General government	5,559	-	5,559
Public safety	-	66,079	66,079
Parks and recreation	-	18,883	18,883
Economic development	-	218,692	218,692
Total expenditures	<u>321,924</u>	<u>303,654</u>	<u>625,578</u>
Revenues over (under) expenditures	322,638	(263,974)	58,664
<b>Other financing sources (uses)</b>			
Transfers out	<u>(282,575)</u>	<u>-</u>	<u>(282,575)</u>
Net change in fund balances	40,063	(263,974)	(223,911)
Fund balances – beginning	<u>1,038,106</u>	<u>431,817</u>	<u>1,469,923</u>
Fund balances – ending	<u>\$ 1,078,169</u>	<u>\$ 167,843</u>	<u>\$ 1,246,012</u>

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## NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

**EDA TIF District No. 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.

**EDA TIF District No. 4 Fund** – This fund was established as a redevelopment plan for Presbyterian Homes in 2010. The revenue is derived from tax increment and expenditures are for developer reimbursements and administrative expenses.

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds  
 Subcombining Balance Sheet  
 as of December 31, 2014

	Cable	EDA Revolving	EDA TIF District No. 2	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
<b>Assets</b>						
Cash and investments	\$ 280,561	\$ 160,158	\$ 278,948	\$ 324,753	\$ 4,329	\$ 1,048,749
Accrued interest receivable	1,286	711	1,809	1,443	206	5,455
Accounts receivable	26,045	—	—	—	—	26,045
<b>Total assets</b>	<b>\$ 307,892</b>	<b>\$ 160,869</b>	<b>\$ 280,757</b>	<b>\$ 326,196</b>	<b>\$ 4,535</b>	<b>\$ 1,080,249</b>
<b>Liabilities</b>						
Salaries payable	\$ 2,080	\$ —	\$ —	\$ —	\$ —	\$ 2,080
<b>Fund balances</b>						
Restricted	305,812	—	280,757	326,196	4,535	917,300
Committed	—	160,869	—	—	—	160,869
<b>Total fund balances</b>	<b>305,812</b>	<b>160,869</b>	<b>280,757</b>	<b>326,196</b>	<b>4,535</b>	<b>1,078,169</b>
<b>Total liabilities and fund balances</b>	<b>\$ 307,892</b>	<b>\$ 160,869</b>	<b>\$ 280,757</b>	<b>\$ 326,196</b>	<b>\$ 4,535</b>	<b>\$ 1,080,249</b>

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds  
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2014

	Cable	EDA Revolving	EDA TIF District No. 2	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
<b>Revenues</b>						
<b>Taxes</b>						
Tax increments	\$ -	\$ -	\$ 345,058	\$ 60,555	\$ 98,529	\$ 504,142
Earnings (charges) on investments	11,321	6,378	8,867	10,383	(240)	36,709
Franchise taxes	103,711	-	-	-	-	103,711
Total revenues	115,032	6,378	353,925	70,938	98,289	644,562
<b>Expenditures</b>						
<b>Current</b>						
General government	98,214	-	-	-	-	98,214
Economic development	-	-	126,183	1,183	90,785	218,151
<b>Capital outlay</b>						
General government	5,559	-	-	-	-	5,559
Total expenditures	103,773	-	126,183	1,183	90,785	321,924
Revenues over (under) expenditures	11,259	6,378	227,742	69,755	7,504	322,638
<b>Other financing sources (uses)</b>						
Transfers out	-	-	(282,575)	-	-	(282,575)
Net change in fund balances	11,259	6,378	(54,833)	69,755	7,504	40,063
Fund balances (deficits) – beginning	294,553	154,491	335,590	256,441	(2,969)	1,038,106
Fund balances – ending	\$ 305,812	\$ 160,869	\$ 280,757	\$ 326,196	\$ 4,535	\$ 1,078,169

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### NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

**TCAAP Fund** – This fund was established to account for resources designated to be used for the City's share of capital costs related to the 427-acre TCAAP site purchased by Ramsey County.

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds  
 Subcombining Balance Sheet  
 as of December 31, 2014

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
<b>Assets</b>				
Cash and investments	\$ -	\$ 215,079	\$ 74,167	\$ 289,246
Accrued interest receivable	-	956	694	1,650
Accounts receivable	-	3,196	-	3,196
	<u>-</u>	<u>3,196</u>	<u>-</u>	<u>3,196</u>
Total assets	<u>\$ -</u>	<u>\$ 219,231</u>	<u>\$ 74,861</u>	<u>\$ 294,092</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 38,873	\$ -	\$ 38,873
Interfund payable	87,376	-	-	87,376
Total liabilities	<u>87,376</u>	<u>38,873</u>	<u>-</u>	<u>126,249</u>
<b>Fund balances (deficits)</b>				
Assigned	-	180,358	74,861	255,219
Unassigned	(87,376)	-	-	(87,376)
Total fund balances (deficits)	<u>(87,376)</u>	<u>180,358</u>	<u>74,861</u>	<u>167,843</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 219,231</u>	<u>\$ 74,861</u>	<u>\$ 294,092</u>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds  
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2014

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
<b>Revenues</b>				
Earnings on investments	\$ -	\$ 8,706	\$ 1,938	\$ 10,644
Other	-	29,036	-	29,036
Total revenues	<u>-</u>	<u>37,742</u>	<u>1,938</u>	<u>39,680</u>
<b>Expenditures</b>				
Capital outlay				
Public safety	-	66,079	-	66,079
Parks and recreation	18,883	-	-	18,883
Economic development	-	-	218,692	218,692
Total expenditures	<u>18,883</u>	<u>66,079</u>	<u>218,692</u>	<u>303,654</u>
Net change in fund balances	(18,883)	(28,337)	(216,754)	(263,974)
Fund balances (deficits) – beginning	<u>(68,493)</u>	<u>208,695</u>	<u>291,615</u>	<u>431,817</u>
Fund balances (deficits) – ending	<u><u>\$ (87,376)</u></u>	<u><u>\$ 180,358</u></u>	<u><u>\$ 74,861</u></u>	<u><u>\$ 167,843</u></u>

CITY OF ARDEN HILLS

Special Revenue Fund – Cable Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 6,000	\$ 6,000	\$ 11,321	\$ 5,321
Franchise taxes	94,000	94,000	103,711	9,711
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>115,032</u>	<u>15,032</u>
Expenditures				
Current				
General government				
Personal services	46,164	46,164	46,356	(192)
Other services and charges	71,727	71,727	51,858	19,869
Capital outlay				
General government	17,045	17,045	5,559	11,486
Total expenditures	<u>134,936</u>	<u>134,936</u>	<u>103,773</u>	<u>31,163</u>
Net change in fund balances	<u>\$ (34,936)</u>	<u>\$ (34,936)</u>	11,259	<u>\$ 46,195</u>
Fund balances – beginning			<u>294,553</u>	
Fund balances – ending			<u>\$ 305,812</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 6,378</u>	<u>\$ 5,078</u>
Net change in fund balances	<u>\$ 1,300</u>	<u>\$ 1,300</u>	6,378	<u>\$ 5,078</u>
Fund balances – beginning			<u>154,491</u>	
Fund balances – ending			<u>\$ 160,869</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 250,000	\$ 250,000	\$ 345,058	\$ 95,058
Earnings on investments	200	200	8,867	8,667
Total revenues	<u>250,200</u>	<u>250,200</u>	<u>353,925</u>	<u>103,725</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>161,781</u>	<u>161,781</u>	<u>126,183</u>	<u>35,598</u>
Revenue over expenditures	88,419	88,419	227,742	139,323
Other financing sources (uses)				
Transfers out	<u>(284,772)</u>	<u>(284,772)</u>	<u>(282,575)</u>	<u>2,197</u>
Net change in fund balances	<u>\$ (196,353)</u>	<u>\$ (196,353)</u>	<u>(54,833)</u>	<u>\$ 141,520</u>
Fund balances – beginning			<u>335,590</u>	
Fund balances – ending			<u>\$ 280,757</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 43,000	\$ 43,000	\$ 60,555	\$ 17,555
Earnings on investments	1,600	1,600	10,383	8,783
Total revenues	<u>44,600</u>	<u>44,600</u>	<u>70,938</u>	<u>26,338</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,700</u>	<u>4,700</u>	<u>1,183</u>	<u>3,517</u>
Net change in fund balances	<u>\$ 39,900</u>	<u>\$ 39,900</u>	69,755	<u>\$ 29,855</u>
Fund balances – beginning			<u>256,441</u>	
Fund balances – ending			<u>\$ 326,196</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA TIF District No. 4 Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 95,200	\$ 95,200	\$ 98,529	\$ 3,329
Earnings (charges) on investments	–	–	(240)	(240)
Total revenues	<u>95,200</u>	<u>95,200</u>	<u>98,289</u>	<u>3,089</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>7,500</u>	<u>7,500</u>	<u>90,785</u>	<u>(83,285)</u>
Net change in fund balances	<u>\$ 87,700</u>	<u>\$ 87,700</u>	7,504	<u>\$ (80,196)</u>
Fund balances (deficits) – beginning			<u>(2,969)</u>	
Fund balances – ending			<u>\$ 4,535</u>	

### INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF ARDEN HILLS

Combining Statement of Net Position  
Internal Service Funds  
as of December 31, 2014

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
<b>Assets</b>					
Current assets					
Cash and investments	\$ 462,195	\$ 55,173	\$ 7,910	\$ 1,423	\$ 526,701
Accrued interest receivable	1,835	301	-	-	2,136
Prepaid items	-	-	710	3,981	4,691
Total assets	<u>464,030</u>	<u>55,474</u>	<u>8,620</u>	<u>5,404</u>	<u>533,528</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	28,689	-	17,133	3,474	49,296
Salaries payable	468	5,080	812	255	6,615
Due to other governmental units	-	-	2,788	716	3,504
Compensated absences payable	801	5,497	1,869	349	8,516
Total current liabilities	<u>29,958</u>	<u>10,577</u>	<u>22,602</u>	<u>4,794</u>	<u>67,931</u>
Noncurrent liabilities					
Compensated absences payable (net of current portion)	<u>267</u>	<u>1,832</u>	<u>623</u>	<u>116</u>	<u>2,838</u>
Total liabilities	<u>30,225</u>	<u>12,409</u>	<u>23,225</u>	<u>4,910</u>	<u>70,769</u>
<b>Net position (deficit)</b>					
Unrestricted	<u>\$ 433,805</u>	<u>\$ 43,065</u>	<u>\$ (14,605)</u>	<u>\$ 494</u>	<u>\$ 462,759</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Internal Service Funds  
Year Ended December 31, 2014

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 381,701	\$ 131,335	\$ 223,262	\$ 97,015	\$ 833,313
Miscellaneous	-	63	-	-	63
Total operating revenues	<u>381,701</u>	<u>131,398</u>	<u>223,262</u>	<u>97,015</u>	<u>833,376</u>
Operating expenses					
Personal services	10,956	121,510	18,063	6,278	156,807
Supplies and maintenance	-	-	137,001	6,999	144,000
Other services and charges	10,142	5,720	63,035	4,105	83,002
Purchased services	383,006	3,554	1,024	111,387	498,971
Total operating expenses	<u>404,104</u>	<u>130,784</u>	<u>219,123</u>	<u>128,769</u>	<u>882,780</u>
Operating income (loss)	(22,403)	614	4,139	(31,754)	(49,404)
Nonoperating revenues					
Insurance dividend	16,503	-	-	-	16,503
Earnings on investments	15,241	1,614	-	4	16,859
Total nonoperating revenues	<u>31,744</u>	<u>1,614</u>	<u>-</u>	<u>4</u>	<u>33,362</u>
Change in net position	9,341	2,228	4,139	(31,750)	(16,042)
Net position (deficit) – beginning	<u>424,464</u>	<u>40,837</u>	<u>(18,744)</u>	<u>32,244</u>	<u>478,801</u>
Net position (deficit) – ending	<u>\$ 433,805</u>	<u>\$ 43,065</u>	<u>\$ (14,605)</u>	<u>\$ 494</u>	<u>\$ 462,759</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended December 31, 2014

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 381,701	\$ 131,398	\$ 223,262	\$ 97,015	\$ 833,376
Payments to suppliers	(390,257)	(9,274)	(191,946)	(101,641)	(693,118)
Payments to employees	(10,595)	(120,536)	(18,065)	(5,759)	(154,955)
Insurance dividend	16,503	-	-	-	16,503
Net cash flows from operating activities	<u>(2,648)</u>	<u>1,588</u>	<u>13,251</u>	<u>(10,385)</u>	<u>1,806</u>
Cash flows from noncapital financing activities					
Cash paid to other funds	-	-	(5,341)	-	(5,341)
Cash flows from investing activities					
Earnings on investments	15,300	1,509	-	4	16,813
Net change in cash and cash equivalents	12,652	3,097	7,910	(10,381)	13,278
Cash and cash equivalents – beginning	449,543	52,076	-	11,804	513,423
Cash and cash equivalents – ending	<u>\$ 462,195</u>	<u>\$ 55,173</u>	<u>\$ 7,910</u>	<u>\$ 1,423</u>	<u>\$ 526,701</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (22,403)	\$ 614	\$ 4,139	\$ (31,754)	\$ (49,404)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Insurance dividend	16,503	-	-	-	16,503
Decrease (increase) in prepaid items	-	-	(60)	23,554	23,494
Increase (decrease) in accounts payable	2,891	-	12,852	(2,703)	13,040
Increase (decrease) in salaries payable	90	996	145	54	1,285
Increase (decrease) in due to other governments	-	-	(3,678)	(1)	(3,679)
Increase (decrease) in compensated absences payable	271	(22)	(147)	465	567
Total adjustments	<u>19,755</u>	<u>974</u>	<u>9,112</u>	<u>21,369</u>	<u>51,210</u>
Net cash flows from operating activities	<u>\$ (2,648)</u>	<u>\$ 1,588</u>	<u>\$ 13,251</u>	<u>\$ (10,385)</u>	<u>\$ 1,806</u>

**STATISTICAL SECTION (UNAUDITED)**

**TAB**

## STATISTICAL SECTION

(UNAUDITED)

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

The contents of the statistical section include:

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

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

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

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

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

**Source** – Unless otherwise noted, the information in these tables is derived from the CAFR for the relevant year. The City started the CAFR in the format prescribed by the Government Finance Officers Association of the United States and Canada in its Certificate of Achievement for Excellence in Financial Reporting in the calendar year 2006; therefore, some data was not available for past years, but will be reported from 2006 forward. The City implemented GASB Statement No. 44 in calendar year 2006; therefore, some data was not available for past years, but will be reported from 2006 forward.

CITY OF ARDEN HILLS

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

	2005	2006	2007	Fiscal Year 2008
Governmental activities				
Investment in capital assets	\$ 9,881,335	\$ 13,300,454	\$ 13,832,891	\$ 13,859,332
Restricted	-	459,194	630,255	836,195
Unrestricted	10,164,226	7,730,510	9,029,227	9,304,608
Total governmental activities net position	<u>\$ 20,045,561</u>	<u>\$ 21,490,158</u>	<u>\$ 23,492,373</u>	<u>\$ 24,000,135</u>
Business-type activities				
Investment in capital assets	\$ 10,393,723	\$ 10,804,213	\$ 10,701,103	\$ 10,449,932
Unrestricted	1,163,456	1,073,804	1,615,782	1,977,168
Total business-type activities net position	<u>\$ 11,557,179</u>	<u>\$ 11,878,017</u>	<u>\$ 12,316,885</u>	<u>\$ 12,427,100</u>
Primary government				
Investment in capital assets	\$ 20,275,058	\$ 24,104,667	\$ 24,533,994	\$ 24,309,264
Restricted	-	459,194	630,255	836,195
Unrestricted	11,327,682	8,804,314	10,645,009	11,281,776
Total primary government net position	<u>\$ 31,602,740</u>	<u>\$ 33,368,175</u>	<u>\$ 35,809,258</u>	<u>\$ 36,427,235</u>

2009	2010	2011	2012	2013	2014
\$ 14,789,291	\$ 16,341,354	\$ 17,498,478	\$ 17,167,531	\$ 17,435,976	\$ 18,837,904
1,060,973	1,329,092	1,694,212	1,788,007	896,106	917,300
9,176,652	9,008,528	9,133,279	9,738,832	10,274,835	11,472,102
<u>\$ 25,026,916</u>	<u>\$ 26,678,974</u>	<u>\$ 28,325,969</u>	<u>\$ 28,694,370</u>	<u>\$ 28,606,917</u>	<u>\$ 31,227,306</u>
\$ 10,507,344	\$ 10,530,204	\$ 10,961,855	\$ 12,360,674	\$ 14,356,782	\$ 14,464,713
2,171,942	2,621,579	3,248,534	2,403,645	1,158,470	1,793,112
<u>\$ 12,679,286</u>	<u>\$ 13,151,783</u>	<u>\$ 14,210,389</u>	<u>\$ 14,764,319</u>	<u>\$ 15,515,252</u>	<u>\$ 16,257,825</u>
\$ 25,296,635	\$ 26,871,558	\$ 28,460,333	\$ 29,528,205	\$ 31,792,758	\$ 33,302,617
1,060,973	1,329,092	1,694,212	1,788,007	896,106	917,300
11,348,594	11,630,107	12,381,813	12,142,477	11,433,305	13,265,214
<u>\$ 37,706,202</u>	<u>\$ 39,830,757</u>	<u>\$ 42,536,358</u>	<u>\$ 43,458,689</u>	<u>\$ 44,122,169</u>	<u>\$ 47,485,131</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses</b>				
<b>Governmental activities</b>				
General government	\$ 978,463	\$ 1,300,163	\$ 1,778,811	\$ 1,640,599
Public safety	1,153,493	1,388,756	1,348,220	1,582,531
Public works	530,829	239,026	484,983	538,869
Parks and recreation	668,885	610,008	644,137	710,298
Economic development	465,467	962,061	128,709	43,791
Interest on long-term debt	181,257	72,758	66,820	60,233
Miscellaneous	87,080	-	-	-
Total governmental activities	<u>4,065,474</u>	<u>4,572,772</u>	<u>4,451,680</u>	<u>4,576,321</u>
<b>Business-type activities</b>				
Water	1,321,076	1,395,983	1,461,455	1,510,998
Sewer	1,113,189	1,167,629	1,280,486	1,143,557
Surface water management	110,022	115,872	147,395	219,483
Recycling	78,538	81,630	81,582	113,709
Total business-type activities	<u>2,622,825</u>	<u>2,761,114</u>	<u>2,970,918</u>	<u>2,987,747</u>
Total primary government	<u>\$ 6,688,299</u>	<u>\$ 7,333,886</u>	<u>\$ 7,422,598</u>	<u>\$ 7,564,068</u>
<b>Program revenues</b>				
<b>Governmental activities</b>				
<b>Charges for services</b>				
General government	\$ 363,706	\$ 295,708	\$ 302,501	\$ 298,395
Public safety	339,305	310,703	357,460	221,614
Parks and recreation	146,118	91,492	89,912	94,293
Miscellaneous	29,594	-	-	-
Operating grants and contributions	315,649	940,864	1,542,972	599,862
Capital grants and contributions	803,339	918,211	512,589	141,325
Total governmental activities	<u>1,997,711</u>	<u>2,556,978</u>	<u>2,805,434</u>	<u>1,355,489</u>
<b>Business-type activities</b>				
<b>Charges for services</b>				
Water	1,139,980	1,283,944	1,416,406	1,327,075
Sewer	1,017,970	1,062,748	1,344,716	1,121,188
Surface water management	372,683	401,739	456,047	473,856
Recycling	73,454	71,199	66,304	83,235
Operating grants and contributions	17,869	18,076	57,342	20,301
Capital grants and contributions	37,700	225,000	-	-
Total business-type activities	<u>2,659,656</u>	<u>3,062,706</u>	<u>3,340,815</u>	<u>3,025,655</u>
Total primary government	<u>\$ 4,657,367</u>	<u>\$ 5,619,684</u>	<u>\$ 6,146,249</u>	<u>\$ 4,381,144</u>

2009	2010	2011	2012	2013	2014
\$ 1,622,425	\$ 1,232,225	\$ 1,199,609	\$ 1,186,404	\$ 1,133,379	\$ 1,294,830
1,648,349	1,585,447	1,736,422	1,900,443	1,956,260	1,887,877
436,200	636,406	614,761	894,954	944,104	852,109
734,148	732,824	811,533	838,138	807,363	711,174
48,322	3,311	6,862	61,770	403,143	522,193
53,496	46,470	39,146	31,287	25,767	11,004
—	—	—	—	—	—
4,542,940	4,236,683	4,408,333	4,912,996	5,270,016	5,279,187
1,648,815	1,678,954	1,573,669	1,983,200	1,843,530	1,893,217
1,268,018	1,367,429	1,454,302	1,595,379	1,560,796	1,506,927
269,562	321,693	353,330	388,406	453,727	432,788
118,197	129,139	137,622	142,114	144,541	150,417
3,304,592	3,497,215	3,518,923	4,109,099	4,002,594	3,983,349
<u>\$ 7,847,532</u>	<u>\$ 7,733,898</u>	<u>\$ 7,927,256</u>	<u>\$ 9,022,095</u>	<u>\$ 9,272,610</u>	<u>\$ 9,262,536</u>
\$ 341,736	\$ 271,972	\$ 353,224	\$ 377,621	\$ 338,546	\$ 367,475
307,306	207,876	385,133	376,576	341,114	279,685
91,305	98,395	110,830	118,179	113,374	116,951
—	—	—	—	—	—
210,140	275,869	410,228	291,712	343,486	300,536
705,858	1,171,451	946,122	134,710	326,213	2,302,439
1,656,345	2,025,563	2,205,537	1,298,798	1,462,733	3,367,086
1,709,639	1,824,086	1,950,932	2,285,161	2,271,072	2,132,191
1,313,897	1,574,493	1,852,364	1,739,123	1,798,889	1,857,272
503,070	518,672	531,845	567,361	639,747	762,884
87,700	121,892	142,858	121,688	122,666	130,369
19,866	20,114	20,846	19,802	19,694	19,611
—	—	140,428	25,506	156,585	—
3,634,172	4,059,257	4,639,273	4,758,641	5,008,653	4,902,327
<u>\$ 5,290,517</u>	<u>\$ 6,084,820</u>	<u>\$ 6,844,810</u>	<u>\$ 6,057,439</u>	<u>\$ 6,471,386</u>	<u>\$ 8,269,413</u>

(continued)

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2005	2006	2007	2008
Net (expense) revenue				
Governmental activities	\$ (2,067,763)	\$ (2,015,794)	\$ (1,646,246)	\$ (3,220,832)
Business-type activities	36,831	301,592	369,897	37,908
Total primary government	<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 position				
Governmental activities				
Taxes				
Property taxes	\$ 2,303,598	\$ 2,476,537	\$ 2,626,669	\$ 2,727,372
Tax increment collections	449,274	462,468	470,419	506,808
Franchise taxes	63,428	95,148	75,620	60,520
Unrestricted grants and contributions	33,300	11,396	-	-
Investment earnings	265,029	428,625	475,753	433,894
Gain on sale of capital assets	274,508	-	-	-
Transfers	-	(13,783)	-	-
Total governmental activities	<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	51,777	65,121	55,225	72,307
Transfers	-	13,783	-	-
Total business-type activities	<u>51,777</u>	<u>92,639</u>	<u>68,971</u>	<u>72,307</u>
Total primary government	<u>\$ 3,440,914</u>	<u>\$ 3,553,030</u>	<u>\$ 3,717,432</u>	<u>\$ 3,800,901</u>
Change in net position				
Governmental activities	\$ 1,321,374	\$ 1,444,597	\$ 2,002,215	\$ 507,762
Business-type activities	88,608	394,231	438,868	110,215
Total primary government	<u>\$ 1,409,982</u>	<u>\$ 1,838,828</u>	<u>\$ 2,441,083</u>	<u>\$ 617,977</u>

2009	2010	2011	2012	2013	2014
\$ (2,886,595)	\$ (2,211,120)	\$ (2,202,796)	\$ (3,614,198)	\$ (3,807,283)	\$ (1,912,101)
329,580	562,042	1,120,350	649,542	1,006,059	918,978
<u>\$ (2,557,015)</u>	<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>	<u>\$ (2,801,224)</u>	<u>\$ (993,123)</u>
\$ 2,860,820	\$ 2,836,982	\$ 2,920,078	\$ 3,095,488	\$ 3,094,036	\$ 3,182,331
540,408	566,725	342,109	431,060	466,280	565,422
104,148	85,131	90,123	94,532	96,820	103,711
-	-	-	-	-	-
275,500	231,340	307,769	218,519	(168,071)	450,261
-	-	46,712	-	-	-
132,500	143,000	143,000	143,000	230,765	230,765
<u>3,913,376</u>	<u>3,863,178</u>	<u>3,849,791</u>	<u>3,982,599</u>	<u>3,719,830</u>	<u>4,532,490</u>
-	-	-	-	-	-
55,106	53,455	81,256	47,388	(24,361)	54,360
(132,500)	(143,000)	(143,000)	(143,000)	(230,765)	(230,765)
<u>(77,394)</u>	<u>(89,545)</u>	<u>(61,744)</u>	<u>(95,612)</u>	<u>(255,126)</u>	<u>(176,405)</u>
<u>\$ 3,835,982</u>	<u>\$ 3,773,633</u>	<u>\$ 3,788,047</u>	<u>\$ 3,886,987</u>	<u>\$ 3,464,704</u>	<u>\$ 4,356,085</u>
\$ 1,026,781	\$ 1,652,058	\$ 1,646,995	\$ 368,401	\$ (87,453)	\$ 2,620,389
252,186	472,497	1,058,606	553,930	750,933	742,573
<u>\$ 1,278,967</u>	<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>	<u>\$ 922,331</u>	<u>\$ 663,480</u>	<u>\$ 3,362,962</u>

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CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment Collections</u>	<u>Franchise Taxes</u>	<u>Total</u>
2005	\$ 2,303,598	\$ 449,274	\$ 63,428	\$ 2,816,300
2006	2,476,537	462,468	95,148	3,034,153
2007	2,626,669	470,419	75,620	3,172,708
2008	2,727,372	506,808	60,520	3,294,700
2009	2,860,820	540,408	104,148	3,505,376
2010	2,836,982	566,725	85,131	3,488,838
2011	2,920,078	342,109	90,123	3,352,310
2012	3,095,488	431,060	94,532	3,621,080
2013	3,094,036	466,280	96,820	3,657,136
2014	3,182,331	565,422	103,711	3,851,464

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 12,508	\$ 149,183	\$ 17,356	\$ 16,586
Unreserved	1,502,272	1,437,255	2,153,575	1,834,179
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<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	\$ 1,962	\$ 461,213	\$ 632,316	\$ 838,308
Unreserved, reported in				
Special revenue funds	1,145,991	714,613	974,546	765,771
Capital project funds	6,734,710	6,764,066	7,039,989	7,773,523
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 7,882,663</u>	<u>\$ 7,939,892</u>	<u>\$ 8,646,851</u>	<u>\$ 9,377,602</u>

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 24,304	\$ 32,587	\$ -	\$ -	\$ -	\$ -
1,797,956	1,730,605	-	-	-	-
-	-	29,063	22,326	22,754	21,059
-	-	106,592	126,134	119,440	139,721
-	-	2,015,680	2,202,459	2,223,512	2,185,162
<u>\$ 1,822,260</u>	<u>\$ 1,763,192</u>	<u>\$ 2,151,335</u>	<u>\$ 2,350,919</u>	<u>\$ 2,365,706</u>	<u>\$ 2,345,942</u>
\$ 1,063,087	\$ 1,331,259	\$ -	\$ -	\$ -	\$ -
733,626	468,786	-	-	-	-
7,242,406	7,212,442	-	-	-	-
-	-	-	628	910	395
-	-	1,696,379	1,799,380	888,707	917,300
-	-	264,016	452,496	421,989	471,161
-	-	6,993,767	6,863,115	7,111,210	7,346,178
-	-	(542,821)	(303,339)	(134,316)	(150,893)
<u>\$ 9,039,119</u>	<u>\$ 9,012,487</u>	<u>\$ 8,411,341</u>	<u>\$ 8,812,280</u>	<u>\$ 8,288,500</u>	<u>\$ 8,584,141</u>

CITY OF ARDEN HILLS

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

	2005	2006	2007	Fiscal Year 2008
<b>Revenues</b>				
Taxes				
General property tax	\$ 2,409,065	\$ 2,477,595	\$ 2,624,566	\$ 2,706,745
Tax increments	449,274	462,468	470,419	506,808
Special assessments	397,980	625,190	493,986	223,155
Licenses and permits	325,109	384,333	365,185	228,776
Intergovernmental	330,914	1,003,142	253,687	145,288
Charges for services	157,694	254,060	289,923	282,553
Fines and forfeits	45,993	47,347	28,653	30,189
Earnings on investments	265,029	428,625	475,753	433,894
Franchise taxes	63,428	95,148	75,620	60,520
Antenna rental fees	-	58,772	53,256	72,784
Miscellaneous/others	374,202	116,826	1,369,401	519,154
Total revenues	<u>4,818,688</u>	<u>5,953,506</u>	<u>6,500,449</u>	<u>5,209,866</u>
<b>Expenditures</b>				
Current				
General government	861,906	1,274,640	1,689,801	1,504,149
Public safety	1,137,742	1,274,167	1,318,006	1,420,785
Public works	488,668	213,353	246,530	265,448
Parks and recreation	595,904	480,153	501,993	562,283
Economic development	407,646	857,786	128,709	43,791
Miscellaneous	181,641	-	-	-
Capital outlay				
General government	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
Economic development	-	-	-	-
Debt service				
Principal	175,000	190,000	215,000	220,000
Interest and paying agent fees	113,203	72,250	66,625	60,100
Total expenditures	<u>4,990,427</u>	<u>5,810,836</u>	<u>5,208,997</u>	<u>4,799,281</u>
Revenues over (under) expenditures	(171,739)	142,670	1,291,452	410,585
<b>Other financing sources (uses)</b>				
Transfers in	2,084,969	596,005	734,441	1,045,100
Transfers out	(2,084,969)	(609,788)	(734,441)	(1,045,100)
Payments to refunded bond escrow agent	(2,370,000)	-	-	-
Sales of capital assets	796,300	-	-	-
Total other financing sources (uses)	<u>(1,573,700)</u>	<u>(13,783)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,745,439)</u>	<u>\$ 128,887</u>	<u>\$ 1,291,452</u>	<u>\$ 410,585</u>
Debt service as a percentage of noncapital expenditures	<u>7.27 %</u>	<u>6.01 %</u>	<u>6.70 %</u>	<u>6.56 %</u>

2009	2010	2011	2012	2013	2014
\$ 2,835,253	\$ 2,867,028	\$ 2,913,248	\$ 3,087,160	\$ 3,086,064	\$ 3,210,025
540,408	566,725	342,109	431,060	466,280	565,422
410,935	388,768	561,238	252,879	382,366	304,315
318,849	255,265	429,991	415,070	382,039	327,727
130,622	878,944	246,416	143,085	316,859	1,408,240
332,358	322,978	419,197	450,589	410,995	400,224
26,111	27,013	29,593	33,192	32,055	29,569
275,500	231,340	296,249	215,119	(164,535)	433,402
104,148	85,131	90,123	94,532	96,820	103,711
63,009	65,759	72,351	75,745	76,574	110,144
147,187	118,096	365,259	113,974	43,777	89,482
<u>5,184,380</u>	<u>5,807,047</u>	<u>5,765,774</u>	<u>5,312,405</u>	<u>5,129,294</u>	<u>6,982,261</u>
1,283,267	1,127,726	1,060,744	1,054,662	1,054,852	1,155,120
1,526,819	1,561,046	1,640,801	1,728,669	1,779,549	1,826,098
282,019	322,793	273,165	377,101	391,711	580,872
606,822	605,210	661,746	679,282	675,073	648,214
48,322	3,311	6,862	57,766	90,222	286,991
-	-	-	-	-	-
285,028	108,575	684,492	8,847	9,545	5,559
156,543	18,927	91,579	169,894	170,511	66,079
1,088,586	865,334	1,063,181	376,872	1,017,328	1,833,535
128,037	1,141,300	64,923	109,761	68,493	18,883
-	-	-	5,330	328,248	231,025
225,000	235,000	245,000	255,000	260,000	270,000
53,425	46,525	39,325	31,698	23,520	14,773
<u>5,683,868</u>	<u>6,035,747</u>	<u>5,831,818</u>	<u>4,854,882</u>	<u>5,869,052</u>	<u>6,937,149</u>
(499,488)	(228,700)	(66,044)	457,523	(739,758)	45,112
809,621	719,791	143,000	143,000	230,765	230,765
(677,121)	(576,791)	-	-	-	-
-	-	-	-	-	-
-	-	46,712	-	-	-
<u>132,500</u>	<u>143,000</u>	<u>189,712</u>	<u>143,000</u>	<u>230,765</u>	<u>230,765</u>
<u>\$ (366,988)</u>	<u>\$ (85,700)</u>	<u>\$ 123,668</u>	<u>\$ 600,523</u>	<u>\$ (508,993)</u>	<u>\$ 275,877</u>
<u>6.52 %</u>	<u>7.12 %</u>	<u>6.99 %</u>	<u>6.21 %</u>	<u>5.82 %</u>	<u>5.73 %</u>

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CITY OF ARDEN HILLS

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

Fiscal Year	Property Tax		Franchise Tax	Total
	General	Tax Increment		
2005	\$ 2,409,065	\$ 449,274	\$ 63,428	\$ 2,921,767
2006	2,477,595	462,468	95,148	3,035,211
2007	2,624,566	470,419	75,620	3,170,605
2008	2,706,745	506,808	60,520	3,274,073
2009	2,835,253	540,408	104,148	3,479,809
2010	2,867,028	566,725	85,131	3,518,884
2011	2,913,248	342,109	90,123	3,345,480
2012	3,087,160	431,060	94,532	3,612,752
2013	3,086,064	466,280	96,820	3,649,164
2014	3,210,025	565,422	103,711	3,879,158

CITY OF ARDEN HILLS

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

<u>Fiscal Year Ended December 31,</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>	<u>Less Tax Increment District</u>
2005	\$ 6,077,869	\$ 6,334,160	\$ 735,924	\$ 13,147,953	\$ 482,822
2006	6,809,286	6,828,553	859,522	14,497,361	516,184
2007	7,222,459	7,242,448	911,841	15,376,748	524,628
2008	7,682,107	7,703,369	969,872	16,355,348	562,501
2009	7,781,733	7,803,271	982,450	16,567,454	583,017
2010	7,531,731	7,704,757	587,523	15,824,011	590,269
2011	6,729,785	6,873,795	1,181,444	14,785,024	531,415
2012	6,127,224	6,694,609	1,257,051	14,078,884	436,893
2013	5,747,252	6,442,044	1,319,326	13,508,622	438,897
2014	6,605,251	5,502,256	1,522,488	13,629,995	510,906

Source: Ramsey County Board of Equalization and Assessment.

<u>Less Fiscal Disparity Contribution</u>	<u>Adjusted Tax Capacity (ATC) Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value (EMV)</u>	<u>ATC as a Percentage of EMV</u>
\$ 1,348,079	\$ 11,317,052	19.94 %	\$ 1,039,955,700	1.09 %
1,526,487	12,454,690	20.19	1,093,124,000	1.14
1,611,881	13,240,239	20.21	1,166,210,900	1.14
1,555,117	14,237,730	19.59	1,232,098,300	1.16
2,865,756	13,118,681	20.53	1,229,529,900	1.07
3,096,380	12,137,362	22.67	1,171,068,100	1.04
2,921,351	11,332,258	24.19	1,109,327,600	1.02
2,505,319	11,136,672	25.54	1,043,419,700	1.07
2,474,502	10,595,223	27.93	1,035,471,700	1.02
2,375,745	10,743,344	27.95	1,055,153,800	1.02

CITY OF ARDEN HILLS

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

Fiscal Year	Direct Rate City Operating Rate	Overlapping Rates			Total
		Ramsey County	Independent School District No. 621	Special Taxing Districts	
2005	19.941 %	49.210 %	22.112 %	– %	91.263 %
2006	20.191	44.943	23.264	–	88.398
2007	20.206	44.940	22.910	–	88.056
2008	19.585	44.023	20.030	–	83.638
2009	20.534	46.546	22.937	–	90.017
2010	22.672	50.248	24.560	8.000	105.480
2011	24.187	54.678	25.573	8.400	112.838
2012	25.540	61.320	28.590	9.960	125.410
2013	27.931	65.240	29.444	10.200	132.815
2014	27.950	63.735	29.734	9.825	131.244

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

Note: Rates for special taxing districts were not readily available prior to 2010.

Source: County Board of Equalization and Assessment – payable 2014 final tax rates

CITY OF ARDEN HILLS

Principal Property Taxpayers  
Current Year and Eight Years Ago

Taxpayer	2014			2006 (1)		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,599,250	1	14.89 %	\$ 1,699,250	1	13.64 %
Land O'Lakes, Inc.	360,146	2	3.35	385,250	4	3.09
St. Paul Fire and Marine Insurance Company	350,784	3	3.27	-	-	-
NSP	313,103	4	2.91	249,852	9	2.01
Space Center Arden Hills LLC	286,350	5	2.67	-	-	-
IRET Properties, LP	280,030	6	2.61	292,226	8	2.35
CSM Corporation	251,496	7	2.34	404,234	2	3.25
Pharmacia Deltec, Inc.	203,214	8	1.89	221,824	10	1.78
Presbyterian Homes, Inc.	200,000	9	1.86	-	-	-
RAM Development, LLC	162,654	10	1.51	-	-	-
Arden Hills Industrial, LLC	-	-	-	386,152	3	3.10
St. Paul Properties, Inc.	-	-	-	333,254	5	2.68
Mutual Service Insurance Company	-	-	-	330,422	6	2.65
Inland Shannon Square Cub, LLC	-	-	-	329,726	7	2.65
Total	<u>\$ 4,007,027</u>		<u>37.30 %</u>	<u>\$ 4,632,190</u>		<u>37.19 %</u>
Total capacity value	<u>\$ 10,743,344</u>			<u>\$ 12,454,690</u>		

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

Source: County Board of Equalization and Assessment

CITY OF ARDEN HILLS

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Additions/ (Abatements)	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2005	\$ 2,353,044	\$ 2,339,226	99.41 %	\$ -	\$ 13,818	\$ 2,353,044	100.00 %
2006	2,523,737	2,508,916	99.41	-	14,821	2,523,737	100.00
2007	2,634,851	2,615,411	99.26	(4,529)	14,911	2,634,851	100.00
2008	2,744,767	2,709,036	98.70	(24,859)	10,881	2,744,776	100.00
2009	2,892,774	2,829,900	97.83	(47,523)	16,983	2,894,406	100.06
2010	2,953,128	2,890,946	97.89	(29,095)	31,639	2,951,680	99.95
2011	3,040,964	3,008,068	98.92	(2,326)	26,879	3,037,273	99.88
2012	3,096,994	3,045,572	98.34	(11,376)	35,828	3,092,776	99.86
2013	3,191,230	3,117,083	97.68	(38,542)	33,247	3,188,872	99.93
2014	3,257,456	3,219,641	98.84	(19,251)	-	3,238,892	99.43

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>
2005	\$ 2,395,000	0.75 %	\$ 245
2006	2,205,000	0.67	225
2007	1,990,000	0.59	202
2008	1,770,000	0.52	179
2009	1,545,000	0.43	152
2010	1,310,000	0.36	137
2011	1,065,000	0.30	111
2012	810,000	0.22	84
2013	550,000	0.15	56
2014	280,000	0.07	29

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

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

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CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt  
as of December 31, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 448,103,028	0.94 %	\$ 4,195,624
Ramsey County Library	229,330,504	0.44	1,016,862
Independent School District No. 621	79,190,078	17.23	13,644,413
Independent School District No. 623	57,150,218	0.58	331,737
Northeast Metropolitan Intermediate School District No. 916	225,986,877	0.05	114,478
Metropolitan Council	2,999,061,916	0.15	<u>4,495,828</u>
Total overlapping debt			23,798,942
City of Arden Hills	280,000	100.00	<u>280,000</u>
Total direct and overlapping debt			<u><u>\$ 24,078,942</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			
	2005	2006	2007	2008
Debt limit	\$ 20,799,114	\$ 21,862,480	\$ 23,324,218	\$ 36,962,949
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<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	-	-	-	-

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.

2009	2010	2011	2012	2013	2014
\$ 36,885,897	\$ 35,132,043	\$ 33,279,828	\$ 31,302,591	\$ 31,064,151	\$ 31,654,614
—	—	—	—	—	—
<u>\$ 36,885,897</u>	<u>\$ 35,132,043</u>	<u>\$ 33,279,828</u>	<u>\$ 31,302,591</u>	<u>\$ 31,064,151</u>	<u>\$ 31,654,614</u>
—	—	—	—	—	—

Legal Debt Margin Calculation for Fiscal Year 2014

Market value	\$ 1,055,153,800
Debt limit (3% of market value)	31,654,614
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>\$ 31,654,614</u>

CITY OF ARDEN HILLS

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (3)</u>	<u>Arden Hills Total Personal Income (4)</u>	<u>Median Age (6)</u>	<u>School Enrollment (5)</u>	<u>Unemployment Rate (2)</u>	
2005	9,787	\$ 32,690	\$ 319,941,027	36.2	9,968	3.9	%
2006	9,812	33,344	327,188,331	36.2	9,929	3.8	
2007	9,838	34,011	334,599,801	35.0	9,693	4.4	
2008	9,864	34,691	342,179,155	35.0	9,757	4.7	
2009	10,137	35,385	358,697,745	35.0	9,662	5.0	
2010	9,552	37,900	362,020,800	36.2	9,662	6.4	
2011	9,552	36,806	351,570,912	34.8	9,786	6.1	
2012	9,642	37,371	360,331,182	34.8	10,003	5.7	
2013	9,750	38,118	371,654,595	34.8	10,445	5.1	
2014	9,652	38,881	375,279,412	36.9	10,596	4.0	

Sources:

- (1) Population data for 2003–2007 is based off of MNPRO estimates and Bureau of the Census/County Regional Planning Commission estimates for subsequent years.
- (2) Unemployment rate information is from DEED, based off of Ramsey County statistics and US Bureau of Labor Statistics.
- (3) Per capita personal income: 2010 Census, other years based off of census with 2 percent inflation and State Department of Commerce.
- (4) Personal income: calculated based on the population and per capita personal income.
- (5) Enrollment numbers are based off of Independent School District No. 621, Mounds View – enrollment by grade provided by Mounds View District Center.
- (6) Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year.

CITY OF ARDEN HILLS

Principal Employers  
Current Year and Eight Years Ago

Employer	2014			2006 (1)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,400	1	16.9 %	–	–	– %
Bethel University	970	2	6.8	800	3	5.6
Land O’Lakes, Inc.	800	3	5.6	850	2	6.0
Smiths Medical M.D., Inc.	525	4	3.7	450	6	3.2
Presbyterian Homes of Arden Hills	493	5	3.5	482	5	3.4
Country and MSI Insurance	236	6	1.7	250	10	1.8
*	–	7	–	–	–	–
*	–	8	–	–	–	–
*	–	9	–	–	–	–
*	–	10	–	–	–	–
Guidant Corporation	–	–	–	3,000	1	21.2
Celestica	–	–	–	600	4	4.2
Fair Isaac & Co.	–	–	–	326	7	2.3
First Student, Inc.	–	–	–	295	8	2.1
Independent School District No. 621	–	–	–	255	9	1.8
Total	<u>5,424</u>		<u>38.3 %</u>	<u>7,308</u>		<u>51.6 %</u>
Total city employees	<u>14,173</u>			<u>14,173</u>		

\* Information not available

(1) Nine year information is not available. Information from 2006 was used as the best information available for comparison. Used 2014 total city employees to calculate percent.

Source: County Board of Equalization and Assessment and St. Paul Chamber of Commerce

CITY OF ARDEN HILLS

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year			
	2005	2006	2007	2008
Police				
Towed vehicles	–	11	–	–
Traffic accidents	–	180	189	145
Driving impaired/alcohol	–	27	22	29
Traffic stops	–	164	335	144
Traffic investigations	–	40	33	22
Fire				
Number of calls answered	–	226	248	228
Highways and streets				
Street resurfacing (miles)	1.4	1.1	1.3	–
Potholes repaired	50	50	100	200
Sanitation (residential)				
Refuse collected (tons/day)	7.12	7.12	7.12	7.21
Recyclables collected (tons/day)	2.75	2.86	2.58	2.68
Parks and recreation				
Athletic field permits issued	30	30	28	30
Water				
New connections	7	8	–	–
Water main breaks	6	5	7	7
Average daily consumption (thousands of gallons)	1,239	1,314	1,153	1,029

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

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

Note 3: Refuse approximation provided by BFI/Allied Waste (approximately 38 pounds per household per week – 3,195 households [City Planner]) – converted to tons. Recyclables – numbers based off of yearly tonnage total divided into 365 days in the year.

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

Sources: Various city departments

2009	2010	2011	2012	2013	2014
–	2	3	7	2	1
117	138	96	140	149	144
21	9	13	15	23	18
281	332	328	17	78	20
19	11	24	33	78	40
214	452	559	522	561	651
1.4	1.8	1.9	5.2	4.4	–
250	325	250	250	250	250
8.05	7.95	7.85	7.90	8.05	8.65
2.05	2.34	2.01	2.20	2.20	2.21
25	25	20	19	30	22
3	3	2	31	10	2
5	7	2	12	6	2
1,323	1,162	1,135	1,269	1,162	983

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				
	2005	2006	2007	2008	2009
General government	5.67	5.70	6.50	6.40	6.57
Public safety					
General public safety	2.57	2.55	2.50	2.70	2.72
Highways and streets					
General highways and streets	2.54	2.50	2.30	2.30	2.39
Community development	0.90	0.90	1.50	1.60	0.02
Parks and recreation	6.58	6.87	7.20	7.50	8.32
Water	3.60	3.56	3.40	3.40	3.40
Sewer	4.16	4.12	3.90	3.90	4.01
Recycling	0.14	0.14	0.10	0.10	0.14
Surface water management	1.88	1.84	1.70	1.80	1.57
<b>Total</b>	<b>28.04</b>	<b>28.18</b>	<b>29.10</b>	<b>29.70</b>	<b>29.14</b>

Note: Seasonal staff are calculated by total hours worked (2,080 hours per year), added together to total an equivalent. Seasonal hours fluctuate throughout the year.

Source: City Budget Office

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
7.18	6.89	7.47	7.50	6.73
2.72	2.74	2.70	2.66	2.61
2.44	2.20	2.72	2.04	3.11
-	-	-	-	-
6.95	8.88	6.51	6.92	7.77
3.29	3.50	3.67	4.42	4.18
3.91	4.05	4.42	4.92	5.06
0.17	0.21	0.21	0.21	0.20
<u>2.25</u>	<u>2.54</u>	<u>2.66</u>	<u>2.56</u>	<u>3.01</u>
<u>28.90</u>	<u>31.01</u>	<u>30.36</u>	<u>31.22</u>	<u>32.67</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Highways and streets					
Streets (miles)	57	57	57	57	57
Streetlights	250	250	250	250	250
Traffic signals	18	18	18	18	18
Parks and recreation*					
Parks acreage	102	102	102	111	111
Parks	13	13	13	14	14
Trails acreage	52	52	52	52	53
Trails (miles)	2	2	2	11	13
Tennis courts	4	4	4	4	4
Softball/baseball fields	6	6	6	6	6
Basketball courts	10	10	10	10	10
Hockey/skating rinks	5	5	5	5	5
Permanent restrooms	2	2	2	2	2
Water					
Water mains (miles)	42.5	42.5	42.5	42.5	42.5
Fire hydrants	520	520	520	520	520
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500	1,500
Sewer					
Sanitary sewers (miles)	42	42	42	42	44
Storm sewers (miles)	20	20	20	20	20

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

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

Sources: Various city departments

2010	2011	2012	2013	2014
57	57	57	57	57
250	250	250	250	250
18	18	18	18	18
111	111	111	111	111
14	14	14	14	14
54	54	54	54	54
15	15	15	15	21
4	4	4	5	6
6	6	6	8	8
10	10	10	10	10
5	5	5	6	6
3	3	3	2	3
42.5	42.5	42.5	42.5	42.5
520	520	520	537	537
1,500	1,500	1,500	1,500	1,500
44	44	44	49	51.6
20	20	20	20	25

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