

**CITY OF**



**ARDEN HILLS**

**ARDEN HILLS, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**



CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report  
Year Ended  
December 31, 2015

DEPARTMENT OF FINANCE

Susan K. Iverson  
Interim City Administrator  
Director of Finance and Administrative Services

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CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

**Table of Contents**

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i-iv
GFOA Certificate of Achievement	v
City Council and Appointed Officials	vi
Organization Chart	vii
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	1-3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	4-13
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17-18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19-20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Proprietary Funds	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
Notes to Basic Financial Statements	25-48
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
PERA – Public Employees General Employees Retirement Fund	
Schedule of City’s Proportionate Share of Net Pension Liability	49
Schedule of City Contributions	50
Budgetary Comparison Schedule	
General Fund	51-53
EDA Operating Fund	54
Note to Required Supplementary Information	55
<b>SUPPLEMENTAL INFORMATION</b>	
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	57

CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

**Table of Contents (continued)**

	Page
<b>SUPPLEMENTAL INFORMATION (CONTINUED)</b>	
Combining and Individual Fund Statements and Schedules (continued)	
Nonmajor Special Revenue Funds	
Subcombining Balance Sheet	58
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances	59
Nonmajor Capital Project Funds	
Subcombining Balance Sheet	60
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances	61
Special Revenue Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual	
Cable Fund	62
EDA Revolving Fund	63
EDA TIF District No. 2 Fund	64
EDA TIF District No. 3 Fund	65
EDA TIF District No. 4 Fund	66
Internal Service Funds	
Combining Statement of Net Position	67
Combining Statement of Revenues, Expenses, and Changes in Net Position	68
Combining Statement of Cash Flows	69
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Position by Component	70–71
Changes in Net Position	72–75
Governmental Activities Tax Revenues by Source	76
Fund Balances of Governmental Funds	77–78
Changes in Fund Balances of Governmental Funds	79–80
General Governmental Tax Revenues by Source	81
Tax Capacity Value and Estimated Market Value of Taxable Property	82–83
Property Tax Rates – Direct and Overlapping Governments	84
Principal Property Taxpayers	85
Property Tax Levies and Collections	86
Ratios of Outstanding Debt by Type	87
Direct and Overlapping Governmental Activities Debt	88
Legal Debt Margin Information	89–90
Demographic and Economic Statistics	91
Principal Employers	92
Operating Indicators by Function	93–94
Full-Time Equivalent City Government Employees by Function	95–96
Capital Asset Statistics by Function	97–98

**INTRODUCTORY SECTION**

**TAB**





June 17, 2016

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, 2015.

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, 2015. 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 9,876. 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 to a high of 6.4 percent and a current rate of 3.8 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 (62.9 percent of total subsequent year General Fund expenditures budgeted) is above the 50 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance is made up of \$23,983 nonspendable equity for prepaid items, leaving \$3,058,427 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. The City established a citizen committee, called the Financial Planning and Analysis Committee, to work on 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 has cleaned 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 property and present transportation issues within the City; the City has a vested interest in improvements to these corridors and is working cooperatively with the state, county, and federal transportation authorities and legislators.

### **ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. This is the ninth 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  
Interim City Administrator  
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, 2014**

Executive Director/CEO

CITY OF ARDEN HILLS  
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials  
December 31, 2015

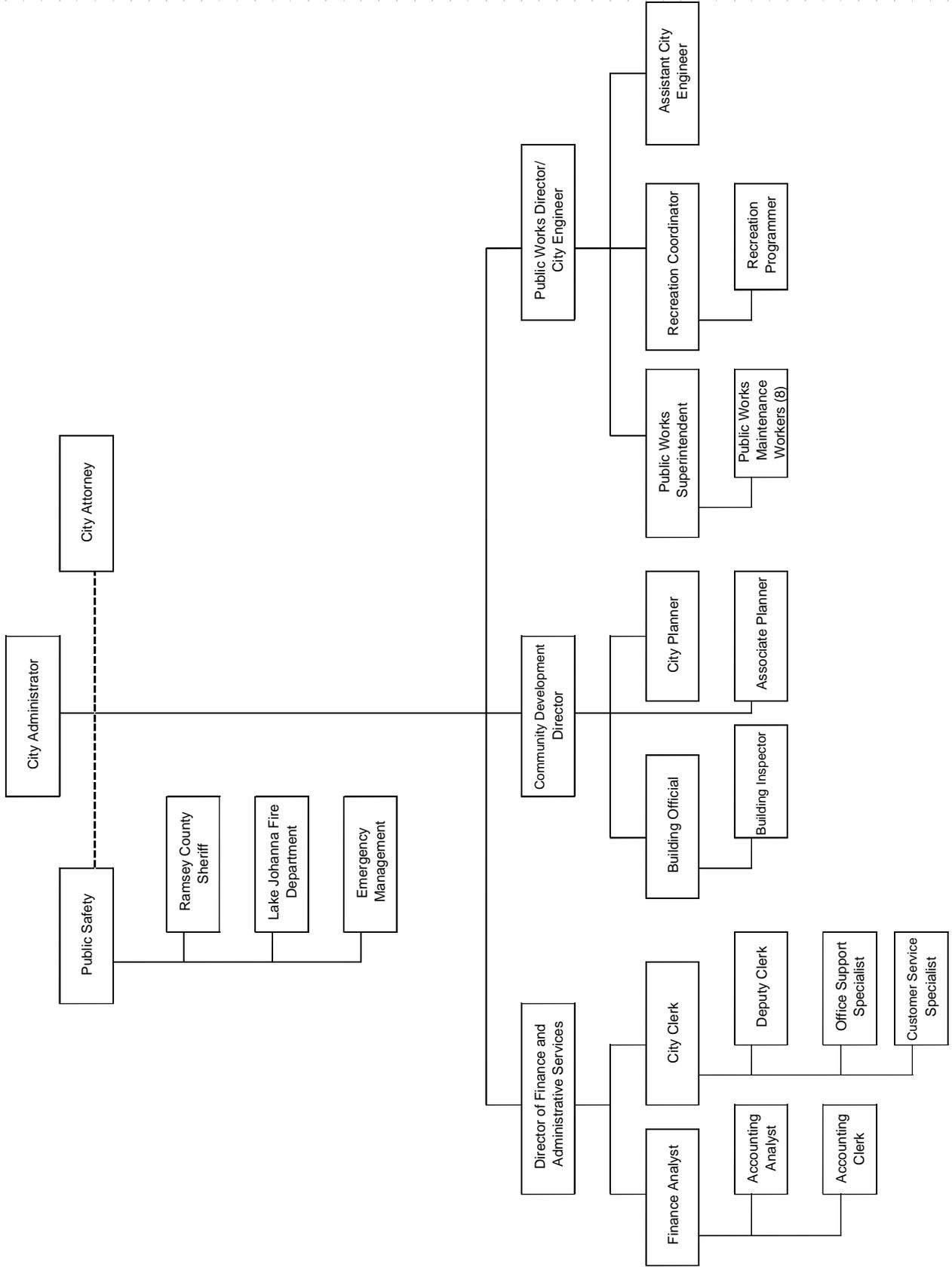
**CITY COUNCIL**

		<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
Vacant	Councilmember	

**APPOINTED OFFICIALS**

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

# 2015 City of Arden Hills Organization Chart



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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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arden Hills, Minnesota (the City) as of and for the year ended December 31, 2015, 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, 2015, 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.

## **EMPHASIS OF MATTER**

As described in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

(continued)

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 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 17, 2016

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## CITY OF ARDEN HILLS

### Management's Discussion and Analysis Year Ended December 31, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is presented in the introductory section of this report.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$50,756,215 (*net position*). Of this amount, \$9,004,174 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,709,159 in 2015, excluding the effect of a change in accounting principle discussed below.
- The City recorded a change in accounting principle related to the implementation of new accounting standards for reporting employee participation in defined benefit pension plans. The change resulted in reductions to the beginning net position of the governmental activities (\$910,589) and business-type activities (\$527,486) on the City's government-wide financial statements. Please note the amounts included in the Management's Discussion and Analysis for 2014 have not been restated.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,894,582. Of this total amount, \$24,828 is nonspendable and \$675,052 is restricted, leaving an unrestricted balance of \$7,194,702.
- At the end of the current fiscal year, the General Fund has a fund balance of \$3,082,410. At December 31, 2015, the unassigned fund balance of the General Fund was 62.9 percent of the subsequent year's budgeted expenditures.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual major governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General; 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. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, surface water management, and recycling operations. Water, sewer, and surface water management are considered to be major funds of the City.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains internal service funds for risk management, engineering, central garage, and technology. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50,756,215 at December 31, 2015.

The largest portion of the City's net position, \$41,076,989, or 81 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 12,335,695	\$ 13,952,181	\$ 1,180,515	\$ 2,458,205	\$ 13,516,210	\$ 16,410,386
Capital assets	24,909,453	18,837,904	16,167,536	14,464,713	41,076,989	33,302,617
<b>Total assets</b>	<b>\$ 37,245,148</b>	<b>\$ 32,790,085</b>	<b>\$ 17,348,051</b>	<b>\$ 16,922,918</b>	<b>\$ 54,593,199</b>	<b>\$ 49,713,003</b>
<b>Deferred outflows of resources</b>						
Pension plan deferments – PERA	\$ 130,662	\$ –	\$ 75,690	\$ –	\$ 206,352	\$ –
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 1,032,869	\$ 395,628	\$ 597,388	\$ 65,840	\$ 1,630,257	\$ 461,468
Other liabilities	1,865,511	1,167,151	346,792	599,253	2,212,303	1,766,404
<b>Total liabilities</b>	<b>\$ 2,898,380</b>	<b>\$ 1,562,779</b>	<b>\$ 944,180</b>	<b>\$ 665,093</b>	<b>\$ 3,842,560</b>	<b>\$ 2,227,872</b>
<b>Deferred inflows of resources</b>						
Pension plan deferments – PERA	\$ 127,132	\$ –	\$ 73,644	\$ –	\$ 200,776	\$ –
<b>Net position</b>						
Investment in capital assets	\$ 24,909,453	\$ 18,837,904	\$ 16,167,536	\$ 14,464,713	\$ 41,076,989	\$ 33,302,617
Restricted	675,052	917,300	–	–	675,052	917,300
Unrestricted	8,765,793	11,472,102	238,381	1,793,112	9,004,174	13,265,214
<b>Total net position</b>	<b>\$ 34,350,298</b>	<b>\$ 31,227,306</b>	<b>\$ 16,405,917</b>	<b>\$ 16,257,825</b>	<b>\$ 50,756,215</b>	<b>\$ 47,485,131</b>

Restricted net position of \$675,052 comprises 1 percent of net position at the close of the fiscal year ending December 31, 2015. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$9,004,174, or approximately 18 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

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

As previously mentioned, the City recorded a change in accounting principle related to the implementation of new accounting standards for reporting employee participation in defined benefit pension plans. Amounts reported in the table above for 2014 have not been restated. This change increased the balances reported above for deferred outflows of resources, long-term liabilities outstanding, and deferred inflows of resources.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2015 with comparative totals for the year ended December 31, 2014:

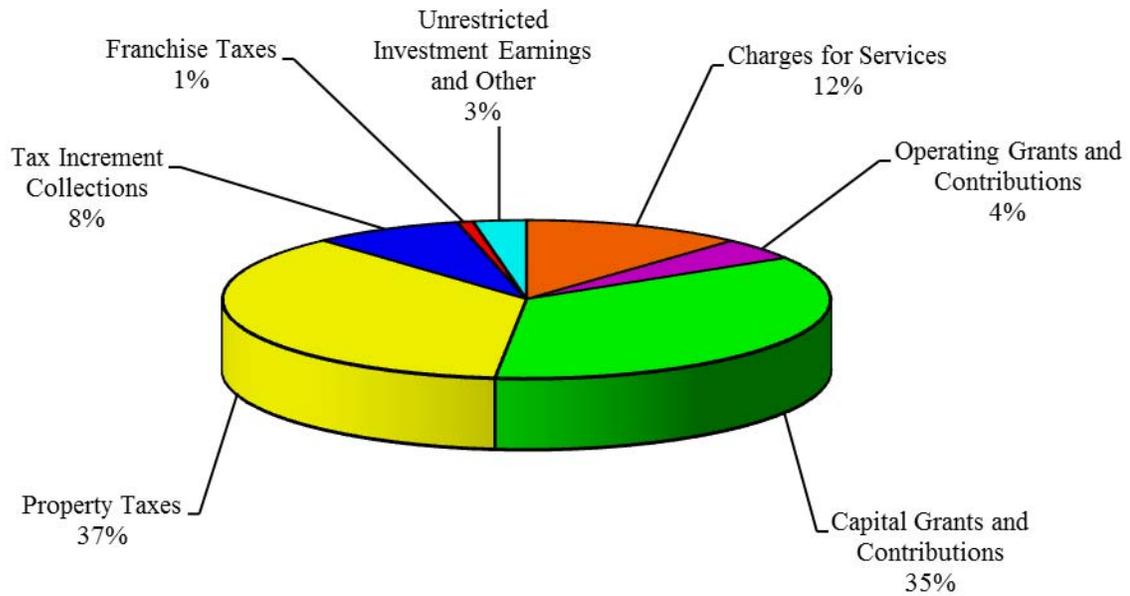
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,025,107	\$ 764,111	\$ 4,866,575	\$ 4,882,716	\$ 5,891,682	\$ 5,646,827
Operating grants and contributions	389,219	300,536	124,228	19,611	513,447	320,147
Capital grants and contributions	3,080,749	2,302,439	–	–	3,080,749	2,302,439
<b>General revenues</b>						
Property taxes	3,191,426	3,182,331	–	–	3,191,426	3,182,331
Tax increment collections	697,898	565,422	–	–	697,898	565,422
Franchise taxes	72,837	103,711	–	–	72,837	103,711
Unrestricted investment earnings	245,540	450,261	35,857	54,360	281,397	504,621
<b>Total revenues</b>	<b>8,702,776</b>	<b>7,668,811</b>	<b>5,026,660</b>	<b>4,956,687</b>	<b>13,729,436</b>	<b>12,625,498</b>
<b>Expenses</b>						
General government	1,281,557	1,294,830	–	–	1,281,557	1,294,830
Public safety	1,978,210	1,887,877	–	–	1,978,210	1,887,877
Public works	194,667	852,109	–	–	194,667	852,109
Parks and recreation	711,181	711,174	–	–	711,181	711,174
Economic development	733,528	522,193	–	–	733,528	522,193
Interest on long-term debt	817	11,004	–	–	817	11,004
Water	–	–	1,803,405	1,893,217	1,803,405	1,893,217
Sewer	–	–	1,587,808	1,506,927	1,587,808	1,506,927
Surface water management	–	–	489,377	432,788	489,377	432,788
Recycling	–	–	239,727	150,417	239,727	150,417
<b>Total expenses</b>	<b>4,899,960</b>	<b>5,279,187</b>	<b>4,120,317</b>	<b>3,983,349</b>	<b>9,020,277</b>	<b>9,262,536</b>
<b>Increase (decrease) in net position before transfers</b>	<b>3,802,816</b>	<b>2,389,624</b>	<b>906,343</b>	<b>973,338</b>	<b>4,709,159</b>	<b>3,362,962</b>
<b>Transfers</b>	<b>230,765</b>	<b>230,765</b>	<b>(230,765)</b>	<b>(230,765)</b>	<b>–</b>	<b>–</b>
<b>Increase (decrease) in net position</b>	<b>4,033,581</b>	<b>2,620,389</b>	<b>675,578</b>	<b>742,573</b>	<b>4,709,159</b>	<b>3,362,962</b>
Net position – beginning, as previously reported	31,227,306	28,606,917	16,257,825	15,515,252	47,485,131	44,122,169
Change in accounting principle	(910,589)	–	(527,486)	–	(1,438,075)	–
Net position – beginning, restated	<u>30,316,717</u>	<u>28,606,917</u>	<u>15,730,339</u>	<u>15,515,252</u>	<u>46,047,056</u>	<u>44,122,169</u>
<b>Net position – ending</b>	<b><u>\$ 34,350,298</u></b>	<b><u>\$ 31,227,306</u></b>	<b><u>\$ 16,405,917</u></b>	<b><u>\$ 16,257,825</u></b>	<b><u>\$ 50,756,215</u></b>	<b><u>\$ 47,485,131</u></b>

**Governmental Activities** – Current year operating results of governmental activities increased net position by \$4,033,581, primarily due to special assessment revenue recognized on capitalized street improvement projects. A mild winter reduced current year expenses recognized in public works, which increased operating results over the prior year.

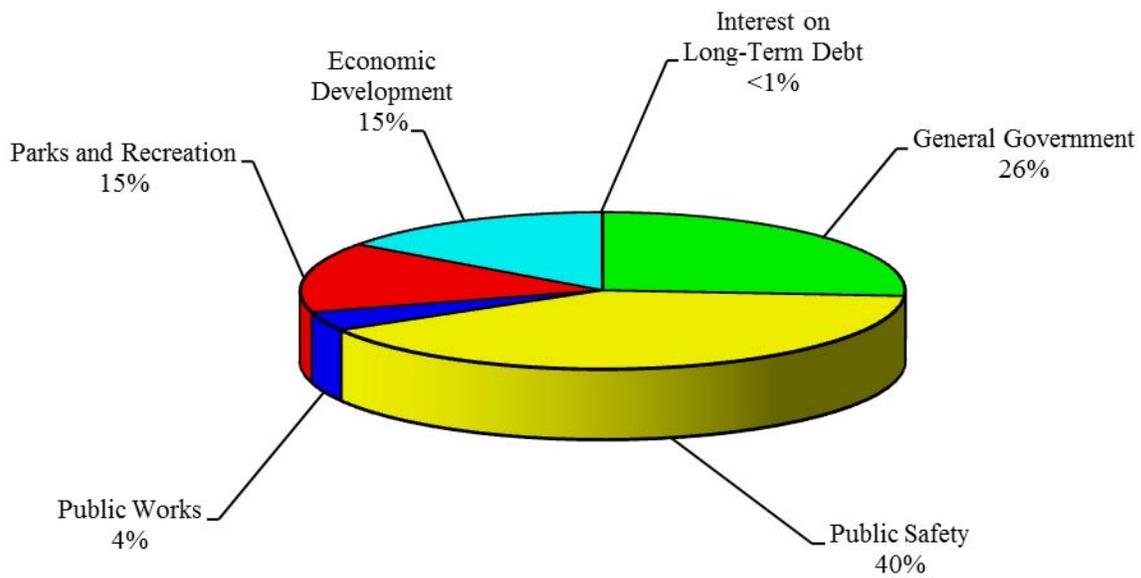
**Business-Type Activities** – Current year operating results of business-type activities increased net position by \$675,578, due to positive results of the utility operations of the City. Program revenues exceeded program expenses for each of the City’s business-type activities.

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

### Governmental Activities – Revenue

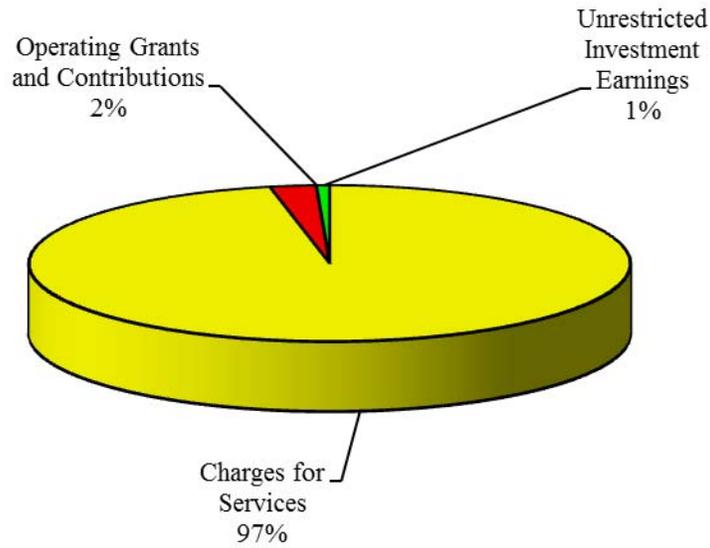


### Governmental Activities – Expenses

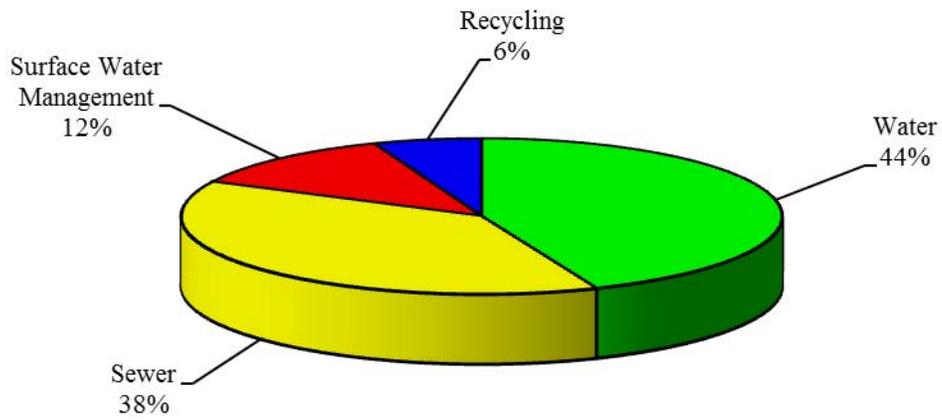


Below are specific graphs that provide comparisons of the business-type activities revenue and expenses:

### Business-Type Activities – Revenue



### Business-Type Activities – Expenses



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,894,582, a decrease of \$3,035,501 in comparison with the prior year. Committed, assigned, and unassigned fund balance, which are available for spending at the government's discretion, have a total balance of \$7,194,702 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 (\$417,899), 2) for cable TV purposes (\$257,153), or 3) is not in spendable form for prepaid items (\$24,828).

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 \$2,806,930, while total fund balance equaled \$3,082,410. 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 62.9 percent of the total subsequent year General Fund expenditures.

The City's General Fund balance increased by \$736,468 during the current fiscal year compared to a \$35,305 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 decreased by \$24,078, which compares to an anticipated fund balance reduction of \$38,727. Tax increment collections and earnings on investments were \$5,000 more than expected in the final budget, while expenditures were \$9,649 below appropriations.

The Tax Increment Bonds Debt Service Fund was closed as of year-end, with the City making final payment on outstanding bonded debt in the current year.

The Equipment, Building, and Replacement Fund decreased by \$116,988 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 decreased by \$3,350,478 as expenditures exceeded revenues 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 includes: \$449,388 for water, negative (\$316,381) for sewer, \$21,607 for surface water management, and \$83,767 for recycling. Water net position increased \$251,659, sewer net position increased \$171,701, surface water management net position increased \$237,362, and recycling net position increased \$14,856 during the year due to operations, while the change in accounting principle accounted for an overall decrease in total proprietary funds net position of 527,486.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$311,597 more than estimated in the budget. Licenses and permits and charges for services revenue surpassed budgeted levels by \$245,116 and \$133,451, 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 \$460,176 spread across several functions, but most noticeably in public works and park maintenance.

During the year, budget amendments approved by the City Council decreased expenditures by \$23,000.

## CAPITAL ASSETS AND LONG-TERM DEBT

**Capital Assets** – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$41,076,989 (net of accumulated depreciation). This investment in capital assets includes items such as land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles. The total increase in the City’s investment in capital assets for the current fiscal year was 23 percent (a 32 percent increase for governmental activities and a 12 percent increase for business-type activities).

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 2,679,818	\$ 2,679,818	\$ –	\$ –	\$ 2,679,818	\$ 2,679,818
Construction in progress	8,394,949	2,667,592	2,655,655	1,124,032	11,050,604	3,791,624
Buildings and structures	3,673,235	3,826,526	787,864	829,408	4,461,099	4,655,934
Infrastructure and improvements	8,786,556	8,541,707	–	–	8,786,556	8,541,707
Distribution and collection systems	–	–	12,610,034	12,383,520	12,610,034	12,383,520
Machinery and equipment	227,349	274,809	113,983	127,753	341,332	402,562
Office furniture and equipment	78,706	93,230	–	–	78,706	93,230
Vehicles	1,068,840	754,222	–	–	1,068,840	754,222
Total	<u>\$ 24,909,453</u>	<u>\$ 18,837,904</u>	<u>\$ 16,167,536</u>	<u>\$ 14,464,713</u>	<u>\$ 41,076,989</u>	<u>\$ 33,302,617</u>

Increases in the current year included projects for streets and trails, contributing to the change in construction in progress as of year-end.

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

**Long-Term Debt** – At the end of the current fiscal year, the City had no bonded debt outstanding. During 2015, the City made the final scheduled debt payment totaling \$280,000. Remaining long-term debt includes the net pension liability and compensated absences payable.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. tax increment bonds payable	\$ -	\$ 280,000	\$ -	\$ -	\$ -	\$ 280,000
Compensated absences payable	104,184	115,628	59,420	65,840	163,604	181,468
Net pension liability	928,685	-	537,968	-	1,466,653	-
Total	<u>\$ 1,032,869</u>	<u>\$ 395,628</u>	<u>\$ 597,388</u>	<u>\$ 65,840</u>	<u>\$ 1,630,257</u>	<u>\$ 461,468</u>

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

The City reported a change in accounting principle for pensions as previously discussed, which required the reporting of a net pension liability in the current year. Prior year balances have not been restated for this new standard.

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

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- Dramatic increases in local government aids and other state sources are not anticipated based on legislation at the time of writing this report.
- Property tax collection rates are expected to remain strong, at or near the 2015 level.

All of these factors were considered in preparing the City’s budget for the 2016 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, 2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 9,421,662	\$ 510,680	\$ 9,932,342
Accrued interest receivable	42,636	3,552	46,188
Accounts receivable	48,000	1,192,437	1,240,437
Taxes receivable	80,907	–	80,907
Special assessments receivable	2,052,995	–	2,052,995
Internal balances	589,754	(589,754)	–
Due from other governmental units	70,532	–	70,532
Prepaid items	29,209	56,627	85,836
Inventory	–	6,973	6,973
Capital assets			
Nondepreciable	11,074,767	2,655,655	13,730,422
Depreciable, net of accumulated depreciation	13,834,686	13,511,881	27,346,567
Total assets	<u>37,245,148</u>	<u>17,348,051</u>	<u>54,593,199</u>
<b>Deferred outflows of resources</b>			
Pension plan deferments – PERA	130,662	75,690	206,352
<b>Liabilities</b>			
Accounts payable	137,949	15,796	153,745
Salaries payable	23,730	14,471	38,201
Contracts payable	818,329	101,491	919,820
Deposits payable	749,066	–	749,066
Due to other governmental units	106,481	215,034	321,515
Unearned revenue	29,956	–	29,956
Compensated absences payable			
Due within one year	78,138	44,565	122,703
Due in more than one year	26,046	14,855	40,901
Net pension liability			
Due in more than one year	928,685	537,968	1,466,653
Total liabilities	<u>2,898,380</u>	<u>944,180</u>	<u>3,842,560</u>
<b>Deferred inflows of resources</b>			
Pension plan deferments – PERA	127,132	73,644	200,776
<b>Net position</b>			
Investment in capital assets	24,909,453	16,167,536	41,076,989
Restricted for			
Tax increment purposes	417,899	–	417,899
Cable TV	257,153	–	257,153
Unrestricted	8,765,793	238,381	9,004,174
Total net position	<u>\$ 34,350,298</u>	<u>\$ 16,405,917</u>	<u>\$ 50,756,215</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Activities  
Year Ended December 31, 2015

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,281,557	\$ 271,991	\$ 220,028	\$ -
Public safety	1,978,210	628,573	82,966	24,215
Public works	194,667	5,205	86,225	3,004,349
Parks and recreation	711,181	119,338	-	52,185
Economic development	733,528	-	-	-
Interest on long-term debt	817	-	-	-
Total governmental activities	<u>4,899,960</u>	<u>1,025,107</u>	<u>389,219</u>	<u>3,080,749</u>
Business-type activities				
Water	1,803,405	2,099,242	-	-
Sewer	1,587,808	1,855,802	-	-
Surface water management	489,377	782,501	-	-
Recycling	<u>239,727</u>	<u>129,030</u>	<u>124,228</u>	<u>-</u>
Total business-type activities	<u>4,120,317</u>	<u>4,866,575</u>	<u>124,228</u>	<u>-</u>
Total primary government	<u>\$ 9,020,277</u>	<u>\$ 5,891,682</u>	<u>\$ 513,447</u>	<u>\$ 3,080,749</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, as previously reported		
		Change in accounting principle		
		Net position – beginning, restated		
		Net position – ending		

See notes to basic financial statements

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (789,538)	\$ —	\$ (789,538)
(1,242,456)	—	(1,242,456)
2,901,112	—	2,901,112
(539,658)	—	(539,658)
(733,528)	—	(733,528)
(817)	—	(817)
<u>(404,885)</u>	<u>—</u>	<u>(404,885)</u>
—	295,837	295,837
—	267,994	267,994
—	293,124	293,124
—	13,531	13,531
<u>—</u>	<u>870,486</u>	<u>870,486</u>
(404,885)	870,486	465,601
3,191,426	—	3,191,426
697,898	—	697,898
72,837	—	72,837
245,540	35,857	281,397
230,765	(230,765)	—
<u>4,438,466</u>	<u>(194,908)</u>	<u>4,243,558</u>
4,033,581	675,578	4,709,159
31,227,306	16,257,825	47,485,131
(910,589)	(527,486)	(1,438,075)
<u>30,316,717</u>	<u>15,730,339</u>	<u>46,047,056</u>
<u>\$ 34,350,298</u>	<u>\$ 16,405,917</u>	<u>\$ 50,756,215</u>

CITY OF ARDEN HILLS

Balance Sheet  
Governmental Funds  
as of December 31, 2015

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement
<b>Assets</b>				
Cash and investments	\$ 3,752,294	\$ 285,705	\$ -	\$ -
Accrued interest receivable	13,706	1,274	-	-
Accounts receivable	46,989	-	-	-
Taxes receivable	78,069	1,723	-	-
Special assessments receivable	10,580	-	-	-
Interfund receivable	-	-	-	-
Due from other governmental units	64,443	-	-	-
Prepaid items	23,983	845	-	-
<b>Total assets</b>	<b>\$ 3,990,064</b>	<b>\$ 289,547</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities</b>				
Accounts payable	\$ 54,480	\$ 419	\$ -	\$ -
Salaries payable	19,788	811	-	-
Contracts payable	-	-	-	-
Deposits payable	749,066	-	-	-
Interfund payable	-	-	-	180,505
Due to other governmental units	13,316	-	-	-
Unearned revenue	29,956	-	-	-
<b>Total liabilities</b>	<b>866,606</b>	<b>1,230</b>	<b>-</b>	<b>180,505</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue – taxes	30,468	1,708	-	-
Unavailable revenue – special assessments	10,580	-	-	-
<b>Total deferred inflows of resources</b>	<b>41,048</b>	<b>1,708</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits)</b>				
Nonspendable	23,983	845	-	-
Restricted	-	-	-	-
Committed	-	285,764	-	-
Assigned	251,497	-	-	-
Unassigned	2,806,930	-	-	(180,505)
<b>Total fund balances (deficits)</b>	<b>3,082,410</b>	<b>286,609</b>	<b>-</b>	<b>(180,505)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,990,064</b>	<b>\$ 289,547</b>	<b>\$ -</b>	<b>\$ -</b>

Fund balances 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

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 are not payable with current financial resources and, therefore, are not reported in governmental funds (see Note 4 for more details on components of long-term liabilities).

Due within one year

Due in more than one year

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows – pension plans

Deferred inflows – pension plans

Deferred inflows – unavailable revenues

Net position of governmental activities

See notes to basic financial statements

Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ 3,805,178	\$ 1,043,039	\$ -	\$ 8,886,216
21,142	4,644	-	40,766
-	1,011	-	48,000
-	1,115	-	80,907
2,042,415	-	-	2,052,995
806,275	-	(216,521)	589,754
5,984	105	-	70,532
-	-	-	24,828
<u>\$ 6,680,994</u>	<u>\$ 1,049,914</u>	<u>\$ (216,521)</u>	<u>\$ 11,793,998</u>
\$ 701	\$ 47,454	\$ -	\$ 103,054
-	752	-	21,351
818,329	-	-	818,329
-	-	-	749,066
-	36,016	(216,521)	-
80,601	105	-	94,022
-	-	-	29,956
<u>899,631</u>	<u>84,327</u>	<u>(216,521)</u>	<u>1,815,778</u>
-	-	-	32,176
<u>2,040,882</u>	<u>-</u>	<u>-</u>	<u>2,051,462</u>
2,040,882	-	-	2,083,638
-	-	-	24,828
-	675,052	-	675,052
-	164,134	-	449,898
3,740,481	162,417	-	4,154,395
-	(36,016)	-	2,590,409
<u>3,740,481</u>	<u>965,587</u>	<u>-</u>	<u>7,894,582</u>
<u>\$ 6,680,994</u>	<u>\$ 1,049,914</u>	<u>\$ (216,521)</u>	<u>\$ 11,793,998</u>
			\$ 7,894,582
			11,074,767
			13,834,686
			478,952
			(68,379)
			(951,478)
			130,662
			(127,132)
			<u>2,083,638</u>
			<u>\$ 34,350,298</u>

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2015

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement
<b>Revenues</b>				
Taxes				
General property taxes	\$ 3,203,004	\$ -	\$ -	\$ -
Tax increments	-	63,361	-	-
Special assessments	1,316	-	-	-
Licenses and permits	518,846	-	-	-
Intergovernmental	130,023	-	-	-
Charges for services	496,908	-	-	-
Fines and forfeits	32,792	-	-	-
Earnings on investments	53,522	5,639	-	-
Franchise taxes	-	-	-	-
Antenna rental fees	189,534	-	-	-
Miscellaneous reimbursements	11,633	-	-	-
Other	24,990	-	-	9,265
Total revenues	<u>4,662,568</u>	<u>69,000</u>	<u>-</u>	<u>9,265</u>
<b>Expenditures</b>				
Current				
General government	1,015,835	-	-	-
Public safety	1,920,280	-	-	-
Public works	336,398	-	-	-
Parks and recreation	573,587	-	-	-
Economic development	-	113,001	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	-	407,018
Economic development	-	10,077	-	-
Debt service				
Principal	-	-	280,000	-
Interest and paying agent fees	-	-	4,900	-
Total expenditures	<u>3,846,100</u>	<u>123,078</u>	<u>284,900</u>	<u>407,018</u>
Revenues over (under) expenditures	816,468	(54,078)	(284,900)	(397,753)
<b>Other financing sources (uses)</b>				
Transfers in	-	30,000	284,900	280,765
Transfers out	(80,000)	-	-	-
Total other financing sources (uses)	<u>(80,000)</u>	<u>30,000</u>	<u>284,900</u>	<u>280,765</u>
Net changes in fund balances	736,468	(24,078)	-	(116,988)
Fund balances (deficits) – beginning	<u>2,345,942</u>	<u>310,687</u>	<u>-</u>	<u>(63,517)</u>
Fund balances (deficits) – ending	<u>\$ 3,082,410</u>	<u>\$ 286,609</u>	<u>\$ -</u>	<u>\$ (180,505)</u>

See notes to basic financial statements

Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,203,004
-	634,537	-	697,898
907,648	-	-	908,964
-	-	-	518,846
1,266,246	-	-	1,396,269
-	-	-	496,908
-	-	-	32,792
146,874	30,912	-	236,947
-	72,837	-	72,837
-	-	-	189,534
-	-	-	11,633
120,000	75,575	-	229,830
<u>2,440,768</u>	<u>813,861</u>	<u>-</u>	<u>7,995,462</u>
-	127,202	-	1,143,037
-	-	-	1,920,280
-	-	-	336,398
-	-	-	573,587
-	136,483	-	249,484
-	52,936	-	52,936
5,791,246	-	-	6,198,264
-	492,765	-	502,842
-	-	-	280,000
-	-	-	4,900
<u>5,791,246</u>	<u>809,386</u>	<u>-</u>	<u>11,261,728</u>
(3,350,478)	4,475	-	(3,266,266)
-	-	(364,900)	230,765
-	(284,900)	364,900	-
-	(284,900)	-	230,765
(3,350,478)	(280,425)	-	(3,035,501)
<u>7,090,959</u>	<u>1,246,012</u>	<u>-</u>	<u>10,930,083</u>
<u>\$ 3,740,481</u>	<u>\$ 965,587</u>	<u>\$ -</u>	<u>\$ 7,894,582</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, 2015

Net changes in fund balances – total governmental funds \$ (3,035,501)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,667,081
Depreciation expense	(595,532)

The issuance of long-term debt 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. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for the net pension liability. Long-term debt activity for the year consists of:

Payments on bonds payable	280,000
Net pension liability	20,166
Interest payable	4,083

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows – pension plans	92,400
Deferred inflows – pension plans	(127,132)
Deferred inflows – unavailable revenues	698,721

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.	16,193
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	13,102
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Change in net position of governmental activities	<u>\$ 4,033,581</u>
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See notes to basic financial statements

## CITY OF ARDEN HILLS

Statement of Net Position  
Proprietary Funds  
as of December 31, 2015

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
<b>Assets</b>						
<b>Current assets</b>						
Cash and investments	\$ 402,366	\$ –	\$ 10,615	\$ 97,699	\$ 510,680	\$ 535,446
Accrued interest receivable	2,462	–	654	436	3,552	1,870
Accounts receivable						
Customers	470,154	441,759	202,362	–	1,114,275	–
Customer accounts certified to county	31,621	37,744	5,556	3,241	78,162	–
Prepaid items	25	56,577	25	–	56,627	4,381
Inventory	6,973	–	–	–	6,973	–
Total current assets	913,601	536,080	219,212	101,376	1,770,269	541,697
<b>Noncurrent assets</b>						
<b>Capital assets</b>						
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	8,321,161	8,449,831	3,093,620	–	19,864,612	–
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	1,122,017	582,518	951,120	–	2,655,655	–
Total capital assets	10,674,952	9,733,763	4,095,560	–	24,504,275	–
Less accumulated depreciation	(3,803,611)	(4,011,053)	(522,075)	–	(8,336,739)	–
Total capital assets (net of accumulated depreciation)	6,871,341	5,722,710	3,573,485	–	16,167,536	–
Total assets	7,784,942	6,258,790	3,792,697	101,376	17,937,805	541,697
<b>Deferred outflows of resources</b>						
Pension plan deferments – PERA	25,918	29,570	20,202	–	75,690	–
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	8,158	–	–	7,638	15,796	34,895
Salaries payable	4,775	5,946	3,486	264	14,471	2,379
Contracts payable	40,774	25,045	35,672	–	101,491	–
Interfund payable	–	589,754	–	–	589,754	–
Due to other governmental units	206,803	–	–	8,231	215,034	12,459
Compensated absences payable	15,144	16,758	11,556	1,107	44,565	9,759
Total current liabilities	275,654	637,503	50,714	17,240	981,111	59,492
<b>Noncurrent liabilities</b>						
Compensated absences payable (net of current portion)	5,048	5,586	3,852	369	14,855	3,253
Net pension liability	184,212	210,171	143,585	–	537,968	–
Total noncurrent liabilities	189,260	215,757	147,437	369	552,823	3,253
Total liabilities	464,914	853,260	198,151	17,609	1,533,934	62,745
<b>Deferred inflows of resources</b>						
Pension plan deferments – PERA	25,217	28,771	19,656	–	73,644	–
<b>Net position</b>						
Investment in capital assets	6,871,341	5,722,710	3,573,485	–	16,167,536	–
Unrestricted	449,388	(316,381)	21,607	83,767	238,381	478,952
Total net position	\$ 7,320,729	\$ 5,406,329	\$ 3,595,092	\$ 83,767	\$ 16,405,917	\$ 478,952

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Year Ended December 31, 2015

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,090,374	\$ 1,851,831	\$ 782,299	\$ 122,314	\$ 4,846,818	\$ 824,614
Permit fees	5,562	2,322	–	–	7,884	–
Miscellaneous	3,306	1,649	202	6,716	11,873	47,808
Total operating revenues	<u>2,099,242</u>	<u>1,855,802</u>	<u>782,501</u>	<u>129,030</u>	<u>4,866,575</u>	<u>872,422</u>
Operating expenses						
Personal services	285,617	348,043	208,902	19,152	861,714	163,107
Supplies and maintenance	30,418	27,070	11,875	–	69,363	119,752
Other services and charges	246,262	291,828	141,288	110,038	789,416	101,467
Rent	22,189	22,189	12,046	–	56,424	–
Insurance	17,525	17,525	17,525	–	52,575	–
Utilities	11,472	14,207	–	9,331	35,010	–
Purchased services	19,282	26,776	25,309	6,900	78,267	494,673
Purchased water	946,450	–	–	–	946,450	–
Recycling charges	–	–	–	94,306	94,306	–
Sewer charges	–	690,951	–	–	690,951	–
Depreciation	224,190	149,219	72,432	–	445,841	–
Total operating expenses	<u>1,803,405</u>	<u>1,587,808</u>	<u>489,377</u>	<u>239,727</u>	<u>4,120,317</u>	<u>878,999</u>
Operating income (loss)	295,837	267,994	293,124	(110,697)	746,258	(6,577)
Nonoperating revenues						
Intergovernmental revenue	–	–	–	124,228	124,228	–
Insurance dividend	–	–	–	–	–	14,177
Earnings on investments	24,218	577	9,737	1,325	35,857	8,593
Total nonoperating revenues	<u>24,218</u>	<u>577</u>	<u>9,737</u>	<u>125,553</u>	<u>160,085</u>	<u>22,770</u>
Income before transfers	320,055	268,571	302,861	14,856	906,343	16,193
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	251,659	171,701	237,362	14,856	675,578	16,193
Net position						
Beginning, as previously reported	7,249,692	5,440,704	3,498,518	68,911	16,257,825	462,759
Change in accounting principle	<u>(180,622)</u>	<u>(206,076)</u>	<u>(140,788)</u>	<u>–</u>	<u>(527,486)</u>	<u>–</u>
Beginning, restated	<u>7,069,070</u>	<u>5,234,628</u>	<u>3,357,730</u>	<u>68,911</u>	<u>15,730,339</u>	<u>462,759</u>
End of year	<u>\$ 7,320,729</u>	<u>\$ 5,406,329</u>	<u>\$ 3,595,092</u>	<u>\$ 83,767</u>	<u>\$ 16,405,917</u>	<u>\$ 478,952</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended December 31, 2015

	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	\$ 2,184,427	\$ 1,907,282	\$ 790,535	\$ 129,806	\$ 5,012,050	\$ 872,422
Payments to suppliers	(1,505,134)	(1,076,502)	(149,293)	(215,389)	(2,946,318)	(721,028)
Payments to employees	(293,246)	(357,010)	(214,519)	(19,450)	(884,225)	(165,685)
Payments for interfund services used	(53,917)	(55,678)	(38,944)	(3,813)	(152,352)	–
Insurance dividend	–	–	–	–	–	14,177
Net cash flows from operating activities	332,130	418,092	387,779	(108,846)	1,029,155	(114)
Cash flows from noncapital financing activities						
Grants received	–	–	–	124,228	124,228	–
Cash received from other funds	331,459	258,295	–	–	589,754	–
Transfers out	(68,396)	(96,870)	(65,499)	–	(230,765)	–
Net cash flows from noncapital financing activities	263,063	161,425	(65,499)	124,228	483,217	–
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(839,033)	(580,094)	(729,537)	–	(2,148,664)	–
Cash flows from investing activities						
Earnings on investments	29,476	577	11,140	1,300	42,493	8,859
Net change in cash and cash equivalents	(214,364)	–	(396,117)	16,682	(593,799)	8,745
Cash and cash equivalents – beginning	616,730	–	406,732	81,017	1,104,479	526,701
Cash and cash equivalents – ending	\$ 402,366	\$ –	\$ 10,615	\$ 97,699	\$ 510,680	\$ 535,446
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 295,837	\$ 267,994	\$ 293,124	\$ (110,697)	\$ 746,258	\$ (6,577)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Insurance dividend	–	–	–	–	–	14,177
Depreciation	224,190	149,219	72,432	–	445,841	–
Decrease (increase) in customer receivables	85,113	51,480	8,034	776	145,403	–
Decrease (increase) in due from other governments	72	–	–	–	72	–
Decrease (increase) in prepaid items	–	(56,552)	–	–	(56,552)	310
Decrease (increase) in inventory	(1,422)	–	–	–	(1,422)	–
Decrease (increase) in deferred outflows	(18,328)	(20,911)	(14,286)	–	(53,525)	–
Increase (decrease) in accounts payable	3,288	(2,377)	(702)	(6,858)	(6,649)	(14,401)
Increase (decrease) in salaries payable	(8,187)	(9,724)	(6,081)	(535)	(24,527)	(4,236)
Increase (decrease) in contracts payable	25,078	25,045	20,712	–	70,835	–
Increase (decrease) in due to other governments	(292,397)	(7,750)	(204)	8,231	(292,120)	8,955
Increase (decrease) in net pension liability	(4,000)	(4,564)	(3,119)	–	(11,683)	–
Increase (decrease) in compensated absences payable	(2,331)	(2,539)	(1,787)	237	(6,420)	1,658
Increase (decrease) in deferred inflows	25,217	28,771	19,656	–	73,644	–
Total adjustments	36,293	150,098	94,655	1,851	282,897	6,463
Net cash flows from operating activities	\$ 332,130	\$ 418,092	\$ 387,779	\$ (108,846)	\$ 1,029,155	\$ (114)

See notes to basic financial statements

## CITY OF ARDEN HILLS

### Notes to Basic Financial Statements December 31, 2015

#### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Organization**

The City of Arden Hills, Minnesota (the City) was incorporated in 1951 and operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### **B. Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component unit. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Blended component units, although legally separate entities, are, in substance, part of the City’s operations; therefore, data from these units are combined with data of the City. The City’s blended component unit has a December 31 year-end. The City has the following component unit:

**Arden Hills Economic Development Authority (EDA)** – The EDA of the City was created pursuant to Minnesota Statutes § 469.090–469.108 to carryout economic and industrial development and redevelopment consistent with policies established by the City Council. It is composed of the members of the City Council and the City has operational responsibility for the component unit. The EDA’s activities are blended and reported in separate special revenue funds. Separate financial statements are not issued for this component unit.

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

### **C. Government-Wide 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, 2015, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 2 Fund and the EDA TIF District No. 4 Fund by \$191,933 and \$45,669, respectively. These variances were financed by revenues in excess of budget and available fund balance.

### **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, 2015, 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 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. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA's fiduciary net position has been determined on the same basis as they are reported by the PERA except that the PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### P. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Q. Deferred Outflows/Inflows of Resources

In addition to assets, a statement of financial position may report a separate financial statement element called deferred outflows of resources, representing consumptions of net position that apply to future periods which are not recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, deferred outflows of resources related to pensions, reported in the government-wide and enterprise funds Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, and projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position or balance sheets may report a separate financial statement element called deferred inflows of resources, representing acquisitions of net position that applies to future periods which are not recognized as an inflow of resources (revenue) until that time. The City has two types of items which qualify for reporting in this category.

The first item, unavailable revenue, arises only under the modified accrual basis of accounting and, therefore, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, deferred inflows of resources related to pensions, is reported in the government-wide and proprietary funds Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

### R. Net Position Classifications and Flow Assumptions

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

- **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.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### S. Fund Balance Classifications and Flow Assumptions

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

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

### T. 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.

### U. 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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****V. Change in Accounting Principle**

During the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These statements included major changes in how governmental employers account for pension benefit expenses and liabilities. Under this new standard, the City is required to report its participation in the state-wide, multi-employer, cost-sharing defined benefit pension plans administered by the PERA. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to report its share of any net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to such pension plans. This standard required retroactive implementation, which resulted in the restatement of net position as of December 31, 2014. The details of the restatement are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Enterprise Funds</u>
Net position – beginning, as previously reported	\$ 31,227,306	\$ 16,257,825	\$ 16,257,825
Change in accounting principle			
Deferred outflows related to pensions	38,262	22,165	22,165
Net pension liability	<u>(948,851)</u>	<u>(549,651)</u>	<u>(549,651)</u>
Total	<u>(910,589)</u>	<u>(527,486)</u>	<u>(527,486)</u>
Net position – beginning, restated	<u>\$ 30,316,717</u>	<u>\$ 15,730,339</u>	<u>\$ 15,730,339</u>

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

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

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

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

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

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

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

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

At year-end, the carrying amount of the City’s deposits and the bank balance was \$387,155. 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, 2015, 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	\$ –	\$ –	\$ –	\$ 699,737	\$ 699,737
Federal Home Loan Bank	AA	–	100,052	1,588,269	–	1,688,321
Municipal bonds	AAA	–	199,438	146,241	–	345,679
Municipal bonds	AA	–	1,239,904	1,452,356	262,955	2,955,215
Commercial paper	A-1+	100,197	–	–	–	100,197
Negotiable certificates of deposit	N/R	247,094	2,316,307	381,775	150,191	3,095,367
Investment pools/mutual funds						
External investment pool – 4M Fund	N/R	241,080	–	–	–	241,080
Wells Fargo Money Market Advantage	AAA	419,079	–	–	–	419,079
<b>Total investments</b>		<b>\$ 1,007,450</b>	<b>\$ 3,855,701</b>	<b>\$ 3,568,641</b>	<b>\$ 1,112,883</b>	<b>9,544,675</b>
Deposits						387,155
Petty cash						512
<b>Total cash and investments</b>						<b>\$ 9,932,342</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 18 percent, in Federal National Mortgage Association (FNMA) investments represented 7 percent, in Milwaukee County (Municipal Bonds) represented 7 percent, and in the City of Oshkosh, WI (Municipal Bonds) represented 7 percent.

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 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	2,667,592	6,250,033	–	(522,676)	8,394,949
Total capital assets, not being depreciated	5,347,410	6,250,033	–	(522,676)	11,074,767
Capital assets, being depreciated					
Buildings and structures	6,425,191	10,030	–	12,471	6,447,692
Infrastructure and improvements	11,110,270	–	–	510,205	11,620,475
Machinery and equipment	828,362	–	–	–	828,362
Office furniture and equipment	146,275	–	–	–	146,275
Vehicles	1,094,920	407,018	–	–	1,501,938
Total capital assets, being depreciated	19,605,018	417,048	–	522,676	20,544,742
Less accumulated depreciation for					
Buildings and structures	2,598,665	175,792	–	–	2,774,457
Infrastructure and improvements	2,568,563	265,356	–	–	2,833,919
Machinery and equipment	553,553	47,460	–	–	601,013
Office furniture and equipment	53,045	14,524	–	–	67,569
Vehicles	340,698	92,400	–	–	433,098
Total accumulated depreciation	6,114,524	595,532	–	–	6,710,056
Total capital assets being depreciated – net	13,490,494	(178,484)	–	522,676	13,834,686
Governmental activities capital assets – net	\$ 18,837,904	\$ 6,071,549	\$ –	\$ –	\$ 24,909,453

### B. Business-Type Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Business-type activities					
Capital assets, not being depreciated					
Construction in progress	\$ 1,124,032	\$ 2,148,664	\$ –	\$ (617,041)	\$ 2,655,655
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	19,247,571	–	–	617,041	19,864,612
Machinery and equipment	950,701	–	–	–	950,701
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total capital assets, being depreciated	21,231,579	–	–	617,041	21,848,620
Less accumulated depreciation for					
Buildings and structures	5,632	41,544	–	–	47,176
Distribution and collection systems	6,864,051	390,527	–	–	7,254,578
Machinery and equipment	822,948	13,770	–	–	836,718
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total accumulated depreciation	7,890,898	445,841	–	–	8,336,739
Total capital assets, being depreciated – net	13,340,681	(445,841)	–	617,041	13,511,881
Business-type activities capital assets – net	\$ 14,464,713	\$ 1,702,823	\$ –	\$ –	\$ 16,167,536

### NOTE 3 – CAPITAL ASSETS (CONTINUED)

#### C. Depreciation Expense by Function

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 128,367
Public safety	2,964
Public works	324,747
Parks and recreation	136,295
Economic development	3,159
	<u>595,532</u>
	\$ 595,532
Business-type activities	
Water	\$ 224,190
Sewer	149,219
Surface water management	72,432
	<u>445,841</u>
	\$ 445,841

#### D. Construction Commitments

At December 31, 2015, 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>
2015 Pavement Management Program	\$ 128,073
Sanitary Sewer Lining	41,336
Round Lake Road	16,113
	<u>185,522</u>
	\$ 185,522

### NOTE 4 – LONG-TERM LIABILITIES

#### 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.

The long-term debt outstanding as of year-end includes compensated absences payable and the net pension liability. The City made the final bond payment on the G.O. Tax Increment Refunding Bonds, Series 2004A on February 1, 2015 as scheduled.

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

**B. Changes in Long-Term Debt**

Long-term debt activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Change in Accounting Principle*	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities						
Bonds payable						
G.O. tax increment bonds	\$ 280,000	\$ –	\$ –	\$ 280,000	\$ –	\$ –
Compensated absences payable	115,628	–	224,048	235,492	104,184	78,138
Net pension liability	–	948,851	227,314	247,480	928,685	–
Total governmental activities long-term liabilities	<u>\$ 395,628</u>	<u>\$ 948,851</u>	<u>\$ 451,362</u>	<u>\$ 762,972</u>	<u>\$ 1,032,869</u>	<u>\$ 78,138</u>
Business-type activities						
Compensated absences payable	\$ 65,840	\$ –	\$ 10,974	\$ 17,394	\$ 59,420	\$ 44,565
Net pension liability	–	549,651	131,678	143,361	537,968	–
Total business-type activities long-term liabilities	<u>\$ 65,840</u>	<u>\$ 549,651</u>	<u>\$ 142,652</u>	<u>\$ 160,755</u>	<u>\$ 597,388</u>	<u>\$ 44,565</u>

\*Adjustment is part of the change in accounting principle described earlier in these notes.

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

**NOTE 5 – FUND BALANCES**

**A. Classifications**

At December 31, 2015, 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	\$ 23,983	\$ 845	\$ –	\$ –	\$ –	\$ 24,828
Restricted for						
Tax increment	–	–	–	–	417,899	417,899
Cable TV	–	–	–	–	257,153	257,153
Total restricted	–	–	–	–	675,052	675,052
Committed for						
Economic development authority	–	285,764	–	–	164,134	449,898
Assigned for						
Compensated absences	91,172	–	–	–	–	91,172
Subsequent year’s budget	160,325	–	–	–	–	160,325
Capital improvements	–	–	–	3,740,481	–	3,740,481
Public safety capital equipment	–	–	–	–	155,748	155,748
TCAAP	–	–	–	–	6,669	6,669
Total assigned	<u>251,497</u>	<u>–</u>	<u>–</u>	<u>3,740,481</u>	<u>162,417</u>	<u>4,154,395</u>
Unassigned	<u>2,806,930</u>	<u>–</u>	<u>(180,505)</u>	<u>–</u>	<u>(36,016)</u>	<u>2,590,409</u>
Total	<u>\$ 3,082,410</u>	<u>\$ 286,609</u>	<u>\$ (180,505)</u>	<u>\$ 3,740,481</u>	<u>\$ 965,587</u>	<u>\$ 7,894,582</u>

## **NOTE 5 – FUND BALANCES (CONTINUED)**

### **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, 2015, the unassigned fund balance of the General Fund was 62.9 percent of the subsequent year's budgeted expenditures.

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

### **A. Plan Description**

The City participates in the following cost-sharing, multiple-employer defined benefit pension plan administered by the PERA. The PERA's defined benefit pension plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

#### **General Employees Retirement Fund (GERF)**

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

### **B. Benefits Provided**

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the State Legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following 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.

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

### **GERF Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated 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 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

### **C. Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

### **GERF Contributions**

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2015. The City was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015 were \$129,774. The City's contributions were equal to the required contributions as set by state statute.

### **D. Pension Costs**

#### **GERF Pension Costs**

At December 31, 2015, the City reported a liability of \$1,466,653 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0283 percent, which was a decrease of 0.0036 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$152,775 for its proportionate share of the GERF's pension expense.

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

At December 31, 2015, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 73,944
Differences between projected and actual investment earnings	138,841	–
Changes in proportion	–	126,832
Contributions paid to the PERA subsequent to the measurement date	<u>67,511</u>	<u>–</u>
 Total	 <u><u>\$ 206,352</u></u>	 <u><u>\$ 200,776</u></u>

Deferred outflows of resources reported \$67,511 related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ (32,216)
2017	\$ (32,216)
2018	\$ (32,216)
2019	\$ 34,713

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

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

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of the PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in the statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
The City’s proportionate share of the GERF net pension liability	\$ 2,306,100	\$ 1,466,653	\$ 773,399

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at [www.mnpera.org](http://www.mnpera.org).

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

**A. Interfund Receivable and Payable**

Interfund receivable and payable balances at December 31, 2015 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 806,275	\$ -
Equipment, Building, and Replacement	-	180,505
Nonmajor – other governmental	-	36,016
Intra-activity eliminations	(216,521)	(216,521)
Total governmental funds	589,754	-
Proprietary funds		
Enterprise funds		
Sewer	-	589,754
Total	\$ 589,754	\$ 589,754

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			
	Governmental Funds			Total
	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	
Governmental funds				
General Fund	\$ 30,000	\$ -	\$ 50,000	\$ 80,000
Nonmajor – other governmental	-	284,900	-	284,900
Proprietary funds				
Water	-	-	68,396	68,396
Sewer	-	-	96,870	96,870
Surface Water Management	-	-	65,499	65,499
Total	\$ 30,000	\$ 284,900	\$ 280,765	\$ 595,665

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 2015 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, 2015 as follows:

	<u>Amount</u>
Governmental funds	
Equipment, Building, and Replacement	\$ 180,505
Nonmajor – Parks	36,016
Proprietary funds	
Internal service funds – Central Garage	17,976
Internal service funds – Technology	<u>16,869</u>
	<u>\$ 251,366</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 the LMCIT for its workers' compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. There were no significant reductions in insurance from the previous year or settled claims in excess of insurance coverage for any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred, but not reported. The City's management is not aware of any incurred, but unreported claims.

### B. Litigation

The city attorney has indicated that existing and pending lawsuits, claims, and other actions in which the City is a defendant are either covered by insurance, of an immaterial amount, or, in the judgment of the city attorney, remotely recoverable by plaintiffs.

### 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, 2015.

## 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 2015.

### 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 \$459,179 in 2015.

## 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, 2015 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	10,000,000
Senior Housing Revenue Note, Series 2015A	Senior housing	<u>10,000,000</u>
Total		<u>\$ 35,500,000</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**TAB**



CITY OF ARDEN HILLS

Required Supplementary Information  
Schedule of City's Proportionate Share of Net Pension Liability  
PERA – Public Employees General Employees Retirement Fund

City fiscal year-end date	<u>12/31/2015</u>
PERA fiscal year-end date (measurement date)	<u>6/30/2015</u>
City's proportion of the net pension liability	<u>0.0283%</u>
City's proportionate share of the net pension liability	<u>\$ 1,466,653</u>
City's covered payroll	<u>\$ 1,662,826</u>
City's proportionate share of the net pension liability as a percentage of its covered payroll	<u>88.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.20%</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This information is not available for previous fiscal years.

CITY OF ARDEN HILLS

Required Supplementary Information  
Schedule of City Contributions  
PERA – Public Employees General Employees Retirement Fund

City fiscal year-end date	<u>12/31/2015</u>
PERA fiscal year-end date (measurement date)	<u>6/30/2015</u>
Statutorily required contributions	\$ 129,774
Contributions in relation to the statutorily required contributions	<u>129,774</u>
Contribution deficiency (excess)	<u>\$ —</u>
City's covered-employee payroll	<u>\$ 1,731,651</u>
Contributions as a percentage of covered-employee payroll	<u>7.49%</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This information is not available for previous fiscal years.

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund  
 Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
General property taxes	\$ 3,389,875	\$ 3,389,875	\$ 3,203,004	\$ (186,871)
Special assessments	3,000	3,000	1,316	(1,684)
<b>Licenses and permits</b>				
Business	52,550	52,550	49,961	(2,589)
Nonbusiness	221,180	221,180	468,885	247,705
Total licenses and permits	<u>273,730</u>	<u>273,730</u>	<u>518,846</u>	<u>245,116</u>
<b>Intergovernmental</b>				
State				
Road maintenance	80,000	80,000	86,225	6,225
PERA aid	5,179	5,179	5,179	–
Police aid	40,149	40,149	38,619	(1,530)
Total intergovernmental	<u>125,328</u>	<u>125,328</u>	<u>130,023</u>	<u>4,695</u>
<b>Charges for services</b>				
General government	68,593	68,593	171,233	102,640
Public safety	10,000	10,000	20,800	10,800
Parks and recreation	105,230	105,230	119,338	14,108
<b>Administrative charges</b>				
Internal service funds	12,291	12,291	12,046	(245)
Enterprise funds	144,150	144,150	152,315	8,165
Special revenue funds	23,193	23,193	21,176	(2,017)
Total charges for services	<u>363,457</u>	<u>363,457</u>	<u>496,908</u>	<u>133,451</u>
Fines and forfeits	38,740	38,740	32,792	(5,948)
Earnings on investments	65,000	65,000	53,522	(11,478)
Antenna rental fees	76,486	76,486	189,534	113,048
Miscellaneous reimbursements	7,205	7,205	11,633	4,428
Other	8,150	8,150	24,990	16,840
Total revenues	<u>4,350,971</u>	<u>4,350,971</u>	<u>4,662,568</u>	<u>311,597</u>
<b>Expenditures</b>				
Current				
General government				
City Council				
Personal services	31,211	31,211	29,649	1,562
Other services and charges	58,443	35,443	28,481	6,962
Total City Council	<u>89,654</u>	<u>66,654</u>	<u>58,130</u>	<u>8,524</u>
Elections				
Other services and charges	23,000	23,000	19,438	3,562

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund (continued)  
 Year Ended December 31, 2015

	<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	179,499	179,499	163,078	16,421
Materials and supplies	–	–	378	(378)
Other services and charges	105,948	105,948	82,153	23,795
Total administration	<u>285,447</u>	<u>285,447</u>	<u>245,609</u>	<u>39,838</u>
Finance				
Personal services	67,498	67,498	59,612	7,886
Materials and supplies	24,100	24,100	22,738	1,362
Other services and charges	87,724	87,724	80,195	7,529
Total finance	<u>179,322</u>	<u>179,322</u>	<u>162,545</u>	<u>16,777</u>
TCAAP				
Personal services	93,657	93,657	92,230	1,427
Materials and supplies	1,000	1,000	–	1,000
Other services and charges	64,500	64,500	47,583	16,917
Total TCAAP	<u>159,157</u>	<u>159,157</u>	<u>139,813</u>	<u>19,344</u>
Planning and zoning				
Personal services	149,984	149,984	149,861	123
Materials and supplies	394	394	31	363
Other services and charges	50,850	50,850	20,738	30,112
Total planning and zoning	<u>201,228</u>	<u>201,228</u>	<u>170,630</u>	<u>30,598</u>
General government buildings				
Personal services	31,491	31,491	25,873	5,618
Materials and supplies	4,500	4,500	5,469	(969)
Other services and charges	175,217	175,217	188,328	(13,111)
Total general government buildings	<u>211,208</u>	<u>211,208</u>	<u>219,670</u>	<u>(8,462)</u>
Total general government	1,149,016	1,126,016	1,015,835	110,181
Public safety				
Police and animal control				
Other services and charges	1,087,872	1,087,872	1,083,893	3,979
Dispatch				
Other services and charges	69,468	69,468	68,328	1,140
Fire protection				
Other services and charges	459,179	459,179	459,179	–
Emergency management				
Personal services	2,654	2,654	2,147	507
Other services and charges	10,850	10,850	435	10,415
Total emergency management	<u>13,504</u>	<u>13,504</u>	<u>2,582</u>	<u>10,922</u>

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – General Fund (continued)  
 Year Ended December 31, 2015

	<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	236,929	236,929	241,370	(4,441)
Materials and supplies	3,046	3,046	677	2,369
Other services and charges	52,540	52,540	64,251	(11,711)
Total protective inspections	<u>292,515</u>	<u>292,515</u>	<u>306,298</u>	<u>(13,783)</u>
Total public safety	1,922,538	1,922,538	1,920,280	2,258
Public works				
Street maintenance				
Personal services	197,027	197,027	187,440	9,587
Materials and supplies	72,625	72,625	65,564	7,061
Other services and charges	255,334	255,334	83,394	171,940
Total public works	<u>524,986</u>	<u>524,986</u>	<u>336,398</u>	<u>188,588</u>
Parks and recreation				
Park maintenance				
Personal services	288,029	288,029	205,539	82,490
Materials and supplies	36,000	36,000	24,219	11,781
Other services and charges	178,849	178,849	95,951	82,898
Total park maintenance	<u>502,878</u>	<u>502,878</u>	<u>325,709</u>	<u>177,169</u>
Recreation				
Personal services	158,592	158,592	171,377	(12,785)
Materials and supplies	16,275	16,275	19,428	(3,153)
Other services and charges	54,991	54,991	57,073	(2,082)
Total recreation	<u>229,858</u>	<u>229,858</u>	<u>247,878</u>	<u>(18,020)</u>
Total parks and recreation	<u>732,736</u>	<u>732,736</u>	<u>573,587</u>	<u>159,149</u>
Total expenditures	<u>4,329,276</u>	<u>4,306,276</u>	<u>3,846,100</u>	<u>460,176</u>
Revenues over (under) expenditures	21,695	44,695	816,468	771,773
Other financing sources (uses)				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>–</u>
Net change in fund balance	<u>\$ (58,305)</u>	<u>\$ (35,305)</u>	736,468	<u>\$ 771,773</u>
Fund balance – beginning			<u>2,345,942</u>	
Fund balance – ending			<u>\$ 3,082,410</u>	

CITY OF ARDEN HILLS

Required Supplementary Information  
 Budgetary Comparison Schedule – EDA Operating Fund  
 Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes – tax increments	\$ 60,000	\$ 60,000	\$ 63,361	\$ 3,361
Earnings on investments	4,000	4,000	5,639	1,639
Total revenues	<u>64,000</u>	<u>64,000</u>	<u>69,000</u>	<u>5,000</u>
<b>Expenditures</b>				
Economic development				
Current				
Personal services	63,632	63,632	60,769	2,863
Materials and supplies	650	650	257	393
Other services and charges	68,445	68,445	51,975	16,470
Capital outlay				
Economic development	–	–	10,077	(10,077)
Total expenditures	<u>132,727</u>	<u>132,727</u>	<u>123,078</u>	<u>9,649</u>
Revenue over (under) expenditures	(68,727)	(68,727)	(54,078)	14,649
<b>Other financing sources</b>				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>–</u>
Net change in fund balances	<u>\$ (38,727)</u>	<u>\$ (38,727)</u>	<u>(24,078)</u>	<u>\$ 14,649</u>
Fund balance – beginning			<u>310,687</u>	
Fund balance – ending			<u>\$ 286,609</u>	

CITY OF ARDEN HILLS

Note to Required Supplementary Information  
December 31, 2015

**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, 2015

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 839,172	\$ 203,867	\$ 1,043,039
Accrued interest receivable	3,694	950	4,644
Accounts receivable	-	1,011	1,011
Taxes receivable	1,115	-	1,115
Due from other governmental units	105	-	105
	<u>844,086</u>	<u>205,828</u>	<u>1,049,914</u>
Total assets	<u>\$ 844,086</u>	<u>\$ 205,828</u>	<u>\$ 1,049,914</u>
<b>Liabilities</b>			
Accounts payable	\$ 4,043	\$ 43,411	\$ 47,454
Salaries payable	752	-	752
Interfund payable	-	36,016	36,016
Due to other governmental units	105	-	105
	<u>4,900</u>	<u>79,427</u>	<u>84,327</u>
Total liabilities	<u>4,900</u>	<u>79,427</u>	<u>84,327</u>
<b>Fund balances (deficits)</b>			
Restricted	675,052	-	675,052
Committed	164,134	-	164,134
Assigned	-	162,417	162,417
Unassigned	-	(36,016)	(36,016)
	<u>839,186</u>	<u>126,401</u>	<u>965,587</u>
Total fund balances	<u>839,186</u>	<u>126,401</u>	<u>965,587</u>
Total liabilities and fund balances	<u>\$ 844,086</u>	<u>\$ 205,828</u>	<u>\$ 1,049,914</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2015

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Taxes			
Tax increments	\$ 634,537	\$ -	\$ 634,537
Earnings on investments	25,100	5,812	30,912
Franchise taxes	72,837	-	72,837
Other	-	75,575	75,575
Total revenues	<u>732,474</u>	<u>81,387</u>	<u>813,861</u>
<b>Expenditures</b>			
Current			
General government	127,202	-	127,202
Economic development	136,483	-	136,483
Capital outlay			
Public safety	-	52,936	52,936
Economic development	422,872	69,893	492,765
Total expenditures	<u>686,557</u>	<u>122,829</u>	<u>809,386</u>
Revenues over (under) expenditures	45,917	(41,442)	4,475
<b>Other financing sources (uses)</b>			
Transfers out	<u>(284,900)</u>	<u>-</u>	<u>(284,900)</u>
Net change in fund balances	(238,983)	(41,442)	(280,425)
Fund balances – beginning	<u>1,078,169</u>	<u>167,843</u>	<u>1,246,012</u>
Fund balances – ending	<u>\$ 839,186</u>	<u>\$ 126,401</u>	<u>\$ 965,587</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, 2015

	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	\$ 260,764	\$ 163,425	\$ -	\$ 396,868	\$ 18,115	\$ 839,172
Accrued interest receivable	1,184	709	-	1,722	79	3,694
Taxes receivable	-	-	-	1,115	-	1,115
Due from other governmental units	-	-	105	-	-	105
<b>Total assets</b>	<b>\$ 261,948</b>	<b>\$ 164,134</b>	<b>\$ 105</b>	<b>\$ 399,705</b>	<b>\$ 18,194</b>	<b>\$ 844,086</b>
<b>Liabilities</b>						
Accounts payable	\$ 4,043	\$ -	\$ -	\$ -	\$ -	\$ 4,043
Salaries payable	752	-	-	-	-	752
Due to other governmental units	-	-	105	-	-	105
<b>Total liabilities</b>	<b>4,795</b>	<b>-</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>4,900</b>
<b>Fund balances</b>						
Restricted	257,153	-	-	399,705	18,194	675,052
Committed	-	164,134	-	-	-	164,134
<b>Total fund balances</b>	<b>257,153</b>	<b>164,134</b>	<b>-</b>	<b>399,705</b>	<b>18,194</b>	<b>839,186</b>
<b>Total liabilities and fund balances</b>	<b>\$ 261,948</b>	<b>\$ 164,134</b>	<b>\$ 105</b>	<b>\$ 399,705</b>	<b>\$ 18,194</b>	<b>\$ 844,086</b>

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds  
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2015

	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>						
Taxes						
Tax increments	\$ -	\$ -	\$ 419,839	\$ 67,844	\$ 146,854	\$ 634,537
Earnings on investments	5,706	3,265	8,537	6,938	654	25,100
Franchise taxes	72,837	-	-	-	-	72,837
Total revenues	<u>78,543</u>	<u>3,265</u>	<u>428,376</u>	<u>74,782</u>	<u>147,508</u>	<u>732,474</u>
<b>Expenditures</b>						
Current						
General government	127,202	-	-	-	-	127,202
Economic development	-	-	1,361	1,273	133,849	136,483
Capital outlay						
Economic development	-	-	422,872	-	-	422,872
Total expenditures	<u>127,202</u>	<u>-</u>	<u>424,233</u>	<u>1,273</u>	<u>133,849</u>	<u>686,557</u>
Revenues over (under) expenditures	(48,659)	3,265	4,143	73,509	13,659	45,917
<b>Other financing sources (uses)</b>						
Transfers out	-	-	(284,900)	-	-	(284,900)
Net change in fund balances	(48,659)	3,265	(280,757)	73,509	13,659	(238,983)
Fund balances – beginning	<u>305,812</u>	<u>160,869</u>	<u>280,757</u>	<u>326,196</u>	<u>4,535</u>	<u>1,078,169</u>
Fund balances – ending	<u>\$ 257,153</u>	<u>\$ 164,134</u>	<u>\$ -</u>	<u>\$ 399,705</u>	<u>\$ 18,194</u>	<u>\$ 839,186</u>

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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, 2015

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
<b>Assets</b>				
Cash and investments	\$ -	\$ 197,292	\$ 6,575	\$ 203,867
Accrued interest receivable	-	856	94	950
Accounts receivable	-	1,011	-	1,011
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 199,159</b>	<b>\$ 6,669</b>	<b>\$ 205,828</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 43,411	\$ -	\$ 43,411
Interfund payable	36,016	-	-	36,016
<b>Total liabilities</b>	<b>36,016</b>	<b>43,411</b>	<b>-</b>	<b>79,427</b>
<b>Fund balances (deficits)</b>				
Assigned	-	155,748	6,669	162,417
Unassigned	(36,016)	-	-	(36,016)
<b>Total fund balances (deficits)</b>	<b>(36,016)</b>	<b>155,748</b>	<b>6,669</b>	<b>126,401</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 199,159</b>	<b>\$ 6,669</b>	<b>\$ 205,828</b>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds  
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2015

	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
<b>Revenues</b>				
Earnings on investments	\$ -	\$ 4,111	\$ 1,701	\$ 5,812
Other	51,360	24,215	-	75,575
<b>Total revenues</b>	<u>51,360</u>	<u>28,326</u>	<u>1,701</u>	<u>81,387</u>
<b>Expenditures</b>				
Capital outlay				
Public safety	-	52,936	-	52,936
Economic development	-	-	69,893	69,893
<b>Total expenditures</b>	<u>-</u>	<u>52,936</u>	<u>69,893</u>	<u>122,829</u>
<b>Net change in fund balances</b>	51,360	(24,610)	(68,192)	(41,442)
Fund balances (deficits) – beginning	<u>(87,376)</u>	<u>180,358</u>	<u>74,861</u>	<u>167,843</u>
Fund balances (deficits) – ending	<u><u>\$ (36,016)</u></u>	<u><u>\$ 155,748</u></u>	<u><u>\$ 6,669</u></u>	<u><u>\$ 126,401</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 3,000	\$ 3,000	\$ 5,706	\$ 2,706
Franchise taxes	94,000	94,000	72,837	(21,163)
Total revenues	<u>97,000</u>	<u>97,000</u>	<u>78,543</u>	<u>(18,457)</u>
Expenditures				
Current				
General government				
Personal services	47,491	47,491	46,482	1,009
Other services and charges	75,160	98,160	80,720	17,440
Capital outlay				
General government	7,500	7,500	–	7,500
Total expenditures	<u>130,151</u>	<u>153,151</u>	<u>127,202</u>	<u>25,949</u>
Net change in fund balances	<u>\$ (33,151)</u>	<u>\$ (56,151)</u>	<u>(48,659)</u>	<u>\$ 7,492</u>
Fund balances – beginning			<u>305,812</u>	
Fund balances – ending			<u>\$ 257,153</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 3,265</u>	<u>\$ 765</u>
Net change in fund balances	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>3,265</u>	<u>\$ 765</u>
Fund balances – beginning			<u>160,869</u>	
Fund balances – ending			<u>\$ 164,134</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 350,000	\$ 350,000	\$ 419,839	\$ 69,839
Earnings on investments	200	200	8,537	8,337
Total revenues	<u>350,200</u>	<u>350,200</u>	<u>428,376</u>	<u>78,176</u>
Expenditures				
Current				
Economic development				
Other services and charges	2,300	2,300	1,361	939
Capital outlay				
Economic development	<u>230,000</u>	<u>230,000</u>	<u>422,872</u>	<u>(192,872)</u>
Total expenditures	<u>232,300</u>	<u>232,300</u>	<u>424,233</u>	<u>(191,933)</u>
Revenue over (under) expenditures	117,900	117,900	4,143	(113,757)
Other financing sources (uses)				
Transfers out	<u>(285,350)</u>	<u>(285,350)</u>	<u>(284,900)</u>	<u>450</u>
Net change in fund balances	<u>\$ (167,450)</u>	<u>\$ (167,450)</u>	<u>(280,757)</u>	<u>\$ (113,307)</u>
Fund balances – beginning			<u>280,757</u>	
Fund balances – ending			<u>\$ -</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 45,000	\$ 45,000	\$ 67,844	\$ 22,844
Earnings on investments	4,000	4,000	6,938	2,938
Total revenues	<u>49,000</u>	<u>49,000</u>	<u>74,782</u>	<u>25,782</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,700</u>	<u>4,700</u>	<u>1,273</u>	<u>3,427</u>
Net change in fund balances	<u>\$ 44,300</u>	<u>\$ 44,300</u>	73,509	<u>\$ 29,209</u>
Fund balances – beginning			<u>326,196</u>	
Fund balances – ending			<u>\$ 399,705</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, 2015

	<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	\$ 146,854	\$ 51,654
Earnings on investments	–	–	654	654
Total revenues	<u>95,200</u>	<u>95,200</u>	<u>147,508</u>	<u>52,308</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>88,180</u>	<u>88,180</u>	<u>133,849</u>	<u>(45,669)</u>
Net change in fund balances	<u>\$ 7,020</u>	<u>\$ 7,020</u>	<u>13,659</u>	<u>\$ 6,639</u>
Fund balances – beginning			<u>4,535</u>	
Fund balances – ending			<u>\$ 18,194</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, 2015

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
<b>Assets</b>					
<b>Current assets</b>					
Cash and investments	\$ 447,266	\$ 78,127	\$ 6,070	\$ 3,983	\$ 535,446
Accrued interest receivable	1,499	371	-	-	1,870
Prepaid items	-	-	-	4,381	4,381
Total assets	<u>448,765</u>	<u>78,498</u>	<u>6,070</u>	<u>8,364</u>	<u>541,697</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	500	-	9,858	24,537	34,895
Salaries payable	145	1,964	178	92	2,379
Due to other governmental units	-	-	12,459	-	12,459
Compensated absences payable	754	7,389	1,163	453	9,759
Total current liabilities	<u>1,399</u>	<u>9,353</u>	<u>23,658</u>	<u>25,082</u>	<u>59,492</u>
<b>Noncurrent liabilities</b>					
Compensated absences payable (net of current portion)	<u>251</u>	<u>2,463</u>	<u>388</u>	<u>151</u>	<u>3,253</u>
Total liabilities	<u>1,650</u>	<u>11,816</u>	<u>24,046</u>	<u>25,233</u>	<u>62,745</u>
<b>Net position</b>					
Unrestricted	<u>\$ 447,115</u>	<u>\$ 66,682</u>	<u>\$ (17,976)</u>	<u>\$ (16,869)</u>	<u>\$ 478,952</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,  
and Changes in Net Position  
Internal Service Funds  
Year Ended December 31, 2015

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 321,860	\$ 157,650	\$ 180,997	\$ 164,107	\$ 824,614
Miscellaneous	47,645	163	-	-	47,808
Total operating revenues	<u>369,505</u>	<u>157,813</u>	<u>180,997</u>	<u>164,107</u>	<u>872,422</u>
Operating expenses					
Personal services	10,206	128,675	17,929	6,297	163,107
Supplies and maintenance	-	-	113,258	6,494	119,752
Other services and charges	42,552	5,701	50,828	2,386	101,467
Purchased services	324,827	1,200	2,353	166,293	494,673
Total operating expenses	<u>377,585</u>	<u>135,576</u>	<u>184,368</u>	<u>181,470</u>	<u>878,999</u>
Operating income (loss)	(8,080)	22,237	(3,371)	(17,363)	(6,577)
Nonoperating revenues					
Insurance dividend	14,177	-	-	-	14,177
Earnings on investments	7,213	1,380	-	-	8,593
Total nonoperating revenues	<u>21,390</u>	<u>1,380</u>	<u>-</u>	<u>-</u>	<u>22,770</u>
Change in net position	13,310	23,617	(3,371)	(17,363)	16,193
Net position – beginning	<u>433,805</u>	<u>43,065</u>	<u>(14,605)</u>	<u>494</u>	<u>462,759</u>
Net position – ending	<u>\$ 447,115</u>	<u>\$ 66,682</u>	<u>\$ (17,976)</u>	<u>\$ (16,869)</u>	<u>\$ 478,952</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended December 31, 2015

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 369,505	\$ 157,813	\$ 180,997	\$ 164,107	\$ 872,422
Payments to suppliers	(395,568)	(6,901)	(163,333)	(155,226)	(721,028)
Payments to employees	(10,592)	(129,268)	(19,504)	(6,321)	(165,685)
Insurance dividend	14,177	-	-	-	14,177
Net cash flows from operating activities	<u>(22,478)</u>	<u>21,644</u>	<u>(1,840)</u>	<u>2,560</u>	<u>(114)</u>
Cash flows from investing activities					
Earnings on investments	<u>7,549</u>	<u>1,310</u>	<u>-</u>	<u>-</u>	<u>8,859</u>
Net change in cash and cash equivalents	(14,929)	22,954	(1,840)	2,560	8,745
Cash and cash equivalents – beginning	<u>462,195</u>	<u>55,173</u>	<u>7,910</u>	<u>1,423</u>	<u>526,701</u>
Cash and cash equivalents – ending	<u>\$ 447,266</u>	<u>\$ 78,127</u>	<u>\$ 6,070</u>	<u>\$ 3,983</u>	<u>\$ 535,446</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (8,080)	\$ 22,237	\$ (3,371)	\$ (17,363)	\$ (6,577)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Insurance dividend	14,177	-	-	-	14,177
Decrease (increase) in prepaid items	-	-	710	(400)	310
Increase (decrease) in accounts payable	(28,189)	-	(7,275)	21,063	(14,401)
Increase (decrease) in salaries payable	(323)	(3,116)	(634)	(163)	(4,236)
Increase (decrease) in due to other governments	-	-	9,671	(716)	8,955
Increase (decrease) in compensated absences payable	(63)	2,523	(941)	139	1,658
Total adjustments	<u>(14,398)</u>	<u>(593)</u>	<u>1,531</u>	<u>19,923</u>	<u>6,463</u>
Net cash flows from operating activities	<u>\$ (22,478)</u>	<u>\$ 21,644</u>	<u>\$ (1,840)</u>	<u>\$ 2,560</u>	<u>\$ (114)</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.

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Investment in capital assets	\$ 13,300,454	\$ 13,832,891	\$ 13,859,332	\$ 14,789,291
Restricted	459,194	630,255	836,195	1,060,973
Unrestricted	7,730,510	9,029,227	9,304,608	9,176,652
Total governmental activities net position	<u>\$ 21,490,158</u>	<u>\$ 23,492,373</u>	<u>\$ 24,000,135</u>	<u>\$ 25,026,916</u>
Business-type activities				
Investment in capital assets	\$ 10,804,213	\$ 10,701,103	\$ 10,449,932	\$ 10,507,344
Unrestricted	1,073,804	1,615,782	1,977,168	2,171,942
Total business-type activities net position	<u>\$ 11,878,017</u>	<u>\$ 12,316,885</u>	<u>\$ 12,427,100</u>	<u>\$ 12,679,286</u>
Primary government				
Investment in capital assets	\$ 24,104,667	\$ 24,533,994	\$ 24,309,264	\$ 25,296,635
Restricted	459,194	630,255	836,195	1,060,973
Unrestricted	8,804,314	10,645,009	11,281,776	11,348,594
Total primary government net position	<u>\$ 33,368,175</u>	<u>\$ 35,809,258</u>	<u>\$ 36,427,235</u>	<u>\$ 37,706,202</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

2010	2011	2012	2013	2014	2015
\$ 16,341,354	\$ 17,498,478	\$ 17,167,531	\$ 17,435,976	\$ 18,837,904	\$ 24,909,453
1,329,092	1,694,212	1,788,007	896,106	917,300	675,052
9,008,528	9,133,279	9,738,832	10,274,835	11,472,102	8,765,793
<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>	<u>\$ 34,350,298</u>
\$ 10,530,204	\$ 10,961,855	\$ 12,360,674	\$ 14,356,782	\$ 14,464,713	\$ 16,167,536
2,621,579	3,248,534	2,403,645	1,158,470	1,793,112	238,381
<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>	<u>\$ 16,405,917</u>
\$ 26,871,558	\$ 28,460,333	\$ 29,528,205	\$ 31,792,758	\$ 33,302,617	\$ 41,076,989
1,329,092	1,694,212	1,788,007	896,106	917,300	675,052
11,630,107	12,381,813	12,142,477	11,433,305	13,265,214	9,004,174
<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>	<u>\$ 50,756,215</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
<b>Governmental activities</b>				
General government	\$ 1,300,163	\$ 1,778,811	\$ 1,640,599	\$ 1,622,425
Public safety	1,388,756	1,348,220	1,582,531	1,648,349
Public works	239,026	484,983	538,869	436,200
Parks and recreation	610,008	644,137	710,298	734,148
Economic development	962,061	128,709	43,791	48,322
Interest on long-term debt	72,758	66,820	60,233	53,496
Total governmental activities	<u>4,572,772</u>	<u>4,451,680</u>	<u>4,576,321</u>	<u>4,542,940</u>
<b>Business-type activities</b>				
Water	1,395,983	1,461,455	1,510,998	1,648,815
Sewer	1,167,629	1,280,486	1,143,557	1,268,018
Surface water management	115,872	147,395	219,483	269,562
Recycling	81,630	81,582	113,709	118,197
Total business-type activities	<u>2,761,114</u>	<u>2,970,918</u>	<u>2,987,747</u>	<u>3,304,592</u>
Total primary government	<u>\$ 7,333,886</u>	<u>\$ 7,422,598</u>	<u>\$ 7,564,068</u>	<u>\$ 7,847,532</u>
<b>Program revenues</b>				
<b>Governmental activities</b>				
<b>Charges for services</b>				
General government	\$ 295,708	\$ 302,501	\$ 298,395	\$ 341,736
Public safety	310,703	357,460	221,614	307,306
Public works	-	-	-	-
Parks and recreation	91,492	89,912	94,293	91,305
Operating grants and contributions	940,864	1,542,972	599,862	210,140
Capital grants and contributions	918,211	512,589	141,325	705,858
Total governmental activities	<u>2,556,978</u>	<u>2,805,434</u>	<u>1,355,489</u>	<u>1,656,345</u>
<b>Business-type activities</b>				
<b>Charges for services</b>				
Water	1,283,944	1,416,406	1,327,075	1,709,639
Sewer	1,062,748	1,344,716	1,121,188	1,313,897
Surface water management	401,739	456,047	473,856	503,070
Recycling	71,199	66,304	83,235	87,700
Operating grants and contributions	18,076	57,342	20,301	19,866
Capital grants and contributions	225,000	-	-	-
Total business-type activities	<u>3,062,706</u>	<u>3,340,815</u>	<u>3,025,655</u>	<u>3,634,172</u>
Total primary government	<u>\$ 5,619,684</u>	<u>\$ 6,146,249</u>	<u>\$ 4,381,144</u>	<u>\$ 5,290,517</u>

2010	2011	2012	2013	2014	2015
\$ 1,232,225	\$ 1,199,609	\$ 1,186,404	\$ 1,133,379	\$ 1,294,830	\$ 1,281,557
1,585,447	1,736,422	1,900,443	1,956,260	1,887,877	1,978,210
636,406	614,761	894,954	944,104	852,109	194,667
732,824	811,533	838,138	807,363	711,174	711,181
3,311	6,862	61,770	403,143	522,193	733,528
46,470	39,146	31,287	25,767	11,004	817
<u>4,236,683</u>	<u>4,408,333</u>	<u>4,912,996</u>	<u>5,270,016</u>	<u>5,279,187</u>	<u>4,899,960</u>
1,678,954	1,573,669	1,983,200	1,843,530	1,893,217	1,803,405
1,367,429	1,454,302	1,595,379	1,560,796	1,506,927	1,587,808
321,693	353,330	388,406	453,727	432,788	489,377
129,139	137,622	142,114	144,541	150,417	239,727
<u>3,497,215</u>	<u>3,518,923</u>	<u>4,109,099</u>	<u>4,002,594</u>	<u>3,983,349</u>	<u>4,120,317</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>	<u>\$ 9,020,277</u>
\$ 271,972	\$ 353,224	\$ 377,621	\$ 338,546	\$ 275,735	\$ 271,991
207,876	385,133	376,576	341,114	366,452	628,573
-	-	-	-	4,973	5,205
98,395	110,830	118,179	113,374	116,951	119,338
275,869	410,228	291,712	343,486	300,536	389,219
1,171,451	946,122	134,710	326,213	2,302,439	3,080,749
<u>2,025,563</u>	<u>2,205,537</u>	<u>1,298,798</u>	<u>1,462,733</u>	<u>3,367,086</u>	<u>4,495,075</u>
1,824,086	1,950,932	2,285,161	2,271,072	2,132,191	2,099,242
1,574,493	1,852,364	1,739,123	1,798,889	1,857,272	1,855,802
518,672	531,845	567,361	639,747	762,884	782,501
121,892	142,858	121,688	122,666	130,369	129,030
20,114	20,846	19,802	19,694	19,611	124,228
-	140,428	25,506	156,585	-	-
<u>4,059,257</u>	<u>4,639,273</u>	<u>4,758,641</u>	<u>5,008,653</u>	<u>4,902,327</u>	<u>4,990,803</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>	<u>\$ 9,485,878</u>

(continued)

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2006	2007	2008	2009
Net (expense) revenue				
Governmental activities	\$ (2,015,794)	\$ (1,646,246)	\$ (3,220,832)	\$ (2,886,595)
Business-type activities	301,592	369,897	37,908	329,580
Total primary government	<u>\$ (1,714,202)</u>	<u>\$ (1,276,349)</u>	<u>\$ (3,182,924)</u>	<u>\$ (2,557,015)</u>
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 2,476,537	\$ 2,626,669	\$ 2,727,372	\$ 2,860,820
Tax increment collections	462,468	470,419	506,808	540,408
Franchise taxes	95,148	75,620	60,520	104,148
Unrestricted grants and contributions	11,396	-	-	-
Unrestricted investment earnings	428,625	475,753	433,894	275,500
Gain on sale of capital assets	-	-	-	-
Transfers	(13,783)	-	-	132,500
Total governmental activities	<u>3,460,391</u>	<u>3,648,461</u>	<u>3,728,594</u>	<u>3,913,376</u>
Business-type activities				
Property tax	13,735	13,746	-	-
Investment earnings	65,121	55,225	72,307	55,106
Transfers	13,783	-	-	(132,500)
Total business-type activities	<u>92,639</u>	<u>68,971</u>	<u>72,307</u>	<u>(77,394)</u>
Total primary government	<u>\$ 3,553,030</u>	<u>\$ 3,717,432</u>	<u>\$ 3,800,901</u>	<u>\$ 3,835,982</u>
Change in net position				
Governmental activities	\$ 1,444,597	\$ 2,002,215	\$ 507,762	\$ 1,026,781
Business-type activities	394,231	438,868	110,215	252,186
Total primary government	<u>\$ 1,838,828</u>	<u>\$ 2,441,083</u>	<u>\$ 617,977</u>	<u>\$ 1,278,967</u>

2010	2011	2012	2013	2014	2015
\$ (2,211,120)	\$ (2,202,796)	\$ (3,614,198)	\$ (3,807,283)	\$ (1,912,101)	\$ (404,885)
562,042	1,120,350	649,542	1,006,059	918,978	870,486
<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>	<u>\$ (2,801,224)</u>	<u>\$ (993,123)</u>	<u>\$ 465,601</u>
\$ 2,836,982	\$ 2,920,078	\$ 3,095,488	\$ 3,094,036	\$ 3,182,331	\$ 3,191,426
566,725	342,109	431,060	466,280	565,422	697,898
85,131	90,123	94,532	96,820	103,711	72,837
-	-	-	-	-	-
231,340	307,769	218,519	(168,071)	450,261	245,540
-	46,712	-	-	-	-
143,000	143,000	143,000	230,765	230,765	230,765
<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>	<u>4,438,466</u>
-	-	-	-	-	-
53,455	81,256	47,388	(24,361)	54,360	35,857
(143,000)	(143,000)	(143,000)	(230,765)	(230,765)	(230,765)
<u>(89,545)</u>	<u>(61,744)</u>	<u>(95,612)</u>	<u>(255,126)</u>	<u>(176,405)</u>	<u>(194,908)</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>	<u>\$ 4,243,558</u>
\$ 1,652,058	\$ 1,646,995	\$ 368,401	\$ (87,453)	\$ 2,620,389	\$ 4,033,581
472,497	1,058,606	553,930	750,933	742,573	675,578
<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>	<u>\$ 922,331</u>	<u>\$ 663,480</u>	<u>\$ 3,362,962</u>	<u>\$ 4,709,159</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>
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
2015	3,191,426	697,898	72,837	3,962,161

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Reserved	\$ 149,183	\$ 17,356	\$ 16,586	\$ 24,304
Unreserved	1,437,255	2,153,575	1,834,179	1,797,956
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 1,586,438</u>	<u>\$ 2,170,931</u>	<u>\$ 1,850,765</u>	<u>\$ 1,822,260</u>
All other governmental funds				
Reserved	\$ 461,213	\$ 632,316	\$ 838,308	\$ 1,063,087
Unreserved, reported in				
Special revenue funds	714,613	974,546	765,771	733,626
Capital project funds	6,764,066	7,039,989	7,773,523	7,242,406
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 7,939,892</u>	<u>\$ 8,646,851</u>	<u>\$ 9,377,602</u>	<u>\$ 9,039,119</u>

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 32,587	\$ -	\$ -	\$ -	\$ -	\$ -
1,730,605	-	-	-	-	-
-	29,063	22,326	22,754	21,059	23,983
-	106,592	126,134	119,440	139,721	251,497
-	2,015,680	2,202,459	2,223,512	2,185,162	2,806,930
<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>	<u>\$ 3,082,410</u>
\$ 1,331,259	\$ -	\$ -	\$ -	\$ -	\$ -
468,786	-	-	-	-	-
7,212,442	-	-	-	-	-
-	-	628	910	395	845
-	1,696,379	1,799,380	888,707	917,300	675,052
-	264,016	452,496	421,989	471,161	449,898
-	6,993,767	6,863,115	7,111,210	7,346,178	3,902,898
-	(542,821)	(303,339)	(134,316)	(150,893)	(216,521)
<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>	<u>\$ 4,812,172</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenues</b>				
Taxes				
General property tax	\$ 2,477,595	\$ 2,624,566	\$ 2,706,745	\$ 2,835,253
Tax increments	462,468	470,419	506,808	540,408
Special assessments	625,190	493,986	223,155	410,935
Licenses and permits	384,333	365,185	228,776	318,849
Intergovernmental	1,003,142	253,687	145,288	130,622
Charges for services	254,060	289,923	282,553	332,358
Fines and forfeits	47,347	28,653	30,189	26,111
Earnings on investments	428,625	475,753	433,894	275,500
Franchise taxes	95,148	75,620	60,520	104,148
Antenna rental fees	58,772	53,256	72,784	63,009
Miscellaneous/other	116,826	1,369,401	519,154	147,187
Total revenues	<u>5,953,506</u>	<u>6,500,449</u>	<u>5,209,866</u>	<u>5,184,380</u>
<b>Expenditures</b>				
Current				
General government	1,274,640	1,689,801	1,504,149	1,283,267
Public safety	1,274,167	1,318,006	1,420,785	1,526,819
Public works	213,353	246,530	265,448	282,019
Parks and recreation	480,153	501,993	562,283	606,822
Economic development	857,786	128,709	43,791	48,322
Capital outlay				
General government	36,023	65,351	331,650	285,028
Public safety	111,641	27,266	157,451	156,543
Public works	1,300,670	944,352	123,080	1,088,586
Parks and recreation	153	5,364	110,544	128,037
Economic development	-	-	-	-
Debt service				
Principal	190,000	215,000	220,000	225,000
Interest and paying agent fees	72,250	66,625	60,100	53,425
Total expenditures	<u>5,810,836</u>	<u>5,208,997</u>	<u>4,799,281</u>	<u>5,683,868</u>
Revenues over (under) expenditures	142,670	1,291,452	410,585	(499,488)
<b>Other financing sources (uses)</b>				
Transfers in	596,005	734,441	1,045,100	809,621
Transfers out	(609,788)	(734,441)	(1,045,100)	(677,121)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(13,783)</u>	<u>-</u>	<u>-</u>	<u>132,500</u>
Net change in fund balances	<u>\$ 128,887</u>	<u>\$ 1,291,452</u>	<u>\$ 410,585</u>	<u>\$ (366,988)</u>
Debt service as a percentage of noncapital expenditures	<u>6.01 %</u>	<u>6.70 %</u>	<u>6.56 %</u>	<u>6.52 %</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 2,867,028	\$ 2,913,248	\$ 3,087,160	\$ 3,086,064	\$ 3,210,025	\$ 3,203,004
566,725	342,109	431,060	466,280	565,422	697,898
388,768	561,238	252,879	382,366	304,315	908,964
255,265	429,991	415,070	382,039	327,727	518,846
878,944	246,416	143,085	316,859	1,408,240	1,396,269
322,978	419,197	450,589	410,995	400,224	496,908
27,013	29,593	33,192	32,055	29,569	32,792
231,340	296,249	215,119	(164,535)	433,402	236,947
85,131	90,123	94,532	96,820	103,711	72,837
65,759	72,351	75,745	76,574	110,144	189,534
118,096	365,259	113,974	43,777	89,482	241,463
<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>	<u>7,995,462</u>
1,127,726	1,060,744	1,054,662	1,054,852	1,155,120	1,143,037
1,561,046	1,640,801	1,728,669	1,779,549	1,826,098	1,920,280
322,793	273,165	377,101	391,711	580,872	336,398
605,210	661,746	679,282	675,073	648,214	573,587
3,311	6,862	57,766	90,222	286,991	249,484
108,575	684,492	8,847	9,545	5,559	—
18,927	91,579	169,894	170,511	66,079	52,936
865,334	1,063,181	376,872	1,017,328	1,833,535	6,198,264
1,141,300	64,923	109,761	68,493	18,883	—
—	—	5,330	328,248	231,025	502,842
235,000	245,000	255,000	260,000	270,000	280,000
46,525	39,325	31,698	23,520	14,773	4,900
<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>	<u>11,261,728</u>
(228,700)	(66,044)	457,523	(739,758)	45,112	(3,266,266)
719,791	143,000	143,000	230,765	230,765	230,765
(576,791)	—	—	—	—	—
—	46,712	—	—	—	—
<u>143,000</u>	<u>189,712</u>	<u>143,000</u>	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>
<u>\$ (85,700)</u>	<u>\$ 123,668</u>	<u>\$ 600,523</u>	<u>\$ (508,993)</u>	<u>\$ 275,877</u>	<u>\$ (3,035,501)</u>
<u>7.12 %</u>	<u>6.99 %</u>	<u>6.21 %</u>	<u>5.82 %</u>	<u>5.73 %</u>	<u>6.20 %</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		
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
2015	3,203,004	697,898	72,837	3,973,739

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>
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
2015	6,971,890	5,807,670	1,606,997	14,386,557	684,465

<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>
\$ 1,526,487	\$ 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
2,303,582	11,398,510	27.29	1,122,428,000	1.02

CITY OF ARDEN HILLS

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

Fiscal Year	Direct Rate	Overlapping Rates			Total
	City Operating Rate	Ramsey County	Independent School District No. 623	Special Taxing Districts	
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
2015	27.294	58.922	26.994	9.179	122.389

- (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: Ramsey County Assessor

CITY OF ARDEN HILLS

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,549,250	1	10.77 %	\$ 1,699,250	1	11.72 %
Space Center Arden Hills, LLC	371,496	2	2.58	-	-	-
Land O'Lakes, Inc.	360,146	3	2.50	385,250	4	2.66
St. Paul Fire and Marine Insurance Company	341,464	4	2.37	-	-	-
NSP	322,879	5	2.24	249,852	9	1.72
IRET Properties, LP	284,044	6	1.97	292,226	8	2.02
Presbyterian Homes, Inc.	243,000	7	1.69	-	-	-
CSM Corporation	235,706	8	1.64	404,234	2	2.79
Pharmacia Deltec, Inc.	203,214	9	1.41	221,824	10	1.53
RAM Development, LLC	160,730	10	1.12	-	-	-
Arden Hills Industrial, LLC	-	-	-	386,152	3	2.66
St. Paul Properties, Inc.	-	-	-	333,254	5	2.30
Mutual Service Insurance Company	-	-	-	330,422	6	2.28
Inland Shannon Square Cub, LLC	-	-	-	329,726	7	2.27
Total	<u>\$ 4,071,929</u>		<u>28.30 %</u>	<u>\$ 4,632,190</u>		<u>31.95 %</u>
Total capacity value	<u>\$ 14,386,557</u>			<u>\$ 14,497,361</u>		

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Additions/ (Abatements)	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
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)	10,872	2,744,767	100.00
2009	2,892,774	2,829,900	97.83	(47,523)	15,351	2,892,774	100.00
2010	2,953,128	2,890,946	97.89	(29,095)	32,037	2,952,078	99.96
2011	3,040,964	3,008,068	98.92	(2,326)	27,390	3,037,784	99.90
2012	3,096,994	3,045,572	98.34	(11,376)	37,313	3,094,261	99.91
2013	3,191,230	3,117,083	97.68	(38,542)	35,605	3,191,230	100.00
2014	3,257,456	3,219,641	98.84	(19,251)	16,297	3,255,189	99.93
2015	3,359,775	3,295,723	98.09	(52,546)	-	3,348,269	99.66

Sources: Ramsey County Assessor

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>
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
2015 (2)	-	-	-

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

(2) The City made the final bond payment in 2015. There is no outstanding bonded debt as of December 31, 2015.

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, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 480,922,805	0.78 %	\$ 3,746,941
County library	246,561,938	0.67	1,651,706
Independent School District No. 621	85,470,145	17.04	14,565,198
Independent School District No. 623	60,425,378	0.50	299,632
Intermediate School District No. 916	242,799,448	1.72	4,176,358
Metropolitan Council	3,284,416,937	0.14	<u>4,541,673</u>
Total overlapping debt			28,981,508
City of Arden Hills	-	100.00	<u>-</u>
Total direct and overlapping debt			<u>\$ 28,981,508</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 Ramsey County Assessor. Debt outstanding data provided by the county.

CITY OF ARDEN HILLS

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	\$ 21,862,480	\$ 23,324,218	\$ 36,962,949	\$ 36,885,897
Total net debt applicable to limit	—	—	—	—
Legal debt margin	<u>\$ 21,862,480</u>	<u>\$ 23,324,218</u>	<u>\$ 36,962,949</u>	<u>\$ 36,885,897</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.

2010	2011	2012	2013	2014	2015
\$ 35,132,043	\$ 33,279,828	\$ 31,302,591	\$ 31,064,151	\$ 31,654,614	\$ 33,672,840
—	—	—	—	—	—
<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>	<u>\$ 33,672,840</u>
—	—	—	—	—	—

Legal Debt Margin Calculation for Fiscal Year 2015

Market value	\$ 1,122,428,000
Debt limit (3% of market value)	33,672,840
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>\$ 33,672,840</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>
2006	9,812	\$ 33,344	\$ 327,186,206	36.2	9,929	3.8 %
2007	9,838	34,011	334,598,809	35.0	9,693	4.4
2008	9,864	34,691	342,175,971	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	371,650,500	34.8	10,445	5.1
2014	9,652	38,881	375,279,412	36.9	10,596	4.0
2015	9,876	41,995	414,742,620	36.0	10,562	3.8

Sources:

- (1) Population data is obtained from the U.S. Census Bureau and Minnesota Department of Employment and Economic Development (DEED).
- (2) Unemployment rate information is from DEED, based off of Ramsey County statistics and U.S. Bureau of Labor Statistics.
- (3) Per capita personal income is obtained from DEED.
- (4) Personal income is calculated based on the population and per capita personal income.
- (5) Enrollment numbers are based off of Independent School District No. 621, Mounds View; 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 Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,200	1	18.6 %	–	–	– %
Bethel University	970	2	8.2	800	3	5.6
Land O’Lakes, Inc.	800	3	6.8	850	2	6.0
Smiths Medical M.D., Inc.	525	4	4.4	450	6	3.2
Presbyterian Homes of Arden Hills	493	5	4.2	482	5	3.4
Country and MSI Insurance	236	6	2.0	250	10	1.8
Delkor	160	7	1.4	–	–	–
International Paper	120	8	1.0	–	–	–
Streamworks	120	8	1.0	–	–	–
*	–	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>5,624</u>		<u>47.5 %</u>	<u>7,308</u>		<u>51.6 %</u>
Total city employees	<u>11,835</u>			<u>14,173</u>		

\* Information not available

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			
	2006	2007	2008	2009
Police (see note 2)				
Towed vehicles	11	–	–	–
Traffic accidents	180	189	145	117
Driving impaired/alcohol	27	22	29	21
Traffic stops	164	335	144	281
Traffic investigations	40	33	22	19
Number of calls answered	N/A	N/A	N/A	N/A
Fire				
Number of calls answered	226	248	228	214
Highways and streets				
Street resurfacing (miles)	1.1	1.3	–	1.4
Potholes repaired	50	100	200	250
Sanitation (residential)				
Refuse collected (tons/day)	7.12	7.12	7.21	8.05
Recyclables collected (tons/day)	2.86	2.58	2.68	2.05
Parks and recreation				
Athletic field permits issued	30	28	30	25
Water				
New connections	8	–	–	3
Water main breaks	5	7	7	5
Average daily consumption (thousands of gallons)	1,314	1,153	1,029	1,323

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

Note 2: Information provided by the Ramsey County Sheriff’s Department. Starting in 2015, the Sheriff changed reporting standards, and information is no longer easily broken down. Total number of calls is now provided.

Note 3: Refuse approximation provided by BFI/Allied Waste (approximately 38 pounds per household per week – 3,236 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 Fire Department, which is contracted out by the City.

Sources: Various city departments

2010	2011	2012	2013	2014	2015
2	3	7	2	1	N/A
138	96	140	149	144	N/A
9	13	15	23	18	N/A
332	328	17	78	20	N/A
11	24	33	78	40	N/A
N/A	N/A	N/A	N/A	N/A	4,892
452	559	522	561	651	804
1.8	1.9	5.2	4.4	–	2.84
325	250	250	250	250	600
7.95	7.85	7.90	8.05	8.65	8.76
2.34	2.01	2.20	2.20	2.21	2.16
25	20	19	30	22	22
3	2	31	10	2	7
7	2	12	6	2	10
1,162	1,135	1,269	1,162	983	857

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				
	2006	2007	2008	2009	2010
General government	5.70	6.50	6.40	6.57	7.18
Public safety					
General public safety	2.55	2.50	2.70	2.72	2.72
Highways and streets					
General highways and streets	2.50	2.30	2.30	2.39	2.44
Community development	0.90	1.50	1.60	0.02	-
Parks and recreation	6.87	7.20	7.50	8.32	6.95
Water	3.56	3.40	3.40	3.40	3.29
Sewer	4.12	3.90	3.90	4.01	3.91
Recycling	0.14	0.10	0.10	0.14	0.17
Surface water management	1.84	1.70	1.80	1.57	2.25
<b>Total</b>	<b>28.18</b>	<b>29.10</b>	<b>29.70</b>	<b>29.14</b>	<b>28.90</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
6.89	7.47	7.50	6.73	6.76
2.74	2.70	2.66	2.61	2.74
2.20	2.72	2.04	3.11	2.93
-	-	-	-	-
8.88	6.51	6.92	7.77	7.31
3.50	3.67	4.42	4.18	4.07
4.05	4.42	4.92	5.06	4.85
0.21	0.21	0.21	0.20	0.19
<u>2.54</u>	<u>2.66</u>	<u>2.56</u>	<u>3.01</u>	<u>2.95</u>
<u>31.01</u>	<u>30.36</u>	<u>31.22</u>	<u>32.67</u>	<u>31.80</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2006	2007	2008	2009	2010
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	111	111	111
Parks	13	13	14	14	14
Trails acreage	52	52	52	53	54
Trails (miles)	2	2	11	13	15
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	3
Water					
Water mains (miles)	43	43	43	43	43
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	44	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

2011	2012	2013	2014	2015
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	21	21
4	4	5	6	6
6	6	8	8	8
10	10	10	10	10
5	5	6	6	6
3	3	2	3	3
43	43	43	43	43
520	520	537	537	537
1,500	1,500	1,500	1,500	1,500
44	44	49	52	52
20	20	20	25	25

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