

CITY OF



ARDEN HILLS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Comprehensive Annual Financial Report
for Year Ended
December 31, 2012

DEPARTMENT OF FINANCE

Susan K. Iverson, Director of Finance and Administrative Services

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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RAMSEY COUNTY, MINNESOTA

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INTRODUCTORY SECTION



June 18, 2013

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, 2012.

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR), Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Arden Hills, Minnesota’s (the City) financial statements for the year ended December 31, 2012. 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 9,642. 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, Fair Isaac, Presbyterian Homes, and Sims Deltec, are located within the City. These leaders of industry provide high-paying jobs to skilled employees, which in turn creates a strong base for economic diversity, quality housing, and an involved citizenry.

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past 10 years, the unemployment rate has fluctuated from 4.9 percent in 2003 to a current rate of 5.7 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 (56 percent of total subsequent year General Fund expenditures budgeted) is slightly above the 50 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance is made up of a \$22,326 of nonspendable equity for prepaid items, leaving \$2,328,593 of assigned and unassigned fund balance (to accommodate cash flows due to the timing of tax and state aid receipts).

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

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

RELEVANT FINANCIAL POLICIES

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

MAJOR INITIATIVES

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

ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2011. This is the sixth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,

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

Susan K. Iverson
Director of Finance and Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Arden Hills
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2012

CITY COUNCIL

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

APPOINTED OFFICIALS

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

FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arden Hills, Minnesota (the City) as of and for the year ended December 31, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013 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, Radocovich, & Co., P.A.

Minneapolis, Minnesota
June 18, 2013

CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2012

As the management of the City of Arden Hills, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is presented in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$43,458,689 (net position). Of this amount, \$12,142,477 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$922,331.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,163,199. Of this total amount, \$22,954 is nonspendable and \$1,799,380 is restricted, leaving an unrestricted balance of \$9,340,865.
- At the end of the current fiscal year, the General Fund has a fund balance of \$2,350,919. The total General Fund balance is equal to 63 percent of total General Fund expenditures. At December 31, 2012, the unassigned fund balance of the General Fund was 56 percent of the subsequent year's budgeted expenditures less transfers.
- The City's total long-term debt decreased by \$240,118 during the current fiscal year, from \$1,247,519 to \$1,007,401. The decrease is due to scheduled debt payments of \$255,000 for tax increment bonds, and compensated absences balance increases of \$14,882.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The City adopts an annual appropriated budget for its General Fund and special revenue funds, except EDA TIF District No. 4. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City’s financial position. In the case of the City, assets exceeded liabilities by \$43,458,689 at the close of the most recent fiscal year.

The largest portion of the City’s net position (\$29,528,205 or 68 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure, and equipment) net of accumulated depreciation. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 13,057,122	\$ 12,582,280	\$ 2,911,294	\$ 3,817,274	\$ 15,968,416	\$ 16,399,554
Capital assets	<u>17,167,531</u>	<u>17,498,478</u>	<u>12,360,674</u>	<u>10,961,855</u>	<u>29,528,205</u>	<u>28,460,333</u>
Total assets	<u>\$ 30,224,653</u>	<u>\$ 30,080,758</u>	<u>\$ 15,271,968</u>	<u>\$ 14,779,129</u>	<u>\$ 45,496,621</u>	<u>\$ 44,859,887</u>
Liabilities						
Long-term liabilities outstanding	\$ 930,108	\$ 1,173,535	\$ 77,293	\$ 73,984	\$ 1,007,401	\$ 1,247,519
Other liabilities	<u>600,175</u>	<u>581,254</u>	<u>430,356</u>	<u>494,756</u>	<u>1,030,531</u>	<u>1,076,010</u>
Total liabilities	<u>\$ 1,530,283</u>	<u>\$ 1,754,789</u>	<u>\$ 507,649</u>	<u>\$ 568,740</u>	<u>\$ 2,037,932</u>	<u>\$ 2,323,529</u>
Net position						
Net investment in capital assets	\$ 17,167,531	\$ 17,498,478	\$ 12,360,674	\$ 10,961,855	\$ 29,528,205	\$ 28,460,333
Restricted	1,788,007	1,694,212	-	-	1,788,007	1,694,212
Unrestricted	<u>9,738,832</u>	<u>9,133,279</u>	<u>2,403,645</u>	<u>3,248,534</u>	<u>12,142,477</u>	<u>12,381,813</u>
Total net position	<u>\$ 28,694,370</u>	<u>\$ 28,325,969</u>	<u>\$ 14,764,319</u>	<u>\$ 14,210,389</u>	<u>\$ 43,458,689</u>	<u>\$ 42,536,358</u>

An additional portion of the City's net position (\$1,788,007 or 4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,142,477 may be used to meet the government's ongoing obligations to citizens and creditors.

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

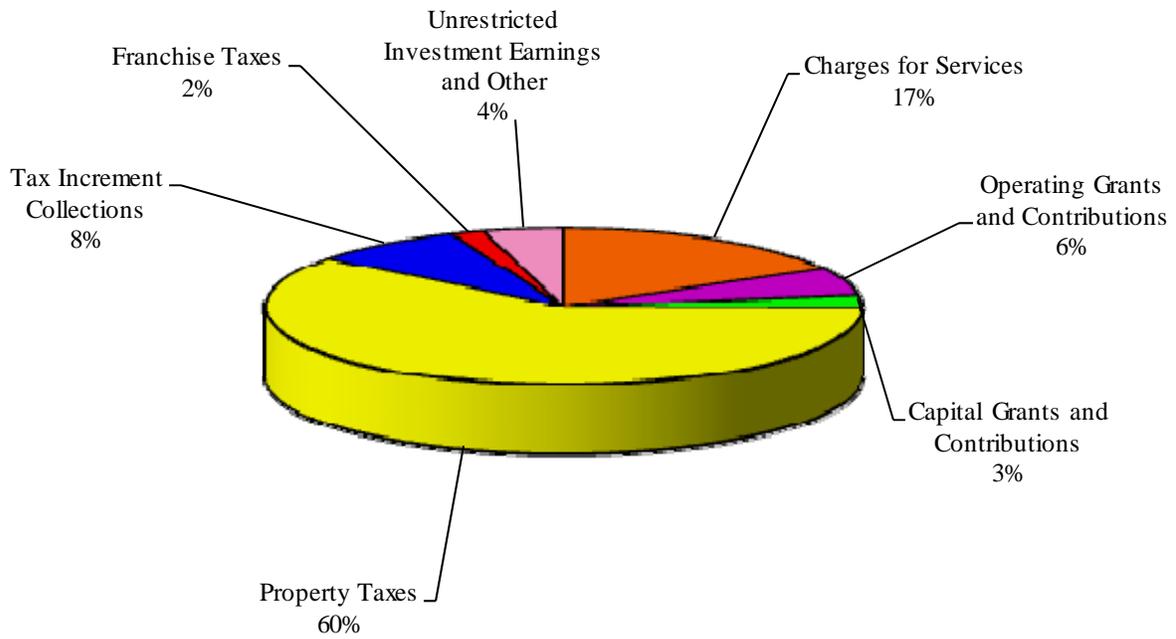
Governmental Activities – Governmental activities increased the City’s net position by \$368,401, accounting for 40 percent of the total growth in net position. Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 872,376	\$ 849,187	\$ 4,713,333	\$ 4,477,999	\$ 5,585,709	\$ 5,327,186
Operating grants and contributions	291,712	410,228	19,802	20,846	311,514	431,074
Capital grants and contributions	134,710	946,122	25,506	140,428	160,216	1,086,550
General revenues						
Property taxes	3,095,488	2,920,078	–	–	3,095,488	2,920,078
Tax increment collections	431,060	342,109	–	–	431,060	342,109
Franchise taxes	94,532	90,123	–	–	94,532	90,123
Unrestricted investment earnings	218,519	307,769	47,388	81,256	265,907	389,025
Gain on sale of capital assets	–	46,712	–	–	–	46,712
Total revenues	<u>5,138,397</u>	<u>5,912,328</u>	<u>4,806,029</u>	<u>4,720,529</u>	<u>9,944,426</u>	<u>10,632,857</u>
Expenses						
General government	1,186,404	1,199,609	–	–	1,186,404	1,199,609
Public safety	1,900,443	1,736,422	–	–	1,900,443	1,736,422
Public works	894,954	614,761	–	–	894,954	614,761
Parks and recreation	838,138	811,533	–	–	838,138	811,533
Economic development	61,770	6,862	–	–	61,770	6,862
Interest on long-term debt	31,287	39,146	–	–	31,287	39,146
Water	–	–	1,983,200	1,573,669	1,983,200	1,573,669
Sewer	–	–	1,595,379	1,454,302	1,595,379	1,454,302
Surface water management	–	–	388,406	353,330	388,406	353,330
Recycling	–	–	142,114	137,622	142,114	137,622
Total expenses	<u>4,912,996</u>	<u>4,408,333</u>	<u>4,109,099</u>	<u>3,518,923</u>	<u>9,022,095</u>	<u>7,927,256</u>
Increase in net position before transfers	225,401	1,503,995	696,930	1,201,606	922,331	2,705,601
Transfers	<u>143,000</u>	<u>143,000</u>	<u>(143,000)</u>	<u>(143,000)</u>	<u>–</u>	<u>–</u>
Increase in net position	368,401	1,646,995	553,930	1,058,606	922,331	2,705,601
Net position – beginning	<u>28,325,969</u>	<u>26,678,974</u>	<u>14,210,389</u>	<u>13,151,783</u>	<u>42,536,358</u>	<u>39,830,757</u>
Net position – ending	<u>\$ 28,694,370</u>	<u>\$ 28,325,969</u>	<u>\$ 14,764,319</u>	<u>\$ 14,210,389</u>	<u>\$ 43,458,689</u>	<u>\$ 42,536,358</u>

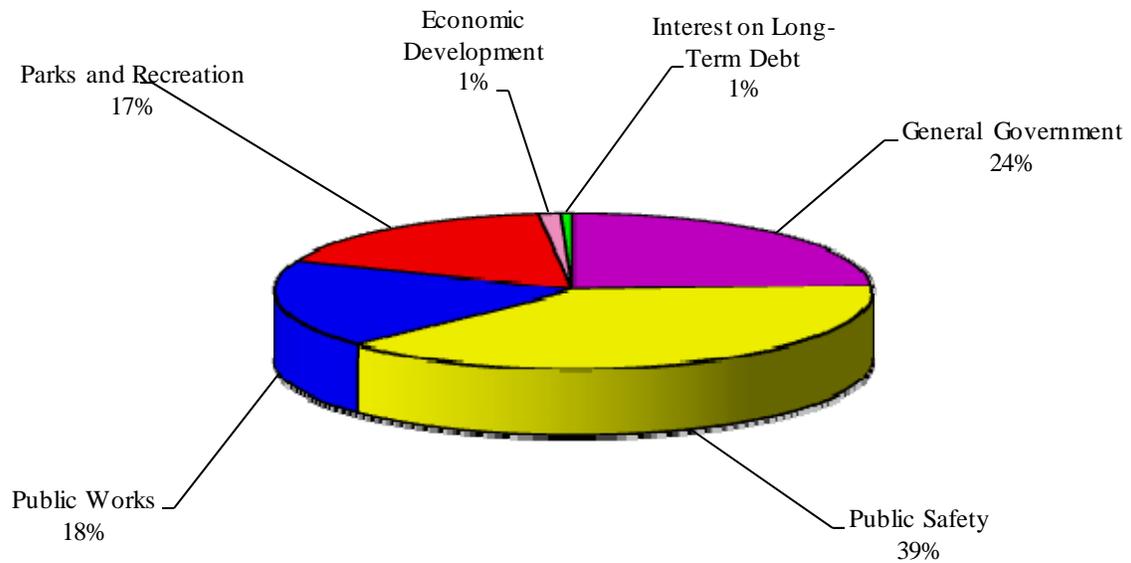
The current year increase to governmental net position of \$368,401 was down \$1,278,594 from the prior year increase. The decrease in operating grants and contributions of \$118,516 was due to reduced conduit debt application fees in the current year. Capital grants and contributions decreased \$811,412 due to the City not having a new street project certified in the current year, decreased park dedication fees, and decreased state grants for the CP Rail project. Public safety costs increased due to additional contracted services with the Lake Johanna Fire Department and Ramsey County for police. The fire contract included increases associated with the third year of implementing a full-time duty crew. The sheriff contract included changes to take over dispatch and animal control services, including related start-up costs in 2012. Public works expenses increased due to increased engineering costs as we have implemented new technologies and software to help increase efficiencies in the future and also did more seal coating and crack sealing maintenance in 2012 as compared to 2011. Economic development increased as a result of the reestablishment of the EDA which was previously being staffed by the General Fund.

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

Governmental Activities – Revenue

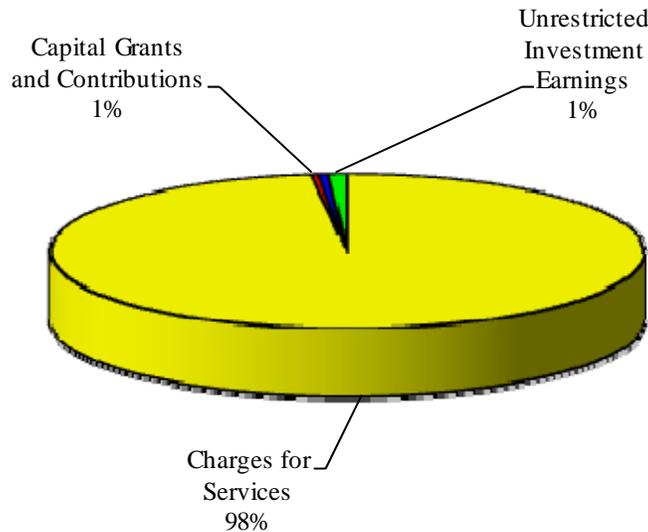


Governmental Activities – Expenses

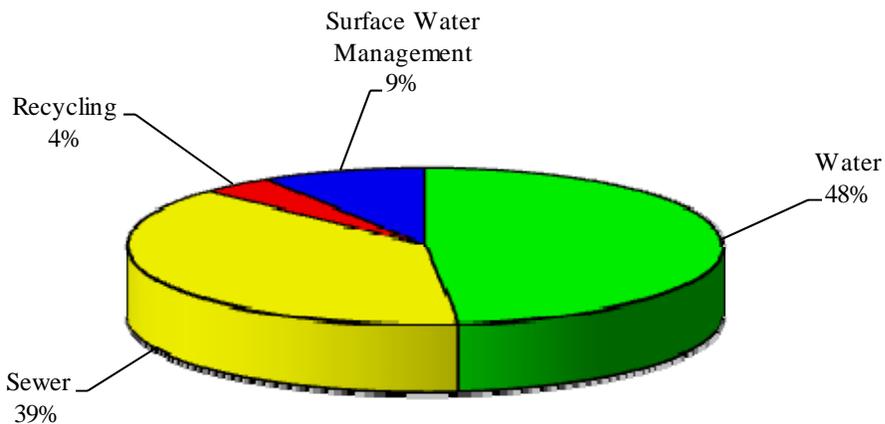


Business-Type Activities – Business-type activities increased the City’s net position by \$553,930, accounting for 60 percent of the total growth in net position. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



Business-type activities charges for services increased \$235,334 from the prior year due to utility rate increases, increased water consumption due to a drought in 2012, and new construction projects in the City, including Presbyterian Homes and Pulte Homes development. Capital grants and contributions decreased \$114,922 due to a grant that was received in 2011 from the Metropolitan Council for sanitary sewer improvements. Operating expenses increased in all business-type functions with the majority of the increase in water and sewer. These increases were due to increased maintenance costs and water purchased from the City of Roseville due to increased consumption as noted previously.

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 \$11,163,199, an increase of \$600,523 in comparison with the prior year. Committed, assigned, and unassigned fund balance, which are available for spending at the government's discretion, have a total balance of \$9,340,865 at year-end. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it has already been obligated 1) to pay debt service (\$2,167), 2) for tax increment purposes (\$1,499,944), 3) for cable TV purposes (\$297,269), or 4) is not in spendable form for prepaid items (\$22,954).

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 \$2,202,459, while total fund balance reached \$2,350,919. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56 percent of the total subsequent year General Fund expenditures, without transfers out.

The City's General Fund balance increased by \$199,584 during the current fiscal year; this was due to increased building permit revenues and plan checking fees for new development, including the Pulte Home development and the old Holiday Inn property.

The EDA Operating Fund increased by \$187,833, due to transfers of \$189,955 from the General Fund and Permanent Improvement Revolving Fund, the collection of excess increment, and investment earnings. The only expenditures were for the State-of-the-City program and personal services as the City re-established charges to the EDA that were previously paid for by the General Fund.

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

The Equipment, Building, and Replacement Fund increased by \$121,688 as revenues and transfers exceeded actual expenditures. The General Fund, Water Fund, Sewer Fund, and Surface Water Management Fund made transfers of \$183,000 to this fund in the current year.

The Permanent Improvement Revolving Fund decreased by \$5,092 as expenditures exceeded actual revenues and transfers based on the timing of actual projects.

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

Unrestricted net position in the respective proprietary funds include \$1,475,782 for water, \$206,565 for sewer, \$650,520 for surface water management, and \$70,778 for recycling. Water net position increased \$288,024, sewer net position increased \$111,103, surface water management net position increased \$153,726, and recycling net position increased \$1,077 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$265,501 more than estimated in the budget. Licenses and permits and charges for services revenue surpassed budgeted levels by \$158,220 and \$100,698, respectively, due to new development, including Pulte Homes and the Presbyterian Homes. Expenditures within the General Fund were less than budget by \$59,038 spread across several functions. These favorable variances were due to decreased spending for consultants and other professional services and decreased maintenance costs.

During the year, there was one General Fund budget amendment approved by City Council. The City approved a \$124,955 transfer from the General Fund to the EDA Operating Fund to fund EDA activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$29,528,205 (net of accumulated depreciation). This investment in capital assets includes items such as land, buildings and structures, infrastructure and improvements, machinery and equipment, office furniture and equipment, vehicles, park facilities, roads, trails and sidewalks, and pedestrian tunnels and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 4 percent (a 2 percent decrease for governmental activities and a 13 percent increase for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,652,057	\$ 2,652,057	\$ –	\$ –	\$ 2,652,057	\$ 2,652,057
Construction in progress	1,965,830	3,118,151	2,969,608	1,363,312	4,935,438	4,481,463
Buildings and structures	4,138,814	4,275,162	15,013	608	4,153,827	4,275,770
Infrastructure and improvements	7,395,111	6,375,759	–	–	7,395,111	6,375,759
Distribution and collection systems	–	–	9,312,124	9,512,571	9,312,124	9,512,571
Machinery and equipment	487,796	528,707	63,929	74,550	551,725	603,257
Office furniture and equipment	75,378	85,736	–	–	75,378	85,736
Vehicles	452,545	462,906	–	10,814	452,545	473,720
Total	<u>\$ 17,167,531</u>	<u>\$ 17,498,478</u>	<u>\$ 12,360,674</u>	<u>\$ 10,961,855</u>	<u>\$ 29,528,205</u>	<u>\$ 28,460,333</u>

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

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$810,000, a decrease of \$255,000 from 2011. This entire liability is backed by the full faith and credit of the City. Remaining debt is the liability for compensated absences of \$197,401, which represents an increase of \$14,882 over the December 31, 2011 liability balance.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation tax increment bonds	\$ 810,000	\$ 1,065,000	\$ –	\$ –	\$ 810,000	\$ 1,065,000
Compensated absences payable	120,108	108,535	77,293	73,984	197,401	182,519
Total	<u>\$ 930,108</u>	<u>\$ 1,173,535</u>	<u>\$ 77,293</u>	<u>\$ 73,984</u>	<u>\$ 1,007,401</u>	<u>\$ 1,247,519</u>

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

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value. The current debt limitation for the City is \$31,302,591. None of the City’s outstanding debt is counted within the statutory limitation.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The unemployment rate for the City is currently 5.7 percent, which is a decrease from a rate of 6.1 percent last year.
- 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 2012 level of 98.3 percent.

All of these factors were considered in preparing the City’s budget for the 2013 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF ARDEN HILLS

Statement of Net Position
as of December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 11,619,332	\$ 1,846,923	\$ 13,466,255
Accrued interest receivable	56,530	12,330	68,860
Accounts receivable	36,481	1,248,009	1,284,490
Taxes receivable	120,812	-	120,812
Special assessments receivable	831,763	-	831,763
Due from other governmental units	91,961	12,298	104,259
Internal balances	268,376	(268,376)	-
Prepaid items	26,099	54,525	80,624
Inventory	-	5,585	5,585
Unamortized discount	5,768	-	5,768
Capital assets – net of accumulated depreciation			
Nondepreciable	4,617,887	2,969,608	7,587,495
Depreciable	12,549,644	9,391,066	21,940,710
Total assets	<u>30,224,653</u>	<u>15,271,968</u>	<u>45,496,621</u>
Liabilities			
Accounts payable	101,056	89,512	190,568
Salaries payable	51,386	29,214	80,600
Contracts payable	-	31,743	31,743
Accrued bond interest payable	11,373	-	11,373
Deposits payable	274,274	-	274,274
Due to other governmental units	127,285	279,887	407,172
Unearned revenue	34,801	-	34,801
Compensated absences payable			
Due within one year	90,081	57,969	148,050
Due in more than one year	30,027	19,324	49,351
Bonds payable			
Due within one year	260,000	-	260,000
Due in more than one year	550,000	-	550,000
Total liabilities	<u>1,530,283</u>	<u>507,649</u>	<u>2,037,932</u>
Net position			
Net investment in capital assets	17,167,531	12,360,674	29,528,205
Restricted for			
Tax increment purposes	1,490,738	-	1,490,738
Cable TV	297,269	-	297,269
Unrestricted	9,738,832	2,403,645	12,142,477
Total net position	<u>\$ 28,694,370</u>	<u>\$ 14,764,319</u>	<u>\$ 43,458,689</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Balance Sheet
Governmental Funds
as of December 31, 2012

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Assets								
Cash and investments	\$ 2,439,408	\$ 296,208	\$ 2,154	\$ -	\$ 6,134,904	\$ 2,288,007	\$ -	\$ 11,160,681
Accrued interest receivable	14,686	1,216	13	-	36,738	3,877	-	56,530
Accounts receivable	10,051	-	-	-	-	26,150	-	36,201
Taxes receivable	120,812	-	-	-	-	-	-	120,812
Special assessments receivable	12,188	-	-	-	819,575	-	-	831,763
Interfund receivable	268,376	973	-	-	326,507	-	(327,480)	268,376
Due from other governmental units	61,306	-	-	-	6,370	24,285	-	91,961
Prepaid items	22,326	628	-	-	-	-	-	22,954
Total assets	\$ 2,949,153	\$ 299,025	\$ 2,167	\$ -	\$ 7,324,094	\$ 2,342,319	\$ (327,480)	\$ 12,589,278
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 50,286	\$ -	\$ -	\$ -	\$ 7,814	\$ 3,386	\$ -	\$ 61,486
Salaries payable	43,831	1,550	-	-	-	1,429	-	46,810
Deposits payable	274,274	-	-	-	-	-	-	274,274
Interfund payable	-	-	-	232,240	-	95,240	(327,480)	-
Due to other governmental units	119,378	-	-	-	-	144	-	119,522
Unearned revenue	34,801	-	-	-	-	-	-	34,801
Deferred revenue	75,664	-	-	-	813,522	-	-	889,186
Total liabilities	598,234	1,550	-	232,240	821,336	100,199	(327,480)	1,426,079
Fund balances (deficits)								
Nonspendable	22,326	628	-	-	-	-	-	22,954
Restricted	-	-	2,167	-	-	1,797,213	-	1,799,380
Committed	-	296,847	-	-	-	155,649	-	452,496
Assigned	126,134	-	-	-	6,502,758	360,357	-	6,989,249
Unassigned	2,202,459	-	-	(232,240)	-	(71,099)	-	1,899,120
Total fund balances (deficits)	2,350,919	297,475	2,167	(232,240)	6,502,758	2,242,120	-	11,163,199
Total liabilities and fund balances	\$ 2,949,153	\$ 299,025	\$ 2,167	\$ -	\$ 7,324,094	\$ 2,342,319	\$ (327,480)	\$ 12,589,278
Fund balance reported above								\$ 11,163,199
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								4,617,887
Depreciable								12,549,644
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.								889,186
Internal service funds are used to allocate costs to individual funds. Net position is included in governmental activities in the Statement of Net Position.								401,320
Long-term liabilities, including bonds payable, compensated absences payable, interest payable, and unamortized discounts are not due and payable in the current period and, therefore, are not reported in the funds.								(926,866)
Net position of governmental activities								\$ 28,694,370

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2012

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Revenues								
Taxes								
General property taxes	\$ 3,087,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,087,160
Tax increments	-	48,058	-	-	-	383,002	-	431,060
Special assessments	1,771	-	-	-	251,108	-	-	252,879
Licenses and permits	415,070	-	-	-	-	-	-	415,070
Intergovernmental	118,800	-	-	-	-	24,285	-	143,085
Charges for services	450,589	-	-	-	-	-	-	450,589
Fines and forfeits	33,192	-	-	-	-	-	-	33,192
Earnings on investments	63,151	4,017	-	-	130,151	17,800	-	215,119
Franchise fees	-	-	-	-	-	94,532	-	94,532
Antenna rental fees	75,745	-	-	-	-	-	-	75,745
Miscellaneous reimbursements	9,036	5,050	-	-	583	-	-	14,669
Other	55,113	-	-	6,716	-	37,476	-	99,305
Total revenues	<u>4,309,627</u>	<u>57,125</u>	<u>-</u>	<u>6,716</u>	<u>381,842</u>	<u>557,095</u>	<u>-</u>	<u>5,312,405</u>
Expenditures								
Current								
General government	960,036	-	-	-	-	94,626	-	1,054,662
Public safety	1,728,669	-	-	-	-	-	-	1,728,669
Public works	377,101	-	-	-	-	-	-	377,101
Parks and recreation	679,282	-	-	-	-	-	-	679,282
Economic development	-	53,917	-	-	-	3,849	-	57,766
Capital outlay								
General government	-	-	-	8,847	-	-	-	8,847
Public safety	-	-	-	-	-	169,894	-	169,894
Public works	-	-	-	59,181	317,691	-	-	376,872
Parks and recreation	-	-	-	-	15,350	94,411	-	109,761
Economic development	-	5,330	-	-	-	-	-	5,330
Debt service								
Principal	-	-	255,000	-	-	-	-	255,000
Interest and paying agent fees	-	-	31,698	-	-	-	-	31,698
Total expenditures	<u>3,745,088</u>	<u>59,247</u>	<u>286,698</u>	<u>68,028</u>	<u>333,041</u>	<u>362,780</u>	<u>-</u>	<u>4,854,882</u>
Revenues over (under) expenditures	564,539	(2,122)	(286,698)	(61,312)	48,801	194,315	-	457,523
Other financing sources (uses)								
Transfers in	-	189,955	286,698	183,000	200,000	188,893	(905,546)	143,000
Transfers out	(364,955)	-	-	-	(253,893)	(286,698)	905,546	-
Total other financing sources (uses)	<u>(364,955)</u>	<u>189,955</u>	<u>286,698</u>	<u>183,000</u>	<u>(53,893)</u>	<u>(97,805)</u>	<u>-</u>	<u>143,000</u>
Net change in fund balances	199,584	187,833	-	121,688	(5,092)	96,510	-	600,523
Fund balances (deficits) – beginning	<u>2,151,335</u>	<u>109,642</u>	<u>2,167</u>	<u>(353,928)</u>	<u>6,507,850</u>	<u>2,145,610</u>	<u>-</u>	<u>10,562,676</u>
Fund balances (deficits) – ending	<u>\$ 2,350,919</u>	<u>\$ 297,475</u>	<u>\$ 2,167</u>	<u>\$ (232,240)</u>	<u>\$ 6,502,758</u>	<u>\$ 2,242,120</u>	<u>\$ -</u>	<u>\$ 11,163,199</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2012

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

Net changes in fund balances – total governmental funds	\$ 600,523
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay	235,544
Depreciation expense	(566,491)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(177,408)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas material amounts are deferred and amortized in the Statement of Activities. Long-term debt at year-end consists of:</p>	
Payments on bonds payable	255,000
Unamortized discount	(2,883)
Interest payable	3,294
<p>Internal service funds are used to allocate costs to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities in the government-wide financial statements.</p>	
	23,548
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(2,726)
Change in net position of governmental activities	<u>\$ 368,401</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Net Position
Proprietary Funds
as of December 31, 2012

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Assets						
Current assets						
Cash and investments	\$ 1,236,345	\$ –	\$ 521,060	\$ 89,518	\$ 1,846,923	\$ 458,651
Accrued interest receivable	8,253	–	3,809	268	12,330	–
Accounts receivable						
Customers	532,724	470,534	158,348	–	1,161,606	280
Customer accounts certified to county	34,227	44,182	4,405	3,589	86,403	–
Due from other governmental units	769	11,529	–	–	12,298	–
Prepaid items	670	53,559	296	–	54,525	3,145
Inventory	5,585	–	–	–	5,585	–
Total current assets	1,818,573	579,804	687,918	93,375	3,179,670	462,076
Noncurrent assets						
Capital assets						
Buildings and structures	2,220	16,564	–	–	18,784	–
Distribution and collection systems	7,330,783	5,902,545	2,231,903	–	15,465,231	–
Machinery and equipment	270,263	597,771	1,187	–	869,221	–
Office furniture and equipment	6,951	5,024	–	–	11,975	–
Vehicles	91,238	45,421	49,633	–	186,292	–
Construction in progress	761,167	1,707,174	501,267	–	2,969,608	–
Total capital assets	8,462,622	8,274,499	2,783,990	–	19,521,111	–
Less accumulated depreciation	(3,233,120)	(3,596,202)	(331,115)	–	(7,160,437)	–
Total capital assets (net of accumulated depreciation)	5,229,502	4,678,297	2,452,875	–	12,360,674	–
Total assets	7,048,075	5,258,101	3,140,793	93,375	15,540,344	462,076
Liabilities						
Current liabilities						
Accounts payable	34,531	41,169	7	13,805	89,512	39,570
Salaries payable	9,086	12,557	6,970	601	29,214	4,576
Contracts payable	–	21,445	10,298	–	31,743	–
Interfund payable	–	268,376	–	–	268,376	–
Due to other governmental units	272,759	–	–	7,128	279,887	7,763
Compensated absences payable	19,811	22,269	15,092	797	57,969	6,635
Total current liabilities	336,187	365,816	32,367	22,331	756,701	58,544
Noncurrent liabilities						
Compensated absences payable (net of current portion)	6,604	7,423	5,031	266	19,324	2,212
Total liabilities	342,791	373,239	37,398	22,597	776,025	60,756
Net position						
Net investment in capital assets	5,229,502	4,678,297	2,452,875	–	12,360,674	–
Unrestricted	1,475,782	206,565	650,520	70,778	2,403,645	401,320
Total net position	\$ 6,705,284	\$ 4,884,862	\$ 3,103,395	\$ 70,778	\$ 14,764,319	\$ 401,320

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended December 31, 2012

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 2,280,025	\$ 1,732,538	\$ 566,792	\$ 100,612	\$ 4,679,967	\$ 710,745
Permit fees	60	2,014	–	–	2,074	–
Miscellaneous	5,076	4,571	569	21,076	31,292	280
Total operating revenues	<u>2,285,161</u>	<u>1,739,123</u>	<u>567,361</u>	<u>121,688</u>	<u>4,713,333</u>	<u>711,025</u>
Operating expenses						
Personal services	268,299	327,665	197,157	21,031	814,152	112,553
Supplies and maintenance	23,970	48,037	1,078	226	73,311	137,181
Other services and charges	280,282	316,325	74,613	5,270	676,490	76,592
Rent	22,189	22,189	9,862	–	54,240	–
Insurance	25,515	25,515	25,515	–	76,545	–
Utilities	12,098	21,031	118	7,783	41,030	–
Purchased services	33,439	37,612	26,915	7,047	105,013	400,453
Purchased water	1,146,109	–	–	–	1,146,109	–
Recycling charges	–	–	–	100,757	100,757	–
Sewer charges	–	665,803	–	–	665,803	–
Depreciation	171,299	131,202	53,148	–	355,649	–
Total operating expenses	<u>1,983,200</u>	<u>1,595,379</u>	<u>388,406</u>	<u>142,114</u>	<u>4,109,099</u>	<u>726,779</u>
Operating income (loss)	301,961	143,744	178,955	(20,426)	604,234	(15,754)
Nonoperating revenues						
Intergovernmental revenue	–	–	–	19,802	19,802	–
Insurance dividend	–	–	–	–	–	35,902
Earnings on investments	29,063	3,853	12,771	1,701	47,388	3,400
Total nonoperating revenues	<u>29,063</u>	<u>3,853</u>	<u>12,771</u>	<u>21,503</u>	<u>67,190</u>	<u>39,302</u>
Income before contributions and transfers	331,024	147,597	191,726	1,077	671,424	23,548
Capital contributions	–	25,506	–	–	25,506	–
Transfers out	(43,000)	(62,000)	(38,000)	–	(143,000)	–
Change in net position	288,024	111,103	153,726	1,077	553,930	23,548
Net position – beginning	<u>6,417,260</u>	<u>4,773,759</u>	<u>2,949,669</u>	<u>69,701</u>	<u>14,210,389</u>	<u>377,772</u>
Net position – ending	<u>\$ 6,705,284</u>	<u>\$ 4,884,862</u>	<u>\$ 3,103,395</u>	<u>\$ 70,778</u>	<u>\$ 14,764,319</u>	<u>\$ 401,320</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2012

	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	\$ 2,055,927	\$ 1,779,913	\$ 477,038	\$ 121,804	\$ 4,434,682	\$ 710,745
Payments to suppliers	(1,436,806)	(1,180,251)	(115,091)	(108,262)	(2,840,410)	(600,091)
Payments to employees	(270,112)	(328,784)	(195,904)	(21,376)	(816,176)	(99,130)
Payments for interfund services used	(55,226)	(56,757)	(40,596)	(2,946)	(155,525)	–
Miscellaneous other	–	–	–	–	–	35,902
Net cash flows from operating activities	293,783	214,121	125,447	(10,780)	622,571	47,426
Cash flows from noncapital financing activities						
Grants received	–	–	–	19,802	19,802	–
Cash received from other funds	–	268,376	–	–	268,376	–
Transfers out	(43,000)	(62,000)	(38,000)	–	(143,000)	–
Net cash flows from noncapital financing activities	(43,000)	206,376	(38,000)	19,802	145,178	–
Cash flows from capital and related financing activities						
Grants received	–	25,506	–	–	25,506	–
Acquisition and construction of capital assets	(544,704)	(936,812)	(272,952)	–	(1,754,468)	–
Net cash flows from capital and related financing activities	(544,704)	(911,306)	(272,952)	–	(1,728,962)	–
Cash flows from investing activities						
Earnings on investments	28,863	6,379	13,017	1,556	49,815	5,461
Net change in cash and cash equivalents	(265,058)	(484,430)	(172,488)	10,578	(911,398)	52,887
Cash and cash equivalents – beginning	1,501,403	484,430	693,548	78,940	2,758,321	405,764
Cash and cash equivalents – ending	\$ 1,236,345	\$ –	\$ 521,060	\$ 89,518	\$ 1,846,923	\$ 458,651
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 301,961	\$ 143,744	\$ 178,955	\$ (20,426)	\$ 604,234	\$ (15,754)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Miscellaneous other	–	–	–	–	–	35,902
Depreciation	171,299	131,202	53,148	–	355,649	–
Decrease (increase) in customer receivables	(228,465)	(53,960)	(90,323)	116	(372,632)	(280)
Decrease (increase) in due from other governments	(769)	94,750	–	–	93,981	–
Decrease (increase) in prepaid items	660	3,254	361	–	4,275	(3,145)
Decrease (increase) in inventory	(1,845)	–	–	–	(1,845)	–
Increase (decrease) in accounts payable	19,463	(49,648)	(20,350)	2,801	(47,734)	9,517
Increase (decrease) in salaries payable	(2,403)	(1,808)	(949)	(173)	(5,333)	4,576
Increase (decrease) in contracts payable	(1,473)	(51,883)	8,562	–	(44,794)	–
Increase (decrease) in due to other governments	34,765	(2,219)	(6,159)	7,074	33,461	7,763
Increase (decrease) in compensated absences payable	590	689	2,202	(172)	3,309	8,847
Total adjustments	(8,178)	70,377	(53,508)	9,646	18,337	63,180
Net cash flows from operating activities	\$ 293,783	\$ 214,121	\$ 125,447	\$ (10,780)	\$ 622,571	\$ 47,426

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements December 31, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Arden Hills, Minnesota (the City) was incorporated in 1951 and operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and 1) the ability of the primary government to impose its will on that organization, or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government.

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

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

B. Reporting Entity

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The City reports the following major governmental funds:

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

EDA Operating Fund – The EDA Operating Fund (special revenue fund) accounts for revenue sources 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, except EDA TIF District No. 4. 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 most 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, 2012, actual expenditures exceeded budgeted expenditures in the EDA TIF District No. 2 Fund by \$92.

G. Cash and Investments

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

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

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

H. Receivables and Payables

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

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

In the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes 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 revenue because they are not available to finance current expenditures.

The City's property tax revenue includes payments from the Metropolitan Revenue Distribution (Fiscal Disparities Formula) per Minnesota Statute § 473F. This statute provides a means of spreading a portion of the taxable valuation of commercial/industrial real property to various taxing authorities within the defined metropolitan area. The valuation "shared" is a portion of commercial/industrial property valuation growth since 1971. Property taxes paid to the City through this formula for 2012 totaled \$252,829. Receipt of property taxes from this "fiscal disparities pool" does not increase or decrease total tax revenue.

J. Special Assessments

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

K. Inventories

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

L. Prepaid Items

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

M. Capital Assets

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2012, 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. Long-Term Obligations

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Classifications and Flow Assumptions

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

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

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

Q. Net Position Classifications and Flow Assumptions

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Interfund Transactions

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

S. Use of Estimates

States of America, requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

T. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, compensated absences payable, interest payable, and unamortized discounts are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the (\$926,866) difference are as follows:

Bonds payable	\$ (810,000)
Accrued interest payable	(11,373)
Unamortized discounts	5,768
Compensated absences payable	<u>(111,261)</u>
	<u>\$ (926,866)</u>

U. Change in Accounting Principle

For the fiscal year ended December 31, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement changed how governmental entities present a statement of net position, adding two new basic financial statement elements, and replacing “net assets” with “net position” as the terminology used to describe the difference between the other four elements. The two basic financial statement elements added are “deferred inflows of resources” and “deferred outflows of resources”. These new elements are differentiated from assets (deferred outflows of resources) and liabilities (deferred inflows of resources), but have similar effects on net position.

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 \$1,000,070. 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, 2012, 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	\$ –	\$ –	\$ –	\$ 200,290	\$ 200,290
Freddie Mac	AA	–	250,074	–	–	250,074
Federal Home Loan Mortgage Corporation	AA	–	–	550,193	–	550,193
Federal Home Loan Bank	AA	–	–	2,308,234	–	2,308,234
Federal Agricultural Mortgage Corporation	AA	–	400,186	–	–	400,186
Federal Farm Credit Bank	AA	–	250,054	–	–	250,054
Municipal bonds	AAA	200,000	199,474	148,662	–	548,136
Municipal bonds	AA	2,077,349	1,884,191	1,668,538	–	5,630,078
Municipal bonds	A	351,680	–	–	–	351,680
Negotiable certificates of deposit	N/R	340,176	998,009	242,197	–	1,580,382
Investment pools/mutual funds						
External investment pool – 4M Fund	N/R	391,031	–	–	–	391,031
Money market funds						
Wells Fargo Money Market	AAA	5,169	–	–	–	5,169
Wells Fargo Advantage Government	AAA	166	–	–	–	166
Total investments		\$ 3,365,571	\$ 3,981,988	\$ 4,917,824	\$ 200,290	12,465,673
Deposits						1,000,070
Petty cash						512
Total cash and investments						\$ 13,466,255

N/R – Not Rated

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding United States guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies state that no more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the United States government, or a maximum of 25 percent with any individual counterparty in an external investment pool. At year-end, the City’s investments in Federal Home Loan Banks (FHLB) investments represented 19 percent. The FHLB issuers have an implicit guarantee from the federal government, but are not backed by the full faith and credit of the federal government.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

A. Governmental Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,652,057	\$ –	\$ –	\$ –	\$ 2,652,057
Construction in progress	3,118,151	155,303	–	(1,307,624)	1,965,830
Total capital assets, not being depreciated	5,770,208	155,303	–	(1,307,624)	4,617,887
Capital assets, being depreciated					
Building and structures	6,370,683	18,636	–	–	6,389,319
Infrastructure and improvements	8,090,306	–	–	1,307,624	9,397,930
Machinery and equipment	922,726	26,079	–	–	948,805
Office furniture and equipment	107,191	–	–	–	107,191
Vehicles	689,770	35,526	–	–	725,296
Total capital assets, being depreciated	16,180,676	80,241	–	1,307,624	17,568,541
Less accumulated depreciation for					
Building and structures	2,095,521	154,984	–	–	2,250,505
Infrastructure and improvements	1,714,547	288,272	–	–	2,002,819
Machinery and equipment	394,019	66,990	–	–	461,009
Office furniture and equipment	21,455	10,358	–	–	31,813
Vehicles	226,864	45,887	–	–	272,751
Total accumulated depreciation	4,452,406	566,491	–	–	5,018,897
Total capital assets being depreciated – net	11,728,270	(486,250)	–	1,307,624	12,549,644
Governmental activities capital assets – net	\$ 17,498,478	\$ (330,947)	\$ –	\$ –	\$ 17,167,531

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	\$ 1,363,312	\$ 1,739,854	\$ –	\$ (133,558)	\$ 2,969,608
Capital assets, being depreciated					
Building and structures	4,170	14,614	–	–	18,784
Distribution and collection systems	15,331,673	–	–	133,558	15,465,231
Machinery and equipment	869,221	–	–	–	869,221
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	186,292	–	–	–	186,292
Total capital assets, being depreciated	16,403,331	14,614	–	133,558	16,551,503
Less accumulated depreciation for					
Building and structures	3,562	209	–	–	3,771
Distribution and collection systems	5,819,102	334,005	–	–	6,153,107
Machinery and equipment	794,671	10,621	–	–	805,292
Office furniture and equipment	11,975	–	–	–	11,975
Vehicles	175,478	10,814	–	–	186,292
Total accumulated depreciation	6,804,788	355,649	–	–	7,160,437
Total capital assets, being depreciated – net	9,598,543	(341,035)	–	133,558	9,391,066
Business-type activities capital assets – net	\$ 10,961,855	\$ 1,398,819	\$ –	\$ –	\$ 12,360,674

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 133,782
Public safety	1,491
Public works	345,974
Parks and recreation	<u>85,244</u>
	<u>\$ 566,491</u>
Business-type activities	
Water	\$ 171,299
Sewer	131,202
Surface water management	<u>53,148</u>
	<u>\$ 355,649</u>

D. Construction Commitments

At December 31, 2012, 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>
Valentine Park Improvements	<u>\$ 121,872</u>

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Debt

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

NOTE 4 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2012, the governmental activities and business-type activities long-term debt of the City consisted of the following:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding at December 31, 2012</u>
Governmental activities					
G.O. Tax Increment Refunding Bonds, Series 2004A	11/04/2004	02/01/2015	3.00–3.50 %	<u>\$ 2,395,000</u>	\$ 810,000
Compensated absences payable	N/A	N/A	N/A	N/A	<u>120,108</u>
Total city indebtedness – governmental activities					<u>\$ 930,108</u>
Business-type activities					
Compensated absences payable	N/A	N/A	N/A	N/A	<u>\$ 77,293</u>

N/A – Not Applicable

B. Minimum Debt Payments

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

<u>Year Ending December 31,</u>	<u>G.O. Tax Increment Bonds</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 260,000	\$ 23,070
2014	270,000	14,322
2015	<u>280,000</u>	<u>4,900</u>
Total	<u>\$ 810,000</u>	<u>\$ 42,292</u>

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

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. tax increment bonds	\$ 1,065,000	\$ –	\$ 255,000	\$ 810,000	\$ 260,000
Compensated absences payable	108,535	139,061	127,488	120,108	90,081
Total governmental activity long-term liabilities	\$ 1,173,535	\$ 139,061	\$ 382,488	\$ 930,108	\$ 350,081
Business-type activities					
Compensated absences payable	\$ 73,984	\$ 78,381	\$ 75,072	\$ 77,293	\$ 57,969

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

All general obligation indebtedness outstanding at December 31, 2012 is backed by the full faith and credit of the City, including tax increment bonds.

D. Revenue Pledged

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

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Tax Increment Refunding Bonds, Series 2004A	Site improvements	Tax increment	100%	2005–2015	\$ 852,292	\$ 286,698	\$ 340,032

E. Arbitrage Rebate

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

NOTE 5 – FUND BALANCES

A. Classifications

At December 31, 2012, a summary of the City’s governmental fund balance classifications are as follows:

	General	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable							
Prepaid items	\$ 22,326	\$ 628	\$ -	\$ -	\$ -	\$ -	\$ 22,954
Restricted for							
Debt service	-	-	2,167	-	-	-	2,167
Tax increment	-	-	-	-	-	1,499,944	1,499,944
Cable TV	-	-	-	-	-	297,269	297,269
Total restricted	-	-	2,167	-	-	1,797,213	1,799,380
Committed to							
Economic development authority	-	296,847	-	-	-	155,649	452,496
Assigned to							
Compensated absences	105,681	-	-	-	-	-	105,681
Subsequent year budget	20,453	-	-	-	-	-	20,453
Capital improvements	-	-	-	-	6,502,758	-	6,502,758
Capital equipment and buildings	-	-	-	-	-	360,357	360,357
Total assigned	126,134	-	-	-	6,502,758	360,357	6,989,249
Unassigned	2,202,459	-	-	(232,240)	-	(71,099)	1,899,120
Total	<u>\$ 2,350,919</u>	<u>\$ 297,475</u>	<u>\$ 2,167</u>	<u>\$ (232,240)</u>	<u>\$ 6,502,758</u>	<u>\$ 2,242,120</u>	<u>\$ 11,163,199</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes the City will strive to maintain an unassigned General Fund balance of 50 percent of the subsequent year’s General Fund budgeted expenditures less transfers. At December 31, 2012, the unassigned fund balance of the General Fund was 56 percent of the subsequent year’s budgeted expenditures less transfers.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

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

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

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

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

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

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

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2012. In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members and 7.25 percent for Coordinated Plan GERS members. The City's contributions for years ended December 31, 2012, 2011, and 2010 were \$109,550, \$101,810, and \$89,840, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statutes.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivable and Payable

Interfund receivable and payable balances at December 31, 2012 are as follows:

Fund	Receivable	Payable
Governmental funds		
General	\$ 268,376	\$ –
EDA Operating	973	–
Equipment, Building, and Replacement	–	232,240
Permanent Improvement Revolving	326,507	–
Nonmajor	–	95,240
Proprietary funds		
Sewer	–	268,376
Total	\$ 595,856	\$ 595,856

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

B. Transfers In and Transfers Out

Transfers Out	Transfers In					Total
	Governmental Funds					
	EDA Operating	Tax Increment Bonds	Equipment, Building, and Replacement	Permanent Improvement Revolving	Nonmajor	
Governmental Funds						
General Fund	\$ 124,955	\$ –	\$ 40,000	\$ 200,000	\$ –	\$ 364,955
Permanent Improvement Revolving	65,000	–	–	–	188,893	253,893
Nonmajor	–	286,698	–	–	–	286,698
Proprietary funds						
Water	–	–	43,000	–	–	43,000
Sewer	–	–	62,000	–	–	62,000
Surface Water Management	–	–	38,000	–	–	38,000
Total	\$ 189,955	\$ 286,698	\$ 183,000	\$ 200,000	\$ 188,893	\$ 1,048,546

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 2012 transfers are considered routine and consistent with previous practices.

NOTE 8 – DEFICIT FUND BALANCES

The City had deficit fund balances at December 31, 2012 as follows:

	<u>Amount</u>
Governmental funds	
Equipment, Building, and Replacement	\$ 232,240
Nonmajor – EDA TIF District No. 4	973
Nonmajor – Parks	70,126
Proprietary fund	
Central Garage – Internal Service Fund	<u>17,224</u>
	<u>\$ 320,563</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 approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers’ compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. There were no significant reductions in insurance from the previous year or settled claims in excess of insurance coverage for any of the past three fiscal years.

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

B. Litigation

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

C. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2012.

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 2012.

F. Lake Johanna Volunteer Fire Department, Inc.

The City receives fire protection under a contract with the Lake Johanna Volunteer Fire Department, Inc. The contract calls for annual payments, expires December 31, 2013, and allows renewal for two additional five-year periods. The contract cost will be based on the budget submitted by the fire department and approved by the City. Capital costs are billed separately in addition to the contract rate. The amount expended under the contract was \$392,869 in 2012.

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, 2012 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
Educational Facilities Revenue Note, Series 2010	Educational facilities	8,000,000
Senior Housing Revenue Note, Series 2011A	Senior housing	10,000,000
Senior Housing Revenue Note, Series 2012A	Senior housing	<u>10,000,000</u>
Totals		<u>\$ 33,500,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 3,126,555	\$ 3,126,555	\$ 3,087,160	\$ (39,395)
Special assessments	210	210	1,771	1,561
Licenses and permits				
Business	50,100	50,100	49,895	(205)
Non-business	206,750	206,750	365,175	158,425
Total licenses and permits	<u>256,850</u>	<u>256,850</u>	<u>415,070</u>	<u>158,220</u>
Intergovernmental				
State				
Road maintenance	68,559	68,559	75,028	6,469
Local Performance Aid	-	-	1,337	1,337
Mobile home homestead credit	-	-	138	138
PERA aid	5,179	5,179	5,179	-
Police aid	41,844	41,844	37,118	(4,726)
Total intergovernmental	<u>115,582</u>	<u>115,582</u>	<u>118,800</u>	<u>3,218</u>
Charges for services				
General government	59,250	59,250	130,448	71,198
Public safety	10,000	10,000	19,010	9,010
Parks and recreation	97,830	97,830	118,180	20,350
Administrative charges				
Internal service funds	20,635	20,635	16,716	(3,919)
Enterprise funds	145,283	145,283	155,572	10,289
Special revenue funds	16,893	16,893	10,663	(6,230)
Total charges for services	<u>349,891</u>	<u>349,891</u>	<u>450,589</u>	<u>100,698</u>
Fines and forfeits	45,462	45,462	33,192	(12,270)
Earnings on investments	35,000	35,000	63,151	28,151
Antenna rental fees	75,655	75,655	75,745	90
Miscellaneous reimbursements	10,800	10,800	9,036	(1,764)
Other	28,121	28,121	55,113	26,992
Total revenues	<u>4,044,126</u>	<u>4,044,126</u>	<u>4,309,627</u>	<u>265,501</u>
Expenditures				
Current				
General government				
City Council				
Personal services	31,171	31,171	31,182	(11)
Materials and supplies	-	-	24	(24)
Other services and charges	43,340	43,340	39,006	4,334
Total City Council	<u>74,511</u>	<u>74,511</u>	<u>70,212</u>	<u>4,299</u>
Elections				
Personal services	68	68	18	50
Other services and charges	18,000	18,000	17,278	722
Total elections	<u>18,068</u>	<u>18,068</u>	<u>17,296</u>	<u>772</u>

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2012

	<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	193,271	193,271	197,742	(4,471)
Other services and charges	148,965	148,965	104,364	44,601
Total administration	<u>342,236</u>	<u>342,236</u>	<u>302,106</u>	<u>40,130</u>
Finance				
Personal services	73,618	73,618	66,489	7,129
Materials and supplies	24,800	24,800	17,380	7,420
Other services and charges	66,331	66,331	65,981	350
Total finance	<u>164,749</u>	<u>164,749</u>	<u>149,850</u>	<u>14,899</u>
TCAAP				
Materials and supplies	-	-	17	(17)
Other services and charges	60,000	60,000	41,554	18,446
Total TCAAP	<u>60,000</u>	<u>60,000</u>	<u>41,571</u>	<u>18,429</u>
Planning and zoning				
Personal services	161,741	161,741	156,062	5,679
Materials and supplies	1,000	1,000	49	951
Other services and charges	86,700	86,700	15,760	70,940
Total planning and zoning	<u>249,441</u>	<u>249,441</u>	<u>171,871</u>	<u>77,570</u>
General government buildings				
Personal services	29,604	29,604	29,026	578
Materials and supplies	4,500	4,500	5,531	(1,031)
Other services and charges	175,217	175,217	172,573	2,644
Total general government buildings	<u>209,321</u>	<u>209,321</u>	<u>207,130</u>	<u>2,191</u>
Total general government	1,118,326	1,118,326	960,036	158,290
Public safety				
Police and animal control				
Other services and charges	978,955	978,955	987,210	(8,255)
Dispatch				
Other services and charges	49,219	49,219	49,219	-
Fire protection				
Other services and charges	392,869	392,869	392,869	-
Emergency management				
Personal services	2,533	2,533	2,486	47
Other services and charges	13,000	13,000	6,822	6,178
Total emergency management	<u>15,533</u>	<u>15,533</u>	<u>9,308</u>	<u>6,225</u>

(continued)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
Protective inspections				
Personal services	226,578	226,578	224,164	2,414
Materials and supplies	3,650	3,650	85	3,565
Other services and charges	40,525	40,525	65,814	(25,289)
Total protective inspections	<u>270,753</u>	<u>270,753</u>	<u>290,063</u>	<u>(19,310)</u>
Total public safety	1,707,329	1,707,329	1,728,669	(21,340)
Public works				
Street maintenance				
Personal services	190,818	190,818	174,359	16,459
Materials and supplies	37,625	37,625	106,186	(68,561)
Other services and charges	76,113	76,113	96,556	(20,443)
Total public works	<u>304,556</u>	<u>304,556</u>	<u>377,101</u>	<u>(72,545)</u>
Parks and recreation				
Park maintenance				
Personal services	274,442	274,442	268,642	5,800
Materials and supplies	19,000	19,000	33,412	(14,412)
Other services and charges	131,797	131,797	139,829	(8,032)
Total park maintenance	<u>425,239</u>	<u>425,239</u>	<u>441,883</u>	<u>(16,644)</u>
Recreation				
Personal services	152,351	152,351	137,679	14,672
Materials and supplies	16,275	16,275	20,702	(4,427)
Other services and charges	55,050	55,050	59,531	(4,481)
Total recreation	<u>223,676</u>	<u>223,676</u>	<u>217,912</u>	<u>5,764</u>
Celebrating Arden Hills				
Materials and supplies	19,000	19,000	18,611	389
Other services and charges	6,000	6,000	876	5,124
Total Celebrating Arden Hills	<u>25,000</u>	<u>25,000</u>	<u>19,487</u>	<u>5,513</u>
Total parks and recreation	<u>673,915</u>	<u>673,915</u>	<u>679,282</u>	<u>(5,367)</u>
Total expenditures	<u>3,804,126</u>	<u>3,804,126</u>	<u>3,745,088</u>	<u>59,038</u>
Revenues over (under) expenditures	240,000	240,000	564,539	324,539
Other financing sources (uses)				
Transfers out	<u>(240,000)</u>	<u>(364,955)</u>	<u>(364,955)</u>	<u>–</u>
Net change in fund balance	<u>\$ –</u>	<u>\$ (124,955)</u>	199,584	<u>\$ 324,539</u>
Fund balance – beginning			<u>2,151,335</u>	
Fund balance – ending			<u>\$ 2,350,919</u>	

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – EDA Operating Fund
 Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes – tax increments	\$ 35,250	\$ 35,250	\$ 48,058	\$ 12,808
Earnings on investments	–	–	4,017	4,017
Miscellaneous reimbursements	–	–	5,050	5,050
Total revenues	<u>35,250</u>	<u>35,250</u>	<u>57,125</u>	<u>21,875</u>
Expenditures				
Economic development				
Current				
Personal services	41,638	41,638	41,729	(91)
Materials and supplies	3,000	3,000	–	3,000
Other services and charges	19,759	19,759	12,188	7,571
Capital outlay				
Economic development	65,000	65,000	5,330	59,670
Total expenditures	<u>129,397</u>	<u>129,397</u>	<u>59,247</u>	<u>70,150</u>
Revenue over (under) expenditures	(94,147)	(94,147)	(2,122)	92,025
Other financing sources				
Transfers in	65,000	189,955	189,955	–
Net change in fund balances	<u>\$ (29,147)</u>	<u>\$ 95,808</u>	187,833	<u>\$ 92,025</u>
Fund balance – beginning			<u>109,642</u>	
Fund balance – ending			<u>\$ 297,475</u>	

CITY OF ARDEN HILLS

Note to Required Supplementary Information
December 31, 2012

NOTE – LEGAL COMPLIANCE – BUDGETS

The General and Economic Development Authority (EDA) Operating Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for these funds. For the year ended December 31, 2012, these funds operated within budgeted appropriations.

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds – Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by 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, 2012

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 1,930,026	\$ 357,981	\$ 2,288,007
Accrued interest receivable	1,709	2,168	3,877
Accounts receivable	24,064	2,086	26,150
Due from other governmental units	-	24,285	24,285
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,955,799</u>	<u>\$ 386,520</u>	<u>\$ 2,342,319</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,508	\$ 1,878	\$ 3,386
Salaries payable	1,429	-	1,429
Interfund payable	973	94,267	95,240
Due to other governmental units	-	144	144
Total liabilities	<u>3,910</u>	<u>96,289</u>	<u>100,199</u>
Fund balances (deficits)			
Restricted	1,797,213	-	1,797,213
Committed	155,649	-	155,649
Assigned	-	360,357	360,357
Unassigned	(973)	(70,126)	(71,099)
Total fund balances	<u>1,951,889</u>	<u>290,231</u>	<u>2,242,120</u>
Total liabilities and fund balances	<u>\$ 1,955,799</u>	<u>\$ 386,520</u>	<u>\$ 2,342,319</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2012

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Tax increments	\$ 383,002	\$ -	\$ 383,002
Intergovernmental	-	24,285	24,285
Earnings on investments	10,942	6,858	17,800
Franchise fees	94,532	-	94,532
Other	-	37,476	37,476
Total revenues	<u>488,476</u>	<u>68,619</u>	<u>557,095</u>
Expenditures			
Current			
General government	94,626	-	94,626
Economic development	3,849	-	3,849
Capital outlay			
Public safety	-	169,894	169,894
Parks and recreation	-	94,411	94,411
Total expenditures	<u>98,475</u>	<u>264,305</u>	<u>362,780</u>
Revenues over (under) expenditures	390,001	(195,686)	194,315
Other financing sources (uses)			
Transfer from capital project funds	-	188,893	188,893
Transfer to debt service fund	<u>(286,698)</u>	<u>-</u>	<u>(286,698)</u>
Total other financing sources (uses)	<u>(286,698)</u>	<u>188,893</u>	<u>(97,805)</u>
Net change in fund balances	103,303	(6,793)	96,510
Fund balances – beginning	<u>1,848,586</u>	<u>297,024</u>	<u>2,145,610</u>
Fund balances – ending	<u>\$ 1,951,889</u>	<u>\$ 290,231</u>	<u>\$ 2,242,120</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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, 2012

	Cable	EDA Revolving	EDA TIF District No. 2	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Assets						
Cash and investments	\$ 274,433	\$ 155,649	\$ 1,287,590	\$ 212,354	\$ -	\$ 1,930,026
Accrued interest receivable	1,709	-	-	-	-	1,709
Accounts receivable	24,064	-	-	-	-	24,064
Total assets	\$ 300,206	\$ 155,649	\$ 1,287,590	\$ 212,354	\$ -	\$ 1,955,799
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,508	\$ -	\$ -	\$ -	\$ -	\$ 1,508
Salaries payable	1,429	-	-	-	-	1,429
Interfund payable	-	-	-	-	973	973
Total liabilities	2,937	-	-	-	973	3,910
Fund balances (deficits)						
Restricted	297,269	-	1,287,590	212,354	-	1,797,213
Committed	-	155,649	-	-	-	155,649
Unassigned	-	-	-	-	(973)	(973)
Total fund balances (deficits)	297,269	155,649	1,287,590	212,354	(973)	1,951,889
Total liabilities and fund balances	\$ 300,206	\$ 155,649	\$ 1,287,590	\$ 212,354	\$ -	\$ 1,955,799

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2012

	Cable	EDA Revolving	EDA TIF District No. 2	EDA TIF District No. 3	EDA TIF District No. 4	Total Nonmajor Special Revenue Funds
Revenues						
Taxes						
Tax increments	\$ -	\$ -	\$ 340,032	\$ 42,970	\$ -	\$ 383,002
Earnings on investments	5,894	1,275	2,140	1,633	-	10,942
Franchise fees	94,532	-	-	-	-	94,532
Total revenues	100,426	1,275	342,172	44,603	-	488,476
Expenditures						
Current						
General government	94,626	-	-	-	-	94,626
Economic development	-	-	1,392	1,484	973	3,849
Total expenditures	94,626	-	1,392	1,484	973	98,475
Revenues over (under) expenditures	5,800	1,275	340,780	43,119	(973)	390,001
Other financing sources (uses)						
Transfer to debt service fund	-	-	(286,698)	-	-	(286,698)
Net change in fund balances	5,800	1,275	54,082	43,119	(973)	103,303
Fund balances – beginning	291,469	154,374	1,233,508	169,235	-	1,848,586
Fund balances (deficits) – ending	\$ 297,269	\$ 155,649	\$ 1,287,590	\$ 212,354	\$ (973)	\$ 1,951,889

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Balance Sheet
 as of December 31, 2012

	<u>Parks</u>	<u>Public Safety Capital Equipment</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets			
Cash and investments	\$ —	\$ 357,981	\$ 357,981
Accrued interest receivable	—	2,168	2,168
Accounts receivable	—	2,086	2,086
Due from other governmental units	<u>24,285</u>	<u>—</u>	<u>24,285</u>
 Total assets	 <u>\$ 24,285</u>	 <u>\$ 362,235</u>	 <u>\$ 386,520</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ —	\$ 1,878	\$ 1,878
Interfund payable	94,267	—	94,267
Due to other governmental units	<u>144</u>	<u>—</u>	<u>144</u>
Total liabilities	94,411	1,878	96,289
Fund balances (deficits)			
Assigned	—	360,357	360,357
Unassigned	<u>(70,126)</u>	<u>—</u>	<u>(70,126)</u>
Total fund balances (deficits)	<u>(70,126)</u>	<u>360,357</u>	<u>290,231</u>
 Total liabilities and fund balances	 <u>\$ 24,285</u>	 <u>\$ 362,235</u>	 <u>\$ 386,520</u>

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2012

	Parks	Public Safety Capital Equipment	Total Nonmajor Capital Project Funds
Revenues			
Intergovernmental	\$ 24,285	\$ —	\$ 24,285
Earnings on investments	—	6,858	6,858
Other	—	37,476	37,476
Total revenues	<u>24,285</u>	<u>44,334</u>	<u>68,619</u>
Expenditures			
Capital outlay			
Public safety	—	169,894	169,894
Parks and recreation	94,411	—	94,411
Total expenditures	<u>94,411</u>	<u>169,894</u>	<u>264,305</u>
Revenues over (under) expenditures	(70,126)	(125,560)	(195,686)
Other financing sources			
Transfer from capital project funds	<u>188,893</u>	—	<u>188,893</u>
Net change in fund balances	118,767	(125,560)	(6,793)
Fund balances (deficits) – beginning	<u>(188,893)</u>	<u>485,917</u>	<u>297,024</u>
Fund balances (deficits) – ending	<u>\$ (70,126)</u>	<u>\$ 360,357</u>	<u>\$ 290,231</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ 6,000	\$ 6,000	\$ 5,894	\$ (106)
Franchise fees	85,131	85,131	94,532	9,401
Total revenues	<u>91,131</u>	<u>91,131</u>	<u>100,426</u>	<u>9,295</u>
Expenditures				
Current				
General government				
Personal services	32,642	32,642	33,002	(360)
Other services and charges	51,752	51,752	61,624	(9,872)
Capital outlay				
General government	35,000	35,000	–	35,000
Total expenditures	<u>119,394</u>	<u>119,394</u>	<u>94,626</u>	<u>24,768</u>
Net change in fund balances	<u>\$ (28,263)</u>	<u>\$ (28,263)</u>	5,800	<u>\$ 34,063</u>
Fund balances – beginning			<u>291,469</u>	
Fund balances – ending			<u>\$ 297,269</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, 2012

	<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>\$ 1,275</u>	<u>\$ (1,225)</u>
Net change in fund balances	<u>\$ 2,500</u>	<u>\$ 2,500</u>	1,275	<u>\$ (1,225)</u>
Fund balances – beginning			<u>154,374</u>	
Fund balances – ending			<u>\$ 155,649</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 493,500	\$ 493,500	\$ 340,032	\$ (153,468)
Earnings on investments	15,000	15,000	2,140	(12,860)
Total revenues	<u>508,500</u>	<u>508,500</u>	<u>342,172</u>	<u>(166,328)</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>1,300</u>	<u>1,300</u>	<u>1,392</u>	<u>(92)</u>
Revenue over expenditures	507,200	507,200	340,780	(166,420)
Other financing sources (uses)				
Transfer to Debt Service Fund	<u>(286,698)</u>	<u>(286,698)</u>	<u>(286,698)</u>	<u>—</u>
Net change in fund balances	<u>\$ 220,502</u>	<u>\$ 220,502</u>	54,082	<u>\$ (166,420)</u>
Fund balances – beginning			<u>1,233,508</u>	
Fund balances – ending			<u>\$ 1,287,590</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Tax increments	\$ 38,500	\$ 38,500	\$ 42,970	\$ 4,470
Earnings on investments	<u>2,000</u>	<u>2,000</u>	<u>1,633</u>	<u>(367)</u>
Total revenues	<u>40,500</u>	<u>40,500</u>	<u>44,603</u>	<u>4,103</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u>4,000</u>	<u>4,000</u>	<u>1,484</u>	<u>2,516</u>
Net change in fund balances	<u>\$ 36,500</u>	<u>\$ 36,500</u>	43,119	<u>\$ 6,619</u>
Fund balances – beginning			<u>169,235</u>	
Fund balances – ending			<u>\$ 212,354</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, 2012

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Assets					
Current assets					
Cash and investments	\$ 416,252	\$ 38,002	\$ 4,007	\$ 390	\$ 458,651
Accounts receivable					
Customers	280	-	-	-	280
Prepaid items	-	345	300	2,500	3,145
Total assets	<u>416,532</u>	<u>38,347</u>	<u>4,307</u>	<u>2,890</u>	<u>462,076</u>
Liabilities					
Current liabilities					
Accounts payable	25,798	-	11,587	2,185	39,570
Salaries payable	218	3,739	619	-	4,576
Due to other governmental units	-	-	7,058	705	7,763
Compensated absences payable	491	4,444	1,700	-	6,635
Total current liabilities	<u>26,507</u>	<u>8,183</u>	<u>20,964</u>	<u>2,890</u>	<u>58,544</u>
Noncurrent liabilities					
Compensated absences payable (net of current portion)	<u>164</u>	<u>1,481</u>	<u>567</u>	<u>-</u>	<u>2,212</u>
Total liabilities	26,671	9,664	21,531	2,890	60,756
Net position					
Unrestricted	<u>\$ 389,861</u>	<u>\$ 28,683</u>	<u>\$ (17,224)</u>	<u>\$ -</u>	<u>\$ 401,320</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds
Year Ended December 31, 2012

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 341,348	\$ 131,863	\$ 175,958	\$ 61,576	\$ 710,745
Miscellaneous	280	-	-	-	280
Total operating revenues	<u>341,628</u>	<u>131,863</u>	<u>175,958</u>	<u>61,576</u>	<u>711,025</u>
Operating expenses					
Personal services	5,644	90,143	16,766	-	112,553
Supplies and maintenance	746	-	133,951	2,484	137,181
Other services and charges	15,658	13,037	41,985	5,912	76,592
Purchased services	346,793	-	480	53,180	400,453
Total operating expenses	<u>368,841</u>	<u>103,180</u>	<u>193,182</u>	<u>61,576</u>	<u>726,779</u>
Operating income (loss)	(27,213)	28,683	(17,224)	-	(15,754)
Nonoperating revenues					
Insurance dividend	35,902	-	-	-	35,902
Earnings on investments	3,400	-	-	-	3,400
Total nonoperating revenues	<u>39,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,302</u>
Change in net position	12,089	28,683	(17,224)	-	23,548
Net position – beginning	<u>377,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,772</u>
Net position – ending	<u>\$ 389,861</u>	<u>\$ 28,683</u>	<u>\$ (17,224)</u>	<u>\$ -</u>	<u>\$ 401,320</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2012

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Cash flows from operating activities					
Receipts from customers and users	\$ 341,348	\$ 131,863	\$ 175,958	\$ 61,576	\$ 710,745
Payments to suppliers	(367,452)	(13,382)	(158,071)	(61,186)	(600,091)
Payments to employees	(4,771)	(80,479)	(13,880)	-	(99,130)
Miscellaneous other	35,902	-	-	-	35,902
Net cash flows from operating activities	<u>5,027</u>	<u>38,002</u>	<u>4,007</u>	<u>390</u>	<u>47,426</u>
Cash flows from investing activities					
Earnings on investments	<u>5,461</u>	-	-	-	<u>5,461</u>
Net change in cash and cash equivalents	10,488	38,002	4,007	390	52,887
Cash and cash equivalents – beginning	<u>405,764</u>	-	-	-	<u>405,764</u>
Cash and cash equivalents – ending	<u>\$ 416,252</u>	<u>\$ 38,002</u>	<u>\$ 4,007</u>	<u>\$ 390</u>	<u>\$ 458,651</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (27,213)	\$ 28,683	\$ (17,224)	\$ -	\$ (15,754)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Miscellaneous other	35,902	-	-	-	35,902
Decrease (increase) in customer receivables	(280)	-	-	-	(280)
Decrease (increase) in prepaid items	-	(345)	(300)	(2,500)	(3,145)
Increase (decrease) in accounts payable	(4,255)	-	11,587	2,185	9,517
Increase (decrease) in salaries payable	218	3,739	619	-	4,576
Increase (decrease) in due to other governments	-	-	7,058	705	7,763
Increase (decrease) in compensated absences payable	655	5,925	2,267	-	8,847
Total adjustments	<u>32,240</u>	<u>9,319</u>	<u>21,231</u>	<u>390</u>	<u>63,180</u>
Net cash flows from operating activities	<u>\$ 5,027</u>	<u>\$ 38,002</u>	<u>\$ 4,007</u>	<u>\$ 390</u>	<u>\$ 47,426</u>

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION

(UNAUDITED)

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

The contents of the statistical section include:

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

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

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

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

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

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

CITY OF ARDEN HILLS

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Net investment in capital assets	\$ 6,245,206	\$ 9,881,335	\$ 13,300,454	\$ 13,832,891	\$ 13,859,332	\$ 14,789,291	\$ 16,341,354	\$ 17,498,478	\$ 17,167,531
Restricted	2,342,323	–	459,194	630,255	836,195	1,060,973	1,329,092	1,694,212	1,788,007
Unrestricted	9,234,880	10,164,226	7,730,510	9,029,227	9,304,608	9,176,652	9,008,528	9,133,279	9,738,832
Total governmental activities net position	<u>\$ 17,822,409</u>	<u>\$ 20,045,561</u>	<u>\$ 21,490,158</u>	<u>\$ 23,492,373</u>	<u>\$ 24,000,135</u>	<u>\$ 25,026,916</u>	<u>\$ 26,678,974</u>	<u>\$ 28,325,969</u>	<u>\$ 28,694,370</u>
Business-type activities									
Net investment in capital assets	\$ 9,444,977	\$ 10,393,723	\$ 10,804,213	\$ 10,701,103	\$ 10,449,932	\$ 10,507,344	\$ 10,530,204	\$ 10,961,855	\$ 12,360,674
Unrestricted	2,023,594	1,163,456	1,073,804	1,615,782	1,977,168	2,171,942	2,621,579	3,248,534	2,403,645
Total business-type activities net position	<u>\$ 11,468,571</u>	<u>\$ 11,557,179</u>	<u>\$ 11,878,017</u>	<u>\$ 12,316,885</u>	<u>\$ 12,427,100</u>	<u>\$ 12,679,286</u>	<u>\$ 13,151,783</u>	<u>\$ 14,210,389</u>	<u>\$ 14,764,319</u>
Primary government									
Net investment in capital assets	\$ 15,690,183	\$ 20,275,058	\$ 24,104,667	\$ 24,533,994	\$ 24,309,264	\$ 25,296,635	\$ 26,871,558	\$ 28,460,333	\$ 29,528,205
Restricted	2,342,323	–	459,194	630,255	836,195	1,060,973	1,329,092	1,694,212	1,788,007
Unrestricted	11,258,474	11,327,682	8,804,314	10,645,009	11,281,776	11,348,594	11,630,107	12,381,813	12,142,477
Total primary government net position	<u>\$ 29,290,980</u>	<u>\$ 31,602,740</u>	<u>\$ 33,368,175</u>	<u>\$ 35,809,258</u>	<u>\$ 36,427,235</u>	<u>\$ 37,706,202</u>	<u>\$ 39,830,757</u>	<u>\$ 42,536,358</u>	<u>\$ 43,458,689</u>

CITY OF ARDEN HILLS

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities									
General government	\$ 934,322	\$ 978,463	\$ 1,300,163	\$ 1,778,811	\$ 1,640,599	\$ 1,622,425	\$ 1,232,225	\$ 1,199,609	\$ 1,186,404
Public safety	1,147,225	1,153,493	1,388,756	1,348,220	1,582,531	1,648,349	1,585,447	1,736,422	1,900,443
Public works	1,677,910	530,829	239,026	484,983	538,869	436,200	636,406	614,761	894,954
Parks and recreation	467,154	668,885	610,008	644,137	710,298	734,148	732,824	811,533	838,138
Economic development	213,804	465,467	962,061	128,709	43,791	48,322	3,311	6,862	61,770
Interest on long-term debt	122,259	181,257	72,758	66,820	60,233	53,496	46,470	39,146	31,287
Miscellaneous	269,111	87,080	-	-	-	-	-	-	-
Total governmental activities	4,831,785	4,065,474	4,572,772	4,451,680	4,576,321	4,542,940	4,236,683	4,408,333	4,912,996
Business-type activities									
Water	1,201,108	1,321,076	1,395,983	1,461,455	1,510,998	1,648,815	1,678,954	1,573,669	1,983,200
Sewer	975,768	1,113,189	1,167,629	1,280,486	1,143,557	1,268,018	1,367,429	1,454,302	1,595,379
Surface water management	97,515	110,022	115,872	147,395	219,483	269,562	321,693	353,330	388,406
Recycling	78,761	78,538	81,630	81,582	113,709	118,197	129,139	137,622	142,114
Total business-type activities	2,353,152	2,622,825	2,761,114	2,970,918	2,987,747	3,304,592	3,497,215	3,518,923	4,109,099
Total primary government	\$ 7,184,937	\$ 6,688,299	\$ 7,333,886	\$ 7,422,598	\$ 7,564,068	\$ 7,847,532	\$ 7,733,898	\$ 7,927,256	\$ 9,022,095
Program revenues									
Governmental activities									
Charges for services									
General government	\$ 157,284	\$ 363,706	\$ 295,708	\$ 302,501	\$ 298,395	\$ 341,736	\$ 271,972	\$ 353,224	\$ 377,621
Public safety	538,455	339,305	310,703	357,460	221,614	307,306	207,876	385,133	376,576
Parks and recreation	81,158	146,118	91,492	89,912	94,293	91,305	98,395	110,830	118,179
Miscellaneous	34,857	29,594	-	-	-	-	-	-	-
Operating grants and contributions	183,727	315,649	940,864	1,542,972	599,862	210,140	275,869	410,228	291,712
Capital grants and contributions	260,058	803,339	918,211	512,589	141,325	705,858	1,171,451	946,122	134,710
Total governmental activities	1,255,539	1,997,711	2,556,978	2,805,434	1,355,489	1,656,345	2,025,563	2,205,537	1,298,798
Business-type activities									
Charges for services									
Water	1,000,507	1,139,980	1,283,944	1,416,406	1,327,075	1,709,639	1,824,086	1,950,932	2,285,161
Sewer	829,907	1,017,970	1,062,748	1,344,716	1,121,188	1,313,897	1,574,493	1,852,364	1,739,123
Surface water management	191,346	372,683	401,739	456,047	473,856	503,070	518,672	531,845	567,361
Recycling	73,492	73,454	71,199	66,304	83,235	87,700	121,892	142,858	121,688
Operating grants and contributions	18,489	17,869	18,076	57,342	20,301	19,866	20,114	20,846	19,802
Capital grants and contributions	-	37,700	225,000	-	-	-	-	140,428	25,506
Total business-type activities	2,113,741	2,659,656	3,062,706	3,340,815	3,025,655	3,634,172	4,059,257	4,639,273	4,758,641
Total primary government	\$ 3,369,280	\$ 4,657,367	\$ 5,619,684	\$ 6,146,249	\$ 4,381,144	\$ 5,290,517	\$ 6,084,820	\$ 6,844,810	\$ 6,057,439

(continued)

CITY OF ARDEN HILLS

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense) revenue									
Governmental activities	\$ (3,576,246)	\$ (2,067,763)	\$ (2,015,794)	\$ (1,646,246)	\$ (3,220,832)	\$ (2,886,595)	\$ (2,211,120)	\$ (2,202,796)	\$ (3,614,198)
Business-type activities	(239,411)	36,831	301,592	369,897	37,908	329,580	562,042	1,120,350	649,542
Total primary government	<u>\$ (3,815,657)</u>	<u>\$ (2,030,932)</u>	<u>\$ (1,714,202)</u>	<u>\$ (1,276,349)</u>	<u>\$ (3,182,924)</u>	<u>\$ (2,557,015)</u>	<u>\$ (1,649,078)</u>	<u>\$ (1,082,446)</u>	<u>\$ (2,964,656)</u>
General revenues and other changes in net position									
Governmental activities									
Taxes									
Property taxes	\$ 2,480,338	\$ 2,303,598	\$ 2,476,537	\$ 2,626,669	\$ 2,727,372	\$ 2,860,820	\$ 2,836,982	\$ 2,920,078	\$ 3,095,488
Tax increments	377,400	449,274	462,468	470,419	506,808	540,408	566,725	342,109	431,060
Franchise taxes	56,593	63,428	95,148	75,620	60,520	104,148	85,131	90,123	94,532
Unrestricted grants and contributions	31,146	33,300	11,396	—	—	—	—	—	—
Investment earnings	283,525	265,029	428,625	475,753	433,894	275,500	231,340	307,769	218,519
Gain on sale of capital assets	—	274,508	—	—	—	—	—	46,712	—
Transfers	(30,762)	—	(13,783)	—	—	132,500	143,000	143,000	143,000
Total governmental activities	<u>3,198,240</u>	<u>3,389,137</u>	<u>3,460,391</u>	<u>3,648,461</u>	<u>3,728,594</u>	<u>3,913,376</u>	<u>3,863,178</u>	<u>3,849,791</u>	<u>3,982,599</u>
Business-type activities									
Property tax	—	—	13,735	13,746	—	—	—	—	—
Investment earnings	58,944	51,777	65,121	55,225	72,307	55,106	53,455	81,256	47,388
Transfers	30,762	—	13,783	—	—	(132,500)	(143,000)	(143,000)	(143,000)
Total business-type activities	<u>89,706</u>	<u>51,777</u>	<u>92,639</u>	<u>68,971</u>	<u>72,307</u>	<u>(77,394)</u>	<u>(89,545)</u>	<u>(61,744)</u>	<u>(95,612)</u>
Total primary government	<u>\$ 3,287,946</u>	<u>\$ 3,440,914</u>	<u>\$ 3,553,030</u>	<u>\$ 3,717,432</u>	<u>\$ 3,800,901</u>	<u>\$ 3,835,982</u>	<u>\$ 3,773,633</u>	<u>\$ 3,788,047</u>	<u>\$ 3,886,987</u>
Change in net position									
Governmental activities	\$ (378,006)	\$ 1,321,374	\$ 1,444,597	\$ 2,002,215	\$ 507,762	\$ 1,026,781	\$ 1,652,058	\$ 1,646,995	\$ 368,401
Business-type activities	(149,705)	88,608	394,231	438,868	110,215	252,186	472,497	1,058,606	553,930
Total primary government	<u>\$ (527,711)</u>	<u>\$ 1,409,982</u>	<u>\$ 1,838,828</u>	<u>\$ 2,441,083</u>	<u>\$ 617,977</u>	<u>\$ 1,278,967</u>	<u>\$ 2,124,555</u>	<u>\$ 2,705,601</u>	<u>\$ 922,331</u>

CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Increments</u>	<u>Franchise Tax</u>	<u>Total</u>
2004	\$ 2,480,338	\$ 377,400	\$ 56,593	\$ 2,914,331
2005	2,303,598	449,274	63,428	2,816,300
2006	2,476,537	462,468	95,148	3,034,153
2007	2,626,669	470,419	75,620	3,172,708
2008	2,727,372	506,808	60,520	3,294,700
2009	2,860,820	540,408	104,148	3,505,376
2010	2,836,982	566,725	85,131	3,488,838
2011	2,920,078	342,109	90,123	3,352,310
2012	3,095,488	431,060	94,532	3,621,080

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 92,925	\$ 116,730	\$ 12,508	\$ 149,183	\$ 17,356	\$ 16,586	\$ 24,304	\$ 32,587	\$ -	\$ -
Unreserved	1,021,914	1,198,199	1,502,272	1,437,255	2,153,575	1,834,179	1,797,956	1,730,605	-	-
Nonspendable	-	-	-	-	-	-	-	-	29,063	22,326
Assigned	-	-	-	-	-	-	-	-	106,592	126,134
Unassigned	-	-	-	-	-	-	-	-	2,015,680	2,202,459
Total General Fund	<u>\$ 1,114,839</u>	<u>\$ 1,314,929</u>	<u>\$ 1,514,780</u>	<u>\$ 1,586,438</u>	<u>\$ 2,170,931</u>	<u>\$ 1,850,765</u>	<u>\$ 1,822,260</u>	<u>\$ 1,763,192</u>	<u>\$ 2,151,335</u>	<u>\$ 2,350,919</u>
All other governmental funds										
Reserved	\$ 797,141	\$ 3,212,744	\$ 1,962	\$ 461,213	\$ 632,316	\$ 838,308	\$ 1,063,087	\$ 1,331,259	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	612,674	433,128	1,145,991	714,613	974,546	765,771	733,626	468,786	-	-
Capital project funds	7,685,451	6,182,081	6,734,710	6,764,066	7,039,989	7,773,523	7,242,406	7,212,442	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	628
Restricted	-	-	-	-	-	-	-	-	1,696,379	1,799,380
Committed	-	-	-	-	-	-	-	-	264,016	452,496
Assigned	-	-	-	-	-	-	-	-	6,993,767	6,863,115
Unassigned	-	-	-	-	-	-	-	-	(542,821)	(303,339)
Total all other governmental funds	<u>\$ 9,095,266</u>	<u>\$ 9,827,953</u>	<u>\$ 7,882,663</u>	<u>\$ 7,939,892</u>	<u>\$ 8,646,851</u>	<u>\$ 9,377,602</u>	<u>\$ 9,039,119</u>	<u>\$ 9,012,487</u>	<u>\$ 8,411,341</u>	<u>\$ 8,812,280</u>

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

CITY OF ARDEN HILLS

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes										
General property tax	\$ 2,516,610	\$ 2,521,369	\$ 2,409,065	\$ 2,477,595	\$ 2,624,566	\$ 2,706,745	\$ 2,835,253	\$ 2,867,028	\$ 2,913,248	\$ 3,087,160
Tax increments	–	377,400	449,274	462,468	470,419	506,808	540,408	566,725	342,109	431,060
Special assessments	334,491	235,803	397,980	625,190	493,986	223,155	410,935	388,768	561,238	252,879
Licenses and permits	655,550	510,963	325,109	384,333	365,185	228,776	318,849	255,265	429,991	415,070
Intergovernmental	823,770	77,826	330,914	1,003,142	253,687	145,288	130,622	878,944	246,416	143,085
Charges for services	157,577	144,869	157,694	254,060	289,923	282,553	332,358	322,978	419,197	450,589
Fines and forfeits	31,334	43,055	45,993	47,347	28,653	30,189	26,111	27,013	29,593	33,192
Earnings on investments	270,196	283,525	265,029	428,625	475,753	433,894	275,500	231,340	296,249	215,119
Franchise fees	–	56,593	63,428	95,148	75,620	60,520	104,148	85,131	90,123	94,532
Antenna rental fees	–	–	–	58,772	53,256	72,784	63,009	65,759	72,351	75,745
Miscellaneous/others	468,223	259,539	374,202	116,826	1,369,401	519,154	147,187	118,096	365,259	113,974
Total revenues	5,257,751	4,510,942	4,818,688	5,953,506	6,500,449	5,209,866	5,184,380	5,807,047	5,765,774	5,312,405
Expenditures										
Current										
General government	751,899	823,980	861,906	1,274,640	1,689,801	1,504,149	1,283,267	1,127,726	1,060,744	1,054,662
Public safety	1,076,010	1,130,919	1,137,742	1,274,167	1,318,006	1,420,785	1,526,819	1,561,046	1,640,801	1,728,669
Public works	989,506	386,427	488,668	213,353	246,530	265,448	282,019	322,793	273,165	377,101
Parks and recreation	436,908	428,135	595,904	480,153	501,993	562,283	606,822	605,210	661,746	679,282
Economic development	67,949	152,165	407,646	857,786	128,709	43,791	48,322	3,311	6,862	57,766
Miscellaneous	159,246	269,111	181,641	–	–	–	–	–	–	–
Capital outlay										
General government	2,752,133	2,472,767	57,219	36,023	65,351	331,650	285,028	108,575	684,492	8,847
Public safety	–	–	13,539	111,641	27,266	157,451	156,543	18,927	91,579	169,894
Public works	–	–	896,616	1,300,670	944,352	123,080	1,088,586	865,334	1,063,181	376,872
Parks and recreation	–	–	61,343	153	5,364	110,544	128,037	1,141,300	64,923	109,761
Economic development	–	–	–	–	–	–	–	–	–	5,330
Debt service										
Principal	160,000	170,000	175,000	190,000	215,000	220,000	225,000	235,000	245,000	255,000
Interest	125,093	141,582	113,203	72,250	66,625	60,100	53,425	46,525	39,325	31,698
Total expenditures	6,518,744	5,975,086	4,990,427	5,810,836	5,208,997	4,799,281	5,683,868	6,035,747	5,831,818	4,854,882
Excess of revenues over (under) expenditures	(1,260,993)	(1,464,144)	(171,739)	142,670	1,291,452	410,585	(499,488)	(228,700)	(66,044)	457,523
Other financing sources (uses)										
Transfers in	1,241,334	520,140	2,084,969	596,005	734,441	1,045,100	809,621	719,791	143,000	143,000
Transfers out	(1,241,334)	(520,140)	(2,084,969)	(609,788)	(734,441)	(1,045,100)	(677,121)	(576,791)	–	–
Bond proceeds	–	2,395,000	–	–	–	–	–	–	–	–
Payments to refunded bond escrow agent	–	–	(2,370,000)	–	–	–	–	–	–	–
Sales of capital assets	–	–	796,300	–	–	–	–	–	46,712	–
Total other financing sources (uses)	–	2,395,000	(1,573,700)	(13,783)	–	–	132,500	143,000	189,712	143,000
Net change in fund balances	\$ (1,260,993)	\$ 930,856	\$ (1,745,439)	\$ 128,887	\$ 1,291,452	\$ 410,585	\$ (366,988)	\$ (85,700)	\$ 123,668	\$ 600,523
Debt service as a percentage of noncapital expenditures	7.57 %	8.90 %	7.27 %	6.01 %	6.70 %	6.56 %	6.52 %	7.12 %	6.99 %	6.21 %

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		
2003	\$ 2,516,610	\$ -	\$ -	\$ 2,516,610
2004	2,521,369	377,400	56,593	2,955,362
2005	2,409,065	449,274	63,428	2,921,767
2006	2,477,595	462,468	95,148	3,035,211
2007	2,624,566	470,419	75,620	3,170,605
2008	2,706,745	506,808	60,520	3,274,073
2009	2,835,253	540,408	104,148	3,479,809
2010	2,867,028	566,725	85,131	3,518,884
2011	2,913,248	342,109	90,123	3,345,480
2012	3,087,160	431,060	94,532	3,612,752

Note: Franchise tax not applicable prior to 2004.

CITY OF ARDEN HILLS

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

Fiscal Year Ended December 31,	Residential Property	Commercial/ Industrial Property	All Other	Total Tax Capacity	Less Tax Increment District	Less Fiscal Disparity Contribution	Adjusted Tax Capacity (ATC) Value	Total Direct Tax Rate	Estimated Market Value (EMV)	ATC as a Percentage of EMV
2003	\$ 4,852,184	\$ 5,815,069	\$ 487,490	\$ 11,154,743	\$ 466,274	\$ 1,253,781	\$ 9,434,688	24.01 %	\$ 885,830,200	1.07 %
2004	5,364,165	5,848,518	632,114	11,844,797	469,376	1,408,482	9,966,939	21.49	947,607,400	1.05
2005	6,077,869	6,334,160	735,924	13,147,953	482,822	1,348,079	11,317,052	19.94	1,039,955,700	1.09
2006	6,809,286	6,828,553	859,522	14,497,361	516,184	1,526,487	12,454,690	20.19	1,093,124,000	1.14
2007	7,222,459	7,242,448	911,841	15,376,748	524,628	1,611,881	13,240,239	20.21	1,166,210,900	1.14
2008	7,682,107	7,703,369	969,872	16,355,348	562,501	1,555,117	14,237,731	19.59	1,232,098,300	1.16
2009	7,781,733	7,803,271	982,450	16,567,454	583,017	2,865,756	13,118,681	20.53	1,229,529,900	1.07
2010	7,531,731	7,704,757	587,523	15,824,011	590,269	3,096,380	12,137,362	22.67	1,171,068,100	1.04
2011	6,729,785	6,873,795	1,181,444	14,785,024	531,415	2,921,351	11,332,258	24.19	1,109,327,600	1.02
2012	6,127,224	6,694,609	1,257,051	14,078,884	436,893	2,505,319	11,136,672	25.54	1,043,419,700	1.07

Source: Ramsey County Board of Equalization and Assessment.

CITY OF ARDEN HILLS

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

Fiscal Year	Direct Rate		Overlapping Rates			Total
	City Operating Rate	Ramsey County	Independent School District No. 623	Special Taxing Districts		
2003	24.014 %	54.603 %	21.984 %	–	%	100.601 %
2004	21.493	53.140	21.930	–		96.563
2005	19.941	49.210	22.112	–		91.263
2006	20.191	44.943	23.264	–		88.398
2007	20.206	44.940	22.910	–		88.056
2008	19.585	44.023	20.030	–		83.638
2009	20.534	46.546	22.937	–		90.017
2010	22.672	50.248	24.560	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

(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 Board of Equalization and Assessment

CITY OF ARDEN HILLS

Principal Property Taxpayers
Current Year and Six Years Ago

Taxpayer	2012			2006 (1)		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,599,250	1	14.36 %	\$ 1,699,250	1	13.64 %
Land O'Lakes, Inc.	360,146	2	3.23	385,250	4	3.09
CSM Corporation	311,450	3	2.80	404,234	2	3.25
IRET Properties, LP	310,364	4	2.79	292,226	8	2.35
Arden Hills Industrial, LLC	298,500	5	2.68	386,152	3	3.10
Mutual Service Insurance Company	245,508	6	2.20	330,422	6	2.65
Pharmacia Deltec, Inc.	225,250	7	2.02	221,824	10	1.78
NSP	185,032	8	1.66	249,852	9	2.01
RAM Development, LLC	175,250	9	1.57	-	-	-
Inland Shannon Square Cub, LLC	168,450	10	1.51	329,726	7	2.65
St. Paul Properties, Inc.	-	-	-	333,254	5	2.68
Total	\$ 3,879,200		34.83 %	\$ 4,632,190		37.19 %
Total capacity value	\$ 11,136,672			\$ 12,454,690		

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

Source: Ramsey County Board of Equalization and Assessment

CITY OF ARDEN HILLS

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Additions/ (Abatements)	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2003	\$ 2,265,712	\$ 2,265,712	100.00 %	\$ -	\$ -	\$ 2,265,712	100.00 %
2004	2,243,081	2,229,909	99.41	-	13,172	2,243,081	100.00
2005	2,353,044	2,339,226	99.41	-	13,818	2,353,044	100.00
2006	2,523,737	2,508,916	99.41	-	14,491	2,523,407	99.99
2007	2,634,851	2,615,411	99.26	(4,529)	14,319	2,634,259	99.98
2008	2,744,767	2,709,036	98.70	(24,859)	10,144	2,744,039	99.97
2009	2,892,774	2,829,900	97.83	(47,523)	15,945	2,893,368	100.02
2010	2,953,128	2,890,946	97.89	(29,095)	30,460	2,950,501	99.91
2011	3,040,964	3,008,068	98.92	(2,326)	23,469	3,033,863	99.77
2012	3,096,994	3,045,572	98.34	(11,376)	-	3,056,948	98.71

Sources: Ramsey County Board of Equalization and Assessment

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 (1)</u>	<u>Per Capita (1)</u>
2003	\$ 2,715,000	0.89 %	\$ 279
2004	4,940,000	1.60	514
2005	2,395,000	0.75	245
2006	2,205,000	0.67	225
2007	1,990,000	0.59	202
2008	1,770,000	0.52	179
2009	1,545,000	0.43	152
2010	1,310,000	0.36	137
2011	1,065,000	0.30	111
2012	810,000	0.22	84

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

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

CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt
as of December 31, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 468,026,839	0.69 %	\$ 3,212,475
County Library	238,324,378	0.40	953,346
Independent School District No. 621	80,911,635	30.93	25,026,613
Independent School District No. 623	58,623,547	0.63	371,326
Intermediate School District No. 916	234,782,993	0.11	260,833
Metropolitan Council	3,088,477,312	0.14	4,468,127
Metropolitan Airports Commission	3,088,477,312	—	9,247
			34,301,967
Total overlapping debt			34,301,967
City of Arden Hills	810,000	100.00	810,000
Total direct and overlapping debt			\$ 35,111,967

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

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

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

CITY OF ARDEN HILLS

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 17,716,604	\$ 17,952,148	\$ 20,799,114	\$ 21,862,480	\$ 23,324,218	\$ 36,962,949	\$ 36,885,897	\$ 35,132,043	\$ 33,279,828	\$ 31,302,591
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 17,716,604</u>	<u>\$ 17,952,148</u>	<u>\$ 20,799,114</u>	<u>\$ 21,862,480</u>	<u>\$ 23,324,218</u>	<u>\$ 36,962,949</u>	<u>\$ 36,885,897</u>	<u>\$ 35,132,043</u>	<u>\$ 33,279,828</u>	<u>\$ 31,302,591</u>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2012

Market value	\$1,043,419,700
Debt limit (3% of market value)	31,302,591
Debt applicable to limit	
General obligation bonds	-
Less amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 31,302,591</u>

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 3 percent of total market value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. Tax increment bonds are not subject to the debt limit; therefore, they are not included.

CITY OF ARDEN HILLS

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (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>
2003	9,721	\$ 31,421	\$ 305,443,541	36.2	10,316	4.9 %
2004	9,620	32,049	308,315,420	36.2	10,228	4.6
2005	9,787	32,690	319,941,027	36.2	9,968	3.9
2006	9,812	33,344	327,188,331	36.2	9,929	3.8
2007	9,838	34,011	334,599,801	35.0	9,693	4.4
2008	9,864	34,691	342,179,156	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

Sources:

- (1) Population data for 2003–2007 is based off of MNPRO estimates and Bureau of the Census/County Regional Planning Commission for subsequent years.
- (2) Unemployment rate information is from DEED, based off of Ramsey County statistics and US Bureau of Labor Statistics.
- (3) Per capita personal income: 2010 Census, 2003–2007 estimate based off of 2000 census with 2 percent inflation and State Department of Commerce.
- (4) Personal income: calculated based on the population and per capita personal income.
- (5) Enrollment numbers are based off of Independent School District No. 621, Mounds View – enrollment by grade provided by Mounds View District Center.
- (6) Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF ARDEN HILLS

Principal Employers
Current Year and Six Years Ago

Employer	2012			2006 (1)		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Boston Scientific	2,000	1	14.1 %	–	–	– %
Land O'Lakes, Inc.	800	2	5.6	850	2	6.0
Smiths Medical M.D., Inc.	525	3	3.7	450	6	3.2
Presbyterian Homes of Arden Hills	500	4	3.5	482	5	3.4
Fair Isaac & Co.	280	5	2.0	326	7	2.3
Country and MSI Insurance	236	6	1.7	250	10	1.8
Guidant Corporation	–	–	–	3,000	1	21.2
Bethel University	–	–	–	800	3	5.6
Celestica	–	–	–	600	4	4.2
First Student, Inc.	–	–	–	295	8	2.1
Independent School District No. 621	–	–	–	255	9	1.8
*	–	7	–	–	–	–
*	–	8	–	–	–	–
*	–	9	–	–	–	–
*	–	10	–	–	–	–
Total	4,341		30.6 %	7,308		51.6 %
Total city employees	14,173			14,173		

* Information not available

(1) Nine year information is not available. Information from 2006 was used as the best information available for comparison. Used 2012 total city employees to calculate percent.

Source: County Board of Equalization and Assessment

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Nine Fiscal Years

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police									
Physical arrests (warranted)	–	–	22	12	11	14	13	21	15
Towed vehicles	–	–	11	–	–	–	2	3	7
Traffic accidents	–	–	180	189	145	117	138	96	140
Driving impaired/alcohol	–	–	27	22	29	21	9	13	15
Traffic stops	–	–	164	335	144	281	332	328	17
Traffic investigations	–	–	40	33	22	19	11	24	33
Fire									
Number of calls answered	–	–	226	248	228	214	448	559	522
Highways and streets									
Street resurfacing (miles)	0.6	1.4	1.1	1.3	–	1.4	1.8	1.9	5.2
Potholes repaired	50	50	50	100	200	250	325	250	250
Sanitation									
Refuse collected (tons/day)	7.12	7.12	7.12	7.12	7.21	8.05	7.95	7.85	7.90
Recyclables collected (tons/day)	2.53	2.75	2.86	2.58	2.68	2.05	2.34	2.01	2.20
Parks and recreation									
Athletic field permits issued	30	30	30	28	30	25	25	20	19
Water									
New connections	5	7	8	–	–	3	3	2	31
Water main breaks	3	6	5	7	7	5	7	2	12
Average daily consumption (thousands of gallons)	1,171	1,239	1,314	1,153	1,029	1,323	1,162	1,135	1,269

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

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

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

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

Sources: Various city departments

CITY OF ARDEN HILLS

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

Function	Full-Time Equivalent Employees as of Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	5.667	5.667	5.667	5.705	6.500	6.400	6.572	7.184	6.894	7.470
Public safety										
General public safety	2.568	2.568	2.568	2.550	2.500	2.700	2.718	2.718	2.735	2.700
Highways and streets										
General highways and streets	2.506	2.554	2.542	2.500	2.300	2.300	2.385	2.443	2.203	2.725
Community development	0.900	0.900	0.900	0.900	1.500	1.600	0.020	-	-	-
Parks and recreation	6.483	6.655	6.577	6.873	7.200	7.500	8.318	6.945	8.880	6.511
Water	3.564	3.611	3.599	3.557	3.400	3.400	3.402	3.291	3.500	3.666
Sewer	4.126	4.174	4.162	4.120	3.900	3.900	4.013	3.907	4.049	4.421
Recycling	0.143	0.143	0.143	0.143	0.100	0.100	0.142	0.168	0.214	0.205
Surface water management	1.843	1.890	1.878	1.836	1.700	1.800	1.573	2.247	2.539	2.660
Total	<u>27.800</u>	<u>28.161</u>	<u>28.035</u>	<u>28.184</u>	<u>29.100</u>	<u>29.700</u>	<u>29.143</u>	<u>28.901</u>	<u>31.014</u>	<u>30.357</u>

Note: Seasonal staff are calculated by total hours worked (2,080 hours per year), added together to total an equivalent. Seasonal hours fluctuate throughout the year; 2002 hours are averaged.

Source: City Budget Office

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Highways and streets										
Streets (miles)	57	57	57	57	57	57	57	57	57	57
Streetlights	250	250	250	250	250	250	250	250	250	250
Traffic signals	18	18	18	18	18	18	18	18	18	18
Parks and recreation*										
Parks acreage	102	102	102	102	102	111	111	111	111	111
Parks	13	13	13	13	13	14	14	14	14	14
Trails acreage	52	52	52	52	52	52	53	54	54	54
Trails (miles)	2	2	2	2	2	11	13	15	15	15
Tennis courts	4	4	4	4	4	4	4	4	4	4
Softball/baseball fields	6	6	6	6	6	6	6	6	6	6
Basketball courts	10	10	10	10	10	10	10	10	10	10
Hockey/skating rinks	5	5	5	5	5	5	5	5	5	5
Permanent restrooms	2	2	2	2	2	2	2	3	3	3
Water										
Water mains (miles)	44	44	44	44	44	44	44	44	44	44
Fire hydrants	520	520	520	520	520	520	520	520	520	520
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Sewer										
Sanitary sewers (miles)	42	42	42	42	42	42	44	44	44	44
Storm sewers (miles)	20	20	20	20	20	20	20	20	20	20

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

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

Sources: Various city departments