

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2025

In the opinion of Kennedy & Graven, Chartered, Bond Counsel to the City, based on present federal and Minnesota laws, regulations, rulings and judicial decisions (which exclude any pending legislation which may have a retroactive effect) and, assuming the accuracy of certain representations and continuing compliance with certain covenants set forth in the resolution approving the issuance of the Bonds, interest to be paid on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF ARDEN HILLS, MINNESOTA (Ramsey County)

\$3,080,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2025A

PROPOSAL OPENING: April 28, 2025, 10:30 A.M., C.T.

CONSIDERATION: April 28, 2025, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,080,000* General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Section 475.521 and Chapter 475, as amended, by the City of Arden Hills, Minnesota (the "City"), for the purpose of financing the City's proportionate share of the costs of constructing a new fire station in the City. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: May 20, 2025

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$155,000	2032	\$185,000	2037	\$225,000
2028	160,000	2033	195,000	2038	235,000
2029	170,000	2034	200,000	2039	245,000
2030	175,000	2035	210,000	2040	255,000
2031	180,000	2036	220,000	2041	270,000

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2026 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2036 and thereafter are subject to call for prior optional redemption on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$3,043,040.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$61,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.



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REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the Underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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**CITY OF ARDEN HILLS
CITY COUNCIL**

		<u>Term Expires</u>
David Grant	Mayor	January 2027
Brenda Holden	Council Member	January 2029
Tena Monson	Council Member	January 2027
Emily Rousseau	Council Member	January 2027
Kurt Weber	Council Member	January 2029

ADMINISTRATION

Jessica Jagoe, City Administrator
Julie Hanson, City Clerk
Joua Yang, Finance Director

PROFESSIONAL SERVICES

LeVander, Gillen & Miller, P.A., City Attorney, South St. Paul, Minnesota
Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota
Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Arden Hills, Minnesota (the "City") and the issuance of its \$3,080,000* General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on April 28, 2025.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 20, 2025. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.521 and Chapter 475, as amended, by the City, for the purpose of financing the City's proportionate share of the costs of constructing a new fire station in the City.

Minnesota Statutes, Section 475.521, adopted by the 2003 Minnesota State Legislature and amended in 2005, allows cities and towns to plan for and finance the acquisition and betterment of public lands, buildings, and certain other improvements within the municipality, including financing the construction of city halls, town halls, libraries, public safety, and public works facilities. Annual principal and interest payments on general obligation capital improvement bonds and all outstanding bonds issued under Section 475.521 are limited to 0.16% of the City's estimated market value of property in the City. The estimated market value of the property in the City for taxes collectible in 2025 is \$1,839,120,400. This results in a maximum annual debt service allowable of \$2,942,593 for capital improvement bonds outstanding at any time.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$3,080,000</u>	
Total Sources		\$3,080,000
Uses		
Total Underwriter's Discount (1.200%)	\$36,960	
Costs of Issuance	73,000	
Capitalized Interest	86,625	
Deposit to Construction Fund	2,882,506	
Rounding Amount	<u>909</u>	
Total Uses		\$3,080,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service on the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds.

In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AAA"/Stable Outlook by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery of the Bonds, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Bond Counsel will render an opinion that, at the time of issuance and delivery of the Bonds to the original purchaser, based on present federal and State of Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Award Resolution, interest on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from the taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, interest on the Bonds is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2023 have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2022/23	2023/24	2024/25
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% ² Over \$3,500,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2023/24 Economic Market Value¹ \$1,884,475,251²

2024/25 Assessor's Estimated Market Value

	Total
Real Estate	\$1,832,059,400
Personal Property	7,061,000
Total Valuation	<u><u>\$1,839,120,400</u></u>

2024/25 Net Tax Capacity

	Total
Real Estate	\$23,438,845
Personal Property	137,229
Net Tax Capacity	<u>\$23,576,074</u>
Less: Fiscal Disparities Contribution ³	<u>(3,248,848)</u>
Taxable Net Tax Capacity	\$20,327,226
Plus: Fiscal Disparities Distribution ³	<u>1,665,333</u>
Adjusted Taxable Net Tax Capacity	<u><u>\$21,992,559</u></u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2023/24 Assessor's Estimated Market Value (the "AEMV") for the City was about 95.74% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2023/24 Economic Market Value ("EMV") for the City of \$1,884,475,251.

³ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2024/25 NET TAX CAPACITY BY CLASSIFICATION

	2024/25 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$11,384,522	48.29%
Commercial/industrial	9,080,691	38.52%
Public utility	102,222	0.43%
Railroad operating property	43,052	0.18%
Non-homestead residential	2,828,358	12.00%
Personal property	<u>137,229</u>	<u>0.58%</u>
 Total	 <u><u>\$23,576,074</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2020/21	\$1,460,289,500	\$1,442,110,600	\$18,669,913	\$17,041,758	3.85%
2021/22	1,532,738,900	1,507,935,800	18,697,849	16,862,043	4.96%
2022/23	1,655,788,100	1,642,951,030	21,115,870	19,785,843	8.03%
2023/24	1,804,120,100	1,792,464,617	23,287,169	21,737,906	8.96%
2024/25	1,839,120,400	1,816,358,433	23,576,074	21,992,559	1.94%

¹ Net Tax Capacity is before fiscal disparities adjustments.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

LARGEST TAXPAYERS

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Cardiac Pacemakers Inc.	Commercial	\$1,190,772	5.05%
St. Paul Fire and Marine Ins. Co.	Industrial	755,874	3.21%
Altus Gateway LLC	Commercial	620,370	2.63%
BRE Space Arden Hills LLC	Industrial	605,926	2.57%
Land O Lakes Inc.	Commercial	520,146	2.21%
Presbyterian Homes of Minn. Inc.	Apartments	409,089	1.74%
Arden Hills RE LLC	Apartments	366,250	1.55%
Sup I Shannon Square LLC	Commercial	339,182	1.44%
Caliber Lodging LLC	Commercial	329,024	1.40%
Xcel Energy	Utility	264,752	1.12%
		<u>\$5,401,385</u>	<u>22.91%</u>

City's Total 2024/25 Net Tax Capacity \$23,576,074

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Ramsey County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by taxes (includes the Bonds)*	\$3,080,000
Total G.O. debt secured by utility revenues	1,080,000
Total General Obligation Debt*	<u>\$4,160,000</u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

¹ Outstanding debt is as of the dated date of the Bonds.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1, as amended) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4, as amended; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37, as amended; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2024/25 Assessor's Estimated Market Value	\$1,839,120,400
Multiply by 3%	0.03
Statutory Debt Limit	\$55,173,612
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(3,080,000)
Unused Debt Limit*	\$52,093,612

*Preliminary, subject to change.

City of Arden Hills, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/20/2025)

Capital Improvement Plan Bonds
Series 2025A

Dated	05/20/2025
Amount	\$3,080,000*
Maturity	02/01

Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	148,746	0	148,746	148,746	3,080,000	.00%	2026
2027	155,000	121,530	155,000	121,530	276,530	2,925,000	5.03%	2027
2028	160,000	116,018	160,000	116,018	276,018	2,765,000	10.23%	2028
2029	170,000	110,200	170,000	110,200	280,200	2,595,000	15.75%	2029
2030	175,000	103,989	175,000	103,989	278,989	2,420,000	21.43%	2030
2031	180,000	97,465	180,000	97,465	277,465	2,240,000	27.27%	2031
2032	185,000	90,620	185,000	90,620	275,620	2,055,000	33.28%	2032
2033	195,000	83,351	195,000	83,351	278,351	1,860,000	39.61%	2033
2034	200,000	75,648	200,000	75,648	275,648	1,660,000	46.10%	2034
2035	210,000	67,445	210,000	67,445	277,445	1,450,000	52.92%	2035
2036	220,000	58,628	220,000	58,628	278,628	1,230,000	60.06%	2036
2037	225,000	49,281	225,000	49,281	274,281	1,005,000	67.37%	2037
2038	235,000	39,389	235,000	39,389	274,389	770,000	75.00%	2038
2039	245,000	28,888	245,000	28,888	273,888	525,000	82.95%	2039
2040	255,000	17,824	255,000	17,824	272,824	270,000	91.23%	2040
2041	270,000	6,075	270,000	6,075	276,075	0	100.00%	2041
	3,080,000	1,215,095	3,080,000	1,215,095	4,295,095			

* Preliminary, subject to change.

City of Arden Hills, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 05/20/2025)

Utility Revenue Bonds Series 2018A								
Dated	07/18/2018							
Amount	\$2,415,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	0	18,800	0	18,800	18,800	1,080,000	.00%	2025
2026	255,000	32,500	255,000	32,500	287,500	825,000	23.61%	2026
2027	265,000	22,100	265,000	22,100	287,100	560,000	48.15%	2027
2028	275,000	12,675	275,000	12,675	287,675	285,000	73.61%	2028
2029	285,000	4,275	285,000	4,275	289,275	0	100.00%	2029
	1,080,000	90,350	1,080,000	90,350	1,170,350			

OVERLAPPING DEBT¹

Taxing District	2024/25 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Ramsey County	\$873,807,438	2.5169%	\$170,500,000	\$4,291,315
I.S.D. No. 621 (Mounds View Public Schools)	160,615,448	13.2014%	153,315,000 ³	20,239,726
I.S.D. No. 623 (Roseville Area Schools)	103,306,324	0.7639%	167,200,000 ³	1,277,241
Metropolitan Council	6,330,160,332	0.3474%	235,750,000 ⁴	<u>818,996</u>
City's Share of Total Overlapping Debt				<u><u>\$26,627,277</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$1,884,475,251	Debt/ Per Capita 9,854 ¹
Direct G.O. Debt Secured By:			
Taxes*	\$3,080,000		
Utility Revenues	1,080,000		
Total General Obligation Debt*	<u>\$4,160,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(1,080,000)</u>		
Tax Supported General Obligation Debt*	\$3,080,000	0.16%	\$312.56
City's Share of Total Overlapping Debt	<u>\$26,627,277</u>	<u>1.41%</u>	<u>\$2,702.18</u>
Total*	<u><u>\$29,707,277</u></u>	<u><u>1.58%</u></u>	<u><u>\$3,014.74</u></u>

*Preliminary, subject to change.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ³	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$4,240,979	\$4,224,796	\$4,240,979	100.00%
2021/22	4,474,221	4,460,689	4,474,221	100.00%
2022/23	4,631,437	4,616,385	4,631,437	100.00%
2023/24	5,280,272	5,247,701	5,247,701	99.38%
2024/25	6,028,012	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.⁴ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ Estimated 2023 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

³ This reflects the Final Levy Certification of the City after all adjustments have been made.

⁴ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2020/21	2021/22	2022/23	2023/24	2024/25
Ramsey County	43.859%	43.987%	41.231%	41.681%	43.686%
I.S.D. No. 621 (Mounds View Public Schools)	23.863%	23.420%	18.367%	16.469%	17.034%
I.S.D. No. 623 (Roseville Area Schools)	31.250%	26.914%	25.533%	25.030%	27.774%
Rice Creek Watershed	1.822%	1.830%	1.671%	1.607%	1.552%
Metropolitan Council	1.809%	1.882%	1.681%	1.545%	1.592%
Metropolitan Mosquito	0.366%	0.381%	0.340%	0.313%	0.324%
Regional Rail	3.825%	4.054%	3.683%	3.974%	4.176%

Referendum Market Value Rates:

I.S.D. No. 621 (Mounds View Public Schools)	0.25290%	0.25640%	0.22777%	0.24480%	0.23270%
I.S.D. No. 623 (Roseville Area Schools)	0.16876%	0.26937%	0.21357%	0.23293%	0.22517%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Ramsey County.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1951. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, City Clerk and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 25 full-time, one (1) part-time, and 34 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit

IUOE Local No. 49

Expiration Date of Current Contract

December 31, 2027

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

POST EMPLOYMENT BENEFITS

The City does not have any OPEB liabilities.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, as amended, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (as of December 31, 2024)

Fund	Total Cash and Investments
General	\$4,398,951
Special Revenue	2,004,673
Debt Service	5,750,510
Capital Projects	5,411,382
Enterprise Funds	<u>217,239</u>
Total Funds on Hand	<u><u>\$17,782,755</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2021 Audited	2022 Audited	2023 Audited
Water			
Total Operating Revenues	\$2,789,472	\$2,823,414	\$3,054,674
Less: Operating Expenses	<u>(2,114,670)</u>	<u>(2,429,781)</u>	<u>(2,640,905)</u>
Operating Income	\$674,802	\$393,633	\$413,769
Plus: Depreciation	<u>365,453</u>	<u>363,882</u>	<u>376,642</u>
Revenues Available for Debt Service	<u><u>\$1,040,255</u></u>	<u><u>\$757,515</u></u>	<u><u>\$790,411</u></u>
Sewer			
Total Operating Revenues	\$2,110,766	\$2,209,253	\$2,394,498
Less: Operating Expenses	<u>(1,746,702)</u>	<u>(1,811,121)</u>	<u>(1,859,157)</u>
Operating Income	\$364,064	\$398,132	\$535,341
Plus: Depreciation	<u>194,428</u>	<u>198,444</u>	<u>221,567</u>
Revenues Available for Debt Service	<u><u>\$558,492</u></u>	<u><u>\$596,576</u></u>	<u><u>\$756,908</u></u>
Surface Water Management			
Total Operating Revenues	\$902,044	\$937,652	\$958,807
Less: Operating Expenses	<u>(599,084)</u>	<u>(610,730)</u>	<u>(673,556)</u>
Operating Income	\$302,960	\$326,922	\$285,251
Plus: Depreciation	<u>145,008</u>	<u>151,558</u>	<u>163,437</u>
Revenues Available for Debt Service	<u><u>\$447,968</u></u>	<u><u>\$478,480</u></u>	<u><u>\$448,688</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2023 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2021 Audited	2022 Audited	2023 Audited	2024 Adopted Budget ¹	2025 Adopted Budget ²
Revenues					
Property taxes	\$3,763,384	\$3,829,079	\$3,963,077	\$4,638,460	\$5,359,798
Special assessments	4,514	0	0	3,090	0
Licenses and permits	752,532	830,866	471,742	552,020	550,540
Intergovernmental	160,279	174,405	167,376	175,970	176,296
Charges for services	459,638	476,574	342,339	376,960	367,921
Fine and forfeitures	21,500	22,662	24,681	19,250	17,360
Interest on investments (charges)	(13,315)	(186,632)	209,901	50,000	50,000
Antenna rental fees	146,101	139,304	143,305	112,530	104,073
Miscellaneous	7,513	10,442	24,076	5,800	5,800
Other	2,444	9,736	7,658	5,120	7,482
Total Revenues	<u>\$5,304,590</u>	<u>\$5,306,436</u>	<u>\$5,354,155</u>	<u>\$5,939,200</u>	<u>\$6,639,270</u>
Expenditures					
Current:					
General government	\$1,014,282	\$1,077,037	\$1,235,704	\$1,492,950	\$1,598,802
Public safety	2,708,137	2,546,051	2,704,012	2,894,940	3,124,119
Public works	618,236	914,148	682,510	853,380	960,790
Parks and recreation	626,629	665,776	721,291	830,000	1,027,568
Total Expenditures	<u>\$4,967,284</u>	<u>\$5,203,012</u>	<u>\$5,343,517</u>	<u>\$6,071,270</u>	<u>\$6,711,279</u>
Excess of revenues over (under) expenditures	\$337,306	\$103,424	\$10,638	(\$132,070)	(\$72,009)
Other Financing Sources (Uses)					
Sale of capital asset	\$0	\$195,541	\$0	\$0	\$0
Transfers in	0	0	0	0	0
Transfers (out)	(548,000)	(102,540)	(171,140)	(50,000)	(50,000)
Total Other Financing Sources (Uses)	<u>(548,000)</u>	<u>93,001</u>	<u>(171,140)</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net changes in Fund Balances	(\$210,694)	\$196,425	(\$160,502)	(\$182,070)	(\$122,009)
General Fund Balance January 1	\$3,380,506	\$3,169,812	\$3,366,237		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$3,169,812	\$3,366,237	\$3,205,735		
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$31,152	\$34,508	\$39,554		
Restricted	0	0	0		
Assigned	239,096	259,015	287,553		
Unassigned	2,899,564	3,072,714	2,878,628		
Total	<u>\$3,169,812</u>	<u>\$3,366,237</u>	<u>\$3,205,735</u>		

¹ The 2024 budget was adopted on December 11, 2023.

² The 2025 budget was adopted on December 9, 2024.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 9,939 and a 2023 population estimate of 9,854, and comprising an area of 9.65 square miles, is located approximately 12 miles northwest of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Boston Scientific	Manufacturer of medical heart devices	3,000 - 3,500
Land O'Lakes, Inc.	Agricultural cooperative	1,250 - 1,750
I.S.D. No. 621 (Mounds View Public Schools)	Elementary and secondary education	1,250 - 1,700
University of Northwestern - St. Paul	Christian college	1,000 - 1,500
Bethel University	Christian college	750 - 1,250
Presbyterian Homes of Arden Hills	Senior living facilities	450 - 550
Delkor	Packaging equipment	300 - 350
Staples Technology Solutions	Office furniture & equipment - manufacturers	250 - 300
North Heights	Church and academy	250 - 300
IntriCon	Medical device manufacturer	250 - 300

Source: The City, Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS (as of February 28, 2025)

	2021	2022	2023	2024	2025
<u>New Single Family Homes</u>					
No. of building permits	1	1	1	0	0
Valuation	\$700,000	\$760,000	\$500,000	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	10	1	1	0	0
Valuation	\$65,300,000	\$4,100,000	\$1,480,000	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	384	415	449	373	45
Valuation	\$97,500,000	\$62,400,000	\$20,100,000	\$17,460,000	\$3,080,000

Source: The City.

U.S. CENSUS DATA**Population Trend:** The City

2010 U.S. Census population	9,552
2020 U.S. Census population	9,939
Percent of Change 2010 - 2020	4.05%
2023 Metropolitan Council Population Estimate	9,854

Income and Age Statistics

	The City	Ramsey County	State of Minnesota	United States
2023 per capita income	\$51,074	\$45,193	\$46,957	\$43,289
2023 median household income	\$128,668	\$81,004	\$87,556	\$78,538
2023 median family income	\$152,109	\$106,698	\$111,492	\$96,922
2023 median gross rent	\$1,847	\$1,298	\$1,235	\$1,348
2023 median value owner occupied units	\$423,800	\$304,900	\$305,500	\$303,400
2023 median age	35.4 yrs.	35.9 yrs.	38.6 yrs.	38.7 yrs.
	State of Minnesota		United States	
City % of 2023 per capita income	108.77%		117.98%	
City % of 2023 median family income	136.43%		156.94%	

Housing Statistics

	<u>The City</u>		Percent of Change
	2020	2023	
All Housing Units	3,114	3,178	2.06%

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), 2023 Population Estimates, Metropolitan Council (<https://metro council.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Ramsey County	Ramsey County	State of Minnesota	State of Minnesota
2021	274,747	4.0%	3.7%	
2022	278,919	2.5%	2.5%	
2023	279,249	2.6%	2.8%	
2024	279,350	2.9%	3.0%	
2025, March	279,002	3.4%	3.9%	

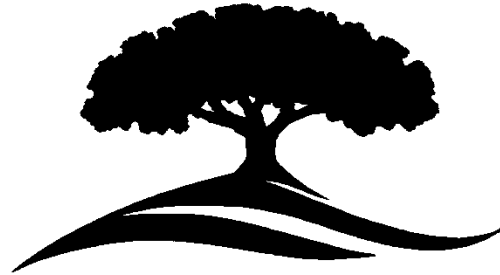
Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse changes in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF



ARDEN HILLS

ARDEN HILLS, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

Annual Comprehensive Financial Report
Year Ended
December 31, 2023

REPORT PREPARED BY
FINANCE DEPARTMENT

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CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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CITY OF ARDEN HILLS
RAMSEY COUNTY, MINNESOTA

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**INTRODUCTORY SECTION
(TAB)**



May 6, 2024

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, 2023.

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR), Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Arden Hills, Minnesota’s (the City) financial statements for the year ended December 31, 2023. 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 9.65 square miles and serves an estimated population of 9,706. 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, community information (newsletter), and general government buildings. The City contracts with Ramsey County for police services, Lake Johanna Fire Department for fire services, and Metro-INET for information 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. Governmental funds with annually adopted budgets include the General Fund and most special revenue funds. A budget was not legally adopted for the two special revenue funds established for specific short-term projects: Karth Lake Improvement District and American Rescue Plan Act Funds.

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, Intricon, Delkor, Venture Solutions, Colder Products Company, and Presbyterian Homes, are located within the City. These leaders of industry provide high-paying jobs to skilled employees, which in turn creates a strong base for economic diversity, quality housing, and an involved citizenry.

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past 10 years, the unemployment rate has fluctuated from a high of 7.0 percent in 2020, to a low of 2.6 percent in 2022. The current rate is 2.7 percent.

During the past 10 years, property taxes have remained a stable and significant source of total General Fund and special revenue fund revenues. Intergovernmental makes up approximately 2.9 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 of \$2,878,628 (47.4 percent of total subsequent year General Fund expenditures budgeted) does not meet the 50.0 percent target set by the City Council for budgetary and planning purposes. The total General Fund balance also includes \$39,554 of nonspendable equity for prepaid items, \$105,483 of assigned equity for compensated absences, and \$182,070 assigned equity for the subsequent year's budget.

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 2012, the City entered into a Joint Powers Agreement with Ramsey County to form a Joint Development Authority to acquire and develop a portion of the Army property, formerly known as TCAAP. Ramsey County officially acquired this property April 15, 2013, and has cleaned it to residential standards. The City completed the TCAAP Redevelopment Code in late 2016, which guides the land use on the site. In 2019, Ramsey County brought litigation against the City; however, that litigation was resolved in 2021 in the City's favor. The land remains shovel ready, pending future development agreements; any future development on the site is expected to add to the City's tax base and could include commercial/industrial, residential, and civic uses. The site is approximately 430 acres.

RELEVANT FINANCIAL POLICIES

The City utilizes various financial and budget policies to guide the City Council and staff when making financial decisions. The primary objective of these policies is to guarantee effective delivery of city services to residents and businesses, and to ensure protection of the City's financial strength and flexibility through a revenue structure and long-term planning effort that is consistent with City Council goals and working capital targets. The City uses a conservative approach in making ongoing revenue assumptions by utilizing growth patterns and knowledge of the developing areas. As part of the annual budget process, the City reviews its financial and budget policies. There have been no significant changes to these policies from the previous year.

MAJOR INITIATIVES

The largest initiative on the City's horizon is the TCAAP project, as previously mentioned. This project is a joint effort between the City, Ramsey County, and a master developer. When completed, this project will represent almost a 40 percent population increase to the City, as well as a significant increase to the commercial and industrial sectors. City representatives are working hard to ensure the development is a long-term, sustainable project that adds to the City's diverse residents, businesses, and open space without burdening the existing city taxpayer. The TCAAP project is expected to be a destination site for the region and serve as a model for future developments.

ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2022. This is the 17th 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 ACFR 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 ACFR 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 and City Council for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Dave Perrault
City Administrator



Jousa Yang
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Arden Hills
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

RAMSEY COUNTY, MINNESOTA

City Council and Appointed Officials
December 31, 2023

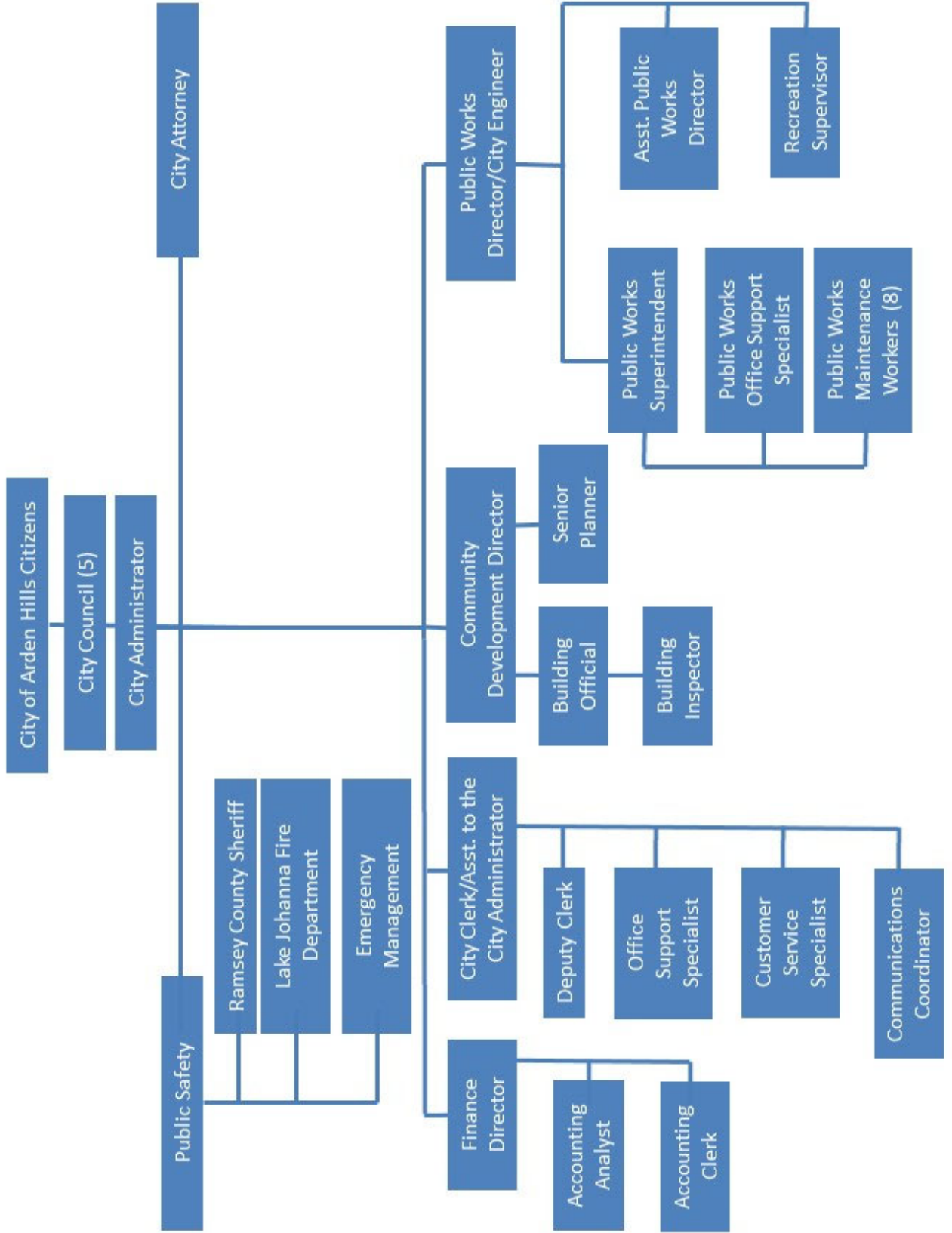
CITY COUNCIL

		<u>Term Expires</u>
David Grant	Mayor	December 31, 2026
Thomas Fabel	Councilmember	December 31, 2024
Brenda Holden	Councilmember	December 31, 2024
Tena Monson	Councilmember	December 31, 2026
Emily Rousseau	Councilmember	December 31, 2026

APPOINTED OFFICIALS

Dave Perrault	City Administrator
Joua Yang	Finance Director
Julie Hanson	City Clerk
Joel Jamnik	City Attorney

2023 City of Arden Hills Organization Chart



**FINANCIAL SECTION
(TAB)**



PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arden Hills, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, 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.

BASIS FOR OPINIONS

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(continued)

RESPONSIBILITIES OF MANAGEMENT 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY 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 accompanying combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
May 6, 2024

CITY OF ARDEN HILLS

Management's Discussion and Analysis Year Ended December 31, 2023

As the management of the City of Arden Hills, Minnesota (the City), we offer readers of the City's Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is presented in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,816,555 (*net position*). Of this amount, \$16,578,594 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,192,189 in 2023.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,164,527. Of this total amount, \$43,847 is nonspendable and \$2,103,255 is restricted, leaving an unrestricted (committed, assigned, and unassigned) balance of \$10,017,425.
- At the end of the current fiscal year, the General Fund has a total fund balance of \$3,205,735. At December 31, 2023, the unassigned fund balance of the General Fund was \$2,878,628, or 47.4 percent, of the subsequent year's budgeted expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City reports two individual major governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Permanent Improvement Revolving Fund, 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 most special revenue funds. A budget was not legally adopted for the two special revenue funds established for specific short-term projects: Karth Lake Improvement District and American Rescue Plan Act Funds. A budgetary comparison schedule has been provided for these remaining special revenue funds to demonstrate compliance with the budget.

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

Proprietary Funds – The City maintains two different types of proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,816,555 at December 31, 2023.

The largest portion of the City's net position, \$47,134,671, or 71.6 percent, reflects its net investment in capital assets (e.g., land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources; since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 16,187,151	\$ 17,097,598	\$ 7,147,691	\$ 5,696,668	\$ 23,334,842	\$ 22,794,266
Capital assets	28,274,898	28,400,370	20,526,445	20,840,566	48,801,343	49,240,936
Total assets	<u>\$ 44,462,049</u>	<u>\$ 45,497,968</u>	<u>\$ 27,674,136</u>	<u>\$ 26,537,234</u>	<u>\$ 72,136,185</u>	<u>\$ 72,035,202</u>
Deferred outflows of resources	<u>\$ 260,510</u>	<u>\$ 320,433</u>	<u>\$ 199,510</u>	<u>\$ 245,804</u>	<u>\$ 460,020</u>	<u>\$ 566,237</u>
Liabilities						
Other liabilities	\$ 1,620,818	\$ 3,155,831	\$ 376,534	\$ 356,573	\$ 1,997,352	\$ 3,512,404
Long-term liabilities outstanding	903,488	1,142,549	2,314,462	2,758,202	3,217,950	3,900,751
Total liabilities	<u>\$ 2,524,306</u>	<u>\$ 4,298,380</u>	<u>\$ 2,690,996</u>	<u>\$ 3,114,775</u>	<u>\$ 5,215,302</u>	<u>\$ 7,413,155</u>
Deferred inflows of resources	<u>\$ 1,348,321</u>	<u>\$ 1,536,301</u>	<u>\$ 216,027</u>	<u>\$ 27,617</u>	<u>\$ 1,564,348</u>	<u>\$ 1,563,918</u>
Net position						
Net investment in capital assets	\$ 28,247,394	\$ 28,318,503	\$ 18,887,277	\$ 18,960,842	\$ 47,134,671	\$ 47,279,345
Restricted	2,103,290	1,641,206	-	-	2,103,290	1,641,206
Unrestricted	10,499,248	10,024,011	6,079,346	4,679,804	16,578,594	14,703,815
Total net position	<u>\$ 40,849,932</u>	<u>\$ 39,983,720</u>	<u>\$ 24,966,623</u>	<u>\$ 23,640,646</u>	<u>\$ 65,816,555</u>	<u>\$ 63,624,366</u>

Restricted net position of \$2,103,290 comprises 3.2 percent of net position at the close of the fiscal year ended December 31, 2023. These resources are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$16,578,594, or approximately 25.2 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

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

Both governmental activities and business-type activities experienced changes in deferred outflows of resources, deferred inflows of resources, and long-term liabilities as a result of the City's participation in a state-wide defined benefit pension plan. Positive operating results in the City's utility operations also increased current and other assets in the current year. Other liabilities were down compared to the prior year, primarily due to less ongoing construction in the current year and a reduction in both contract-related payables and escrow deposits.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2023, with comparative amounts for the year ended December 31, 2022:

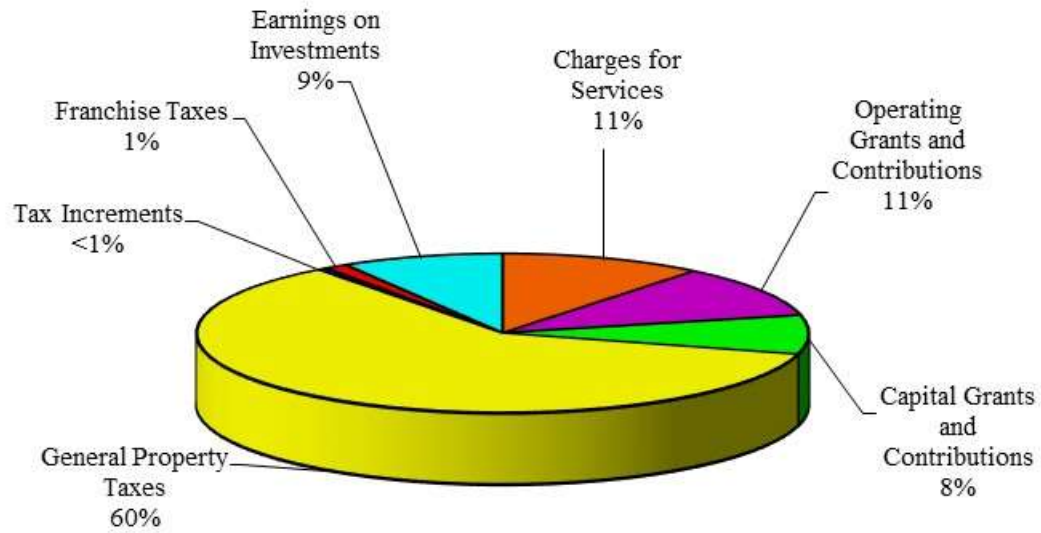
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 814,081	\$ 1,307,456	\$ 6,559,319	\$ 6,140,224	\$ 7,373,400	\$ 7,447,680
Operating grants and contributions	805,615	375,965	29,253	30,323	834,868	406,288
Capital grants and contributions	597,246	902,926	129,949	651,490	727,195	1,554,416
General revenues						
General property taxes	4,570,332	4,404,477	–	–	4,570,332	4,404,477
Tax increments	36,365	338,899	–	–	36,365	338,899
Franchise taxes	92,096	94,320	–	–	92,096	94,320
Earnings on investments (charges)	649,693	(460,213)	277,586	(100,660)	927,279	(560,873)
Gain on sale of capital assets	–	197,910	–	–	–	197,910
Total revenues	<u>7,565,428</u>	<u>7,161,740</u>	<u>6,996,107</u>	<u>6,721,377</u>	<u>14,561,535</u>	<u>13,883,117</u>
Expenses						
General government	1,505,270	1,299,419	–	–	1,505,270	1,299,419
Public safety	2,889,826	2,663,521	–	–	2,889,826	2,663,521
Public works	1,327,617	1,796,184	–	–	1,327,617	1,796,184
Parks and recreation	1,136,248	1,013,507	–	–	1,136,248	1,013,507
Economic development	140,255	199,988	–	–	140,255	199,988
Water	–	–	2,677,247	2,473,906	2,677,247	2,473,906
Sewer	–	–	1,864,808	1,817,972	1,864,808	1,817,972
Surface water management	–	–	673,556	610,730	673,556	610,730
Recycling	–	–	154,519	173,092	154,519	173,092
Total expenses	<u>6,999,216</u>	<u>6,972,619</u>	<u>5,370,130</u>	<u>5,075,700</u>	<u>12,369,346</u>	<u>12,048,319</u>
Increase in net position before transfers	566,212	189,121	1,625,977	1,645,677	2,192,189	1,834,798
Transfers	300,000	300,000	(300,000)	(300,000)	–	–
Increase in net position	866,212	489,121	1,325,977	1,345,677	2,192,189	1,834,798
Net position – beginning	<u>39,983,720</u>	<u>39,494,599</u>	<u>23,640,646</u>	<u>22,294,969</u>	<u>63,624,366</u>	<u>61,789,568</u>
Net position – ending	<u>\$ 40,849,932</u>	<u>\$ 39,983,720</u>	<u>\$ 24,966,623</u>	<u>\$ 23,640,646</u>	<u>\$ 65,816,555</u>	<u>\$ 63,624,366</u>

Governmental Activities – Current year operating results of governmental activities increased net position by \$866,212, compared to an increase of \$489,121 in the prior year. Revenues were up in the current year, largely with more operating grants for public safety and improved investment earnings. These favorable results more than offset the revenue reductions in other areas with a decline in development projects this year. Expenses were up slightly over the prior year with shifts in expense levels between program activities.

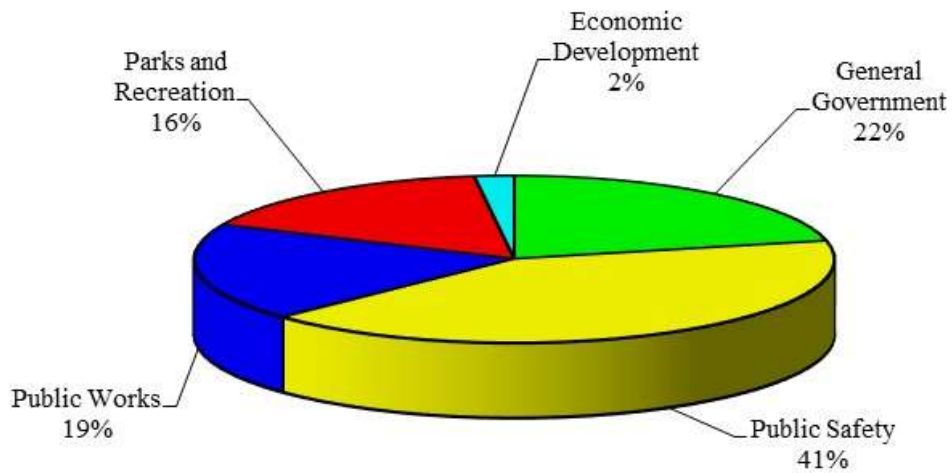
Business-Type Activities – Current year operating results of business-type activities increased net position by \$1,325,977, due to positive results of the utility operations of the City. Program revenues exceeded program expenses for each of the City’s business-type activities. A decrease in federal funding utilized for water and sewer improvements reduced capital grants and contributions in the business-type activities in the current year. Improved investment earnings also benefited business-type activities in fiscal 2023. Expenses increased over the prior year with the largest increase in purchased water costs for the water utility.

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

Governmental Activities – Revenue

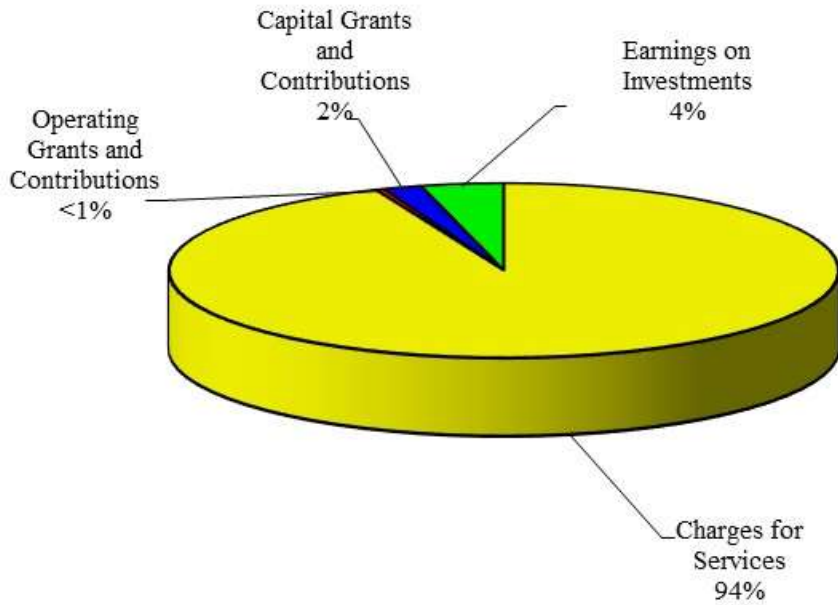


Governmental Activities – Expenses

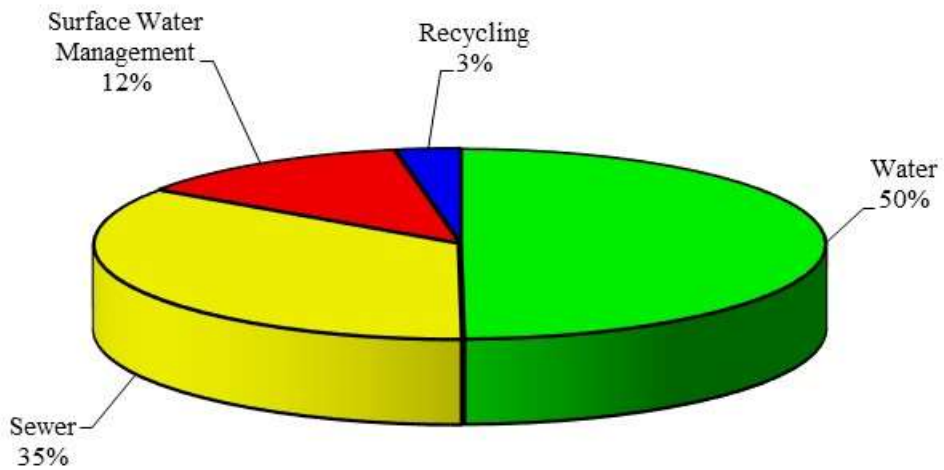


Below are specific graphs that provide comparisons of the business-type activities' revenue and expenses:

Business-Type Activities – Revenue



Business-Type Activities – Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,164,527, an increase of \$1,500,822 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 \$10,017,425 at year-end. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it has already been obligated: 1) for cable TV purposes (\$806), 2) for tax increment purposes (\$1,471,705), 3) for park improvements (\$197,648), 4) for public safety (\$433,096), or 5) is not in spendable form for prepaid items (\$43,847).

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 \$2,878,628, while total fund balance equaled \$3,205,735. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to expenditures. Unassigned fund balance represents 47.4 percent of the total subsequent year's General Fund expenditures.

General Fund revenues slightly exceeded current year expenditures. The City Council approved a transfer to the Permanent Improvement Revolving Fund of \$171,140 for capital purposes. After making this transfer in the current year, fund balance of the City's General Fund decreased by \$160,502. A discussion of these actual results, compared to budget, is presented later in this report.

Fund balance in the Permanent Improvement Revolving Fund increased by \$903,178 in the current year. The expenditures in this fund will fluctuate based on the timing and completion of street and trail projects. Revenues tend to be more consistent from year to year, as the City utilizes an annual levy and other sources that are accumulated over several years, along with other funding sources to complete larger capital-related projects. The transfer from the General Fund, as previously discussed, along with current year revenues of taxes, grants, and investments, exceeded current year capital spending for public works and parks and recreation. The City was in a transition period in the current year with wrapping up several larger projects and in the planning process for upcoming capital projects of the City. The tax levy and capital plan allow the City to continue to complete larger capital street, park, and trail projects without requiring significant debt.

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

Unrestricted net position in the respective proprietary funds includes: \$3,426,902 for water, \$1,623,212 for sewer, \$788,809 for surface water management, and \$240,423 for recycling. Water net position increased \$473,575, sewer net position increased \$566,678, surface water management net position increased \$251,800, and recycling net position increased \$33,924 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were \$15,265 less than estimated in the budget. An increase in abatements and less tax collections than anticipated caused general property taxes to come in less than projected in the budget. Licenses and permits, along with charges for services, were under budget as development activity was less than anticipated in the current year. Improved investment earnings and conservative budgeting for this source nearly offset the negative variances in the previously mentioned sources. Conservative assumptions, active budget management, and open positions all contributed to expenditures coming in less than anticipated. Larger savings in areas of planning and zoning, street maintenance, and recreation all contributed to the spending variance in the current year.

During the year, the City Council approved budget amendments, which increased expenditures by \$60,990 and transfers out by \$171,140, providing supplemental appropriations and moving available resources to other funds.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2023 amounts to \$48,801,343 (net of accumulated depreciation). This investment in capital assets includes items such as land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,669,467	\$ 2,669,467	\$ –	\$ –	\$ 2,669,467	\$ 2,669,467
Construction in progress	1,624,492	2,090,423	614,676	735,625	2,239,168	2,826,048
Buildings and structures	3,327,046	3,564,010	455,517	497,060	3,782,563	4,061,070
Infrastructure and improvements	19,318,012	18,697,408	–	–	19,318,012	18,697,408
Distribution and collection systems	–	–	19,204,518	19,331,477	19,204,518	19,331,477
Machinery and equipment	319,016	299,262	251,734	276,404	570,750	575,666
Office furniture and equipment	3,909	8,857	–	–	3,909	8,857
Vehicles	1,012,956	1,070,943	–	–	1,012,956	1,070,943
Total	<u>\$ 28,274,898</u>	<u>\$ 28,400,370</u>	<u>\$ 20,526,445</u>	<u>\$ 20,840,566</u>	<u>\$ 48,801,343</u>	<u>\$ 49,240,936</u>

Increases in the current year included ongoing projects for park improvements, pedestrian trails, streets, and related utility infrastructure contributing to the changes in the table above as of year-end.

Additional information on the City’s capital assets can be found in Note 4 of the notes to basic financial statements.

Long-Term Liabilities – At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,560,000, which is secured by specified revenue sources.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Utility revenue bonds	\$ –	\$ –	\$ 1,560,000	\$ 1,785,000	\$ 1,560,000	\$ 1,785,000
Premium	–	–	79,168	94,724	79,168	94,724
Compensated absences	105,483	98,255	64,143	77,404	169,626	175,659
Net pension liability	798,005	1,044,294	611,151	801,074	1,409,156	1,845,368
Total	\$ 903,488	\$ 1,142,549	\$ 2,314,462	\$ 2,758,202	\$ 3,217,950	\$ 3,900,751

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

Outstanding debt for utility revenue bonds was anticipated with scheduled bond payments as approved at the time of originally issuing these obligations.

The decrease in the net pension liability, compared to the prior year, was due to the change in the City’s proportionate share of pension obligations for the Public Employees Retirement Association – General Employees Retirement Fund state-wide pension plan.

Additional information on the City’s long-term liabilities can be found in Note 5 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Dramatic increases in local government aids and other state sources are not anticipated based on legislation at the time of writing this report.
- Property tax collection rates are expected to remain strong, at or near the 2023 level.
- The 2024 budget approved for the General Fund anticipates expenditures and other financing uses to exceed revenues and other financing sources by \$182,070, which is included in assigned fund balance at December 31, 2023.
- All of these factors were considered in preparing the City’s budget for the 2024 fiscal year.

REQUESTS FOR INFORMATION

This ACFR 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 finance department, 1245 West Highway 96, Arden Hills, Minnesota 55112.

**BASIC FINANCIAL STATEMENTS
TAB**

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CITY OF ARDEN HILLS

Statement of Net Position
as of December 31, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 13,927,277	\$ 5,371,781	\$ 19,299,058
Accrued interest receivable	64,748	28,435	93,183
Accounts receivable	51,155	1,711,362	1,762,517
Taxes receivable	103,553	-	103,553
Special assessments receivable	1,169,505	-	1,169,505
Leases receivable	779,183	-	779,183
Due from other governmental units	46,790	-	46,790
Prepaid items	44,940	23,022	67,962
Inventory	-	13,091	13,091
Capital assets			
Nondepreciable	4,293,959	614,676	4,908,635
Depreciable, net of accumulated depreciation	<u>23,980,939</u>	<u>19,911,769</u>	<u>43,892,708</u>
Total assets	<u>44,462,049</u>	<u>27,674,136</u>	<u>72,136,185</u>
Deferred outflows of resources			
Pension plan deferments – PERA	260,510	199,510	460,020
Liabilities			
Accounts payable	203,087	73,673	276,760
Salaries payable	95,770	-	95,770
Deposits payable	974,885	-	974,885
Due to other governmental units	150,895	279,194	430,089
Accrued interest payable	-	23,667	23,667
Unearned revenue	196,181	-	196,181
Long-term liabilities (bonds and compensated absences)			
Due within one year	79,112	282,940	362,052
Due in more than one year	26,371	1,420,371	1,446,742
Net pension liability			
Due in more than one year	<u>798,005</u>	<u>611,151</u>	<u>1,409,156</u>
Total liabilities	<u>2,524,306</u>	<u>2,690,996</u>	<u>5,215,302</u>
Deferred inflows of resources			
Pension plan deferments – PERA	282,074	216,027	498,101
Lease revenues for subsequent years	779,183	-	779,183
State aid received for subsequent years	<u>287,064</u>	<u>-</u>	<u>287,064</u>
Total deferred inflows of resources	<u>1,348,321</u>	<u>216,027</u>	<u>1,564,348</u>
Net position			
Net investment in capital assets	28,247,394	18,887,277	47,134,671
Restricted for			
Cable TV	841	-	841
Tax increment purposes	1,471,705	-	1,471,705
Park improvements	197,648	-	197,648
Public safety	433,096	-	433,096
Unrestricted	<u>10,499,248</u>	<u>6,079,346</u>	<u>16,578,594</u>
Total net position	<u>\$ 40,849,932</u>	<u>\$ 24,966,623</u>	<u>\$ 65,816,555</u>

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Activities
Year Ended December 31, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/programs							
Primary government							
Governmental activities							
General government	\$ 1,505,270	\$ 270,989	\$ 151,913	\$ –	\$ (1,082,368)	\$ –	\$ (1,082,368)
Public safety	2,889,826	449,995	540,931	28,828	(1,870,072)	–	(1,870,072)
Public works	1,327,617	4,725	107,099	568,418	(647,375)	–	(647,375)
Parks and recreation	1,136,248	88,372	5,349	–	(1,042,527)	–	(1,042,527)
Economic development	140,255	–	323	–	(139,932)	–	(139,932)
Total governmental activities	6,999,216	814,081	805,615	597,246	(4,782,274)	–	(4,782,274)
Business-type activities							
Water	2,677,247	3,054,674	2,533	36,085	–	416,045	416,045
Sewer	1,864,808	2,394,498	29	93,864	–	623,583	623,583
Surface water management	673,556	958,807	21	–	–	285,272	285,272
Recycling	154,519	151,340	26,670	–	–	23,491	23,491
Total business-type activities	5,370,130	6,559,319	29,253	129,949	–	1,348,391	1,348,391
Total primary government	\$12,369,346	\$ 7,373,400	\$ 834,868	\$ 727,195	(4,782,274)	1,348,391	(3,433,883)
General revenues							
General property taxes					4,570,332	–	4,570,332
Tax increments					36,365	–	36,365
Franchise taxes					92,096	–	92,096
Earnings on investments					649,693	277,586	927,279
Transfers					300,000	(300,000)	–
Total general revenues and transfers					5,648,486	(22,414)	5,626,072
Change in net position					866,212	1,325,977	2,192,189
Net position – beginning					39,983,720	23,640,646	63,624,366
Net position – ending					\$40,849,932	\$24,966,623	\$65,816,555

CITY OF ARDEN HILLS

Balance Sheet
Governmental Funds
as of December 31, 2023

	General	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Assets					
Cash and investments	\$ 4,253,316	\$ 5,815,975	\$ 3,659,448	\$ -	\$ 13,728,739
Accrued interest receivable	22,369	28,089	13,420	-	63,878
Accounts receivable	21,478	-	29,677	-	51,155
Taxes receivable	102,803	-	750	-	103,553
Special assessments receivable	3,628	1,165,877	-	-	1,169,505
Interfund receivable	-	194,879	38,941	(233,820)	-
Leases receivable	779,183	-	-	-	779,183
Due from other governmental units	46,790	-	-	-	46,790
Prepaid items	39,554	-	4,293	-	43,847
Total assets	\$ 5,269,121	\$ 7,204,820	\$ 3,746,529	\$ (233,820)	\$ 15,986,650
Liabilities					
Accounts payable	\$ 110,610	\$ 67,519	\$ 21,277	\$ -	\$ 199,406
Salaries payable	95,770	-	-	-	95,770
Deposits payable	974,885	-	-	-	974,885
Interfund payable	-	-	233,820	(233,820)	-
Due to other governmental units	17,051	121,551	659	-	139,261
Unearned revenue	59,745	-	136,436	-	196,181
Total liabilities	1,258,061	189,070	392,192	(233,820)	1,605,503
Deferred inflows of resources					
Unavailable revenue – taxes	22,514	-	750	-	23,264
Unavailable revenue – special assessments	3,628	1,123,481	-	-	1,127,109
Lease revenues for subsequent years	779,183	-	-	-	779,183
State aid received for subsequent years	-	287,064	-	-	287,064
Total deferred inflows of resources	805,325	1,410,545	750	-	2,216,620
Fund balances (deficits)					
Nonspendable	39,554	-	4,293	-	43,847
Restricted	-	-	2,103,255	-	2,103,255
Committed	-	-	713,987	-	713,987
Assigned	287,553	5,605,205	751,632	-	6,644,390
Unassigned	2,878,628	-	(219,580)	-	2,659,048
Total fund balances	3,205,735	5,605,205	3,353,587	-	12,164,527
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,269,121	\$ 7,204,820	\$ 3,746,529	\$ (233,820)	\$ 15,986,650
Fund balances reported above					\$ 12,164,527
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					4,293,959
Depreciable, net of accumulated depreciation					23,980,939
Internal service funds are used to allocate costs to individual funds. Net position is included in governmental activities in the Statement of Net Position.					
					185,186
Certain long-term obligations are not payable with current financial resources and, therefore, are not reported in governmental funds.					
Compensated absences					(105,483)
Net pension liability					(798,005)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.					
Deferred outflows of resources – pension plans					260,510
Deferred inflows of resources – pension plans					(282,074)
Deferred inflows of resources – unavailable revenues (taxes, special assessments, and long-term receivable)					1,150,373
Net position of governmental activities					\$ 40,849,932

CITY OF ARDEN HILLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2023

	General	Permanent Improvement Revolving	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds
Revenues					
Property taxes					
General property taxes	\$ 3,963,077	\$ 250,000	\$ 370,000	\$ –	\$ 4,583,077
Tax increments	–	–	36,365	–	36,365
Special assessments	–	358,438	–	–	358,438
Licenses and permits	471,742	–	–	–	471,742
Intergovernmental	167,376	496,444	433,096	–	1,096,916
Charges for services	342,339	–	–	–	342,339
Fines and forfeits	24,681	–	–	–	24,681
Earnings on investments	209,901	286,248	146,704	–	642,853
Franchise taxes	–	–	92,096	–	92,096
Antenna lease rental fees	143,305	–	–	–	143,305
Miscellaneous reimbursements	24,076	–	–	–	24,076
Other	7,658	150,000	34,151	–	191,809
Total revenues	<u>5,354,155</u>	<u>1,541,130</u>	<u>1,112,412</u>	<u>–</u>	<u>8,007,697</u>
Expenditures					
Current					
General government	1,235,704	–	148,475	–	1,384,179
Public safety	2,704,012	–	–	–	2,704,012
Public works	682,510	–	–	–	682,510
Parks and recreation	721,291	–	–	–	721,291
Economic development	–	–	81,788	–	81,788
Capital outlay					
General government	–	–	47,249	–	47,249
Public safety	–	–	168,558	–	168,558
Public works	–	289,823	128,403	–	418,226
Parks and recreation	–	519,269	91,518	–	610,787
Total expenditures	<u>5,343,517</u>	<u>809,092</u>	<u>665,991</u>	<u>–</u>	<u>6,818,600</u>
Revenues over expenditures	10,638	732,038	446,421	–	1,189,097
Other financing sources (uses)					
Sale of capital assets	–	–	11,725	–	11,725
Transfers in	–	171,140	300,000	(171,140)	300,000
Transfers out	(171,140)	–	–	171,140	–
Total other financing sources (uses)	<u>(171,140)</u>	<u>171,140</u>	<u>311,725</u>	<u>–</u>	<u>311,725</u>
Net changes in fund balances	(160,502)	903,178	758,146	–	1,500,822
Fund balances – beginning	<u>3,366,237</u>	<u>4,702,027</u>	<u>2,595,441</u>	<u>–</u>	<u>10,663,705</u>
Fund balances – ending	<u>\$ 3,205,735</u>	<u>\$ 5,605,205</u>	<u>\$ 3,353,587</u>	<u>\$ –</u>	<u>\$ 12,164,527</u>

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CITY OF ARDEN HILLS

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2023

Net changes in fund balances – total governmental funds	\$ 1,500,822
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	927,911
Depreciation expense	(1,045,469)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balance.	
	(7,914)
Adjustments are made between the governmental funds and the Statement of Activities for the long-term liability activity of the net pension liability.	
	246,289
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – pension plans	(59,923)
Deferred inflows of resources – pension plans	(246,074)
Deferred inflows of resources – unavailable revenues	(449,209)
Internal service funds are used to allocate costs to individual funds. The net revenue of the internal service funds is reported with governmental activities in the government-wide financial statements.	
	7,007
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(7,228)
Change in net position of governmental activities	<u>\$ 866,212</u>

CITY OF ARDEN HILLS

Statement of Net Position
Proprietary Funds
as of December 31, 2023

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Assets						
Current assets						
Cash and investments	\$ 3,197,732	\$ 1,223,383	\$ 706,162	\$ 244,504	\$ 5,371,781	\$ 198,538
Accrued interest receivable	16,089	6,871	4,281	1,194	28,435	870
Accounts receivable						
Customers	720,018	639,966	257,882	–	1,617,866	–
Customer accounts certified to county	39,719	43,407	5,434	4,936	93,496	–
Prepaid items	7,674	7,674	7,674	–	23,022	1,093
Inventory	13,091	–	–	–	13,091	–
Total current assets	3,994,323	1,921,301	981,433	250,634	7,147,691	200,501
Noncurrent assets						
Capital assets						
Construction in progress	188,371	170,889	255,416	–	614,676	–
Buildings and structures	818,476	16,564	–	–	835,040	–
Distribution and collection systems	13,560,356	11,122,807	6,164,970	–	30,848,133	–
Machinery and equipment	301,210	337,852	–	–	639,062	–
Total capital assets	14,868,413	11,648,112	6,420,386	–	32,936,911	–
Less accumulated depreciation	(6,052,470)	(4,939,764)	(1,418,232)	–	(12,410,466)	–
Total capital assets (net of accumulated depreciation)	8,815,943	6,708,348	5,002,154	–	20,526,445	–
Total assets	12,810,266	8,629,649	5,983,587	250,634	27,674,136	200,501
Deferred outflows of resources						
Pension plan deferments – PERA	66,979	76,823	55,708	–	199,510	–
Liabilities						
Current liabilities						
Accounts payable	53,253	10,950	414	9,056	73,673	3,681
Due to other governmental units	261,799	17,395	–	–	279,194	11,634
Accrued interest payable	20,479	3,188	–	–	23,667	–
Bonds payable	205,000	30,000	–	–	235,000	–
Compensated absences payable	15,879	18,650	12,712	699	47,940	–
Total current liabilities	556,410	80,183	13,126	9,755	659,474	15,315
Noncurrent liabilities						
Bonds payable (net of premium)	1,213,485	190,683	–	–	1,404,168	–
Compensated absences payable	5,293	6,217	4,237	456	16,203	–
Net pension liability	205,173	235,329	170,649	–	611,151	–
Total noncurrent liabilities	1,423,951	432,229	174,886	456	2,031,522	–
Total liabilities	1,980,361	512,412	188,012	10,211	2,690,996	15,315
Deferred inflows of resources						
Pension plan deferments – PERA	72,524	83,183	60,320	–	216,027	–
Net position						
Net investment in capital assets	7,397,458	6,487,665	5,002,154	–	18,887,277	–
Unrestricted	3,426,902	1,623,212	788,809	240,423	6,079,346	185,186
Total net position	\$ 10,824,360	\$ 8,110,877	\$ 5,790,963	\$ 240,423	\$ 24,966,623	\$ 185,186

See notes to basic financial statements

CITY OF ARDEN HILLS

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds				Totals	Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling		
Operating revenues						
Charges for services	\$ 3,043,265	\$ 2,388,625	\$ 940,981	\$ 150,564	\$ 6,523,435	\$ 561,413
Permit fees	4,160	2,640	–	–	6,800	–
Miscellaneous	7,249	3,233	17,826	776	29,084	2,433
Total operating revenues	<u>3,054,674</u>	<u>2,394,498</u>	<u>958,807</u>	<u>151,340</u>	<u>6,559,319</u>	<u>563,846</u>
Operating expenses						
Personal services	400,475	472,190	342,440	31,739	1,246,844	–
Supplies and maintenance	42,435	24,081	12,336	–	78,852	117,843
Other services and charges	341,235	187,145	127,025	6,900	662,305	74,125
Rent	30,503	30,963	13,761	–	75,227	–
Insurance	23,083	40,065	4,122	605	67,875	–
Utilities	15,642	23,025	–	–	38,667	–
Purchased services	30,200	14,752	10,435	6,648	62,035	371,711
Purchased water	1,380,690	–	–	–	1,380,690	–
Recycling charges	–	–	–	108,627	108,627	–
Sewer charges	–	845,369	–	–	845,369	–
Depreciation	376,642	221,567	163,437	–	761,646	–
Total operating expenses	<u>2,640,905</u>	<u>1,859,157</u>	<u>673,556</u>	<u>154,519</u>	<u>5,328,137</u>	<u>563,679</u>
Operating income (loss)	413,769	535,341	285,251	(3,179)	1,231,182	167
Nonoperating revenues (expenses)						
Intergovernmental revenue	2,533	29	21	26,670	29,253	–
Earnings on investments	157,530	69,095	40,528	10,433	277,586	6,840
Interest and fiscal charges	(36,342)	(5,651)	–	–	(41,993)	–
Total nonoperating revenues (expenses)	<u>123,721</u>	<u>63,473</u>	<u>40,549</u>	<u>37,103</u>	<u>264,846</u>	<u>6,840</u>
Income before contributions and transfers	537,490	598,814	325,800	33,924	1,496,028	7,007
Capital contributions – connection fees	36,085	26,003	–	–	62,088	–
Capital contributions – capital grants	–	67,861	–	–	67,861	–
Transfers out	(100,000)	(126,000)	(74,000)	–	(300,000)	–
Change in net position	473,575	566,678	251,800	33,924	1,325,977	7,007
Net position						
Beginning of year	<u>10,350,785</u>	<u>7,544,199</u>	<u>5,539,163</u>	<u>206,499</u>	<u>23,640,646</u>	<u>178,179</u>
End of year	<u>\$ 10,824,360</u>	<u>\$ 8,110,877</u>	<u>\$ 5,790,963</u>	<u>\$ 240,423</u>	<u>\$ 24,966,623</u>	<u>\$ 185,186</u>

CITY OF ARDEN HILLS

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds					Internal Service Funds
	Water	Sewer	Surface Water Management	Nonmajor Recycling	Totals	
Cash flows from operating activities						
Receipts from customers and users	\$ 2,952,232	\$ 2,326,483	\$ 945,818	\$ 150,816	\$ 6,375,349	\$ 563,846
Payments to suppliers	(1,734,768)	(1,106,706)	(113,666)	(115,588)	(3,070,728)	(568,902)
Payments to employees	(395,696)	(469,714)	(316,613)	(33,301)	(1,215,324)	–
Payments for interfund services used	(74,923)	(77,443)	(54,201)	(6,900)	(213,467)	–
Net cash flows from operating activities	746,845	672,620	461,338	(4,973)	1,875,830	(5,056)
Cash flows from noncapital financing activities						
Cash received from other funds	–	–	–	–	–	150
Cash paid to other funds	–	–	–	–	–	(150)
Grants received	2,533	29	21	26,670	29,253	–
Transfers out	(100,000)	(126,000)	(74,000)	–	(300,000)	–
Net cash flows from noncapital financing activities	(97,467)	(125,971)	(73,979)	26,670	(270,747)	–
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(14,257)	(375,298)	(57,970)	–	(447,525)	–
Capital contributions – connection fees received	36,085	26,003	–	–	62,088	–
Capital contributions – capital grants received	–	67,861	–	–	67,861	–
Principal payments on bonds	(195,000)	(30,000)	–	–	(225,000)	–
Interest paid	(53,049)	(8,250)	–	–	(61,299)	–
Net cash flows from capital and related financing activities	(226,221)	(319,684)	(57,970)	–	(603,875)	–
Cash flows from investing activities						
Earnings on investments	151,348	65,116	37,652	10,120	264,236	6,705
Net change in cash and cash equivalents	574,505	292,081	367,041	31,817	1,265,444	1,649
Cash and cash equivalents – beginning	2,623,227	931,302	339,121	212,687	4,106,337	196,889
Cash and cash equivalents – ending	<u>\$ 3,197,732</u>	<u>\$ 1,223,383</u>	<u>\$ 706,162</u>	<u>\$ 244,504</u>	<u>\$ 5,371,781</u>	<u>\$ 198,538</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 413,769	\$ 535,341	\$ 285,251	\$ (3,179)	\$ 1,231,182	\$ 167
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	376,642	221,567	163,437	–	761,646	–
Decrease (increase) in accounts receivables	(98,442)	(68,015)	(12,989)	(524)	(179,970)	–
Decrease (increase) in prepaid items	(367)	(367)	(367)	–	(1,101)	(330)
Decrease (increase) in inventory	8,842	–	–	–	8,842	–
Decrease (increase) in deferred outflows	17,957	22,042	6,295	–	46,294	–
Increase (decrease) in accounts payable	33,101	(1,161)	179	292	32,411	(536)
Increase (decrease) in deposits payable	(4,000)	–	–	–	(4,000)	–
Increase (decrease) in due to other governments	12,521	(17,221)	–	–	(4,700)	(4,357)
Increase (decrease) in compensated absences payable	(4,527)	(4,769)	(2,403)	(1,562)	(13,261)	–
Increase (decrease) in net pension liability	(71,632)	(86,872)	(31,419)	–	(189,923)	–
Increase (decrease) in deferred inflows	62,981	72,075	53,354	–	188,410	–
Total adjustments	333,076	137,279	176,087	(1,794)	644,648	(5,223)
Net cash flows from operating activities	<u>\$ 746,845</u>	<u>\$ 672,620</u>	<u>\$ 461,338</u>	<u>\$ (4,973)</u>	<u>\$ 1,875,830</u>	<u>\$ (5,056)</u>
Noncash investing, capital, and financing activities						
Due from other governmental units						
Amortization of bond premium/discount	\$ 13,457	\$ 2,099	\$ –	\$ –	\$ 15,556	\$ –

See notes to basic financial statements

CITY OF ARDEN HILLS

Notes to Basic Financial Statements
December 31, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

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

B. Reporting Entity

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under leases, when applicable, are reported as other financing sources.

Major revenue that is susceptible to accrual includes property taxes, special assessments, intergovernmental revenue, charges for services, franchise taxes, antenna lease rental fees, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, fines and forfeits, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. 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 and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet 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.

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.

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 enterprise 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 enterprise fund:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund type:

Internal Service Funds – The internal service funds account 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.

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 most special revenue funds. A budget was not legally adopted for the two special revenue funds established for specific short-term projects: Karth Lake Improvement District and American Rescue Plan Act Funds. Budgeted expenditure appropriations lapse at year-end, but may be adopted in the subsequent year.

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

1. The city administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution. The appropriated budget is prepared by fund, function, and department. The City’s department heads, with the approval of the city administrator, may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as amended by the City Council.
4. The city administrator is authorized to transfer appropriations within any fund budget. Adjustments to appropriations between funds, and budget additions and deletions must be authorized by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
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. Budgetary control for capital projects funds is accomplished through the use of project controls, not legally enacted budgets. The appropriations are not reflected in the financial statements.

For the year ended December 31, 2023, actual expenditures exceeded budgeted expenditures in the Cable Special Revenue Fund by \$5,715. This variance was financed by available fund balance.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash and investments include balances that are combined and invested to the extent available in various securities as authorized by state law. Allocations of pooled investment earnings to the respective funds is based on participation by each fund.

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

The City generally reports investments at fair value. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC. The fair value of the position in the pool is the same as the value of the pool shares, which is based on an amortized cost method that approximates fair value. The 4M Fund is sponsored by the League of Minnesota Cities. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of year-end.

G. Interfund 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 "advances 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."

H. Receivables

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

Property tax levies are set by the City Council in December of each year, and are certified to Ramsey County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year: in July, December, and January.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable, and are offset by a deferred inflow of resources in the governmental fund financial statements.

J. Special Assessments

Special assessments primarily represent the financing for public improvements paid for by benefiting property owners. As previously mentioned under receivables, the City is also generally able to certify delinquent amounts to the county for collection as special assessments. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31 are offset by a deferred inflow of resources in the governmental fund financial statements.

K. Inventories

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

L. Prepaid Items

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

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. 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.

Property, plant, and equipment of the City are 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. 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. State-Wide Pension Plans

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets may report separate financial statement elements called deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The City reported deferred outflows and inflows of resources related to pensions in the government-wide and proprietary funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

Imposed nonexchange revenue transactions, state aid received for subsequent years, is deferred and recognized as an inflow of resources in the period that the resources are appropriated. This item is reported both in the governmental funds Balance Sheet and the government-wide Statement of Net Position as a deferred inflow of resources.

The City reports deferred inflows of resources related to leases receivable in the government-wide Statement of Net Position and governmental funds Balance Sheet, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

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

R. Net Position Classifications and Flow Assumptions

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or enabling legislation.
- **Unrestricted Net Position** – All other 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.

S. Fund Balance Classifications and Flow Assumptions

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts where there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments, or enabling legislation.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the finance director and/or the city administrator is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

T. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

The City had the following cash and investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years				Total
	Rating	Agency		Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years	
U.S. government agency securities								
Federal Home Loan Bank	AA	S&P	Level 2	\$ –	\$ 902,432	\$ 1,117,183	\$ –	\$ 2,019,615
Federal Farm Credit Bank	AA	S&P	Level 2	–	285,471	1,386,327	–	1,671,798
Municipal bonds	AAA	S&P	Level 2	–	606,512	425,834	–	1,032,346
Municipal bonds	AAA	Moody's	Level 2	–	232,115	–	–	232,115
Municipal bonds	AA	S&P	Level 2	–	1,053,227	3,082,461	376,796	4,512,484
Municipal bonds	AA	Moody's	Level 2	–	616,803	1,381,916	–	1,998,719
Municipal bonds	A	Moody's	Level 2	–	521,978	314,468	–	836,446
Negotiable certificates of deposit	N/R	N/A	Level 2	–	1,686,058	240,833	–	1,926,891
Investment pools/mutual funds								
4M Fund	N/R	N/A	N/A	4,557,507	–	–	–	4,557,507
4M Term Series	N/R	N/A	N/A	500,000	–	–	–	500,000
Wells Fargo Money Market Advantage	AAA	S&P	Level 1	10,637	–	–	–	10,637
Total investments				<u>\$ 5,068,144</u>	<u>\$ 5,904,596</u>	<u>\$ 7,949,022</u>	<u>\$ 376,796</u>	<u>19,298,558</u>
Petty cash								<u>500</u>
Total cash and investments								<u>\$19,299,058</u>

N/R – Not Rated
N/A – Not Applicable

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

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 deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping 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. 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 \$0, with the use of a depository sweep account. Any bank balance during the year was covered by federal deposit insurance, surety bonds, or by collateral held by the City's agent in the City's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

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

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

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’s investment policies do not mandate a limit on the duration of investments.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5.0 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 5.0 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 25.0 percent with any individual counterparty in an external investment pool. At December 31, 2023, the City’s investment in Federal Home Loan Bank and Federal Farm Credit bank represented 10.5 percent and 8.7 percent, respectively, of the total investments of the City.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; 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 statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; 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; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policies do not further address credit risk.

NOTE 3 – LEASE RECEIVABLE

The City has entered into lease receivable agreements for cell tower rental space on city property. The leases are reported using an incremental rate of 3.25 percent with a final maturity through fiscal 2030. During the current year, the City received principal and interest payments on these leases of \$143,305.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

A. Governmental Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,669,467	\$ –	\$ –	\$ –	\$ 2,669,467
Construction in progress	2,090,423	735,865	–	(1,201,796)	1,624,492
Total capital assets, not being depreciated	<u>4,759,890</u>	<u>735,865</u>	<u>–</u>	<u>(1,201,796)</u>	<u>4,293,959</u>
Capital assets, being depreciated					
Buildings and structures	7,583,468	–	–	–	7,583,468
Infrastructure and improvements	24,492,134	–	–	1,201,796	25,693,930
Machinery and equipment	1,017,462	63,621	–	–	1,081,083
Office furniture and equipment	153,553	–	–	–	153,553
Vehicles	2,272,053	128,425	(39,572)	–	2,360,906
Total capital assets, being depreciated	<u>35,518,670</u>	<u>192,046</u>	<u>(39,572)</u>	<u>1,201,796</u>	<u>36,872,940</u>
Less accumulated depreciation for					
Buildings and structures	4,019,458	236,964	–	–	4,256,422
Infrastructure and improvements	5,794,726	581,192	–	–	6,375,918
Machinery and equipment	718,200	43,867	–	–	762,067
Office furniture and equipment	144,696	4,948	–	–	149,644
Vehicles	1,201,110	178,498	(31,658)	–	1,347,950
Total accumulated depreciation	<u>11,878,190</u>	<u>1,045,469</u>	<u>(31,658)</u>	<u>–</u>	<u>12,892,001</u>
Total capital assets being depreciated – net	<u>23,640,480</u>	<u>(853,423)</u>	<u>(7,914)</u>	<u>1,201,796</u>	<u>23,980,939</u>
Governmental activities capital assets – net	<u>\$ 28,400,370</u>	<u>\$ (117,558)</u>	<u>\$ (7,914)</u>	<u>\$ –</u>	<u>\$ 28,274,898</u>

B. Business-Type Activities

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Primary government					
Business-type activities					
Capital assets, not being depreciated					
Construction in progress	\$ 735,625	\$ 447,525	\$ –	\$ (568,474)	\$ 614,676
Capital assets, being depreciated					
Buildings and structures	835,040	–	–	–	835,040
Distribution and collection systems	30,279,659	–	–	568,474	30,848,133
Machinery and equipment	639,062	–	–	–	639,062
Total capital assets, being depreciated	<u>31,753,761</u>	<u>–</u>	<u>–</u>	<u>568,474</u>	<u>32,322,235</u>
Less accumulated depreciation for					
Buildings and structures	337,980	41,543	–	–	379,523
Distribution and collection systems	10,948,182	695,433	–	–	11,643,615
Machinery and equipment	362,658	24,670	–	–	387,328
Total accumulated depreciation	<u>11,648,820</u>	<u>761,646</u>	<u>–</u>	<u>–</u>	<u>12,410,466</u>
Total capital assets, being depreciated – net	<u>20,104,941</u>	<u>(761,646)</u>	<u>–</u>	<u>568,474</u>	<u>19,911,769</u>
Business-type activities capital assets – net	<u>\$ 20,840,566</u>	<u>\$ (314,121)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 20,526,445</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 108,921
Public safety	6,562
Public works	628,947
Parks and recreation	242,867
Economic development	58,172
	<u>1,045,469</u>
	<u>\$ 1,045,469</u>
Business-type activities	
Water	\$ 376,642
Sewer	221,567
Surface water management	163,437
	<u>761,646</u>
	<u>\$ 761,646</u>

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The City currently has the following general obligation bonds payable outstanding:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Balance – End of Year</u>
Business-type activities					
General Obligation Bonds					
Utility Revenue Bonds of 2018A	07/18/2018	02/01/2029	3.00–4.00 %	\$ 2,415,000	\$ 1,560,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities. Water and Sewer Enterprise Fund revenues will be used to repay this debt. The liability is recorded in the applicable enterprise fund.

B. Other Long-Term Liabilities

- **Compensated Absences** – This liability represents vested benefits earned by employees through the end of the year, which will be paid or used in future periods. The General, special revenue, enterprise, and internal service funds will be used to liquidate this liability.
- **Net Pension Liability** – This liability represents the City’s pension benefit obligations as further described later in these notes. The General, special revenue, Water, Sewer, and Surface Water Management Funds will be used to liquidate this liability.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in General Obligation Bonds and Compensated Absences Payable

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 98,255	\$ 145,712	\$ 138,484	\$ 105,483	\$ 79,112
Business-type activities					
Utility revenue bonds	1,785,000	–	225,000	1,560,000	235,000
Premium	94,724	–	15,556	79,168	–
Total bonds	1,879,724	–	240,556	1,639,168	235,000
Compensated absences	77,404	104,878	118,139	64,143	47,940
Total business-type activities	1,957,128	104,878	358,695	1,703,311	282,940
Total government-wide	<u>\$ 2,055,383</u>	<u>\$ 250,590</u>	<u>\$ 497,179</u>	<u>\$ 1,808,794</u>	<u>\$ 362,052</u>

D. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

Year Ending December 31,	Business-Type Activities	
	Utility Revenue Bonds	
	Principal	Interest
2024	\$ 235,000	\$ 52,100
2025	245,000	42,500
2026	255,000	32,500
2027	265,000	22,100
2028	275,000	12,675
2029	285,000	4,275
Total	<u>\$ 1,560,000</u>	<u>\$ 166,150</u>

E. Revenue Pledged

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

Debt Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Utility Revenue Bonds of 2018A	Utility improvements	Utility charges	100%	2018–2029	\$ 1,726,150	\$ 286,299	\$ 5,511,260

NOTE 6 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide Statement of Net Position at December 31, 2023 includes the City's net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets			
Capital assets			
Nondepreciable	\$ 4,293,959	\$ 614,676	\$ 4,908,635
Depreciable, net of accumulated depreciation	23,980,939	19,911,769	43,892,708
Less capital-related long-term debt outstanding	–	(1,639,168)	(1,639,168)
Less capital-related accounts/contracts payable	(27,504)	–	(27,504)
	<u>\$ 28,247,394</u>	<u>\$ 18,887,277</u>	<u>\$ 47,134,671</u>

B. Governmental Fund Balance Classifications

At December 31, 2023, a summary of the City's governmental fund balance classifications are as follows:

	General	Permanent Improvement Revolving	Other Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 39,554	\$ –	\$ 4,293	\$ 43,847
Restricted for				
Cable TV	–	–	806	806
Tax increment purposes	–	–	1,471,705	1,471,705
Park improvements	–	–	197,648	197,648
Public safety	–	–	433,096	433,096
Total restricted	<u>–</u>	<u>–</u>	<u>2,103,255</u>	<u>2,103,255</u>
Committed for				
Economic development authority	–	–	713,987	713,987
Assigned for				
Compensated absences	105,483	–	–	105,483
Subsequent year's budget	182,070	–	–	182,070
Capital improvements	–	5,605,205	383,682	5,988,887
Public safety capital equipment	–	–	367,950	367,950
Total assigned	<u>287,553</u>	<u>5,605,205</u>	<u>751,632</u>	<u>6,644,390</u>
Unassigned	<u>2,878,628</u>	<u>–</u>	<u>(219,580)</u>	<u>2,659,048</u>
Total	<u>\$ 3,205,735</u>	<u>\$ 5,605,205</u>	<u>\$ 3,353,587</u>	<u>\$ 12,164,527</u>

C. 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 50.0 percent of the subsequent year's General Fund budgeted expenditures. At December 31, 2023, the unassigned fund balance of the General Fund was 47.4 percent of the subsequent year's budgeted expenditures.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. The GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service, and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

In 2023, the Legislature allocated funding for a one-time lump-sum payment to the General Employee benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is noncompounding towards future benefits.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

C. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2023, were \$154,657. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

GERF Pension Costs

At December 31, 2023, the City reported a liability of \$1,409,156 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$38,854. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0252 percent at the end of the measurement period and 0.0233 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 1,409,156
State's proportionate share of the net pension liability associated with the City	<u>38,854</u>
Total	<u><u>\$ 1,448,010</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$259,313 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$175 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16.0 million to the GERF.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

At December 31, 2023, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 45,439	\$ 9,399
Changes in actuarial assumptions	220,484	386,238
Net collective difference between projected and actual investment earnings	–	78,977
Changes in proportion	117,357	23,487
Contributions paid to the PERA subsequent to the measurement date	<u>76,740</u>	<u>–</u>
Total	<u>\$ 460,020</u>	<u>\$ 498,101</u>

A total of \$76,740 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 50,457
2025	\$ (191,622)
2026	\$ 56,912
2027	\$ (30,568)

E. Long-Term Expected Return on Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	<u>25.00</u>	5.90 %
Total	<u>100.00 %</u>	

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit the PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following change in actuarial assumptions and plan provisions occurred in 2023:

GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City’s proportionate share of the GERF net pension liability	\$ 2,492,910	\$ 1,409,156	\$ 517,727

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivable and Payable

Interfund receivable and payable balances at December 31, 2023 are as follows:

Fund	Receivable	Payable
Governmental funds		
Permanent Improvement Revolving	\$ 194,879	\$ –
Nonmajor – other governmental	38,941	233,820
Intra-activity eliminations	<u>(233,820)</u>	<u>(233,820)</u>
Total governmental funds	<u>\$ –</u>	<u>\$ –</u>

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

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Transfers In and Transfers Out

Transfers Out	Transfers In		Total
	Governmental Funds		
	Permanent Improvement Revolving	Nonmajor – Other Governmental	
Governmental funds			
General	\$ 171,140	\$ –	\$ 171,140
Proprietary funds			
Water	–	100,000	100,000
Sewer	–	126,000	126,000
Surface Water Management	–	74,000	74,000
Total	<u>\$ 171,140</u>	<u>\$ 300,000</u>	<u>\$ 471,140</u>

Transfers are made in accordance with budget appropriations or as approved by the City Council for special funding of city activities. All of the transfers presented above were approved by the City Council.

Transfers out of proprietary funds were made to finance current and future capital equipment, building, and replacement expenditures of the City. The General Fund transferred \$171,140 of available resources to the Permanent Improvement Revolving Fund to support future capital projects as authorized by the City Council.

Interfund receivables, payables, and transfers are eliminated to the extent possible with the government-wide financial statement presentation.

NOTE 9 – DEFICIT FUND BALANCES

The City had deficit fund balances at December 31, 2023 as follows:

	Amount
Governmental funds	
Nonmajor – EDA TIF District No. 5	\$ 24,701
Nonmajor – TCAAP	194,879
Total	<u>\$ 219,580</u>

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk-sharing pool with other governmental units. The City pays an annual premium to the LMCIT for its workers' compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. There were no significant reductions in insurance from the previous year or settled claims in excess of insurance coverage for any of the past three fiscal years.

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

B. Litigation

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

C. Federal and State Funds

Amounts recorded or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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. 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 and expires December 31, 2023, with an extension option through December 31, 2038. 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 \$751,177 in 2023. The City also made capital contributions in the current year totaling \$168,558.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Construction Contract Commitments

At year-end, the City had the following construction contract commitments:

Project	Amount
Permanent Improvement Revolving Fund	
2022 pavement management program	\$ 87,011
Lexington Avenue project	<u>432,529</u>
Total	<u>\$ 519,540</u>

NOTE 11 – 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, 2023 are as follows:

Bond	Description	Amount Outstanding
Commercial Facilities Revenue Note, Series 2008	Office facilities	\$ 1,964,136
Housing Facility Revenue Note, Series 2011A	Senior housing	6,924,253
Housing Facility Revenue Note, Series 2012A	Senior housing	6,924,253
Housing Facility Revenue Note, Series 2015	Senior housing	<u>7,639,753</u>
Total		<u>\$ 23,452,395</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
TAB**

CITY OF ARDEN HILLS

PERA – General Employees Retirement Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Minnesota’s Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City’s Share of the State of Minnesota’s Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0283%	\$ 1,466,653	\$ –	\$ 1,466,653	\$ 1,662,826	88.20%	78.20%
12/31/2016	06/30/2016	0.0267%	\$ 2,167,909	\$ 28,367	\$ 2,196,276	\$ 1,669,147	129.88%	68.90%
12/31/2017	06/30/2017	0.0230%	\$ 1,468,305	\$ 18,435	\$ 1,486,740	\$ 1,479,483	99.24%	75.90%
12/31/2018	06/30/2018	0.0218%	\$ 1,209,375	\$ 39,819	\$ 1,249,194	\$ 1,467,987	82.38%	79.50%
12/31/2019	06/30/2019	0.0218%	\$ 1,205,274	\$ 37,332	\$ 1,242,606	\$ 1,540,669	78.23%	80.20%
12/31/2020	06/30/2020	0.0241%	\$ 1,444,905	\$ 44,478	\$ 1,489,383	\$ 1,715,236	84.24%	79.10%
12/31/2021	06/30/2021	0.0244%	\$ 1,041,989	\$ 31,890	\$ 1,073,879	\$ 1,758,683	59.25%	87.00%
12/31/2022	06/30/2022	0.0233%	\$ 1,845,368	\$ 53,913	\$ 1,899,281	\$ 1,741,886	105.94%	76.70%
12/31/2023	06/30/2023	0.0252%	\$ 1,409,156	\$ 38,854	\$ 1,448,010	\$ 2,003,871	70.32%	83.10%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 129,774	\$ 129,774	\$ –	\$ 1,730,320	7.50%
12/31/2016	\$ 115,814	\$ 115,814	\$ –	\$ 1,544,187	7.50%
12/31/2017	\$ 106,513	\$ 106,513	\$ –	\$ 1,420,174	7.50%
12/31/2018	\$ 111,628	\$ 111,628	\$ –	\$ 1,488,376	7.50%
12/31/2019	\$ 121,063	\$ 121,063	\$ –	\$ 1,614,175	7.50%
12/31/2020	\$ 134,798	\$ 134,798	\$ –	\$ 1,797,307	7.50%
12/31/2021	\$ 123,572	\$ 123,572	\$ –	\$ 1,647,630	7.50%
12/31/2022	\$ 143,623	\$ 143,623	\$ –	\$ 1,914,968	7.50%
12/31/2023	\$ 154,657	\$ 154,657	\$ –	\$ 2,062,098	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2023

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
General property taxes	\$ 4,078,390	\$ 4,078,390	\$ 3,963,077	\$ (115,313)
Special assessments	3,350	3,350	–	(3,350)
Licenses and permits				
Business	76,990	76,990	83,519	6,529
Nonbusiness	434,740	434,740	388,223	(46,517)
Total licenses and permits	<u>511,730</u>	<u>511,730</u>	<u>471,742</u>	<u>(39,988)</u>
Intergovernmental				
State				
Road maintenance	111,700	111,700	106,355	(5,345)
Police aid	59,670	59,670	59,666	(4)
Local performance aid	–	–	1,355	1,355
Total intergovernmental	<u>171,370</u>	<u>171,370</u>	<u>167,376</u>	<u>(3,994)</u>
Charges for services				
General government	17,600	17,600	17,708	108
Public safety	146,350	146,350	79,439	(66,911)
Parks and recreation	104,550	104,550	88,372	(16,178)
Administrative charges	113,740	113,740	156,820	43,080
Total charges for services	<u>382,240</u>	<u>382,240</u>	<u>342,339</u>	<u>(39,901)</u>
Fines and forfeits	23,190	23,190	24,681	1,491
Earnings on investments	42,500	42,500	209,901	167,401
Antenna lease rental fees	143,310	143,310	143,305	(5)
Miscellaneous reimbursements	10,260	10,260	24,076	13,816
Other	3,080	3,080	7,658	4,578
Total revenues	<u>5,369,420</u>	<u>5,369,420</u>	<u>5,354,155</u>	<u>(15,265)</u>
Expenditures				
Current				
General government				
City Council				
Personal services	37,230	37,230	37,231	(1)
Materials and supplies	–	–	123	(123)
Other services and charges	19,620	36,280	34,693	1,587
Total City Council	<u>56,850</u>	<u>73,510</u>	<u>72,047</u>	<u>1,463</u>
Elections				
Other services and charges	33,200	33,200	31,056	2,144
Administration				
Personal services	262,340	275,730	264,951	10,779
Materials and supplies	650	650	–	650
Other services and charges	157,850	157,850	172,456	(14,606)
Total administration	<u>420,840</u>	<u>434,230</u>	<u>437,407</u>	<u>(3,177)</u>

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2023

	<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)				
Finance				
Personal services	79,630	79,630	73,620	6,010
Materials and supplies	16,500	16,500	11,505	4,995
Other services and charges	95,420	95,420	75,915	19,505
Total finance	<u>191,550</u>	<u>191,550</u>	<u>161,040</u>	<u>30,510</u>
TCAAP				
Personal services	39,450	39,450	39,431	19
Other services and charges	51,000	51,000	38,227	12,773
Total TCAAP	<u>90,450</u>	<u>90,450</u>	<u>77,658</u>	<u>12,792</u>
Planning and zoning				
Personal services	233,470	236,120	190,620	45,500
Other services and charges	44,960	44,960	37,062	7,898
Total planning and zoning	<u>278,430</u>	<u>281,080</u>	<u>227,682</u>	<u>53,398</u>
General government buildings				
Personal services	37,360	37,360	38,712	(1,352)
Materials and supplies	9,500	9,500	10,786	(1,286)
Other services and charges	177,050	177,050	179,316	(2,266)
Total general government buildings	<u>223,910</u>	<u>223,910</u>	<u>228,814</u>	<u>(4,904)</u>
Total general government	1,295,230	1,327,930	1,235,704	92,226
Public safety				
Police and animal control				
Other services and charges	1,453,280	1,453,280	1,491,764	(38,484)
Dispatch				
Other services and charges	68,740	68,740	68,737	3
Fire protection				
Other services and charges	751,180	751,180	751,177	3
Emergency management				
Personal services	5,280	5,280	5,165	115
Other services and charges	1,550	1,550	3,424	(1,874)
Total emergency management	<u>6,830</u>	<u>6,830</u>	<u>8,589</u>	<u>(1,759)</u>
Protective inspections				
Personal services	305,030	305,030	279,459	25,571
Materials and supplies	1,250	1,250	662	588
Other services and charges	69,490	69,490	103,624	(34,134)
Total protective inspections	<u>375,770</u>	<u>375,770</u>	<u>383,745</u>	<u>(7,975)</u>
Total public safety	2,655,800	2,655,800	2,704,012	(48,212)

CITY OF ARDEN HILLS

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund (continued)
 Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Current (continued)				
Public works				
Street maintenance				
Personal services	347,360	360,010	337,708	22,302
Materials and supplies	55,250	70,250	59,540	10,710
Other services and charges	393,820	393,820	285,262	108,558
Total public works	<u>796,430</u>	<u>824,080</u>	<u>682,510</u>	<u>141,570</u>
Parks and recreation				
Park maintenance				
Personal services	358,410	358,410	349,403	9,007
Materials and supplies	43,350	43,350	77,980	(34,630)
Other services and charges	143,830	143,830	117,254	26,576
Total park maintenance	<u>545,590</u>	<u>545,590</u>	<u>544,637</u>	<u>953</u>
Recreation				
Personal services	156,690	157,330	126,476	30,854
Materials and supplies	23,250	23,250	15,360	7,890
Other services and charges	57,190	57,190	34,818	22,372
Total recreation	<u>237,130</u>	<u>237,770</u>	<u>176,654</u>	<u>61,116</u>
Total parks and recreation	<u>782,720</u>	<u>783,360</u>	<u>721,291</u>	<u>62,069</u>
Total expenditures	<u>5,530,180</u>	<u>5,591,170</u>	<u>5,343,517</u>	<u>247,653</u>
Revenues over (under) expenditures	(160,760)	(221,750)	10,638	232,388
Other financing sources (uses)				
Transfers out	<u>–</u>	<u>(171,140)</u>	<u>(171,140)</u>	<u>–</u>
Net change in fund balance	<u>\$ (160,760)</u>	<u>\$ (392,890)</u>	<u>(160,502)</u>	<u>\$ 232,388</u>
Fund balance – beginning			<u>3,366,237</u>	
Fund balance – ending			<u>\$ 3,205,735</u>	

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CITY OF ARDEN HILLS

Notes to Required Supplementary Information
December 31, 2023

NOTE 1 – LEGAL COMPLIANCE – BUDGETS

The General Fund budget is 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. Budgeted appropriations lapse at year-end.

NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)
December 31, 2023

NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)
December 31, 2023

NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

CITY OF ARDEN HILLS

Notes to Required Supplementary Information (continued)
December 31, 2023

NOTE 2 – PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION
TAB

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds – Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statutes, 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, 2023

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 2,272,508	\$ 1,386,940	\$ 3,659,448
Accrued interest receivable	10,356	3,064	13,420
Accounts receivable	22,781	6,896	29,677
Taxes receivable	750	-	750
Interfund receivable	38,941	-	38,941
Prepaid items	4,293	-	4,293
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,349,629</u>	<u>\$ 1,396,900</u>	<u>\$ 3,746,529</u>
Liabilities			
Accounts payable	\$ 7,412	\$ 13,865	\$ 21,277
Interfund payable	38,941	194,879	233,820
Due to other governmental units	-	659	659
Unearned revenue	136,436	-	136,436
Total liabilities	<u>182,789</u>	<u>209,403</u>	<u>392,192</u>
Deferred inflows of resources			
Unavailable revenue – taxes	750	-	750
Fund balances (deficits)			
Nonspendable	4,293	-	4,293
Restricted	1,472,511	630,744	2,103,255
Committed	713,987	-	713,987
Assigned	-	751,632	751,632
Unassigned	(24,701)	(194,879)	(219,580)
Total fund balances	<u>2,166,090</u>	<u>1,187,497</u>	<u>3,353,587</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 2,349,629</u>	<u>\$ 1,396,900</u>	<u>\$ 3,746,529</u>

CITY OF ARDEN HILLS

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2023

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Property taxes			
General property taxes	\$ 100,000	\$ 270,000	\$ 370,000
Tax increments	36,365	-	36,365
Intergovernmental	-	433,096	433,096
Earnings on investments	105,505	41,199	146,704
Franchise taxes	92,096	-	92,096
Other	323	33,828	34,151
Total revenues	<u>334,289</u>	<u>778,123</u>	<u>1,112,412</u>
Expenditures			
Current			
General government	148,475	-	148,475
Economic development	81,788	-	81,788
Capital outlay			
General government	-	47,249	47,249
Public safety	-	168,558	168,558
Public works	-	128,403	128,403
Parks and recreation	-	91,518	91,518
Total expenditures	<u>230,263</u>	<u>435,728</u>	<u>665,991</u>
Revenues over expenditures	104,026	342,395	446,421
Other financing sources			
Sale of capital assets	-	11,725	11,725
Transfers in	-	300,000	300,000
Total other financing sources	<u>-</u>	<u>311,725</u>	<u>311,725</u>
Net change in fund balances	104,026	654,120	758,146
Fund balances – beginning	<u>2,062,064</u>	<u>533,377</u>	<u>2,595,441</u>
Fund balances – ending	<u>\$ 2,166,090</u>	<u>\$ 1,187,497</u>	<u>\$ 3,353,587</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

EDA Operating Fund – The EDA Operating Fund accounts for revenue sources, including tax increments and other sources, that are legally restricted or committed to expenditures for specified purposes (not including major capital projects).

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 expenditures. This tax increment district was decertified in 2019.

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

EDA TIF District No. 5 Fund – This fund was established as a redevelopment district in 2019 pursuant to special legislation for the TCAAP property. The revenue is derived from tax increment and expenditures are for economic development and administrative expenditures.

Karth Lake Improvement District Fund – This fund accounts for revenue sources, including taxes, that are restricted to finance capital and other improvements within the Karth Lake Improvement District.

American Rescue Plan Act Fund – This fund was established in 2021. The funding is derived from federal appropriations distributed to the City for lost public sector revenue, investments in water, sewer, broadband infrastructure, and other purposes identified in the act.

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2023

	Cable	EDA Operating	EDA TIF District No. 3	EDA TIF District No. 4	EDA TIF District No. 5
Assets					
Cash and investments	\$ -	\$ 696,019	\$ 792,571	\$ 647,482	\$ -
Accrued interest receivable	-	3,405	3,878	3,073	-
Accounts receivable	22,458	323	-	-	-
Taxes receivable	-	-	-	-	-
Interfund receivable	-	14,240	24,701	-	-
Prepaid items	35	4,258	-	-	-
Total assets	\$ 22,493	\$ 718,245	\$ 821,150	\$ 650,555	\$ -
Liabilities					
Accounts payable	\$ 7,412	\$ -	\$ -	\$ -	\$ -
Interfund payable	14,240	-	-	-	24,701
Unearned revenue	-	-	-	-	-
Total liabilities	21,652	-	-	-	24,701
Deferred inflows of resources					
Unavailable revenue – taxes	-	-	-	-	-
Fund balances (deficits)					
Nonspendable	35	4,258	-	-	-
Restricted	806	-	821,150	650,555	-
Committed	-	713,987	-	-	-
Unassigned	-	-	-	-	(24,701)
Total fund balances (deficits)	841	718,245	821,150	650,555	(24,701)
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,493	\$ 718,245	\$ 821,150	\$ 650,555	\$ -

Karth Lake Improvement District	American Rescue Plan Act	Total Nonmajor Special Revenue Funds
\$ -	\$ 136,436	\$ 2,272,508
-	-	10,356
-	-	22,781
750	-	750
-	-	38,941
-	-	4,293
<u>\$ 750</u>	<u>\$ 136,436</u>	<u>\$ 2,349,629</u>
\$ -	\$ -	\$ 7,412
-	-	38,941
-	136,436	136,436
<u>-</u>	<u>136,436</u>	<u>182,789</u>
750	-	750
-	-	4,293
-	-	1,472,511
-	-	713,987
-	-	(24,701)
<u>-</u>	<u>-</u>	<u>2,166,090</u>
<u>\$ 750</u>	<u>\$ 136,436</u>	<u>\$ 2,349,629</u>

CITY OF ARDEN HILLS

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2023

	Cable	EDA Operating	EDA TIF District No. 3	EDA TIF District No. 4	EDA TIF District No. 5
Revenues					
Property taxes					
General property taxes	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Tax increments	-	-	-	36,365	-
Earnings on investments	585	33,945	39,693	31,282	-
Franchise taxes	92,096	-	-	-	-
Other	-	323	-	-	-
Total revenues	92,681	134,268	39,693	67,647	-
Expenditures					
Current					
General government	148,475	-	-	-	-
Economic development	-	78,537	1,084	1,083	1,084
Total expenditures	148,475	78,537	1,084	1,083	1,084
Net changes in fund balances	(55,794)	55,731	38,609	66,564	(1,084)
Fund balances (deficits) – beginning	56,635	662,514	782,541	583,991	(23,617)
Fund balances (deficits) – ending	<u>\$ 841</u>	<u>\$ 718,245</u>	<u>\$ 821,150</u>	<u>\$ 650,555</u>	<u>\$ (24,701)</u>

Karth Lake Improvement District	American Rescue Plan Act	Total Nonmajor Special Revenue Funds
\$ —	\$ —	\$ 100,000
—	—	36,365
—	—	105,505
—	—	92,096
—	—	323
—	—	<u>334,289</u>
—	—	148,475
—	—	81,788
<u>—</u>	<u>—</u>	<u>230,263</u>
—	—	104,026
<u>—</u>	<u>—</u>	<u>2,062,064</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,166,090</u>

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NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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

TCAAP Fund – This fund was established to account for resources designated to be used for the City's share of capital costs related to the approximately 430-acre TCAAP site purchased by Ramsey County.

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Combining Balance Sheet
 as of December 31, 2023

	Equipment, Building, and Replacement	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Assets					
Cash and investments	\$ 395,344	\$ 198,458	\$ 793,138	\$ -	\$ 1,386,940
Accrued interest receivable	452	941	1,671	-	3,064
Accounts receivable	-	-	6,896	-	6,896
Total assets	\$ 395,796	\$ 199,399	\$ 801,705	\$ -	\$ 1,396,900
Liabilities					
Accounts payable	\$ 12,114	\$ 1,751	\$ -	\$ -	\$ 13,865
Interfund payable	-	-	-	194,879	194,879
Due to other governmental units	-	-	659	-	659
Total liabilities	12,114	1,751	659	194,879	209,403
Fund balances (deficits)					
Restricted	-	197,648	433,096	-	630,744
Assigned	383,682	-	367,950	-	751,632
Unassigned	-	-	-	(194,879)	(194,879)
Total fund balances (deficits)	383,682	197,648	801,046	(194,879)	1,187,497
Total liabilities and fund balances	\$ 395,796	\$ 199,399	\$ 801,705	\$ -	\$ 1,396,900

CITY OF ARDEN HILLS

Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2023

	Equipment, Building, and Replacement	Parks	Public Safety Capital Equipment	TCAAP	Total Nonmajor Capital Project Funds
Revenues					
Property taxes					
General property taxes	\$ 50,000	\$ –	\$ 220,000	\$ –	\$ 270,000
Intergovernmental	–	–	433,096	–	433,096
Earnings on investments	7,402	10,420	23,377	–	41,199
Other	–	5,000	28,828	–	33,828
Total revenues	<u>57,402</u>	<u>15,420</u>	<u>705,301</u>	<u>–</u>	<u>778,123</u>
Expenditures					
Capital outlay					
General government	47,249	–	–	–	47,249
Public safety	–	–	168,558	–	168,558
Public works	128,403	–	–	–	128,403
Parks and recreation	55,707	35,811	–	–	91,518
Total expenditures	<u>231,359</u>	<u>35,811</u>	<u>168,558</u>	<u>–</u>	<u>435,728</u>
Revenues over (under) expenditures	(173,957)	(20,391)	536,743	–	342,395
Other financing sources					
Sale of capital assets	11,725	–	–	–	11,725
Transfers in	300,000	–	–	–	300,000
Total other financing sources	<u>311,725</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>311,725</u>
Net changes in fund balances	137,768	(20,391)	536,743	–	654,120
Fund balances (deficits) – beginning	<u>245,914</u>	<u>218,039</u>	<u>264,303</u>	<u>(194,879)</u>	<u>533,377</u>
Fund balances (deficits) – ending	<u>\$ 383,682</u>	<u>\$ 197,648</u>	<u>\$ 801,046</u>	<u>\$ (194,879)</u>	<u>\$ 1,187,497</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ –	\$ –	\$ 585	\$ 585
Franchise taxes	94,500	94,500	92,096	(2,404)
Total revenues	<u> 94,500</u>	<u> 94,500</u>	<u> 92,681</u>	<u> (1,819)</u>
Expenditures				
Current				
General government				
Personal services	51,220	57,910	56,712	1,198
Other services and charges	84,850	84,850	91,763	(6,913)
Total expenditures	<u> 136,070</u>	<u> 142,760</u>	<u> 148,475</u>	<u> (5,715)</u>
Net change in fund balances	<u> (41,570)</u>	<u> (48,260)</u>	(55,794)	<u> (7,534)</u>
Fund balances – beginning			<u> 56,635</u>	
Fund balances – ending			<u> \$ 841</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA Operating Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Property taxes				
General property taxes	\$ 100,000	\$ 100,000	\$ 100,000	\$ –
Earnings on investments	–	–	33,945	33,945
Other	–	–	323	323
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>134,268</u>	<u>34,268</u>
Expenditures				
Economic development				
Current				
Personal services	59,330	59,330	57,230	2,100
Materials and supplies	–	–	480	(480)
Other services and charges	<u>28,220</u>	<u>28,220</u>	<u>20,827</u>	<u>7,393</u>
Total expenditures	<u>87,550</u>	<u>87,550</u>	<u>78,537</u>	<u>9,013</u>
Net change in fund balances	<u>\$ 12,450</u>	<u>\$ 12,450</u>	55,731	<u>\$ 43,281</u>
Fund balance – beginning			<u>662,514</u>	
Fund balance – ending			<u>\$ 718,245</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Earnings on investments	\$ –	\$ –	\$ 39,693	\$ 39,693
Expenditures				
Current				
Economic development				
Other services and charges	<u> 1,900</u>	<u> 1,900</u>	<u> 1,084</u>	<u> 816</u>
Net change in fund balances	<u>\$ (1,900)</u>	<u>\$ (1,900)</u>	38,609	<u>\$ 40,509</u>
Fund balances – beginning			<u>782,541</u>	
Fund balances – ending			<u>\$ 821,150</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA TIF District No. 4 Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
Property taxes				
Tax increments	\$ –	\$ –	\$ 36,365	\$ 36,365
Earnings on investments	<u> –</u>	<u> –</u>	<u> 31,282</u>	<u> 31,282</u>
Total revenues	<u> –</u>	<u> –</u>	<u> 67,647</u>	<u> 67,647</u>
Expenditures				
Current				
Economic development				
Other services and charges	<u> 1,900</u>	<u> 1,900</u>	<u> 1,083</u>	<u> 817</u>
Net change in fund balances	<u> \$ (1,900)</u>	<u> \$ (1,900)</u>	<u> 66,564</u>	<u> \$ 68,464</u>
Fund balances – beginning			<u> 583,991</u>	
Fund balances – ending			<u> \$ 650,555</u>	

CITY OF ARDEN HILLS

Special Revenue Fund – EDA TIF District No. 5 Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Economic development				
Other services and charges	<u>1,900</u>	<u>1,900</u>	<u>1,084</u>	<u>816</u>
Net change in fund balances	<u>\$ (1,900)</u>	<u>\$ (1,900)</u>	<u>(1,084)</u>	<u>\$ 816</u>
Fund balances (deficits) – beginning			<u>(23,617)</u>	
Fund balances (deficits) – ending			<u>\$ (24,701)</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, 2023

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Assets					
Current assets					
Cash and investments	\$ 183,223	\$ 984	\$ 13,580	\$ 751	\$ 198,538
Accrued interest receivable	870	-	-	-	870
Prepaid items	-	520	573	-	1,093
Total assets	<u>184,093</u>	<u>1,504</u>	<u>14,153</u>	<u>751</u>	<u>200,501</u>
Liabilities					
Current liabilities					
Accounts payable	-	985	2,696	-	3,681
Due to other governmental units	-	-	10,883	751	11,634
Total liabilities	<u>-</u>	<u>985</u>	<u>13,579</u>	<u>751</u>	<u>15,315</u>
Net position					
Unrestricted	<u>\$ 184,093</u>	<u>\$ 519</u>	<u>\$ 574</u>	<u>\$ -</u>	<u>\$ 185,186</u>

CITY OF ARDEN HILLS

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2023

	Risk Management	Engineering	Central Garage	Technology	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 186,498	\$ 4,447	\$ 188,884	\$ 181,584	\$ 561,413
Miscellaneous	2,433	-	-	-	2,433
Total operating revenues	<u>188,931</u>	<u>4,447</u>	<u>188,884</u>	<u>181,584</u>	<u>563,846</u>
Operating expenses					
Supplies and maintenance	-	-	117,838	5	117,843
Other services and charges	2,395	1,399	69,611	720	74,125
Purchased services	187,462	2,529	861	180,859	371,711
Total operating expenses	<u>189,857</u>	<u>3,928</u>	<u>188,310</u>	<u>181,584</u>	<u>563,679</u>
Operating income (loss)	(926)	519	574	-	167
Nonoperating revenues					
Earnings on investments	<u>6,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,840</u>
Change in net position	5,914	519	574	-	7,007
Net position – beginning	<u>178,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,179</u>
Net position – ending	<u>\$ 184,093</u>	<u>\$ 519</u>	<u>\$ 574</u>	<u>\$ -</u>	<u>\$ 185,186</u>

CITY OF ARDEN HILLS

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2023

	<u>Risk Management</u>	<u>Engineering</u>	<u>Central Garage</u>	<u>Technology</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities					
Receipts from customers and users	\$ 188,931	\$ 4,447	\$ 188,884	\$ 181,584	\$ 563,846
Payments to suppliers	(189,857)	(3,313)	(194,078)	(181,654)	(568,902)
Net cash flows from operating activities	(926)	1,134	(5,194)	(70)	(5,056)
Cash flows from noncapital financing activities					
Cash received from other funds	150	-	-	-	150
Cash paid to other funds	-	(150)	-	-	(150)
Net cash flows from noncapital financing activities	150	(150)	-	-	-
Cash flows from investing activities					
Earnings on investments	6,705	-	-	-	6,705
Net change in cash and cash equivalents	5,929	984	(5,194)	(70)	1,649
Cash and cash equivalents – beginning	177,294	-	18,774	821	196,889
Cash and cash equivalents – ending	<u>\$ 183,223</u>	<u>\$ 984</u>	<u>\$ 13,580</u>	<u>\$ 751</u>	<u>\$ 198,538</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (926)	\$ 519	\$ 574	\$ -	\$ 167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Decrease (increase) in prepaid items	-	(35)	(295)	-	(330)
Increase (decrease) in accounts payable	-	650	(1,186)	-	(536)
Increase (decrease) in due to other governments	-	-	(4,287)	(70)	(4,357)
Total adjustments	-	615	(5,768)	(70)	(5,223)
Net cash flows from operating activities	<u>\$ (926)</u>	<u>\$ 1,134</u>	<u>\$ (5,194)</u>	<u>\$ (70)</u>	<u>\$ (5,056)</u>

STATISTICAL SECTION (UNAUDITED)
TAB

STATISTICAL SECTION

(UNAUDITED)

This part of the City's Annual Comprehensive Financial Report (ACFR) 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 ACFR 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 ACFR for the relevant year.

CITY OF ARDEN HILLS

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

				Fiscal Year
	2014	2015	2016	2017
Governmental activities				
Investment in capital assets	\$ 18,837,904	\$ 24,909,453	\$ 25,178,721	\$ 22,750,377
Restricted	917,300	675,052	786,678	898,739
Unrestricted	11,472,102	8,765,793	8,249,560	10,678,219
Total governmental activities net position	<u>\$ 31,227,306</u>	<u>\$ 34,350,298</u>	<u>\$ 34,214,959</u>	<u>\$ 34,327,335</u>
Business-type activities				
Investment in capital assets	\$ 14,464,713	\$ 16,167,536	\$ 16,306,381	\$ 16,292,000
Unrestricted	1,793,112	238,381	1,116,957	1,298,744
Total business-type activities net position	<u>\$ 16,257,825</u>	<u>\$ 16,405,917</u>	<u>\$ 17,423,338</u>	<u>\$ 17,590,744</u>
Primary government				
Investment in capital assets	\$ 33,302,617	\$ 41,076,989	\$ 41,485,102	\$ 39,042,377
Restricted	917,300	675,052	786,678	898,739
Unrestricted	13,265,214	9,004,174	9,366,517	11,976,963
Total primary government net position	<u>\$ 47,485,131</u>	<u>\$ 50,756,215</u>	<u>\$ 51,638,297</u>	<u>\$ 51,918,079</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015. The City reported a change in accounting principle, as a result of implementing this standard, which decreased unrestricted net position. Prior year information has not been restated.

2018	2019	2020	2021	2022	2023
\$ 26,972,898	\$ 26,988,912	\$ 26,418,066	\$ 27,474,959	\$ 28,318,503	\$ 28,247,394
1,010,521	1,096,698	1,137,740	1,220,301	1,641,206	2,103,290
8,736,913	9,070,332	10,534,206	10,799,339	10,024,011	10,499,248
<u>\$ 36,720,332</u>	<u>\$ 37,155,942</u>	<u>\$ 38,090,012</u>	<u>\$ 39,494,599</u>	<u>\$ 39,983,720</u>	<u>\$ 40,849,932</u>
\$ 17,295,916	\$ 17,452,137	\$ 17,248,962	\$ 18,373,335	\$ 18,960,842	\$ 18,887,277
1,329,268	2,025,812	3,000,493	3,921,634	4,679,804	6,079,346
<u>\$ 18,625,184</u>	<u>\$ 19,477,949</u>	<u>\$ 20,249,455</u>	<u>\$ 22,294,969</u>	<u>\$ 23,640,646</u>	<u>\$ 24,966,623</u>
\$ 44,268,814	\$ 44,441,049	\$ 43,667,028	\$ 45,848,294	\$ 47,279,345	\$ 47,134,671
1,010,521	1,096,698	1,137,740	1,220,301	1,641,206	2,103,290
10,066,181	11,096,144	13,534,699	14,720,973	14,703,815	16,578,594
<u>\$ 55,345,516</u>	<u>\$ 56,633,891</u>	<u>\$ 58,339,467</u>	<u>\$ 61,789,568</u>	<u>\$ 63,624,366</u>	<u>\$ 65,816,555</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities				
General government	\$ 1,294,830	\$ 1,281,557	\$ 1,384,908	\$ 1,322,106
Public safety	1,887,877	1,978,210	2,047,961	2,158,835
Public works	852,109	194,667	800,157	3,512,218
Parks and recreation	711,174	711,181	751,910	759,737
Economic development	522,193	733,528	361,029	276,841
Interest on long-term debt	11,004	817	-	-
Total governmental activities	<u>5,279,187</u>	<u>4,899,960</u>	<u>5,345,965</u>	<u>8,029,737</u>
Business-type activities				
Water	1,893,217	1,803,405	1,833,468	2,159,874
Sewer	1,506,927	1,587,808	1,513,219	1,780,260
Surface water management	432,788	489,377	468,965	481,026
Recycling	150,417	239,727	141,190	147,919
Total business-type activities	<u>3,983,349</u>	<u>4,120,317</u>	<u>3,956,842</u>	<u>4,569,079</u>
Total primary government	<u>\$ 9,262,536</u>	<u>\$ 9,020,277</u>	<u>\$ 9,302,807</u>	<u>\$ 12,598,816</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 275,735	\$ 271,991	\$ 299,692	\$ 314,166
Public safety	366,452	628,573	735,730	915,632
Public works	4,973	5,205	4,535	7,029
Parks and recreation	116,951	119,338	134,579	123,550
Operating grants and contributions	300,536	389,219	308,900	2,031,474
Capital grants and contributions	2,302,439	3,080,749	462,105	448,945
Total governmental activities	<u>3,367,086</u>	<u>4,495,075</u>	<u>1,945,541</u>	<u>3,840,796</u>
Business-type activities				
Charges for services				
Water	2,132,191	2,099,242	2,165,773	2,127,452
Sewer	1,857,272	1,855,802	1,989,066	1,796,144
Surface water management	762,884	782,501	812,044	834,973
Recycling	130,369	129,030	134,739	151,272
Operating grants and contributions	19,611	124,228	26,323	24,655
Capital grants and contributions	-	-	59,248	-
Total business-type activities	<u>4,902,327</u>	<u>4,990,803</u>	<u>5,187,193</u>	<u>4,934,496</u>
Total primary government	<u>\$ 8,269,413</u>	<u>\$ 9,485,878</u>	<u>\$ 7,132,734</u>	<u>\$ 8,775,292</u>

	2018	2019	2020	2021	2022	2023
\$	1,286,845	\$ 1,337,262	\$ 1,460,627	\$ 1,283,605	\$ 1,299,419	\$ 1,505,270
	2,248,540	2,471,567	2,737,348	2,804,933	2,663,521	2,889,826
	1,695,449	1,416,785	1,267,480	1,310,895	1,796,184	1,327,617
	765,843	798,717	634,195	883,155	1,013,507	1,136,248
	391,156	369,256	480,307	411,016	199,988	140,255
	—	—	—	—	—	—
	6,387,833	6,393,587	6,579,957	6,693,604	6,972,619	6,999,216
	2,147,359	2,295,820	1,996,083	2,166,362	2,473,906	2,677,247
	1,654,079	1,663,498	1,665,146	1,754,753	1,817,972	1,864,808
	499,049	513,209	546,365	599,084	610,730	673,556
	168,145	172,232	139,840	154,611	173,092	154,519
	4,468,632	4,644,759	4,347,434	4,674,810	5,075,700	5,370,130
\$	10,856,465	\$ 11,038,346	\$ 10,927,391	\$ 11,368,414	\$ 12,048,319	\$ 12,369,346
\$	214,833	\$ 250,643	\$ 198,708	\$ 189,138	\$ 241,534	\$ 270,989
	619,406	817,238	431,830	926,665	957,785	449,995
	6,150	5,250	3,900	5,735	7,040	4,725
	113,968	106,317	13,114	90,632	101,097	88,372
	840,634	347,823	409,403	565,106	375,965	805,615
	2,494,823	613,263	634,369	1,263,520	902,926	597,246
	4,289,814	2,140,534	1,691,324	3,040,796	2,586,347	2,216,942
	2,256,859	2,286,542	2,316,891	2,789,472	2,823,414	3,054,674
	1,769,466	1,892,740	1,870,850	2,110,766	2,209,253	2,394,498
	839,499	850,971	876,527	902,044	937,652	958,807
	134,228	140,149	136,865	177,057	169,905	151,340
	27,429	24,752	25,365	27,213	30,323	29,253
	735,220	332,092	60,661	1,024,414	651,490	129,949
	5,762,701	5,527,246	5,287,159	7,030,966	6,822,037	6,718,521
\$	10,052,515	\$ 7,667,780	\$ 6,978,483	\$ 10,071,762	\$ 9,408,384	\$ 8,935,463

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2014	2015	2016	2017
Net (expense) revenue				
Governmental activities	\$ (1,912,101)	\$ (404,885)	\$ (3,400,424)	\$ (4,188,941)
Business-type activities	918,978	870,486	1,230,351	365,417
Total primary government	<u>\$ (993,123)</u>	<u>\$ 465,601</u>	<u>\$ (2,170,073)</u>	<u>\$ (3,823,524)</u>
General revenues and other changes in net position				
Governmental activities				
General property taxes	\$ 3,182,331	\$ 3,191,426	\$ 3,278,287	\$ 3,526,347
Tax increments	565,422	697,898	242,544	295,788
Franchise taxes	103,711	72,837	132,548	109,070
Unrestricted grants and contributions	-	-	-	-
Earnings on investments (charges)	450,261	245,540	155,191	139,347
Gain on sale of capital assets	-	-	-	-
Transfers	230,765	230,765	230,765	230,765
Total governmental activities	<u>4,532,490</u>	<u>4,438,466</u>	<u>4,039,335</u>	<u>4,301,317</u>
Business-type activities				
Earnings on investments (charges)	54,360	35,857	17,835	32,754
Transfers	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>	<u>(230,765)</u>
Total business-type activities	<u>(176,405)</u>	<u>(194,908)</u>	<u>(212,930)</u>	<u>(198,011)</u>
Total primary government	<u>\$ 4,356,085</u>	<u>\$ 4,243,558</u>	<u>\$ 3,826,405</u>	<u>\$ 4,103,306</u>
Change in net position				
Governmental activities	\$ 2,620,389	\$ 4,033,581	\$ 638,911	\$ 112,376
Business-type activities	<u>742,573</u>	<u>675,578</u>	<u>1,017,421</u>	<u>167,406</u>
Total primary government	<u>\$ 3,362,962</u>	<u>\$ 4,709,159</u>	<u>\$ 1,656,332</u>	<u>\$ 279,782</u>

2018	2019	2020	2021	2022	2023
\$ (2,098,019)	\$ (4,253,053)	\$ (4,888,633)	\$ (3,652,808)	\$ (4,386,272)	\$ (4,782,274)
<u>1,294,069</u>	<u>882,487</u>	<u>939,725</u>	<u>2,356,156</u>	<u>1,746,337</u>	<u>1,348,391</u>
<u>\$ (803,950)</u>	<u>\$ (3,370,566)</u>	<u>\$ (3,948,908)</u>	<u>\$ (1,296,652)</u>	<u>\$ (2,639,935)</u>	<u>\$ (3,433,883)</u>
\$ 3,578,894	\$ 3,793,754	\$ 4,100,177	\$ 4,293,895	\$ 4,404,477	\$ 4,570,332
351,569	388,697	273,043	396,891	338,899	36,365
101,237	100,464	101,057	97,549	94,320	92,096
–	–	745,040	–	–	–
159,316	322,346	348,886	(30,940)	(460,213)	649,693
–	–	17,500	–	197,910	–
<u>300,000</u>	<u>83,402</u>	<u>237,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<u>4,491,016</u>	<u>4,688,663</u>	<u>5,822,703</u>	<u>5,057,395</u>	<u>4,875,393</u>	<u>5,648,486</u>
40,371	53,680	68,781	(10,642)	(100,660)	277,586
<u>(300,000)</u>	<u>(83,402)</u>	<u>(237,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>
<u>(259,629)</u>	<u>(29,722)</u>	<u>(168,219)</u>	<u>(310,642)</u>	<u>(400,660)</u>	<u>(22,414)</u>
<u>\$ 4,231,387</u>	<u>\$ 4,658,941</u>	<u>\$ 5,654,484</u>	<u>\$ 4,746,753</u>	<u>\$ 4,474,733</u>	<u>\$ 5,626,072</u>
\$ 2,392,997	\$ 435,610	\$ 934,070	\$ 1,404,587	\$ 489,121	\$ 866,212
<u>1,034,440</u>	<u>852,765</u>	<u>771,506</u>	<u>2,045,514</u>	<u>1,345,677</u>	<u>1,325,977</u>
<u>\$ 3,427,437</u>	<u>\$ 1,288,375</u>	<u>\$ 1,705,576</u>	<u>\$ 3,450,101</u>	<u>\$ 1,834,798</u>	<u>\$ 2,192,189</u>

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CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Tax Increments</u>	<u>Franchise Taxes</u>	<u>Total</u>
2014	\$ 3,182,331	\$ 565,422	\$ 103,711	\$ 3,851,464
2015	3,191,426	697,898	72,837	3,962,161
2016	3,278,287	242,544	132,548	3,653,379
2017	3,526,347	295,788	109,070	3,931,205
2018	3,578,894	351,569	101,237	4,031,700
2019	3,793,754	388,697	100,464	4,282,915
2020	4,100,177	273,043	101,057	4,474,277
2021	4,293,895	396,891	97,549	4,788,335
2022	4,404,477	338,899	94,320	4,837,696
2023	4,570,332	36,365	92,096	4,698,793

CITY OF ARDEN HILLS

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 21,059	\$ 23,983	\$ 26,271	\$ 288,519
Assigned	139,721	251,497	257,771	285,548
Unassigned	<u>2,185,162</u>	<u>2,806,930</u>	<u>2,660,771</u>	<u>3,065,250</u>
Total General Fund	<u>\$ 2,345,942</u>	<u>\$ 3,082,410</u>	<u>\$ 2,944,813</u>	<u>\$ 3,639,317</u>
All other governmental funds				
Nonspendable	\$ 395	\$ 845	\$ 214	\$ 664
Restricted	917,300	675,052	786,678	898,739
Committed	471,161	449,898	450,433	471,996
Assigned	7,346,178	3,902,898	3,872,938	6,138,393
Unassigned	<u>(150,893)</u>	<u>(216,521)</u>	<u>(217,607)</u>	<u>(439,147)</u>
Total all other governmental funds	<u>\$ 8,584,141</u>	<u>\$ 4,812,172</u>	<u>\$ 4,892,656</u>	<u>\$ 7,070,645</u>
Total all governmental funds	<u>\$ 10,930,083</u>	<u>\$ 7,894,582</u>	<u>\$ 7,837,469</u>	<u>\$ 10,709,962</u>

2018	2019	2020	2021	2022	2023
\$ 25,482	\$ 22,438	\$ 28,782	\$ 31,152	\$ 34,508	\$ 39,554
262,805	205,962	196,467	239,096	259,015	287,553
<u>3,052,082</u>	<u>2,987,183</u>	<u>3,155,257</u>	<u>2,899,564</u>	<u>3,072,714</u>	<u>2,878,628</u>
<u>\$ 3,340,369</u>	<u>\$ 3,215,583</u>	<u>\$ 3,380,506</u>	<u>\$ 3,169,812</u>	<u>\$ 3,366,237</u>	<u>\$ 3,205,735</u>
\$ 214	\$ 214	\$ 3,680	\$ 3,878	\$ 4,071	\$ 4,293
1,010,521	1,096,484	1,137,740	1,220,287	1,641,192	2,103,255
508,241	580,243	619,013	654,042	658,457	713,987
2,873,879	4,057,047	5,762,592	5,990,247	5,212,244	6,356,837
<u>(189,404)</u>	<u>(227,892)</u>	<u>(230,101)</u>	<u>(223,538)</u>	<u>(218,496)</u>	<u>(219,580)</u>
<u>\$ 4,203,451</u>	<u>\$ 5,506,096</u>	<u>\$ 7,292,924</u>	<u>\$ 7,644,916</u>	<u>\$ 7,297,468</u>	<u>\$ 8,958,792</u>
<u>\$ 7,543,820</u>	<u>\$ 8,721,679</u>	<u>\$ 10,673,430</u>	<u>\$ 10,814,728</u>	<u>\$ 10,663,705</u>	<u>\$ 12,164,527</u>

CITY OF ARDEN HILLS

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

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Property taxes				
General property taxes	\$ 3,210,025	\$ 3,203,004	\$ 3,260,537	\$ 3,541,705
Tax increments	565,422	697,898	242,544	295,788
Special assessments	304,315	908,964	373,415	308,990
Licenses and permits	327,727	518,846	598,686	729,197
Intergovernmental	1,408,240	1,396,269	396,275	2,124,414
Charges for services	400,224	496,908	577,041	590,141
Fines and forfeits	29,569	32,792	31,868	29,989
Earnings on investments (charges)	433,402	236,947	148,679	133,231
Franchise taxes	103,711	72,837	132,548	109,070
Antenna lease rental fees	110,144	189,534	123,815	128,765
Miscellaneous/other	89,482	241,463	94,442	164,256
Total revenues	<u>6,982,261</u>	<u>7,995,462</u>	<u>5,979,850</u>	<u>8,155,546</u>
Expenditures				
Current				
General government	1,155,120	1,143,037	1,194,579	1,189,500
Public safety	1,826,098	1,920,280	1,981,506	2,058,037
Public works	580,872	336,398	479,814	443,633
Parks and recreation	648,214	573,587	621,832	618,614
Economic development	286,991	249,484	229,688	264,905
Capital outlay				
General government	5,559	-	-	-
Public safety	66,079	52,936	47,880	100,215
Public works	1,833,535	6,198,264	786,873	734,411
Parks and recreation	18,883	-	-	337,808
Economic development	231,025	502,842	151,306	7,520
Debt service				
Principal	270,000	280,000	-	-
Interest and paying agent fees	14,773	4,900	-	-
Total expenditures	<u>6,937,149</u>	<u>11,261,728</u>	<u>5,493,478</u>	<u>5,754,643</u>
Revenues over (under) expenditures	45,112	(3,266,266)	486,372	2,400,903
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Transfers in	230,765	230,765	230,765	471,590
Total other financing sources (uses)	<u>230,765</u>	<u>230,765</u>	<u>230,765</u>	<u>471,590</u>
Net change in fund balances	<u>\$ 275,877</u>	<u>\$ (3,035,501)</u>	<u>\$ 717,137</u>	<u>\$ 2,872,493</u>
Debt service as a percentage of noncapital expenditures	<u>5.73%</u>	<u>6.20%</u>	<u>-%</u>	<u>-%</u>

2018	2019	2020	2021	2022	2023
\$ 3,578,628	\$ 3,795,624	\$ 4,099,819	\$ 4,289,994	\$ 4,405,691	\$ 4,583,077
351,569	388,697	273,043	396,891	338,899	36,365
735,369	828,487	329,781	660,411	432,885	358,438
526,444	714,530	431,628	752,532	830,866	471,742
1,003,685	603,966	1,231,252	505,585	542,973	1,096,916
427,905	440,616	215,918	459,638	476,574	342,339
37,080	34,512	13,581	21,500	22,662	24,681
154,369	310,607	338,444	(29,384)	(454,163)	642,853
101,237	100,464	101,057	97,549	94,320	92,096
57,067	134,505	140,707	146,101	139,304	143,305
249,322	157,122	432,118	474,889	239,414	215,885
<u>7,222,675</u>	<u>7,509,130</u>	<u>7,607,348</u>	<u>7,775,706</u>	<u>7,069,425</u>	<u>8,007,697</u>
1,164,657	1,195,335	1,201,143	1,137,188	1,204,619	1,384,179
2,088,345	2,399,296	2,435,773	2,708,137	2,546,051	2,704,012
579,535	632,531	675,739	618,236	914,148	682,510
653,977	679,589	547,787	626,629	665,776	721,291
324,548	300,052	415,839	349,341	138,251	81,788
13,770	115,924	107,865	290,193	210,148	47,249
233,301	69,666	299,107	111,065	98,396	168,558
2,916,604	713,156	204,169	1,993,539	1,708,553	418,226
2,783,238	549,812	22,675	133,150	273,197	610,787
—	3,300	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>10,757,975</u>	<u>6,658,661</u>	<u>5,910,097</u>	<u>7,967,478</u>	<u>7,759,139</u>	<u>6,818,600</u>
(3,535,300)	850,469	1,697,251	(191,772)	(689,714)	1,189,097
69,158	27,390	17,500	33,070	238,691	11,725
300,000	300,000	237,000	300,000	300,000	300,000
<u>369,158</u>	<u>327,390</u>	<u>254,500</u>	<u>333,070</u>	<u>538,691</u>	<u>311,725</u>
<u>\$ (3,166,142)</u>	<u>\$ 1,177,859</u>	<u>\$ 1,951,751</u>	<u>\$ 141,298</u>	<u>\$ (151,023)</u>	<u>\$ 1,500,822</u>
<u>—%</u>	<u>—%</u>	<u>—%</u>	<u>—%</u>	<u>—%</u>	<u>—%</u>

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CITY OF ARDEN HILLS

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

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Tax Increments</u>	<u>Franchise Taxes</u>	<u>Total</u>
2014	\$ 3,210,025	\$ 565,422	\$ 103,711	\$ 3,879,158
2015	3,203,004	697,898	72,837	3,973,739
2016	3,260,537	242,544	132,548	3,635,629
2017	3,541,705	295,788	109,070	3,946,563
2018	3,578,628	351,569	101,237	4,031,434
2019	3,795,624	388,697	100,464	4,284,785
2020	4,099,819	273,043	101,057	4,473,919
2021	4,289,994	396,891	97,549	4,784,434
2022	4,405,691	338,899	94,320	4,838,910
2023	4,583,077	36,365	92,096	4,711,538

CITY OF ARDEN HILLS

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

<u>Fiscal Year Ended December 31,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Tax Capacity</u>	<u>Less Tax Increment District</u>	<u>Less Fiscal Disparity Contribution</u>
2014	\$ 13,413,316	\$ 216,679	\$ 13,629,995	\$ 510,906	\$ 2,375,745
2015	14,162,432	224,125	14,386,557	684,465	2,303,582
2016	14,364,828	236,271	14,601,099	207,526	2,280,682
2017	14,671,678	262,904	14,934,582	256,243	2,365,021
2018	15,751,958	276,244	16,028,202	308,152	2,141,470
2019	16,457,522	256,847	16,714,369	345,318	2,174,854
2020	17,592,301	268,599	17,860,900	273,444	2,627,733
2021	18,379,048	290,865	18,669,913	362,116	2,626,688
2022	18,571,778	126,061	18,697,839	367,689	2,932,378
2023	20,983,351	132,519	21,115,870	–	2,778,653

Source: Ramsey County Assessor

<u>Adjusted Tax Capacity (ATC) Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value (EMV)</u>	<u>ATC as a Percentage of EMV</u>
\$ 10,743,344	27.950 %	\$ 1,055,153,800	1.02 %
11,398,510	27.294	1,122,428,000	1.02
12,112,891	26.539	1,144,221,600	1.06
12,313,318	27.211	1,173,397,600	1.05
13,578,580	25.532	1,260,228,800	1.08
14,194,197	25.555	1,313,244,900	1.08
14,959,723	25.414	1,406,207,500	1.06
15,681,109	25.089	1,460,289,500	1.07
15,397,772	26.543	1,463,478,400	1.05
18,337,217	23.632	1,655,788,100	1.11

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	School District	Special Taxing Districts	
2014	27.950 %	63.735 %	29.734 %	9.825 %	131.244 %
2015	27.294	58.922	27.378	9.179	122.773
2016	26.539	58.885	26.245	9.052	120.721
2017	27.211	55.850	25.305	8.558	116.924
2018	25.532	53.962	28.464	8.249	116.207
2019	25.555	52.879	26.330	8.265	113.029
2020	25.414	52.302	24.964	8.249	110.929
2021	25.089	47.760	23.863	7.822	104.534
2022	26.543	48.067	23.420	9.971	108.001
2023	23.632	44.901	25.533	8.740	102.806

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

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2023			2014		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Cardiac Pacemakers, Inc.	\$ 1,112,470	1	6.07 %	\$ 1,599,250	1	14.89 %
Land O'Lakes, Inc.	753,804	2	4.11	360,146	2	3.35
St. Paul Fire and Marine Insurance Company	620,204	3	3.38	350,784	3	3.27
Space Center Arden Hills, LLC	565,904	4	3.09	286,350	5	2.67
Presbyterian Homes, Inc.	501,376	5	2.73	200,000	9	1.86
Caliber Lodging, Inc.	299,038	6	1.63	-	-	-
NSP	266,904	7	1.46	313,103	4	2.91
PNL Invest, LLC	258,370	8	1.41	-	-	-
Sup I Shannon Square, LLC	221,508	9	1.21	-	-	-
Northpark CC LLC	217,882	10	1.19	-	-	-
IRET Properties, LP	-	-	-	280,030	6	2.61
CSM Corporation	-	-	-	251,496	7	2.34
Pharmacia Deltec, Inc.	-	-	-	203,214	8	1.89
RAM Development, LLC	-	-	-	162,654	10	1.51
Total	<u>\$ 4,817,460</u>		<u>26.27 %</u>	<u>\$ 4,007,027</u>		<u>37.30 %</u>
Total capacity value	<u>\$ 18,337,217</u>			<u>\$ 10,743,344</u>		

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Additions/ (Abatements)	Collections (Refunds) in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy			Amount	Percentage of Levy
2014	\$ 3,257,456	\$ 3,219,641	98.84 %	\$ (20,640)	\$ 17,175	\$ 3,257,456	100.00 %
2015	3,359,775	3,295,723	98.09	(75,019)	(10,967)	3,359,775	100.00
2016	3,478,775	3,408,642	97.98	(77,980)	(7,847)	3,478,775	100.00
2017	3,641,290	3,562,166	97.83	(66,924)	12,200	3,641,290	100.00
2018	3,786,942	3,710,786	97.99	(58,021)	18,036	3,786,843	100.00
2019	3,938,420	3,871,967	98.31	(86,658)	(20,205)	3,938,420	100.00
2020	4,135,340	4,116,483	99.54	(41,410)	(22,553)	4,135,340	100.00
2021	4,280,080	4,218,186	98.55	(49,422)	12,472	4,280,080	100.00
2022	4,472,680	4,454,078	99.58	(5,070)	13,532	4,472,680	100.00
2023	4,718,680	4,616,384	97.83	(87,994)	–	4,704,378	99.70

Source: Ramsey County Assessor

CITY OF ARDEN HILLS

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation TIF Bonds	Revenue Bonds	Premium	Total			
2014	\$ 280,000	\$ -	\$ -	\$ -	\$ 280,000	0.08 %	\$ 29
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	2,415,000	156,952	2,571,952	2,571,952	0.71	260
2019	-	2,415,000	141,394	2,556,394	2,556,394	0.69	255
2020	-	2,215,000	125,838	2,340,838	2,340,838	0.62	236
2021	-	2,005,000	110,281	2,115,281	2,115,281	0.53	214
2022	-	1,785,000	94,724	1,879,724	1,879,724	0.42	194
2023	-	1,560,000	79,168	1,639,168	1,639,168	0.36	169

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

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

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CITY OF ARDEN HILLS

Direct and Overlapping Governmental Activities Debt
as of December 31, 2023

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Ramsey County	\$ 124,547,787	2.43 %	\$ 3,026,102
County library	18,110,027	4.79	868,035
Independent School District No. 621	168,431,292	13.02	21,937,180
Independent School District No. 623	148,813,796	0.74	1,100,970
Metropolitan Council	1,581,725,568	0.34	<u>5,324,122</u>
Total overlapping debt			32,256,409
City of Arden Hills	-	100.00	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 32,256,409</u></u>

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

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

Source: Assessed value data used to estimate applicable percentages provided by the Ramsey County Assessor. Debt outstanding data provided by the county.

CITY OF ARDEN HILLS

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>Fiscal Year</u>			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 31,654,614	\$ 33,672,840	\$ 34,326,648	\$ 35,201,928
Total net debt applicable to limit	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Legal debt margin	<u>\$ 31,654,614</u>	<u>\$ 33,672,840</u>	<u>\$ 34,326,648</u>	<u>\$ 35,201,928</u>
Total net debt applicable to the limit as a percentage of debt limit	—	—	—	—

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

2018	2019	2020	2021	2022	2023
\$ 37,806,864	\$ 39,397,347	\$ 42,186,225	\$ 43,808,685	\$ 43,904,352	49,673,643
—	—	—	—	—	—
<u>\$ 37,806,864</u>	<u>\$ 39,397,347</u>	<u>\$ 42,186,225</u>	<u>\$ 43,808,685</u>	<u>\$ 43,904,352</u>	<u>\$ 49,673,643</u>

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Legal Debt Margin Calculation for Fiscal Year 2023

Total estimated market value	\$1,655,788,100
Debt limit (3% of market value)	49,673,643
Debt applicable to limit	
General obligation bonds	—
Less amount set aside for repayment of general obligation debt	—
Total net debt applicable to the limit	<u>—</u>
Legal debt margin	<u>\$ 49,673,643</u>

CITY OF ARDEN HILLS

Pledged Revenue Coverage
Last Six Fiscal Years

Fiscal Year	Operating Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2018	\$ 4,026,325	\$ 3,279,800	\$ 746,525	\$ -	\$ 52,333	14.3
2019	4,179,282	3,387,940	791,342	-	94,288	8.4
2020	4,187,741	3,085,624	1,102,117	200,000	86,998	3.8
2021	4,900,238	3,301,491	1,598,747	210,000	78,800	5.5
2022	5,032,667	3,678,576	1,354,091	220,000	70,200	4.7
2023	5,449,172	3,901,853	1,547,319	225,000	61,299	5.4

Note 1: Includes Water and Sewer Funds. Operating expenses do not include depreciation.

Note 2: Fiscal year 2018 represents the first year the City pledged revenue for utility revenue bonds.

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>
2014	9,652	\$ 34,481	\$332,810,612	36.9	10,734	4.1 %
2015	9,847	35,222	346,831,034	36.0	11,011	3.6
2016	9,966	35,994	358,716,204	36.0	11,401	3.6
2017	9,969	37,723	376,060,587	36.3	11,556	3.3
2018	9,889	36,553	361,472,617	36.3	11,647	2.8
2019	10,008	36,989	370,185,912	36.4	11,957	3.0
2020	9,939	37,932	377,006,148	36.2	12,061	7.0
2021	9,897	40,539	401,214,483	36.2	11,806	4.2
2022	9,682	46,623	451,403,886	36.2	11,747	2.6
2023	9,706	46,623	452,532,396	36.1	11,792	2.7

Sources:

- (1) Population data is obtained from the Metropolitan Council website. Fiscal year 2023 is estimated by city staff.
- (2) Unemployment rate information is from DEED for Ramsey County.
- (3) Per capita personal income prior to 2022 is obtained from the Metropolitan Council website. Per capita personal income for 2022 and 2023 is the 2022 data obtained from www.census.gov.
- (4) Personal income is calculated based on the population and per capita personal income.
- (5) Enrollment numbers are based off of Independent School District No. 621, Mounds View from the Minnesota Department of Education website.
- (6) Median age is from www.city-data.com website.

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CITY OF ARDEN HILLS

Principal Employers
Current Year and Nine Years Ago

Employer	2023 Employees	2014 (1) Employees
Boston Scientific	3,000–3,500	2,400
Land O’Lakes, Inc.	1,250–1,750	800
University of Northwestern	1,000–1,500	–
Bethel University	750–1,250	970
Presbyterian Homes of Arden Hills	450–550	493
Delkor	300–350	–
IntriCon	250–300	–
Venture Solutions, Inc.	175–225	–
Gradient Financial	150–200	–
National Recoveries	150–200	–
Ulteig Engineers, Inc.	150–200	–
Health Partners Arden Hills Clinic	150–200	–
Smiths Medical M.D., Inc.	–	525
Country and MSI Insurance	–	236
 Total employees in the City	 9,182 (2)	 14,173

(1) Information only readily available for the listed employers.

(2) This is an estimate from 2022. Information for 2023 is not yet available.

Note: This does not purport to be a comprehensive list and is based on available data from the City’s 2018 Official Statement and updates received since then through a survey of individual employers. Some employers do not respond to inquiries for employment data.

Source: City staff research; business license renewals; Metropolitan Council

CITY OF ARDEN HILLS

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2014	2015	2016	2017
Police (see Note 2)				
Towed vehicles	1	N/A	N/A	N/A
Traffic accidents	144	N/A	N/A	N/A
Driving impaired/alcohol	18	N/A	N/A	N/A
Traffic stops	20	N/A	N/A	N/A
Traffic investigations	40	N/A	N/A	N/A
Total calls for service	N/A	4,892.00	4,413	5,152
Fire				
Number of calls answered	651	804.00	930	986
Highways and streets				
Street resurfacing (miles)	–	2.84	0.25	0.20
Potholes repaired	250	600.00	600	700
Sanitation (residential) – (see Note 3)				
Refuse collected (tons/day)	8.65	8.76	8.75	8.80
Recyclables collected (tons/day)	2.21	2.16	2.06	2.22
Recycling clean up days	N/A	N/A	N/A	N/A
Tons collected during clean up days	N/A	N/A	N/A	N/A
Parks and recreation				
Athletic field permits issued	22	22	22	30
Water				
New connections	2	7	8	8
Water main breaks	2	10	6	7
Average daily consumption (thousands of gallons)	983	857	812	853

N/A – Not Applicable

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

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

Note 3: Recyclables – numbers based off of yearly tonnage total divided into 365 days in the year. Starting in 2018, the refuse collected information is no longer being provided as it is not readily available. Instead, information on recycling clean up days is being provided.

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

Source: Various city departments

2018	2019	2020	2021	2022	2023
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
5,331	5,253	3,924	4,232	4,102	4,468
1,039	1,138	1,044	1,178	1,077	1,255
1.00	0.30	2.32	4.42	7.10	0.65
800	750	1,000	700	600	350
N/A	N/A	N/A	N/A	N/A	N/A
2.17	2.20	2.19	2.71	1.85	1.76
2	2	–	1	1	1
73.7	44.8	–	7.3	7.4	4.6
25	20	2	8	6	5
8	2	3	7	1	2
8	4	2	3	6	9
869	841	855	914	981	1,051

CITY OF ARDEN HILLS

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

Function	Fiscal Year			
	2014	2015	2016	2017
General government	6.45	6.37	4.56	4.10
Public safety	2.60	2.70	2.47	2.19
Public works	4.20	4.22	3.47	2.70
Parks and recreation	6.70	6.74	6.09	5.58
Water	3.75	3.69	3.46	3.42
Sewer	4.60	4.43	4.24	4.21
Recycling	0.20	0.18	0.16	0.15
Surface water management	2.65	2.64	2.64	2.43
Total	<u>31.15</u>	<u>30.97</u>	<u>27.09</u>	<u>24.78</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.

Source: Finance and Administration

2018	2019	2020	2021	2022	2023
4.61	5.10	5.61	4.46	4.82	5.43
2.39	2.34	2.66	1.85	2.63	2.52
3.08	2.86	2.64	2.54	3.03	2.78
5.96	6.13	5.14	5.30	5.11	4.77
3.24	3.39	3.54	3.37	3.66	3.45
3.99	4.11	4.20	4.04	4.48	4.12
0.23	0.32	0.29	0.27	0.27	0.24
2.30	2.35	2.53	2.31	2.48	2.69
<u>25.80</u>	<u>26.60</u>	<u>26.61</u>	<u>24.14</u>	<u>26.48</u>	<u>26.00</u>

CITY OF ARDEN HILLS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2014	2015	2016	2017
Highways and streets				
Streets (miles)	57	57	57	57
Streetlights	250	250	250	252
Traffic signals	18	18	18	18
Parks and recreation*				
Parks acreage	111	111	111	111
Parks	14	14	14	14
Trails acreage	54	54	54	54
Trails (miles)	21	21	21	21
Tennis courts	6	6	5	4
Softball/baseball fields	8	8	8	7
Basketball courts	10	10	10	10
Hockey/skating rinks	6	6	6	6
Permanent restrooms	3	3	3	3
Water				
Water mains (miles)	43	43	43	43
Fire hydrants	537	537	537	537
Maximum daily capacity (thousands of gallons)	1,500	1,500	1,500	1,500
Sewer				
Sanitary sewers (miles)	52	52	52	52
Storm sewers (miles)	25	25	25	25

* 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.

Source: Various city departments

2018	2019	2020	2021	2022	2023
57	57	57	57	57	57
252	254	254	254	254	254
18	18	18	18	19	19
111	111	111	111	111	115
14	14	14	14	14	15
54	54	54	54	55	55
22	22	22	22	23	23
4	4	4	4	4	4
7	7	7	7	7	7
10	10	10	10	10	10
6	6	6	6	6	6
3	4	4	4	4	4
44	44	44	44	44	44
537	537	537	540	540	540
1,500	2,160	2,160	2,160	2,160	2,160
52	52	52	52	52	52
25	25	25	25	25	25

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FORM OF LEGAL OPINION

(See following pages)



150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
www.kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

§ _____
CITY OF ARDEN HILLS, MINNESOTA
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS
SERIES 2025A

We have acted as bond counsel to the City of Arden Hills, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2025A (the “Bonds”), originally dated _____, 2025, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes levied by the Issuer on all taxable property of the Issuer, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _____, 2025, at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

§ _____
CITY OF ARDEN HILLS, MINNESOTA
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS
SERIES 2025A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2025

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Arden Hills, Minnesota (the “City”) in connection with the issuance of its General Obligation Capital Improvement Plan Bonds, Series 2025A (the “Bonds”) in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to a resolution adopted by the City Council of the City (the “Resolution”). The Bonds are being delivered to _____, (the “Purchaser”) on the date hereof. Pursuant to the Resolution, the City has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolution, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means the City’s Audited Financial Statements.

“Audited Financial Statements” means annual financial statements of the City, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Capital Improvement Plan Bonds, Series 2025A, issued by the City in the original aggregate principal amount of \$ _____.

“City” means the City of Arden Hills, Minnesota, which is the obligated person with respect to the Bonds.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed Final Official Statement, dated _____, 2025, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the City.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____, _____, _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Report.

(a) The City shall provide the Annual Report to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2024. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The City shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the City shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the City's information.

Section 5. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the City shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 6. Termination of Reporting Obligation. The City's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 7. Agent. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the City delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the City to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF ARDEN HILLS, MINNESOTA

By _____
Mayor

By _____
City Administrator

TERMS OF PROPOSAL

**\$3,080,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2025A
CITY OF ARDEN HILLS, MINNESOTA**

Proposals for the purchase of \$3,080,000* General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds") of the City of Arden Hills, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on April 28, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.521 and Chapter 475, as amended, by the City, for the purpose of financing the City's proportionate share of the costs of constructing a new fire station in the City. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 20, 2025, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$155,000	2032	\$185,000	2037	\$225,000
2028	160,000	2033	195,000	2038	235,000
2029	170,000	2034	200,000	2039	245,000
2030	175,000	2035	210,000	2040	255,000
2031	180,000	2036	220,000	2041	270,000

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 20, 2025, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,043,040 plus accrued interest on the principal sum of \$3,080,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

A good faith deposit ("Deposit") in the amount of \$61,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date of the Bonds (the "Closing Date") has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Arden Hills, Minnesota

PROPOSAL FORM

The City Council
City of Arden Hills, Minnesota (the "City")

April 28, 2025

RE: \$3,080,000* General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds")
DATED: May 20, 2025

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$3,043,040) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2027	_____ % due	2032	_____ % due	2037
_____ % due	2028	_____ % due	2033	_____ % due	2038
_____ % due	2029	_____ % due	2034	_____ % due	2039
_____ % due	2030	_____ % due	2035	_____ % due	2040
_____ % due	2031	_____ % due	2036	_____ % due	2041

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$61,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about May 20, 2025.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use either the: 10% test, or the hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 20, 2025 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Arden Hills, Minnesota, on April 28, 2025.

By: _____ By: _____
Title: _____ Title: _____