

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF FALCON HEIGHTS,
MINNESOTA

For the Year Ended

December 31, 2018

Prepared by

THE DEPARTMENT OF FINANCE
AND ADMINISTRATION

Sack Thongvanh, City Administrator

Roland Olson, Finance Director

CITY OF FALCON HEIGHTS
2077 W. Larpenteur Avenue
Falcon Heights, Minnesota 55113

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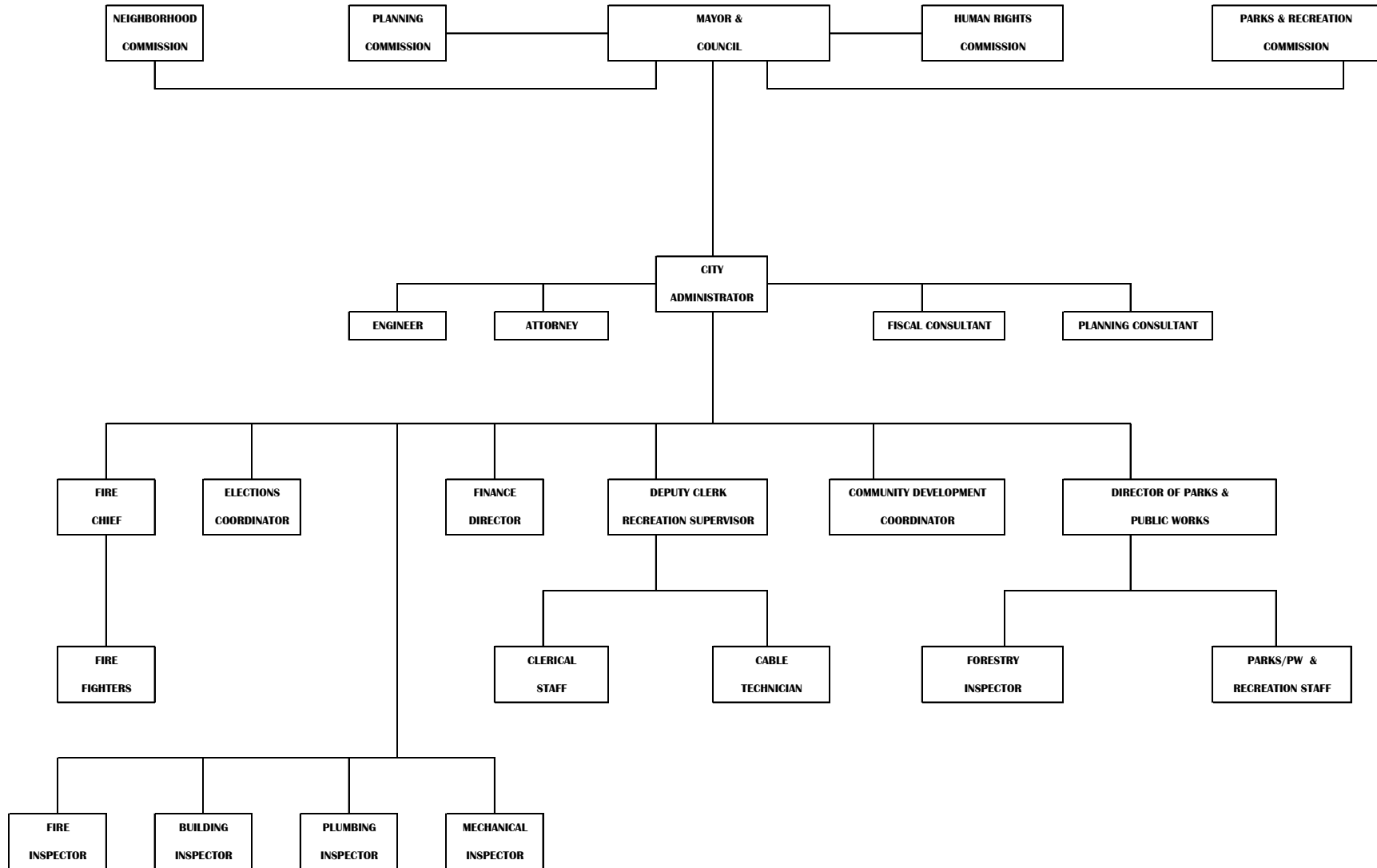
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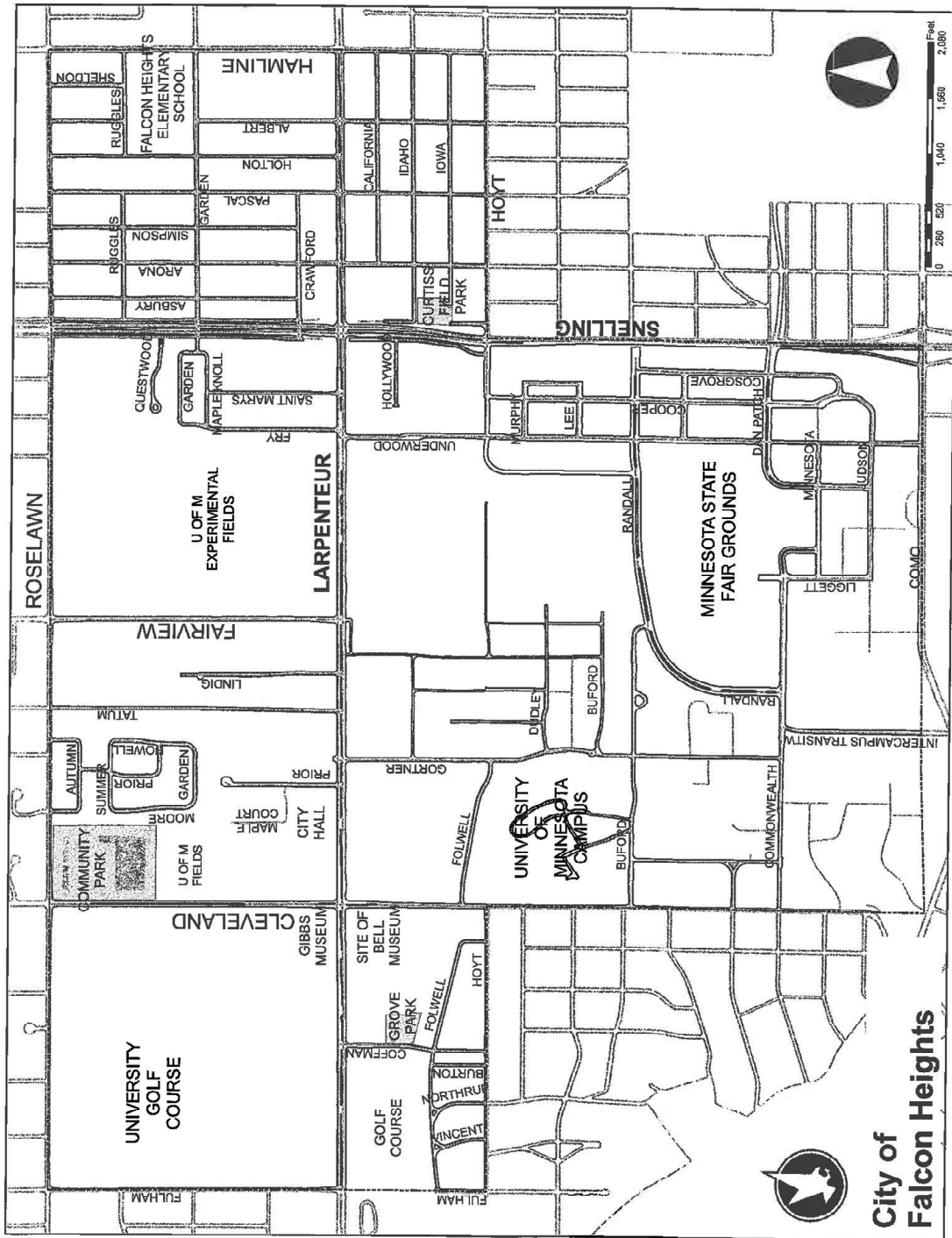
**City of Falcon Heights
Elected Officials and Administration
December 31, 2018**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Peter Lindstrom	Mayor	December 31, 2019
Pamela Harris	Council Member	December 31, 2019
Randy Gustafson	Council Member	December 31, 2019
Melanie Leehy	Council Member	December 31, 2020
Mark Miazga	Council Member	December 31, 2020
<u>Administration</u>		
Sack Thongvanh	City Administrator	
Roland Olson	Finance Director	
Tim Pittman	Park and Public Works Director	
Rich Hinrichs	Fire Chief	

City of Falcon Heights Organization Chart December 31, 2018



City of Falcon Heights
City Map
December 31, 2018



City of
Falcon Heights

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May 3, 2019

To the Mayor, City Council Members, and Citizens of the City of Falcon Heights:

Minnesota Statutes require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2018.

Management assumes full responsibility for the completeness and propriety of the information contained in this report. The information herein is based upon a comprehensive framework of internal controls established for the summarization and disclosure of financial data. Because the cost of internal controls 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.

BerganKDV, Ltd., a firm of licensed certified public accountants, has audited the City of Falcon Heights' financial statements. BerganKDV, Ltd. has issued an unmodified ("clean") opinion on the City of Falcon Heights' financial statements for the year ended December 31, 2018. The independent auditor's report is located at the front of the financial section of this report.

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 the Letter of Transmittal and should be read in conjunction with it.

Profile of the Government

The City of Falcon Heights, incorporated in 1949, is located near the center of the Minneapolis and St. Paul metropolitan area. This area is considered the major population and economic growth area in Minnesota, and one of the top economic growth areas in the country. The City of Falcon Heights currently occupies a land area of 2.28 square miles and serves a population of 5,450. The City of Falcon Heights is empowered to levy a property tax on both real and personal properties located within its boundaries. While it also is empowered by state statute to extend its corporate limits by annexation, Falcon Heights has never utilized this option to extend its borders.



Profile of the Government (Continued)

Falcon Heights is a completely developed community. It has operated under the council/city administrator form of government since 1974. Policy-making and legislative authority are vested in a city council consisting of the mayor and four council members, all elected on a nonpartisan basis. The council appoints the city administrator, who in turn appoints the heads of the various departments. The council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the city administrator. The city administrator is responsible for carrying out the policies and ordinances of the council and for overseeing the day-to-day operations of the city government. Council members serve four-year staggered terms, with two council members elected every two years. The mayor is elected to serve a four-year term. The mayor and all four council members are elected at large.

The City of Falcon Heights provides a full range of services, including police and fire protection; construction and maintenance of highways, streets, and other infrastructure, sewer services; and recreational and cultural activities. St. Paul Regional Water Services provides the water services for the City. The City of Falcon Heights' volunteer fire service also provides fire protection services for the City of Lauderdale, a neighboring community.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Falcon Heights' financial planning and control. All departments of the City of Falcon Heights are required to submit requests for appropriation to the city administrator during or before the second week in June each year. The city administrator uses these requests as the starting point for developing a proposed budget. By September of each year, the city staff submits to the city council a proposed operating budget for the fiscal year commencing the following January 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Falcon Heights' fiscal year.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Transfers of appropriations between funds require the special approval of the city council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 39 as part of the basic financial statements for the governmental funds. For the Special Revenue funds, Debt Service funds, and Capital Project funds, this comparison is presented on pages 83-100.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Falcon Heights operates.

The City of Falcon Heights is primarily a bedroom, residential, inner ring suburban community situated near the center of the Minneapolis and St. Paul metropolitan area. The economy of the City consists of retail, commerce, agricultural-related businesses, and institutional landowners, such as the St. Paul campus of the University of Minnesota and the Minnesota State Fair. The St. Paul campus of the University of Minnesota has 2,700 employees and a student population of approximately 6,300 students enrolled in the specific colleges located on the St. Paul Campus. The Minnesota State Fair, held over a 12-day period, is one of the nation's largest and best-attended entertainment events with approximately 2.04 million visitors each year. Also, additional "non-fair" events have attendance estimated at 100,000 visitors. One of these "non-fair" events is the Minnesota Street Rod Convention, which attracts over 65,000 visitors.

Local Economy (Continued)

Because of its location in a region with a varied economic base, unemployment is relatively stable and tends to be less than the State of Minnesota and national rates. During the past ten years, the unemployment rate for Ramsey County, within which the City is located, was at a high of 6.2% in June 2012, and in 2018, the unemployment rate was 2.7%. In 2018, the State of Minnesota's ending unemployment rate was 2.9% and the national ending unemployment rate was 4.0%. The average 2018 state of Minnesota's unemployment rate was 3.0% and the average 2018 national unemployment rate was 3.9%.

The City is at or near full development, with a 5.1% increase in the median market value of property during 2018. The City's economic conditions have remained relatively stable with the University of Minnesota agricultural campus, Spire Federal Credit Union, and the Minnesota State Fairgrounds providing a diversified economic employment base.

The City continues an aggressive plan of reconstruction and improvement of its streets. Ongoing maintenance activities will continue with yearly sealcoating, curb/gutter repairs, and sidewalk replacement as needed throughout the City. MSA street funds and assessments will be utilized for all street maintenance activities.

Long-Term Financial Planning

During 2018, the City of Falcon Heights started updating its Comprehensive Plan with planned completion in 2019 and will be seeking approval of the plan by the Metropolitan Council. As part of the plan, the City continues to look at alternative ways to increase the tax base of the City such as evaluating any re-development opportunities in our business district and increasing housing densities when appropriate.

The City continues to complete a ten-year capital improvement plan as part of its annual budget and uses a financial planning company to assist with any plans and bonding requirements.

Relevant Financial Policies

The Mayor and council members continue to evaluate the level of reserves of the city with their desire to minimize property tax increases on the citizens while still maintaining service levels. With tax revenues scheduled for receipt in the months of July and December, the City needs to maintain sufficient working capital to mitigate cash flow timing concerns. One important reason for maintaining a high fund balance in the general fund is that it leads to increased investment income allocated to the General Fund since the investment income is allocated based upon levels of fund balance among all the funds. This helps to minimize any levy increases needed to support the general operating expenses of the city.

Major Initiatives

In 2008, the City of Falcon Heights participated in a grant application of \$1,078,000 with the University of Minnesota and the neighboring city of Roseville to complete a three-mile pedestrian trail. This grant was awarded with construction to have phase I completed in 2011 and phase II completed in 2012. The Northeast Connector Trail project has now been completed. This development project was a collaborative effort between the City of Roseville, the City of Falcon Heights and the University of Minnesota to allow for residents of both cities and the university to enjoy walking or biking through Falcon Heights.

Major Initiatives (Continued)

In 2010, the City finished preliminary improvements on the Larpenteur Avenue streetscape project, which included modifications to the street medians to allow for plants and flowers. Warranty work for this project was completed in 2012. Larpenteur Avenue is one of the two main street corridors for the City of Falcon Heights.

In 2013, the City completed two storm water underground storage and infiltration systems in our storm water system in an area of the city that had no storm water sewer system.

In 2014 and 2015, the City completed the relining of sanitary sewer lines in a residential section of the city. Also in 2015, approximately one mile of city streets was improved with mill and overlay resurfacing.

In 2015, an underground storage and infiltration system was completed in our Curtiss Field Park to prevent flooding whenever a large rainfall occurred.

In 2017 and 2018, one mile of city streets was improved with a reclaim and resurface. New water lines were also installed with improvements in storm water catch basins and sanitary sewer basins.

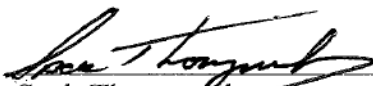
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Falcon Heights for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department, as well as the auditing personnel of BerganKDV, Ltd. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report, and to the auditing firm for its professional assistance in preparing the Comprehensive Annual Financial Report for 2018. Credit also must be given to the mayor and the city council for their resolute support for maintaining high standards of professionalism in the management of the City's finances.

Respectfully submitted,


Sack Thongvanh
City Administrator


Roland Olson
Finance Director

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Falcon Heights
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Falcon Heights
Falcon Heights, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Falcon Heights, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph 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 of Falcon Heights, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Falcon Heights' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

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

Bergan KDV Ltd .

Minneapolis, Minnesota
May 3, 2019

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City of Falcon Heights Management's Discussion and Analysis

As management of the City of Falcon Heights (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-9 of this report. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets & deferred inflows of resources of the City exceeded its liabilities & deferred inflows of resources at the close of the most recent fiscal year by \$14,292,760 (net position). Of this amount, \$5,006,237 (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 \$257,019. Unrestricted net position increased by \$332,627.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$4,491,383 an increase of \$164,208 in comparison with the prior year. Debt principal payments of \$150,000 and interest payments of \$39,908 occurred in 2018. A positive change in fund balance in the General Fund of \$182,906, along with a decrease of \$18,698 in the fund balances of other governmental funds resulted in a net increase of \$164,208 in total fund balance.
- Fund balance definitions must conform to the Government Accounting Standards Board (GASB) Statement No. 54 for the most current year-ended. GASB 54 requires governments to allocate fund balances pursuant to a new hierarchy; fund balances are defined as "Non-spendable," "Restricted," "Committed," "Assigned," and "Unassigned." The new hierarchy defines how a fund discloses its fund balance. Only the General Fund maintains an unassigned residual fund balance. The fund balances maintained by all of the other funds are designated for a specific purpose. Restricted, committed, and assigned balances represent differing forms of legal constraint. The reservation of restricted fund balances is stipulated by a city charter, constitution, or grant contract. Committed fund balances have been reserved by the highest law-making body of the government. An assigned fund balance is reserved for the purpose of the fund; for example, the fund balance in the Future Improvements Fund is assigned for future improvements. The General Fund's unassigned fund balance of \$2,007,462 is approximately 45% of the total fund balance of all governmental funds.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,007,462, or 88.7%, of total General Fund expenditures at 2018 levels.
- For 2018, there was a 24% increase in the property tax levy. For 2017, there was an 8.9% increase in the property tax levy. For 2016, there was an 8.3% increase. In 2015 and 2014, there was no increase in the property tax levy. For 2013, there was a 6.5% increase in the property tax levy. For 2012, there was a 1.96% decrease in the property tax levy. For 2011, there was a 1.5% increase in the property tax levy.

City of Falcon Heights Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to 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 and liabilities, with the difference between the two 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 government'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 community development. The business-type activities of the City include sanitary sewer and storm drainage.

The government-wide financial statements include only the City itself (known as the primary government). The City has no component units.

The government-wide financial statements can be found on pages 30-31 of 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 funds of the City can be divided into two categories: Governmental Funds and Proprietary Funds.

City of Falcon Heights Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds

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

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

Any fund experiencing financial change during the year is considered active. The City maintained 20 individual Governmental Funds during 2018. Of these funds, four are major funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Future Improvements Fund, G.O. Improvement Series 2013A Debt Service Fund, and the Tax Increment No. 1-3 Capital Project Fund. – the four major funds of the City. Data from the other 16 Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. In addition, individual fund schedules are presented on pages 83-100 for all Special Revenue, Debt Service, and Capital Projects Funds.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds Debt Service Funds, and Capital Project Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 32-39 of this report.

Proprietary Funds

The City maintains one type of Proprietary Fund. 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 sanitary sewer and storm drainage activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. The Proprietary Fund Financial Statements provide separate information for sanitary sewer and storm drainage, both of which are considered to be major funds of the City.

The basic Proprietary Fund Financial Statements can be found on pages 40-42 of this report.

**City of Falcon Heights
Management's Discussion and Analysis**

NOTES TO THE FINANCIAL STATEMENTS

The notes 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 financial statements can be found on pages 43-66 of this report.

OTHER INFORMATION

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements, along with statistical tables for the City. Combining and Individual Fund Statements and Schedules can be found on pages 72-100. Statistical tables can be found on pages 102-139 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,292,760 at the close of the most recent fiscal year.

35% (\$5,006,237) of the City's net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. About 4% (\$529,410) of the net position is restricted and represents resources that are subject to external restrictions on how they may be used. The remaining 61% (\$8,757,113) reflects the City's investment in capital assets (e.g., land, buildings, machinery, and equipment) offset by any related debt used to acquire those assets that are still outstanding.

**City of Falcon Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Falcon Heights' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 5,027,727	\$ 4,645,762	\$ 2,437,226	\$ 2,319,781	\$ 7,464,953	\$ 6,965,543
Capital assets	7,806,305	7,902,797	1,620,358	1,675,687	9,426,663	9,578,484
Total assets	<u>12,834,032</u>	<u>12,548,559</u>	<u>4,057,584</u>	<u>3,995,468</u>	<u>16,891,616</u>	<u>16,544,027</u>
Deferred outflows of resources - pensions	68,902	114,286	26,384	39,589	95,286	153,875
Total assets and deferred outflows of resources	<u>\$ 12,902,934</u>	<u>\$ 12,662,845</u>	<u>\$ 4,083,968</u>	<u>\$ 4,035,057</u>	<u>\$ 16,986,902</u>	<u>\$ 16,697,902</u>
Liabilities						
Long-term liabilities						
Outstanding	\$ 1,777,035	\$ 1,999,014	\$ 158,350	\$ 168,938	\$ 1,935,385	\$ 2,167,952
Other liabilities	609,941	357,379	15,873	21,400	625,814	378,779
Total liabilities	<u>2,386,976</u>	<u>2,356,393</u>	<u>174,223</u>	<u>190,338</u>	<u>2,561,199</u>	<u>2,546,731</u>
Deferred inflows of resources - pensions	96,131	85,733	36,812	29,697	132,943	115,430
Net Position						
Net investment in capital assets	7,136,755	7,073,360	1,620,358	1,675,687	8,749,047	8,749,047
Restricted	529,400	613,084	-	-	529,410	613,084
Unrestricted	2,753,662	2,534,275	2,252,575	2,139,335	5,006,237	4,673,610
Total net position	<u>10,419,817</u>	<u>10,220,719</u>	<u>3,872,933</u>	<u>3,815,022</u>	<u>14,292,750</u>	<u>14,035,741</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,902,924</u>	<u>\$ 12,662,845</u>	<u>\$ 4,083,968</u>	<u>\$ 4,035,057</u>	<u>\$ 16,986,892</u>	<u>\$ 16,697,902</u>

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 extinguish these liabilities.

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

**City of Falcon Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Falcon Heights' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 397,112	\$ 436,820	\$ 1,115,065	\$ 1,049,348	\$ 1,512,177	\$ 1,486,168
Operating grants and contributions	226,881	154,211	-	-	226,881	154,211
Capital grants and contributions	35,938	953,653	-	-	35,938	953,653
General revenues						
Property taxes	1,600,552	1,271,602	-	-	1,600,552	1,271,602
Other	953,603	736,979	-	-	953,603	736,979
Investment earnings	78,289	29,149	37,337	19,318	115,626	48,467
Gain of sale of assets	-	225	-	-	-	225
Total revenues	<u>3,292,375</u>	<u>3,582,639</u>	<u>1,152,402</u>	<u>1,068,666</u>	<u>4,444,777</u>	<u>4,651,305</u>
Expenses						
General government	743,238	752,640	-	-	743,238	752,640
Public safety	1,473,021	1,072,905	-	-	1,473,021	1,072,905
Public works	897,796	1,775,574	-	-	897,796	1,775,574
Park and recreation	139,967	174,392	-	-	139,967	174,392
Community development	33,944	3,726	-	-	33,944	3,726
Interest on long-term debt	35,301	28,612	-	-	35,301	28,612
Sanitary sewer	-	-	708,321	723,236	708,321	723,236
Storm drainage	-	-	156,170	142,494	156,170	142,494
Total expenses	<u>3,323,267</u>	<u>3,807,849</u>	<u>864,491</u>	<u>865,730</u>	<u>4,187,758</u>	<u>4,673,579</u>
Increase in net position before transfers	(30,892)	(225,210)	287,911	202,936	257,019	(22,274)
Transfer	230,000	400,000	(230,000)	(400,000)	-	-
Changes in net position	<u>199,108</u>	<u>174,790</u>	<u>57,911</u>	<u>(197,064)</u>	<u>257,019</u>	<u>(22,274)</u>
Net position – January 1	10,220,719	10,045,929	3,815,022	4,012,086	14,035,741	14,058,015
Net position - December 31	<u>\$ 10,419,827</u>	<u>\$ 10,220,719</u>	<u>\$ 3,872,933</u>	<u>\$ 3,815,022</u>	<u>\$ 14,292,760</u>	<u>\$ 14,035,741</u>

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$199,108.

In 2018, the City Council increased the tax levy by 24% resulting in increased tax revenue by 31% after additional revenue was returned from a tax petition from a prior year. In 2017, the City Council increased the tax levy by 8.9% resulting in increased tax revenues by 8.4%. In 2016, the City Council increased the tax levy by 8.4%. In 2015, the property tax revenues increased by 3.63%. In 2014 there was a 3.4% decrease in property tax revenue due to a tax petition court case lowering the property taxes of one of the city's biggest taxpayers. The 2018 delinquencies in property tax collections were consistent with the delinquency payments in 2017, 2016, 2015, and 2014. The City's tax base continues to be very stable resulting in a low delinquency rate.

**City of Falcon Heights
Management's Discussion and Analysis**

GOVERNMENTAL ACTIVITIES (CONTINUED)

In the governmental activities section, overall, charges for services decreased \$38,708 from the 2017 level. Comparing to 2017 levels, licenses and permits decreased \$21,004, fines and forfeitures decreased \$10,087, plan check fees decreased \$5,900, the city's insurance refund decreased \$3,578.

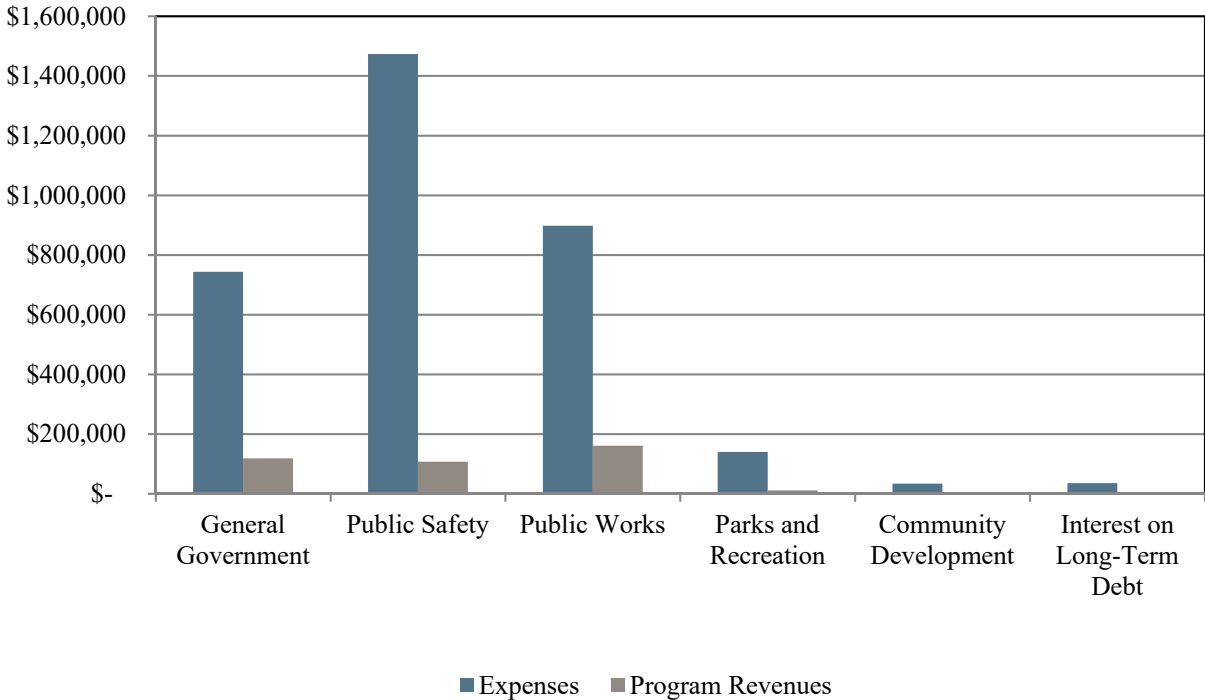
Capital grants decreased \$917,715 primarily due to there being no street projects in 2018. In comparison, the 2017 Grove street project had capital grant support of \$468,786 from St Paul Water Utility, \$79,083 from the University of Minnesota, \$190,000 from Minnesota Department of Transportation, and property street assessments of \$163,930.

Operating grants and contributions increased \$72,670 primarily from a State Fair police service reimbursement grant of \$54,458, community inclusion grant of \$14,601, and \$12,787 in State Aid for streets.

Local Government Aid (LGA) to the City from the State of Minnesota increased \$55,774 in 2018. The amount of LGA support from the State of Minnesota typically varies annually. In addition, governmental activities unrestricted investment revenues increased \$49,140 as compared to 2017.

On the following pages are specific graphs, which provide comparisons of the governmental activities', revenues, and expenses.

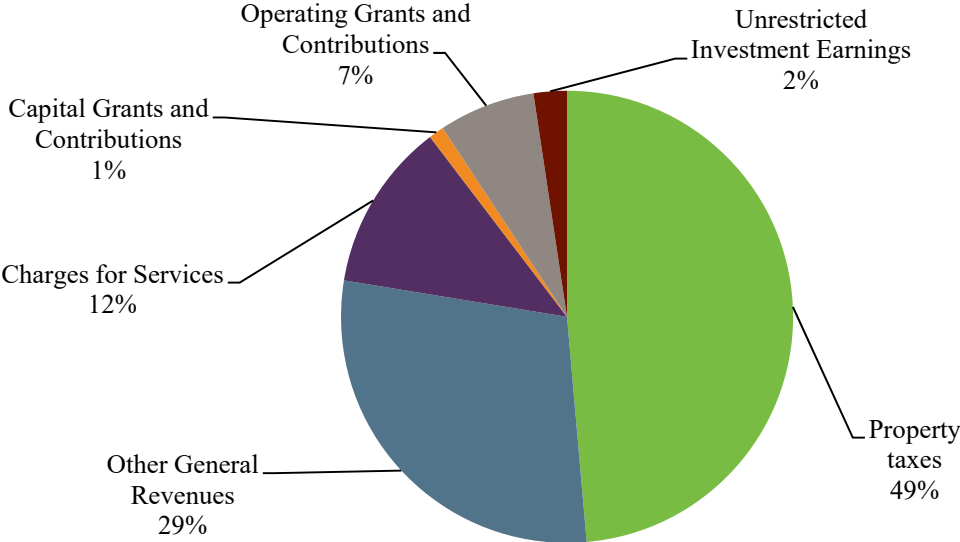
Expenses and Program Revenue – Governmental Activities



**City of Falcon Heights
Management's Discussion and Analysis**

GOVERNMENTAL ACTIVITIES (CONTINUED)

Revenues by Source – Governmental Activities



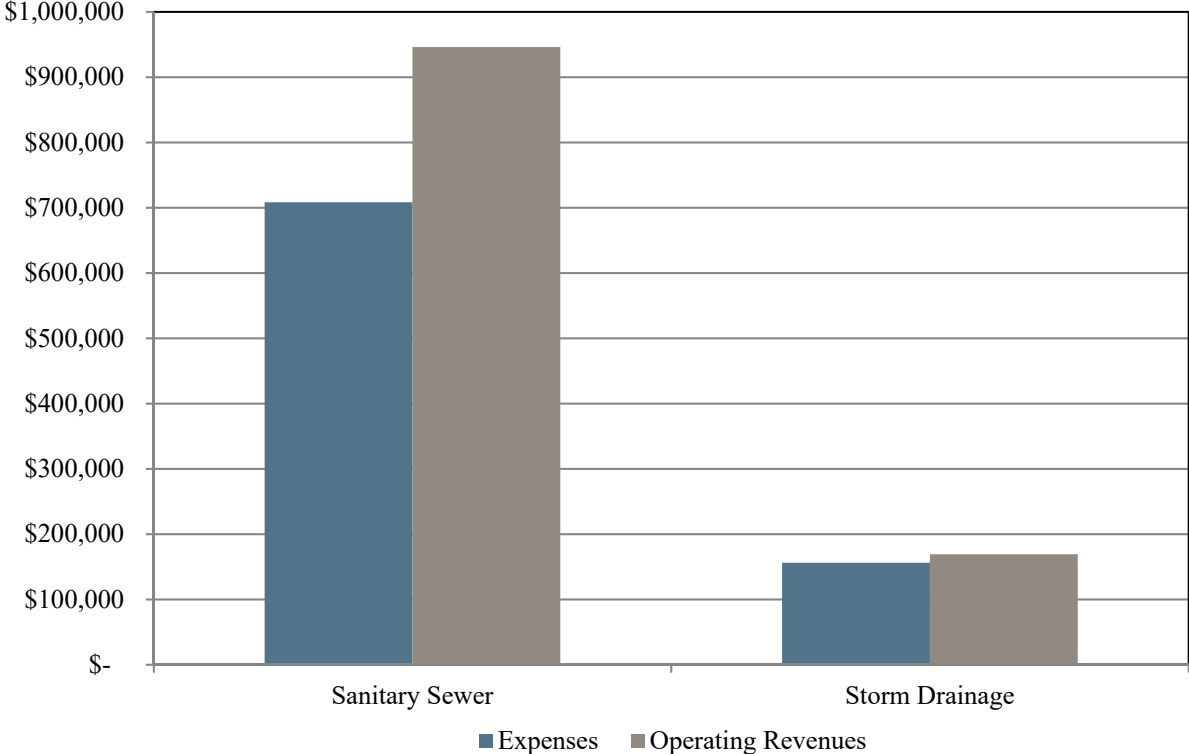
BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$57,911. There were no fee increases in either the sanitary sewer fees or the storm drainage fees in 2018. In 2017, there was a 4.7% increase in sanitary sewer fees and a 6.8% increase in storm drainage fees. In 2016, there was a 10.4% increase in sanitary sewer fees and no increase in storm drainage fees. In 2015 and 2014, there was no price increase for either sanitary sewer or storm drainage fees. In 2013, the sanitary sewer fees raised 8.5% and an 11.4% increase of storm sewer fees. No price increases in 2012. In 2011, the City changed the method of billing the sanitary sewer fees. The City instituted a base fee plus a variable fee determined by water consumption, instead of the previous method of using a flat fee for residential property owners. This resulted in property owners having an incentive to use less water consumption to help lower their sanitary sewer charges. The commercial properties were raised the same percentage increase as the residential properties. With the environmental importance of clean storm water drainage flows being discharged into our neighboring lakes and ponds, the City will continue to be required to make future capital improvements to our storm water drainage system.

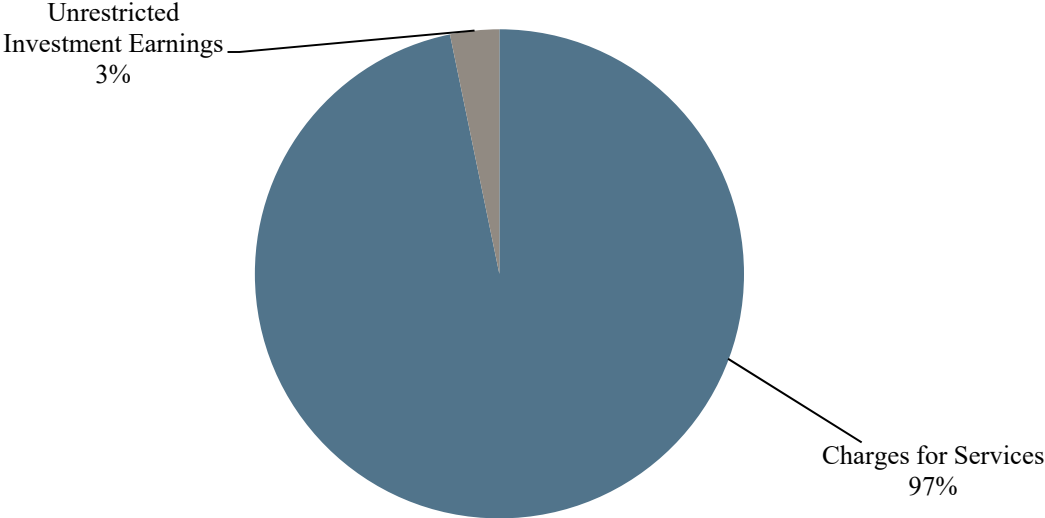
**City of Falcon Heights
Management's Discussion and Analysis**

BUSINESS-TYPE ACTIVITIES (CONTINUED)

Expenses and Operating Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



City of Falcon Heights Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,491,383, an increase of \$164,208 in comparison with the prior year. Approximately 45% (\$2,007,462) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 1% (\$40,800) of the remainder of fund balance is non-spendable, which indicates that it is not available for new spending because it has already been disbursed for various prepaid expenditures in the General Fund. Ten percent (\$450,561) is restricted fund balance constrained to a specific purpose by outside legislation, external parties, or constitutional provisions. Seven percent (\$333,318) is committed fund balance constrained by the City Council for specific purposes. Thirty seven percent (\$1,659,242) is assigned fund balance intended for specific purposes by management as delegated authority by the City Council.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,007,462, while total fund balance reached \$2,048,262. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 88.7% of total General Fund expenditures, while total fund balance represents 90.5% of that same amount.

In 2018, the fund balance of the City's General Fund increased by \$182,906. Revenues were \$88,371 over budget. Expenditures were \$94,535 under budget. During 2018, the City emphasized operating within the budget. Key factors for this increased fund balance are:

Revenue Variances

- Property Tax revenue had a variance over budget of \$17,497 primarily due to return of tax petition revenue.
- Revenue from fees associated with licenses and permits was \$4,890 over budget primarily due to building permits from two new homes being built.
- Intergovernmental revenue had a variance under budget of \$21,021 primarily due to less revenue from cable user fees and less revenue from state fire insurance premiums.
- Fines and forfeits revenue had a variance of \$14,281 under budget primarily due to changes in police procedures and a new contractor of police services Ramsey County's court system collects the fines and forfeits for the City.
- The fire contract with a neighboring community was \$4,575 over budget.
- Investment income was \$33,065 over budget due to improving yields on investments.

**City of Falcon Heights
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Revenue Variances (Continued)

- Other revenues was over budget by \$61,818 primarily due to a \$54,458 reimbursement from the Minnesota State Fair of policing expenses during their annual event and a \$6,981 reimbursement of city attorney fees from the sale of a distressed property

Expenditure Variances

- The administrative section recognized a \$48,647 expenditure variance under budget. \$43,049 of this variance was due to a reduction in compensation expenses for two positions unfilled during part of 2018.
- The communication section recognized a \$12,266 expenditure variance under budget due to lower salary and compensation expenses due to a position being unfilled for two months.
- There was a \$5,535 expenditure variance over budget in legal due to legal expenses of selling a distressed property.
- A \$8,932 expenditure variance over the budgeted amount in police expenditures was recognized by the City.
- Expenditures for firefighting for the City were \$5,561 under budget for the current year.
- The fire relief aid had a \$12,492 expenditure variance under budget due to less state fire premium aid than projected.
- Public works expenditures had a variance under budget of \$11,936. Savings in snow plowing costs of \$20,543 were achieved by performing snowplowing in house instead of hiring an outside vendor. Engineering was over budget by \$5,269 due to working on future projects.
- A \$7,202 expenditure variance over budget in planning and inspection expenditures primarily due to hiring an outside planning consultant while the position was vacant.
- A \$16,205 expenditure variance under budget in total park and recreation expenditures was due to less overall park maintenance.
- A transfer of \$22,000 continued to be made from the General Fund to the Parks Program Special Revenue Fund to help support summer recreational sports programming activities. In additions, there was transfer of \$26,000 from the General Fund to the General Capital Fund for future capital needs in city hall.

The Future Improvements Fund, a major fund, is the fund the City uses to record the infrastructure capital improvements of the City that would not be associated with any of the City's tax increment financing districts. The City received \$69,792 in street aid from the state of Minnesota and additional income of \$22,179 in the form of franchise fees from Xcel Energy during 2018. This Future Improvement Fund holds \$790.095 in assigned fund balance for future construction projects.

Proprietary Funds

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

**City of Falcon Heights
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$2,030,639 while unrestricted net position for the Storm Drainage Fund amounted to \$221,164.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, General Fund expenditures were \$94,535 less than the budgetary estimates. Revenues were \$88,371 more than the budgetary estimates. Also, \$22,000 was transferred from the General Fund to the Parks Program Special Revenue Fund to help support summer recreational activities in the City and \$26,000 was transferred from the General Fund to the General Capital Fund for future capital projects in our council chambers. In 2018, the net change in fund balance for the General Fund was \$182,906.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$9,426,663 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements other than buildings, machinery and equipment, and infrastructure.

The City has elected to use the "modified approach," as defined by GASB Statement No. 34, for infrastructure reporting of its streets and alleys.

The City implemented a pavement management program in 2001 to assist in maintaining and monitoring the performance of the paved street network. This is one of the City's largest investments and would have a significant dollar value if it were to be replaced today. The software program, MicroPAVER, developed by the Army Corps of Engineers, was used by the City in 2001 and 2004. For 2007, 2010, 2013, and 2016 the City used the software program ICON, which was developed and supported by Goodpointe Technology as a tool for pavement management. While the software is different, the methodology is the same. Both systems use field surveys to identify distresses and rate the current condition of the streets. Both systems use the segment and distress information to determine the current Pavement Condition Index (PCI) for each segment. However, ICON provides the City with the ability to determine future needs based on current and past maintenance strategies and prioritize the appropriate rehabilitation at optimum times. In 2019, the city streets will be revaluated again.

Also, ICON has a geographic information system interface to enable easy development of maps showing the results of the analysis.

ICON used the information gathered in the field to calculate a PCI rating for each pavement segment. A PCI rating of 100 would be indicative of a newly constructed street with no distress, while a rating of 0 would show a completely failed street. Segments then can be grouped into like categories of PCI ratings to help determine a schedule of maintenance, rehabilitation and reconstruction. The PCI groups set up for the City are as follows: 100 to 66 – Adequate; 65 to 36 – Marginal; and 35 to 0 – Poor. The City's minimum desired PCI rating is 70. For the year 2007, the City's PCI rating was 87. For the year 2010, the City's PCI rating was 76. For 2013, the City's PCI rating was 74. For 2016, the City's PCI rating was 77.

**City of Falcon Heights
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

In 2017 and 2018, the City conducted mill and overlay resurfacing in one of the neighborhoods. During 2015, two major capital asset events occurred. The City relined a portion of the sanitary sewer line in one of the sections of the city at a cost of \$166,190. The other major capital asset event was mill and overlay resurfacing on two of the city's streets including repair of storm drainage catch basins.

**City of Falcon Heights' Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 419,707	\$ 419,707	\$ -	\$ -	\$ 419,707	\$ 419,707
Construction in progress					-	-
Building and system Improvements other	259,871	302,391	1,580,382	1,619,929	1,840,253	1,922,320
Than buildings	540,713	529,625	-	-	540,713	529,625
Machinery and equipment	836,231	901,291	39,976	55,758	876,207	957,049
Infrastructure	<u>5,749,783</u>	<u>5,749,783</u>	<u>-</u>	<u>-</u>	<u>5,749,783</u>	<u>5,749,783</u>
 Total	 <u>\$ 7,806,305</u>	 <u>\$ 7,902,797</u>	 <u>\$ 1,620,358</u>	 <u>\$ 1,675,687</u>	 <u>\$ 9,426,663</u>	 <u>\$ 9,578,484</u>

Additional information on the City's capital assets can be found in Note 3 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,475,000. The debt service payment in 2018 was \$150,000.

**City of Falcon Heights' Outstanding Debt
General Obligation (G.O.) and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
G.O. Bonds	<u>\$ 1,475,000</u>	<u>\$ 1,625,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475,000</u>	<u>\$ 1,625,000</u>

The City earned a "AAA" rating from Standard and Poor's Rating Service on the latest debt issuance of 2017.

State statutes limit the amount of G.O. debt a governmental entity may issue to a percentage of its total assessed valuation. The current debt limitation for the City is \$8,539,354, which is in excess of the City's outstanding G.O. debt.

Additional information on the City's long-term debt can be found in Note 5 of this report.

**City of Falcon Heights
Management's Discussion and Analysis**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The December 2018 unemployment rate for Ramsey County, in which the City resides, is currently 2.7%, which is a decrease from a rate of 3.2% a year ago. This local unemployment rate compares favorably to the state's December 2018 unemployment rate of 2.9% and favorably to the national December 2018 rate of 4.0%.

Inflationary trends in the region compare favorably to national indices. For a basket of goods indexed at \$100 in 1984, a resident of the Midwest Region will pay approximately \$236. This compares favorably to the average US citizen who pays approximately \$245 for that same basket. The sources for this data are the Federal Reserve Bank of Minneapolis and the Federal Bureau of Labor and Statistics.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

During the current fiscal year, the fund balance in the General Fund increased by \$182,906 to a total of \$2,048,262. The City has designated \$2,007,462 of this balance as unassigned fund balance available for spending at the City's discretion.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 2077 W. Larpenteur Ave., City of Falcon Heights, Minnesota 55113.

BASIC FINANCIAL STATEMENTS

City of Falcon Heights
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 4,756,817	\$ 2,058,517	\$ 6,815,334
Receivables			
Taxes receivable	8,393	-	8,393
Special assessments	109,152	-	109,152
Accounts receivable	54,071	323,535	377,606
Interest receivable	19,809	10,812	30,621
Due from other governments	38,685	-	38,685
Prepaid items	40,800	44,362	85,162
Capital assets (net of accumulated depreciation)			
Land	419,707	-	419,707
Infrastructure	5,749,783	-	5,749,783
Buildings and system	259,871	1,580,382	1,840,253
Improvements other than buildings	540,713	-	540,713
Machinery and equipment	836,231	39,976	876,207
	12,834,032	4,057,584	16,891,616
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	68,902	26,384	95,286
	\$ 12,902,934	\$ 4,083,968	\$ 16,986,902
Liabilities			
Accounts payable	\$ 304,233	\$ 2,496	\$ 306,729
Due to other governments	413	-	413
Salaries and benefits payable	351	177	528
Interest payable	15,886	-	15,886
Unearned revenue	113,802	-	113,802
Bond principal payable			
Payable within one year	65,000	-	65,000
Payable after one year	1,014,550	-	1,014,550
Equipment certificate payable			
Payable within one year	85,000	-	85,000
Payable after one year	350,000	-	350,000
Compensated absences payable			
Payable within one year	25,256	13,200	38,456
Payable after one year	67,498	26,244	93,742
Net pension liability	344,987	132,106	477,093
Total liabilities	2,386,976	174,223	2,561,199
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	96,131	36,812	132,943
Net Position			
Net investment in capital assets	7,136,755	1,620,358	8,757,113
Restricted for			
Debt service	430,927	-	430,927
Tax increment	62,943	-	62,943
Other Purposes	35,540	-	35,540
Unrestricted	2,753,662	2,252,575	5,006,237
Total net position	10,419,827	3,872,933	14,292,760
	\$ 12,902,934	\$ 4,083,968	\$ 16,986,902

See notes to financial statements.

**City of Falcon Heights
Statement of Activities
Year Ended December 31, 2018**

Functions/Programs	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
Governmental activities							
General government	\$ 743,238	\$ 118,265	\$ -	\$ -	\$ (624,973)	\$ -	\$ (624,973)
Public safety	1,473,021	107,026	129,590	-	(1,236,405)	-	(1,236,405)
Public works	897,796	160,774	83,157	33,438	(620,427)	-	(620,427)
Park and recreation	139,967	11,047	14,134	-	(114,786)	-	(114,786)
Community development	33,944	-	-	2,500	(31,444)	-	(31,444)
Interest on long-term debt	35,301	-	-	-	(35,301)	-	(35,301)
Total governmental activities	<u>3,323,267</u>	<u>397,112</u>	<u>226,881</u>	<u>35,938</u>	<u>(2,663,336)</u>	<u>-</u>	<u>(2,663,336)</u>
Business-type activities							
Sanitary sewer	708,321	945,893	-	-	-	237,572	237,572
Storm sewer	156,170	169,172	-	-	-	13,002	13,002
Total business-type activities	<u>864,491</u>	<u>1,115,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,574</u>	<u>250,574</u>
Total governmental and business-type activities	<u>\$ 4,187,758</u>	<u>\$ 1,512,177</u>	<u>\$ 226,881</u>	<u>\$ 35,938</u>	<u>(2,663,336)</u>	<u>250,574</u>	<u>(2,412,762)</u>
General revenues							
Property taxes levied for general purposes					1,503,055	-	1,503,055
Property taxes levied for debt service					97,497	-	97,497
Franchise fees					22,179	-	22,179
Tax increments					294,506	-	294,506
Unrestricted state aid					604,943	-	604,943
Other general revenue					31,975	-	31,975
Unrestricted investment earnings					78,289	37,337	115,626
Transfers					230,000	(230,000)	-
Total general revenues and transfers					<u>2,862,444</u>	<u>(192,663)</u>	<u>2,669,781</u>
Change in net position					199,108	57,911	257,019
Net position - beginning					10,220,719	3,815,022	14,035,741
Net position - ending					<u>\$ 10,419,827</u>	<u>\$ 3,872,933</u>	<u>\$ 14,292,760</u>

City of Falcon Heights
Balance Sheet - Governmental Funds
December 31, 2018

	General	Debt Service G.O. Improvement Series 2013A	Capital Project Future Improvements	Capital Project Tax Increment No. 1-3
Assets				
Cash and investments	\$ 2,114,857	\$ 102,450	\$ 874,730	\$ 181,124
Taxes receivable - delinquent	8,292	-	101	-
Special assessment receivable - deferred	-	61,884	14,417	-
Accounts receivable	-	-	22,179	-
Interest receivable	12,393	-	5,127	-
Due from other governments	35,492	496	1,194	1,062
Prepaid items	40,800	-	-	-
Total assets	\$ 2,211,834	\$ 164,830	\$ 917,748	\$ 182,186
Liabilities				
Accounts payable	\$ 154,516	\$ -	\$ 4,732	\$ 119,243
Due to other governments	413	-	-	-
Salaries and benefits payable	351	-	-	-
Unearned revenue	-	-	108,403	-
Total liabilities	155,280	-	113,135	119,243
Deferred Inflows of Resources				
Unavailable revenue - property tax	8,292	-	101	-
Unavailable revenue - special assessments	-	61,884	14,417	-
Total deferred inflows of resources	8,292	61,884	14,518	-
Fund Balances				
Nonspendable	40,800	-	-	-
Restricted	-	102,946	-	62,943
Committed	-	-	-	-
Assigned	-	-	790,095	-
Unassigned	2,007,462	-	-	-
Total fund balances	2,048,262	102,946	790,095	62,943
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,211,834	\$ 164,830	\$ 917,748	\$ 182,186

Other Governmental Funds	Total Governmental Funds
\$ 1,483,656	\$ 4,756,817
-	8,393
32,851	109,152
31,892	54,071
2,289	19,809
441	38,685
-	40,800
<u>\$ 1,551,129</u>	<u>\$ 5,027,727</u>
\$ 25,742	\$ 304,233
-	413
-	351
5,399	113,802
<u>31,141</u>	<u>418,799</u>
-	8,393
<u>32,851</u>	<u>109,152</u>
<u>32,851</u>	<u>117,545</u>
-	40,800
284,672	450,561
333,318	333,318
869,147	1,659,242
-	2,007,462
<u>1,487,137</u>	<u>4,491,383</u>
<u>\$ 1,551,129</u>	<u>\$ 5,027,727</u>

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**City of Falcon Heights
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2018**

Total fund balances - governmental funds	\$ 4,491,383
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.</p>	
Cost of capital assets	10,437,417
Less accumulated depreciation	(2,631,112)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bond principal payable	(1,040,000)
Bond premium	(39,550)
Equipment certificates payable	(435,000)
Compensated absences payable	(92,754)
Net pension liability	(344,987)
<p>Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.</p>	
Deferred inflows of resources related to pensions	(96,131)
Deferred outflows of resources related to pensions	68,902
<p>Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	
Property taxes	8,393
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Deferred special assessments	109,152
<p>Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.</p>	
	(15,886)
Total net position - governmental activities	\$ 10,419,827

City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2018

	General	Debt Service	Capital Projects	
		G.O. Improvement Series 2013A	Future Improvements	Tax Increment No. 1-3
Revenues				
Property taxes	\$ 1,504,556	\$ -	\$ -	\$ -
Tax increments	-	-	-	294,506
Special assessments	-	35,538	7,932	-
Licenses and permits	72,340	-	22,179	-
Intergovernmental	706,270	-	70,208	-
Charges for services	65,213	-	-	-
Fines and forfeitures	35,719	-	-	-
Miscellaneous				
Investment income	40,065	1,291	14,594	1,369
Contributions and donations	-	-	-	-
Refunds and reimbursements	64,367	-	500	-
Other	5,651	-	-	-
Total revenues	<u>2,494,181</u>	<u>36,829</u>	<u>115,413</u>	<u>295,875</u>
Expenditures				
Current				
General government	659,423	712	-	-
Public safety	1,305,759	-	-	-
Public works	221,418	-	20,697	712
Park and recreation	76,675	-	-	-
Community development	-	-	-	-
Debt service				
Principal	-	65,000	-	-
Interest and other charges	-	6,293	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	19,465	291,095
Park and recreation	-	-	-	-
Total expenditures	<u>2,263,275</u>	<u>72,005</u>	<u>40,162</u>	<u>291,807</u>
Excess of revenues over (under) expenditures	230,906	(35,176)	75,251	4,068
Other Financing Sources (Uses)				
Transfers in	-	-	13,770	-
Transfers out	(48,000)	-	-	-
Total other financing sources (uses)	<u>(48,000)</u>	<u>-</u>	<u>13,770</u>	<u>-</u>
Net change in fund balances	182,906	(35,176)	89,021	4,068
Fund Balances				
Beginning of year	<u>1,865,356</u>	<u>138,122</u>	<u>701,074</u>	<u>58,875</u>
End of year	<u>\$ 2,048,262</u>	<u>\$ 102,946</u>	<u>\$ 790,095</u>	<u>\$ 62,943</u>

Other Governmental Funds	Total Governmental Funds
\$ 98,330	\$ 1,602,886
-	294,506
8,040	51,510
-	94,519
67,174	843,652
172,695	237,908
-	35,719
20,970	78,289
570	570
-	64,867
24,119	29,770
<u>391,898</u>	<u>3,334,196</u>
1,422	661,557
15,313	1,321,072
137,516	380,343
35,966	112,641
33,944	33,944
85,000	150,000
40,380	46,673
79,230	79,230
86,447	86,447
186,471	497,031
31,050	31,050
<u>732,739</u>	<u>3,399,988</u>
(340,841)	(65,792)
278,000	291,770
<u>(13,770)</u>	<u>(61,770)</u>
<u>264,230</u>	<u>230,000</u>
(76,611)	164,208
<u>1,563,748</u>	<u>4,327,175</u>
<u>\$ 1,487,137</u>	<u>\$ 4,491,383</u>

**City of Falcon Heights
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2018**

Net change in fund balances - governmental funds \$ 164,208

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	105,560
Depreciation expense	(202,052)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(1,996)
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Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	16,482
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net assets in the Statement of Activities.	150,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	1,485
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The governmental funds report the effect of bond premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of bond premiums	9,887

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special assessments	(42,132)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(2,334)
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Change in net position - governmental activities	<u><u>\$ 199,108</u></u>
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City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
Revenues			
Property taxes	\$ 1,487,059	\$ 1,504,556	\$ 17,497
Licenses and permits	67,450	72,340	4,890
Intergovernmental	727,291	706,270	(21,021)
Charges for services	58,810	65,213	6,403
Fines and forfeitures	50,000	35,719	(14,281)
Miscellaneous revenues			
Investment income	7,000	40,065	33,065
Refunds and reimbursements	5,000	64,367	59,367
Other	3,200	5,651	2,451
Total revenues	<u>2,405,810</u>	<u>2,494,181</u>	<u>88,371</u>
Expenditures			
Current			
General government	712,141	659,423	(52,718)
Public safety	1,319,435	1,305,759	(13,676)
Public works	233,354	221,418	(11,936)
Park and recreation	92,880	76,675	(16,205)
Total expenditures	<u>2,357,810</u>	<u>2,263,275</u>	<u>(94,535)</u>
Excess of revenues over expenditures	48,000	230,906	182,906
Other Financing Uses			
Transfers out	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	182,906	<u>\$ 182,906</u>
Fund Balance			
Beginning of year		<u>1,865,356</u>	
End of year		<u>\$ 2,048,262</u>	

City of Falcon Heights
Statement of Net Position - Proprietary Funds
December 31, 2018

	Sanitary Sewer	Storm Drainage	Total
Assets			
Current assets			
Cash and investments	\$ 1,803,423	\$ 255,094	\$ 2,058,517
Accounts receivable	296,087	27,448	323,535
Interest receivable	10,812	-	10,812
Prepaid items	43,362	1,000	44,362
Total current assets	2,153,684	283,542	2,437,226
Noncurrent assets			
Capital assets			
Sewer system	1,277,781	-	1,277,781
Storm drain	-	1,926,640	1,926,640
Machinery and equipment	53,104	122,570	175,674
Total capital assets	1,330,885	2,049,210	3,380,095
Less accumulated depreciation	(1,031,157)	(728,580)	(1,759,737)
Net capital assets	299,728	1,320,630	1,620,358
Total assets	2,453,412	1,604,172	4,057,584
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	17,518	8,866	26,384
Total assets and deferred outflows of resources	\$ 2,470,930	\$ 1,613,038	\$ 4,083,968
Liabilities			
Current liabilities			
Accounts payable	\$ 2,496	\$ -	\$ 2,496
Salaries and benefits payable	146	31	177
Amount due within one year	8,277	4,923	13,200
Total current liabilities	10,919	4,954	15,873
Noncurrent liabilities			
Compensated absences	25,493	13,951	39,444
Net pension liability	87,714	44,392	132,106
Less amount due within one year	(8,277)	(4,923)	(13,200)
Total noncurrent liabilities	104,930	53,420	158,350
Total liabilities	115,849	58,374	174,223
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	24,442	12,370	36,812
Net Position			
Net investment in capital assets	299,728	1,320,630	1,620,358
Unrestricted	2,030,911	221,664	2,252,575
Total net position	2,330,639	1,542,294	3,872,933
Total liabilities, deferred inflows of resources, and net position	\$ 2,470,930	\$ 1,613,038	\$ 4,083,968

City of Falcon Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2018

	Sanitary Sewer	Storm Drainage	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues			
Charges for services	\$ 945,893	\$ 169,172	\$ 1,115,065
Operating expenses			
Wages, salaries, and compensation	151,149	78,203	229,352
Materials and supplies	697	3,043	3,740
Professional services	2,300	14,140	16,440
Maintenance	19,931	486	20,417
Repairs	14,305	3,901	18,206
Depreciation	12,620	50,677	63,297
Travel	-	43	43
Metro sewer charges	480,642	-	480,642
Billing fees	16,916	701	17,617
Insurance and bonds	5,664	2,639	8,303
Miscellaneous	4,097	2,337	6,434
Total operating expenses	<u>708,321</u>	<u>156,170</u>	<u>864,491</u>
Operating income	237,572	13,002	250,574
Nonoperating revenues			
Investment income	<u>34,015</u>	<u>3,322</u>	<u>37,337</u>
Income before transfers and capital contributions	271,587	16,324	287,911
Transfers out	<u>(230,000)</u>	<u>-</u>	<u>(230,000)</u>
Change in net position	41,587	16,324	57,911
Net position			
Beginning of year	<u>2,289,052</u>	<u>1,525,970</u>	<u>3,815,022</u>
End of year	<u>\$ 2,330,639</u>	<u>\$ 1,542,294</u>	<u>\$ 3,872,933</u>

See notes to financial statements.

City of Falcon Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2018

	Sanitary Sewer	Storm Drainage	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 829,442	\$ 169,108	\$ 998,550
Payments to suppliers	(543,738)	(33,007)	(576,745)
Payments to employees	(146,102)	(75,658)	(221,760)
Net cash flows - operating activities	<u>139,602</u>	<u>60,443</u>	<u>200,045</u>
Cash Flows - Noncapital Financing Activities			
Transfer to other funds	(230,000)	-	(230,000)
Net cash flows - noncapital financing activities	<u>(230,000)</u>	<u>-</u>	<u>(230,000)</u>
Cash Flows - Capital and Related Financing Activities			
Acquisition of capital assets	-	(7,968)	(7,968)
Cash Flows - Investing Activities			
Interest and dividends received	29,352	3,322	32,674
Net change in cash and cash equivalents	(61,046)	55,797	(5,249)
Cash and Cash Equivalents			
Beginning of year	1,864,469	199,297	2,063,766
End of year	<u>\$ 1,803,423</u>	<u>\$ 255,094</u>	<u>\$ 2,058,517</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income	\$ 237,572	\$ 13,002	\$ 250,574
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	12,620	50,677	63,297
Accounts receivable	(116,451)	(64)	(116,515)
Prepaid items	(1,516)	-	(1,516)
Pension expense	5,388	2,503	7,891
Accounts payable	2,330	(5,717)	(3,387)
Salaries payable	(1,205)	(395)	(1,600)
Compensated absences payable	864	437	1,301
Total adjustments	<u>(97,970)</u>	<u>47,441</u>	<u>(50,529)</u>
Net cash flows - operating activities	<u>\$ 139,602</u>	<u>\$ 60,443</u>	<u>\$ 200,045</u>

See notes to financial statements.

City of Falcon Heights Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Falcon Heights is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

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

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

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

City of Falcon Heights
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Description of Funds:

Major Governmental Funds:

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

G.O. Improvement Series 2013A – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issuance.

Future Improvements Capital Projects Fund – This fund accounts for costs associated with replacement of the City's utility and road systems.

Tax Increment No. 1-3 Capital Projects Fund – This fund accounts for the resources accumulated and related capital expenditures for Tax Increment Financing District No. 1-3.

Major Proprietary Funds:

Sanitary Sewer Enterprise Fund – This fund accounts for the operations of the City's sanitary sewer utility.

Storm Drainage Enterprise Fund – This fund accounts for the activities of the City's storm drainage operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Falcon Heights
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 Sanitary Sewer and the Storm Drainage Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

1. Deposits and Investments (Continued)

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14 day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Ramsey County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent tax receivable.

3. Prepaid Items and Inventory

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

**City of Falcon Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

3. Prepaid Items and Inventory (Continued)

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

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

Assets	Years
Buildings	40
Park buildings	30
Building improvements	15
Furniture and equipment	5
Light vehicles	5
Machinery and equipment	5-7
Fire trucks	20
Utility distribution system	50

The City uses the modified approach in accounting for its street and alley infrastructure assets. Under this method, depreciation expense is not recognized. A pavement condition policy has been established and all costs of maintaining the assets at this level are expensed.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

6. Compensated Absences

City employees earn vacation time based on years of City service with a maximum at twice their annual vacation leave. At least one week of vacation must be used per calendar year. Upon termination, employees will receive compensation for unused vacation time. Sick leave is accumulated for all regular full-time employees at the rate of one day per calendar month to a maximum of 120 days. The City compensates employees who leave municipal service at the rate of 50% of unused sick leave. Vacation and sick leave benefits are recorded as expenditures in governmental funds when paid. Compensated absences payable are reported in governmental funds only if they have matured as a result of employee resignations and retirements. Vacation and sick benefits are recorded as expenses in proprietary funds when earned.

7. Long-Term Obligations

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

**City of Falcon Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

7. Long-Term Obligations (Continued)

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

8. Pensions

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

9. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

9. Fund Equity (Continued)

a. Classification (Continued)

- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Based on authorization provided by the City's fund balance policy, assignments are made by the City Administrator based on the City Council's direction.

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City will strive to maintain a minimum unassigned fund balance in the General Fund of 45% of the subsequent year's budgeted expenditures.

10. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

F. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information (Continued)

3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General, Special Revenue (with the exception of the Charitable Gambling fund), Capital Projects, Debt Service, and Enterprise Funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2018, the City's bank balance of \$0 was not exposed to custodial credit risk because it was fully insured through the FDIC.

The book balance as of December 31, 2018, was \$0 for deposits.

As of December 31, 2018, the City had petty cash as follows:

Petty cash	<u><u>\$ 250</u></u>
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**City of Falcon Heights
Notes to Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investment Type	Fair Value	Investment Maturity				Rating
		Less than 1 Year	1 to 3 Years	3 - 5 Years	Over 5 Years	
Brokered Certificates of Deposit	\$ 4,563,448	\$ 3,183,322	\$ 1,380,125	\$ -	\$ -	NR
U.S. Agencies	300,142	-	200,016	99,803	416	AAA
4M Fund and 4M Fund Plus	1,689,261	1,689,261	N/A	N/A	N/A	NR
Brokered Money Markets	<u>262,233</u>	262,233	N/A	N/A	N/A	NR
Total investments	<u>\$ 6,815,084</u>					

Maturity	Maximum Investment
0 - 5 years	80%
6 - 10 years	20%

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City shall set the goal that no one issuer represents 5% or more of total investments with the exception of U.S. Treasuries and U.S. government agencies that are either implicitly or explicitly guaranteed by the federal government.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will invest in approximately 10% to 25% of its available funds in liquid instruments, such as commercial paper and money market accounts. This is to ensure the City's funds could be available should unexpected large bills be presented for payment. The policy goes on to state once the liquidity needs have been met, the remaining investments shall be placed with institutions offering the highest rate of return consistent with the maturities determined by the City.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating obligations. The policy lists the authorized investments to comply with the requirements of *Minnesota Statutes* 118A.04, 118A.05, and 118A.06, examples include commercial paper rated as A-1, P-1 and F-1 with maturities of 270 days or less, U.S. government obligations, obligations of the State of Minnesota, irrevocable letter of credit and interest bearing deposits.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will 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 policy states investments are to be fully insured or collateralized and/or registered in the name of the City with safekeeping for the security provided by the City's broker/financial institution or trust department. The financial institution is also required to be a member of the Securities Investor Protection Corporation (SIPC) to protect the securities in the City's account. All certificates of deposit up to \$250,000 principal and interest will be protected by the FDIC. In the event the City purchases a certificate of deposit from a broker/financial institution that does not provide safekeeping, the City may provide safekeeping in a secured location at the City.

The City has the following recurring fair value measurements as of December 31, 2018:

- \$4,863,590 of investments are significant other observable inputs (Level 2 inputs) using closing market prices.

Summary of cash deposits and investments as of December 31, 2018, were as follows:

Petty cash	\$ 250
Investments (Note 3.B.)	<u>6,815,084</u>
Total deposits and investments	<u><u>\$ 6,815,334</u></u>

C. Cash and Investments

Deposits and investments are presented in the December 31, 2018, basic financial statements as follows:

Statement of Net Position	
Cash and investments - governmental activities	\$ 4,756,817
Cash and investments - business-type activities	<u>2,058,517</u>
Total	<u><u>\$ 6,815,334</u></u>

City of Falcon Heights
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 419,707	\$ -	\$ -	\$ 419,707
Infrastructure	5,749,783	-	-	5,749,783
Total capital assets not being depreciated	<u>6,169,490</u>	<u>-</u>	<u>-</u>	<u>6,169,490</u>
Capital assets being depreciated				
Buildings	1,360,310	-	-	1,360,310
Improvements other than buildings	831,026	56,881	19,473	868,434
Machinery and equipment	<u>2,027,994</u>	<u>48,679</u>	<u>37,490</u>	<u>2,039,183</u>
Total capital assets being depreciated	<u>4,219,330</u>	<u>105,560</u>	<u>56,963</u>	<u>4,267,927</u>
Less accumulated depreciation for				
Buildings	1,057,919	42,520	-	1,100,439
Improvements other than buildings	301,401	45,793	19,473	327,721
Machinery and equipment	<u>1,126,703</u>	<u>113,739</u>	<u>37,490</u>	<u>1,202,952</u>
Total accumulated depreciation	<u>2,486,023</u>	<u>202,052</u>	<u>56,963</u>	<u>2,631,112</u>
Total capital assets being depreciated, net	<u>1,733,307</u>	<u>(96,492)</u>	<u>-</u>	<u>1,636,815</u>
Governmental activities capital assets, net	<u>\$ 7,902,797</u>	<u>\$ (96,492)</u>	<u>\$ -</u>	<u>\$ 7,806,305</u>

City of Falcon Heights
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Buildings and system	\$ 3,196,453	\$ 7,968	\$ -	\$ 3,204,421
Machinery and equipment	<u>175,674</u>	<u>-</u>	<u>-</u>	<u>175,674</u>
Total capital assets being depreciated	<u>3,372,127</u>	<u>7,968</u>	<u>-</u>	<u>3,380,095</u>
Less accumulated depreciation for				
Buildings and system	1,576,524	47,515	-	1,624,039
Machinery and equipment	<u>119,916</u>	<u>15,782</u>	<u>-</u>	<u>135,698</u>
Total accumulated depreciation	<u>1,696,440</u>	<u>63,297</u>	<u>-</u>	<u>1,759,737</u>
Total capital assets being depreciated, net	<u>1,675,687</u>	<u>(55,329)</u>	<u>-</u>	<u>1,620,358</u>
Business-type activities capital assets, net	<u>\$ 1,675,687</u>	<u>\$ (55,329)</u>	<u>\$ -</u>	<u>\$ 1,620,358</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 70,572
Public safety	88,050
Public works	17,198
Culture and recreation	<u>26,232</u>
Total depreciation expense - governmental activities	<u>\$ 202,052</u>
Business-type activities	
Sanitary sewer	\$ 12,620
Storm drainage	<u>50,677</u>
Total depreciation expense - business-type activities	<u>\$ 63,297</u>

**City of Falcon Heights
Notes to Financial Statements**

NOTE 4 – INTERFUND TRANSFERS

Transfers during the year ended December 31, 2018, were as follows:

	Transfers Out			Total
	General Fund	Other Governmental Funds	Sanitary Sewer	
Transfers in				
Future Improvements	\$ -	\$ 13,770	\$ -	\$ 13,770
Other Governmental Funds	48,000	-	230,000	278,000
	<u>48,000</u>	<u>-</u>	<u>230,000</u>	<u>278,000</u>
Total	<u>\$ 48,000</u>	<u>\$ 13,770</u>	<u>\$ 230,000</u>	<u>\$ 291,770</u>

The transfer from the Other Governmental Funds to the Future Improvements fund was to close the Emerald Ash Borer Grant Fund. The transfer from Sanitary Sewer Fund and General Fund to the Other Governmental Funds were to assist with capital improvements.

NOTE 5 – LONG-TERM DEBT

A. G.O. Debt

The City issues G.O. bonds and equipment certificates to provide for financing tax increment projects, street improvement, and capital purchases. Debt service is funded, respectively, by tax increment and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

	Original Issue	Interest Rates	Principal Outstanding
Long-term liabilities			
Governmental activities			
G.O. Equipment Certificates, Series 2013B	\$ 715,000	0.60%-2.40%	\$ 435,000
G.O. Improvement Bonds, Series 2013A	445,000	0.75%-2.40%	195,000
G.O. Improvement Bonds, Series 2017A	845,000	3.00%	845,000

City of Falcon Heights
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. G.O. Debt (Continued)

Annual debt service requirements to maturity for G.O. bonds are as follows:

Year Ending December 31,	G.O. Equipment Certificates		G.O. Improvement Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 85,000	\$ 8,031	\$ 180,000	\$ 27,151
2020	85,000	6,671	180,000	22,418
2021	85,000	5,056	180,000	17,505
2022	90,000	3,173	120,000	13,200
2023	90,000	1,080	125,000	9,525
2024-2025	-	-	255,000	7,725
Total	<u>\$ 435,000</u>	<u>\$ 24,011</u>	<u>\$ 1,040,000</u>	<u>\$ 97,524</u>

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Equipment Certificates	\$ 520,000	\$ -	\$ 85,000	\$ 435,000	\$ 85,000
G.O. Improvement Bonds	1,105,000	-	65,000	1,040,000	65,000
Unamortized Bond Premium	49,437	-	9,887	39,550	-
Compensated absences	90,758	46,576	44,580	92,754	25,256
Total governmental activities	<u>1,765,195</u>	<u>46,576</u>	<u>204,467</u>	<u>1,607,304</u>	<u>175,256</u>
Business-type activities					
Compensated absences	38,143	14,084	12,783	39,444	13,200
Total long-term liabilities	<u>\$ 1,803,338</u>	<u>\$ 60,660</u>	<u>\$ 217,250</u>	<u>\$ 1,646,748</u>	<u>\$ 188,456</u>

The General Fund typically liquidates the liability related to compensated absences, as well as pensions.

C. Conduit Debt

Conduit debt is certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Conduit Debt (Continued)

As of December 31, 2018, the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding as of 12/31/18
Coventry Apartments	2008A	\$ 12,000,000	\$ 10,636,565
Pines of Hutchinson, LLC	2013	4,400,000	3,651,517
Mounds Park Academy	2014	7,707,444	7,166,855
DeLasalle High School	2015	2,380,000	1,921,210
St Paul Academy & Summit School Project Series	2017	7,375,000	7,375,000
Senior Housing and Health Care Revenue Note 2018A	2018	3,000,000	3,000,000
Senior Housing and Health Care Revenue Refunding 2018B	2018	1,523,889	1,523,889
Total		<u>\$ 38,386,333</u>	<u>\$ 35,275,036</u>

NOTE 6 – FUND BALANCE DETAIL

At December 31, 2018, fund balance was comprised of the following components:

	G.O.				Other	Total
	General	Improvement Series 2013A	Future Improvements	Tax Increment No. 1-3	Governmental Fund	
Nonspendable						
Prepaid items	\$ 40,800	\$ -	\$ -	\$ -	\$ -	\$ 40,800
Restricted						
Tax increment capital projects	-	-	-	62,943	-	62,943
Debt service	-	102,946	-	-	249,132	352,078
Grants	-	-	-	-	69	69
Park dedication	-	-	-	-	34,590	34,590
Charitable gambling	-	-	-	-	881	881
Committed						
Recreation costs	-	-	-	-	18,424	18,424
Hydrant and fire truck costs	-	-	-	-	161,454	161,454
Recycling and environmental activities	-	-	-	-	102,886	102,886
Activities promoting economic development	-	-	-	-	22,210	22,210
Lighting costs	-	-	-	-	24,005	24,005
Garden costs	-	-	-	-	4,339	4,339
Assigned						
Capital projects	-	-	790,095	-	869,147	1,659,242
Unassigned	<u>2,007,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,007,462</u>
Total	<u>\$ 2,048,262</u>	<u>\$ 102,946</u>	<u>\$ 790,095</u>	<u>\$ 62,943</u>	<u>\$ 1,487,137</u>	<u>\$ 4,491,383</u>

City of Falcon Heights
Notes to Financial Statements

NOTE 7 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2018 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2018, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 8 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2018, was \$94,821. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan (General Employees Plan, accounted for in the General Employees Fund)

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

**City of Falcon Heights
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute 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.

General Employees Plan Benefits

General Employees Plan 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 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 a Coordinated members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2018. The City was required to contribute 7.5% for Coordinated Plan members in calendar year 2018. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$43,247. The City's contributions were equal to the required contributions as set by state statute.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$477,093 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer 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 \$15,681. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.0086%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$ 477,093
State of Minnesota's proportionate share of the net pension liability associated with the City	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">15,681</div>
Total	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 492,774</div>

For the year ended December 31, 2018, the City recognized pension expense of \$38,313 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$3,657 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**City of Falcon Heights
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2018, the City reported its proportionate share of General Employee Plan'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	\$ 12,908	\$ 13,591
Changes in actuarial assumptions	44,514	54,460
Difference between projected and actual investment earnings	-	51,429
Changes in proportion	16,240	13,463
Contributions paid to PERA subsequent to the measurement date	<u>21,624</u>	<u>-</u>
Total	<u><u>\$ 95,286</u></u>	<u><u>\$ 132,943</u></u>

\$21,624 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 ended December 31, 2019. 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>
2019	\$ 15,416
2020	(22,292)
2021	(42,447)
2022	<u>(9,958)</u>
Total	<u><u>\$ (59,281)</u></u>

**City of Falcon Heights
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

The State Board of Investment, which manages the investments of 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:

**City of Falcon Heights
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00
	<hr/>	
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. 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 those 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.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 775,337	\$ 477,093	\$ 230,901

**City of Falcon Heights
Notes to Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

I. Defined Contribution Pension Plan – Volunteer Fire Fighter's Relief Association

The Falcon Heights Firefighter's Relief Association is the administrator of a single employer defined contribution pension plan established to provide benefits for members of the Falcon Heights Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Falcon Heights Firefighter's Relief Association, 2077 Larpenteur Ave. W, St. Paul, MN 55113 or by calling (651) 792-7635.

Members are not vested in their accounts until they attain five years of active service, at which time they become 40% vested. Thereafter, the vested portion of their accounts increases by 4% annually until they achieve 100% vesting after having served for 20 years.

Plan provisions were established and may only be amended by amendments to the Association bylaws which require a majority vote by the Board of Trustees.

During 2018, the City made no contributions to the plan and passed through to the association \$56,508 in state aid.

NOTE 9 – TAX INCREMENT FINANCING

The City has entered into one Tax Increment Financing agreement which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under the agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2018, the City generated \$294,506 in tax increment revenue and made \$283,444 in payments to developers.

City of Falcon Heights
Notes to Financial Statements

NOTE 10 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Falcon Heights
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0086%	\$ 477,093	\$ 15,681	\$ 492,774	\$ 580,440	82.20%	79.53%
2017	0.0088%	561,786	7,039	568,825	564,907	99.45%	75.90%
2016	0.0084%	682,038	9,002	691,040	524,187	130.11%	68.91%
2015	0.0087%	450,879	-	450,879	502,440	89.74%	78.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Falcon Heights
Schedule of City Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 43,247	\$ 43,247	-	\$ 576,627	7.50%
2017	43,937	43,937	-	585,827	7.50%
2016	40,580	40,580	-	541,067	7.50%
2015	36,927	36,927	-	492,360	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Falcon Heights
Required Supplementary Information and
Notes to Required Supplementary Information**

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Streets and alleys					
Estimated	\$ -	\$ 921,000	\$ 40,000	\$ 1,211,500	\$ 238,500
Actual	<u>10,842</u>	<u>499,929</u>	<u>39,599</u>	<u>1,234,522</u>	<u>186,338</u>
Difference	<u>\$ (10,842)</u>	<u>\$ 421,071</u>	<u>\$ 401</u>	<u>\$ (23,022)</u>	<u>\$ 52,162</u>

CONDITION RATING OF THE CITY'S STREET SYSTEMS

	<u>2010</u>	<u>2013</u>	<u>2016</u>
Streets and alleys	<u>76</u>	<u>74</u>	<u>77</u>

The City implemented a pavement management program in 2001 to assist in maintaining and monitoring the performance of the paved street network. This is one of the City's largest investments and would have a significant dollar value if it were to be replaced today. The software program MircoPAVER, developed by the Army Corps of Engineers, was used by the City in 2001 and 2004. For 2007, 2010, 2013, and 2016, the City used the software program ICON, which was developed and supported by Goodpointe Technology, as a tool for pavement management. While the software is different, the methodology is the same. Both systems use field surveys to identify distresses and rate the current condition of the streets. Both systems use the segment and distress information to determine the current Pavement Condition Index (PCI) for each segment. However, ICON provides the City with the ability to determine future needs based on current and past maintenance strategies and prioritize the appropriate rehabilitation at optimum times. Also, ICON has a geographic information system interface to enable easy development of maps showing the results of the analysis.

ICON used the information gathered in the field to calculate a PCI rating for each pavement segment. A PCI rating of 100 would be indicative of a newly constructed street with no distress, while a rating of 0 would show a completely failed street. Segments then can be grouped into like categories of PCI ratings to help determine a schedule of maintenance, rehabilitation, and reconstruction. The PCI groups set up for the City are as follows: 100 to 66 – Adequate; 65 to 36 – Marginal; 35 to 0 – Poor. The City's minimum desired PCI rating is 70. For the year 2016, the City's PCI rating was 77. This was the sixth analysis of the City's streets and alleys. The next rating will be completed in 2019.

City of Falcon Heights
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

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 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue			
	Park Programs	Water	Solid Waste	Community Development
Assets				
Cash and investments	\$ 18,424	\$ 152,055	\$ 96,227	\$ 23,238
Special assessment receivable deferred	-	-	-	-
Accounts receivable	-	9,399	12,428	-
Interest receivable	-	-	-	-
Due from other governments	-	-	-	-
	<u>\$ 18,424</u>	<u>\$ 161,454</u>	<u>\$ 108,655</u>	<u>\$ 23,238</u>
Total assets	<u>\$ 18,424</u>	<u>\$ 161,454</u>	<u>\$ 108,655</u>	<u>\$ 23,238</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 5,769	\$ 1,028
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5,769</u>	<u>1,028</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances				
Restricted	-	-	-	-
Committed	18,424	161,454	102,886	22,210
Assigned	-	-	-	-
Total fund balances	<u>18,424</u>	<u>161,454</u>	<u>102,886</u>	<u>22,210</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,424</u>	<u>\$ 161,454</u>	<u>\$ 108,655</u>	<u>\$ 23,238</u>

Special Revenue					Debt Service
Street Lighting	Community Garden	Community Inclusion	Charitable Gambling	Total	G.O. Equipment Certificates, Series 2013B
\$ 21,488	\$ 4,339	\$ 8,468	\$ 881	\$ 325,120	\$ 132,230
-	-	-	-	-	-
5,353	-	-	-	27,180	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 26,841</u>	<u>\$ 4,339</u>	<u>\$ 8,468</u>	<u>\$ 881</u>	<u>\$ 352,300</u>	<u>\$ 132,230</u>
\$ 2,836	\$ -	\$ 3,000	\$ -	\$ 12,633	\$ -
-	-	5,399	-	5,399	-
<u>2,836</u>	<u>-</u>	<u>8,399</u>	<u>-</u>	<u>18,032</u>	<u>-</u>
-	-	-	-	-	-
-	-	69	881	950	132,230
24,005	4,339	-	-	333,318	-
-	-	-	-	-	-
<u>24,005</u>	<u>4,339</u>	<u>69</u>	<u>881</u>	<u>334,268</u>	<u>132,230</u>
<u>\$ 26,841</u>	<u>\$ 4,339</u>	<u>\$ 8,468</u>	<u>\$ 881</u>	<u>\$ 352,300</u>	<u>\$ 132,230</u>

**City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018**

	Debt Service		Capital Projects	
	G.O. Improvement Bonds, Series 2017A	Total	General Capital Improvements	Parks/PW and Facilities Capital Improvements
Assets				
Cash and investments	\$ 116,461	\$ 248,691	\$ 205,038	\$ 297,528
Special assessment receivable deferred	32,851	32,851	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	-
Due from other governments	441	441	-	-
Total assets	<u>\$ 149,753</u>	<u>\$ 281,983</u>	<u>\$ 205,038</u>	<u>\$ 297,528</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 13,109	\$ -
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>13,109</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	32,851	32,851	-	-
Fund Balances				
Restricted	116,902	249,132	-	34,590
Committed	-	-	-	-
Assigned	-	-	191,929	262,938
Total fund balances	<u>116,902</u>	<u>249,132</u>	<u>191,929</u>	<u>297,528</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 149,753</u>	<u>\$ 281,983</u>	<u>\$ 205,038</u>	<u>\$ 297,528</u>

Capital Projects

<u>Grove Street Improvement Project</u>	<u>Public Safety Capital Improvements</u>	<u>Total</u>	<u>Total Other Governmental Funds</u>
\$ 390,480	\$ 16,799	\$ 909,845	\$ 1,483,656
-	-	-	32,851
4,712	-	4,712	31,892
2,289	-	2,289	2,289
-	-	-	441
<u>\$ 397,481</u>	<u>\$ 16,799</u>	<u>\$ 916,846</u>	<u>\$ 1,551,129</u>
\$ -	\$ -	\$ 13,109	\$ 25,742
-	-	-	5,399
-	-	13,109	31,141
-	-	-	32,851
-	-	34,590	284,672
-	-	-	333,318
397,481	16,799	869,147	869,147
<u>397,481</u>	<u>16,799</u>	<u>903,737</u>	<u>1,487,137</u>
<u>\$ 397,481</u>	<u>\$ 16,799</u>	<u>\$ 916,846</u>	<u>\$ 1,551,129</u>

City of Falcon Heights
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2018

	Special Revenue			
	Park Programs	Water	Solid Waste	Community Development
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	12,949	-
Charges for services	10,297	44,404	74,566	-
Miscellaneous				
Investment income	232	1,987	1,322	764
Contributions and donations	570	-	-	-
Other	500	-	-	1,000
Total revenues	<u>11,599</u>	<u>46,391</u>	<u>88,837</u>	<u>1,764</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	10,933	85,903	-
Park and recreation	35,079	-	-	-
Community development	-	-	-	33,944
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	-	-
Total expenditures	<u>35,079</u>	<u>10,933</u>	<u>85,903</u>	<u>33,944</u>
Excess of revenues over (under) expenditures	(23,480)	35,458	2,934	(32,180)
Other Financing Sources (Uses)				
Transfers in	26,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,520	35,458	2,934	(32,180)
Fund Balances				
Beginning of year	<u>15,904</u>	<u>125,996</u>	<u>99,952</u>	<u>54,390</u>
End of year	<u>\$ 18,424</u>	<u>\$ 161,454</u>	<u>\$ 102,886</u>	<u>\$ 22,210</u>

Special Revenue

Street Lighting	Community Garden	Community Inclusion	Emerald Ash Borer Grant	Charitable Gambling	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	14,601	13,564	-	41,114
41,804	750	-	-	874	172,695
-	-	-	-	-	-
261	62	69	2	7	4,706
-	-	-	-	-	570
-	-	-	-	-	1,500
<u>42,065</u>	<u>812</u>	<u>14,670</u>	<u>13,566</u>	<u>881</u>	<u>220,585</u>
-	-	-	-	-	-
-	-	14,601	-	-	14,601
39,002	-	-	-	-	135,838
-	174	-	-	-	35,253
-	-	-	-	-	33,944
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>39,002</u>	<u>174</u>	<u>14,601</u>	<u>-</u>	<u>-</u>	<u>219,636</u>
3,063	638	69	13,566	881	949
-	-	-	-	-	26,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,770)</u>	<u>-</u>	<u>(13,770)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,770)</u>	<u>-</u>	<u>12,230</u>
3,063	638	69	(204)	881	13,179
<u>20,942</u>	<u>3,701</u>	<u>-</u>	<u>204</u>	<u>-</u>	<u>321,089</u>
<u>\$ 24,005</u>	<u>\$ 4,339</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 881</u>	<u>\$ 334,268</u>

City of Falcon Heights
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2018

	Debt Service		Total	Capital Projects
	G.O. Equipment Certificates, Series 2013B	G.O. Improvement Bonds, Series 2017A		General Capital Improvements
Revenues				
Property taxes	\$ 98,330	\$ -	\$ 98,330	\$ -
Special assessments	-	8,040	8,040	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	1,226	1,708	2,934	2,246
Contributions and donations	-	-	-	-
Other	-	-	-	22,619
Total revenues	<u>99,556</u>	<u>9,748</u>	<u>109,304</u>	<u>24,865</u>
Expenditures				
Current				
General government	712	-	712	710
Public safety	-	-	-	-
Public works	-	712	712	-
Park and recreation	-	-	-	-
Community development	-	-	-	-
Debt service				
Principal	85,000	-	85,000	-
Interest and other charges	9,611	30,769	40,380	-
Capital outlay				
General government	-	-	-	79,230
Public safety	-	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	-	-
Total expenditures	<u>95,323</u>	<u>31,481</u>	<u>126,804</u>	<u>79,940</u>
Excess of revenues over (under) expenditures	4,233	(21,733)	(17,500)	(55,075)
Other Financing Sources (Uses)				
Transfers in	-	-	-	22,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Net change in fund balances	4,233	(21,733)	(17,500)	(33,075)
Fund Balances				
Beginning of year	<u>127,997</u>	<u>138,635</u>	<u>266,632</u>	<u>225,004</u>
End of year	<u>\$ 132,230</u>	<u>\$ 116,902</u>	<u>\$ 249,132</u>	<u>\$ 191,929</u>

Capital Projects

Parks/PW and Facilities Capital Improvements	Tax Increment No. 1 Construction	Grove Street Improvement Project	Public Safety Capital Improvements	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,330
-	-	-	-	-	8,040
2,500	-	23,560	-	26,060	67,174
-	-	-	-	-	172,695
2,866	44	7,984	190	13,330	20,970
-	-	-	-	-	570
-	-	-	-	22,619	24,119
<u>5,366</u>	<u>44</u>	<u>31,544</u>	<u>190</u>	<u>62,009</u>	<u>391,898</u>
-	-	-	-	710	1,422
-	-	-	712	712	15,313
-	-	966	-	966	137,516
713	-	-	-	713	35,966
-	-	-	-	-	33,944
-	-	-	-	-	85,000
-	-	-	-	-	40,380
-	-	-	-	79,230	79,230
-	-	-	86,447	86,447	86,447
-	133	186,338	-	186,471	186,471
31,050	-	-	-	31,050	31,050
<u>31,763</u>	<u>133</u>	<u>187,304</u>	<u>87,159</u>	<u>386,299</u>	<u>732,739</u>
(26,397)	(89)	(155,760)	(86,969)	(324,290)	(340,841)
170,000	-	-	60,000	252,000	278,000
-	-	-	-	-	(13,770)
<u>170,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>252,000</u>	<u>264,230</u>
143,603	(89)	(155,760)	(26,969)	(72,290)	(76,611)
153,925	89	553,241	43,768	976,027	1,563,748
<u>\$ 297,528</u>	<u>\$ -</u>	<u>\$ 397,481</u>	<u>\$ 16,799</u>	<u>\$ 903,737</u>	<u>\$ 1,487,137</u>

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Property taxes	\$ 1,487,059	\$ 1,504,556	\$ 17,497
Licenses and permits	67,450	72,340	4,890
Intergovernmental revenue			
Local government aid	600,591	600,591	-
Cable television franchise fees	55,000	46,464	(8,536)
Fire aid	70,000	57,508	(12,492)
Other grants and aids	1,700	1,707	7
Total intergovernmental revenue	<u>727,291</u>	<u>706,270</u>	<u>(21,021)</u>
Charges for services			
Fire contract	28,000	32,575	4,575
Plan check fees	8,000	7,331	(669)
Other	22,810	25,307	2,497
Total charges for services	<u>58,810</u>	<u>65,213</u>	<u>6,403</u>
Fines and forfeitures	50,000	35,719	(14,281)
Miscellaneous revenue			
Investment income	7,000	40,065	33,065
Refunds and reimbursements	5,000	64,367	59,367
Other	3,200	5,651	2,451
Total miscellaneous revenue	<u>15,200</u>	<u>110,083</u>	<u>94,883</u>
Total revenues	<u>2,405,810</u>	<u>2,494,181</u>	<u>88,371</u>
Expenditures			
General government			
Legislative			
Wages, salaries, and compensation	22,315	21,638	(677)
Materials and supplies	1,500	1,093	(407)
Other	20,178	19,398	(780)
Administration			
Wages, salaries, and compensation	234,560	187,464	(47,096)
Materials and supplies	8,500	5,576	(2,924)
Other	29,150	30,523	1,373

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2018

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u>
Expenditures (Continued)			
General government (continued)			
Finance			
Wages, salaries, and compensation	\$ 126,000	\$ 121,235	\$ (4,765)
Materials and supplies	200	279	79
Other	20,490	22,279	1,789
Legal	14,500	20,035	5,535
Elections			
Materials and supplies	1,000	691	(309)
Other	19,400	19,928	528
Communications			
Wages, salaries, and compensation	30,450	21,420	(9,030)
Materials and supplies	4,300	4,406	106
Other	47,618	44,276	(3,342)
Planning and inspections			
Wages, salaries, and compensation	83,230	69,111	(14,119)
Materials and supplies	50	31	(19)
Other	48,700	70,040	21,340
Total general government	<u>712,141</u>	<u>659,423</u>	<u>(52,718)</u>
Public safety			
Emergency preparedness			
Wages, salaries, and compensation	6,828	4,636	(2,192)
Materials and supplies	1,000	-	(1,000)
Other	710	347	(363)
Police services	1,039,640	1,048,572	8,932
Legal	31,000	30,000	(1,000)
Fire fighting			
Wages, salaries, and compensation	85,610	84,240	(1,370)
Fire relief pension	70,000	57,508	(12,492)
Materials and supplies	11,520	12,563	1,043
Other	73,127	67,893	(5,234)
Total public safety	<u>1,319,435</u>	<u>1,305,759</u>	<u>(13,676)</u>
Public works			
Buildings and grounds			
Wages, salaries, and compensation	26,670	24,993	(1,677)
Materials and supplies	10,000	11,166	1,166
Other	32,410	43,950	11,540

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Expenditures (Continued)			
Public works (Continued)			
Streets			
Wages, salaries, and compensation	\$ 73,765	\$ 69,902	\$ (3,863)
Materials and supplies	16,900	16,530	(370)
Other	58,559	37,478	(21,081)
Engineering	10,000	15,269	5,269
Tree program			
Materials and supplies	50	105	55
Tree maintenance	5,000	2,025	(2,975)
Total public works	<u>233,354</u>	<u>221,418</u>	<u>(11,936)</u>
Park and recreation			
Park maintenance			
Wages, salaries, and compensation	55,800	51,750	(4,050)
Materials and supplies	6,300	4,356	(1,944)
Other	30,780	20,569	(10,211)
Total parks and recreation	<u>92,880</u>	<u>76,675</u>	<u>(16,205)</u>
Total expenditures	<u>2,357,810</u>	<u>2,263,275</u>	<u>(94,535)</u>
Excess of revenues over expenditures	48,000	230,906	182,906
Other Financing Uses			
Transfers out	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	182,906	<u>\$ 182,906</u>
Fund Balance			
Beginning of year		<u>1,865,356</u>	
End of year		<u>\$ 2,048,262</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Park Programs Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services	\$ 24,000	\$ 10,297	\$ (13,703)
Miscellaneous revenues			
Investment income	100	232	132
Contributions and donations	600	570	(30)
Other	-	500	500
Total miscellaneous revenues	700	1,302	602
Total revenues	24,700	11,599	(13,101)
Expenditures			
Park and recreation			
Current			
Wages, salaries, and compensation	35,297	27,656	(7,641)
Materials and supplies	2,500	1,625	(875)
Other	8,650	5,798	(2,852)
Total expenditures	46,447	35,079	(11,368)
Excess of revenues under expenditures	(21,747)	(23,480)	(1,733)
Other Financing Sources			
Transfers in	26,000	26,000	-
Net change in fund balance	\$ 4,253	2,520	\$ (1,733)
Fund Balance			
Beginning of year		15,904	
End of year		\$ 18,424	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Water Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Over (Under)
Revenues			
Charges for services	\$ 30,000	\$ 44,404	\$ 14,404
Miscellaneous revenues			
Investment income	600	1,987	1,387
Total revenues	30,600	46,391	15,791
Expenditures			
Public works			
Wages, salaries, and compensation	10,317	9,459	(858)
Other	3,770	1,474	(2,296)
Total expenditures	14,087	10,933	(3,154)
Excess of revenues over expenditures	\$ 16,513	35,458	\$ 18,945
Fund Balance			
Beginning of year		125,996	
End of year		\$ 161,454	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Solid Waste Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues			
Recycling grant	\$ 12,949	\$ 12,949	\$ -
Charges for services	73,000	74,566	1,566
Miscellaneous revenues			
Investment income	580	1,322	742
Total revenues	86,529	88,837	2,308
Expenditures			
Public works			
Wages, salaries, and compensation	17,042	14,126	(2,916)
Materials and supplies	925	204	(721)
Recycling contract	70,000	69,732	(268)
Other	4,090	1,841	(2,249)
Total expenditures	92,057	85,903	(6,154)
Excess of revenues over (under) expenditures	\$ (5,528)	2,934	\$ 8,462
Fund Balance			
Beginning of year		99,952	
End of year		\$ 102,886	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Community Development Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Miscellaneous revenues				
Investment income	\$ 150	\$ 150	\$ 764	\$ 614
Other	1,716	1,716	1,000	(716)
Total revenues	1,866	1,866	1,764	(102)
Expenditures				
Community development				
Other	-	74,790	33,944	(40,846)
Excess of revenues over (under) expenditures	1,866	(72,924)	(32,180)	40,744
Other financing uses				
Transfers out	-	(20,000)	-	20,000
Net change in fund balance	\$ 1,866	\$ (92,924)	(32,180)	\$ 60,744
Fund Balance				
Beginning of year			54,390	
End of year			\$ 22,210	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Street Lighting Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Over (Under)
Revenues			
Charges for services	\$ 41,000	\$ 41,804	\$ 804
Miscellaneous revenues			
Investment income	200	261	61
Total revenues	41,200	42,065	865
Expenditures			
Public works			
Other	39,900	39,002	(898)
Excess of revenues over expenditures	\$ 1,300	3,063	\$ 1,763
Fund Balance			
Beginning of year		20,942	
End of year		\$ 24,005	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Community Garden Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services			
Park and recreation	\$ 725	\$ 750	\$ 25
Miscellaneous revenues			
Investment income	20	62	42
Total revenues	745	812	67
Expenditures			
Park and recreation			
Other	1,000	174	(826)
Excess of revenues over (under) expenditures	\$ (255)	638	\$ 893
Fund Balance			
Beginning of year		3,701	
End of year		\$ 4,339	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Community Inclusion Fund - Special Revenue Fund
Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues				
Intergovernmental revenue				
Other grants and aids	\$ -	\$ -	\$ 14,601	\$ 14,601
Miscellaneous revenues				
Investment income	-	100	69	(31)
Total revenues	<u>-</u>	<u>100</u>	<u>14,670</u>	<u>14,570</u>
Expenditures				
Public Safety				
Wages, salaries and compensation	-	20,000	14,601	(5,399)
Excess of revenues over (under) expenditures	-	(19,900)	69	19,969
Other Financing Sources				
Transfers in	-	20,000	-	(20,000)
Net change in fund balances	<u>\$ -</u>	<u>\$ 100</u>	69	<u>\$ (31)</u>
Fund Balance				
Beginning of year			-	
End of year			<u>\$ 69</u>	

City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Emerald Ash Borer Grant Fund - Special Revenue Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Intergovernmental revenue			
Other grants and aids	\$ 13,000	\$ 13,564	\$ 564
Miscellaneous revenues			
Investment income	-	2	2
Total revenues	13,000	13,566	566
Excess of revenues (under) expenditures	13,000	13,566	566
Other Financing Uses			
Transfers out	(13,203)	(13,770)	(567)
Net change in fund balances	\$ (203)	(204)	\$ (1)
Fund Balance			
Beginning of year		204	
End of year		\$ -	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Improvement Bonds, Series 2013A - Debt Service Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Special assessments	\$ 47,448	\$ 35,538	\$ (11,910)
Miscellaneous revenues			
Investment income	400	1,291	891
Total revenues	47,848	36,829	(11,019)
Expenditures			
General government			
Other	800	712	(88)
Debt service			
Principal	65,000	65,000	-
Interest and other charges	8,647	6,293	(2,354)
Total expenditures	74,447	72,005	(2,442)
Excess of revenues under expenditures	\$ (26,599)	(35,176)	\$ (8,577)
Fund Balance			
Beginning of year		138,122	
End of year		\$ 102,946	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Equipment Certificates, Series 2013B - Debt Service Fund
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Property taxes	\$ 98,330	\$ 98,330	\$ -
Miscellaneous revenues			
Investment income	400	1,226	826
Total revenues	<u>98,730</u>	<u>99,556</u>	<u>826</u>
Expenditures			
General government			
Wages, salaries, and compensation	800	712	(88)
Debt service			
Principal	85,000	85,000	-
Interest and other charges	15,136	9,611	(5,525)
Total expenditures	<u>100,936</u>	<u>95,323</u>	<u>(5,613)</u>
Excess of revenues over (under) expenditures	<u>\$ (2,206)</u>	4,233	<u>\$ 6,439</u>
Fund Balance			
Beginning of year		<u>127,997</u>	
End of year		<u>\$ 132,230</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Improvement Bonds, Series 2017A - Debt Service Fund
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Special assessments	\$ 6,000	\$ 8,040	\$ 2,040
Miscellaneous revenues			
Investment income	<u>1,000</u>	<u>1,708</u>	<u>708</u>
Total revenues	<u>7,000</u>	<u>9,748</u>	<u>2,748</u>
Expenditures			
Public works			
Wages, salaries and compensation	800	712	(88)
Debt service			
Interest and other charges	<u>32,125</u>	<u>30,769</u>	<u>(1,356)</u>
Total expenditures	<u>32,925</u>	<u>31,481</u>	<u>(1,444)</u>
Excess of revenues over (under) expenditures	<u>\$ (25,925)</u>	(21,733)	<u>\$ 4,192</u>
Fund Balance			
Beginning of year		<u>138,635</u>	
End of year		<u>\$ 116,902</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Future Improvements - Capital Projects Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Special assessments	\$ 4,000	\$ 7,932	\$ 3,932
Licenses and permits	-	22,179	22,179
Intergovernmental			
Other grants and aids	55,000	70,208	15,208
Miscellaneous revenues			
Investment income	7,000	14,594	7,594
Refunds and reimbursements	-	500	500
Total revenues	66,000	115,413	49,413
Expenditures			
Public works			
Current			
Other	33,300	20,697	(12,603)
Capital outlay	3,000	19,465	16,465
Total expenditures	36,300	40,162	3,862
Excess of revenues over expenditures	29,700	75,251	45,551
Other Financing Sources			
Transfers in	14,000	13,770	(230)
Net change in fund balance	\$ 43,700	89,021	\$ 45,321
Fund Balance			
Beginning of year		701,074	
End of year		\$ 790,095	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Tax Increment No. 1-3 - Capital Projects Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Tax increments	\$ 270,000	\$ 294,506	\$ 24,506
Miscellaneous revenue			
Investment income	400	1,369	969
Total revenues	270,400	295,875	25,475
Expenditures			
Public works			
Current			
Other	800	712	(88)
Capital outlay	269,000	291,095	22,095
Total expenditures	269,800	291,807	22,007
Excess of revenues over expenditures	\$ 600	4,068	\$ 3,468
Fund Balance			
Beginning of year		58,875	
End of year		\$ 62,943	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Capital Improvements - Capital Projects Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	\$ 300	\$ 2,246	\$ 1,946
Other	-	22,619	22,619
Total revenues	300	24,865	24,565
Expenditures			
General government			
Current			
Other	800	710	(90)
Capital outlay	85,500	79,230	(6,270)
Total expenditures	86,300	79,940	(6,360)
Excess of revenues over (under) expenditures	(86,000)	(55,075)	30,925
Other Financing Sources			
Transfers in	26,000	22,000	(4,000)
Net change in fund balance	\$ (60,000)	(33,075)	\$ 26,925
Fund Balance			
Beginning of year		225,004	
End of year		\$ 191,929	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual - Parks/PW
and Facilities Capital Improvements - Capital Projects Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Other grants and aids	\$ -	\$ -	\$ 2,500	\$ 2,500
Miscellaneous revenues				
Investment income	200	200	2,866	2,666
Total revenues	<u>200</u>	<u>200</u>	<u>5,366</u>	<u>5,166</u>
Expenditures				
Parks and recreation				
Current				
Other	800	800	713	(87)
Capital outlay	150,500	150,500	31,050	(119,450)
Total expenditures	<u>151,300</u>	<u>151,300</u>	<u>31,763</u>	<u>(119,537)</u>
Excess of revenues over (under) expenditures	(151,100)	(151,100)	(26,397)	124,703
Other Financing Sources				
Transfers in	-	170,000	170,000	-
Net change in fund balance	<u>\$ (151,100)</u>	<u>\$ 18,900</u>	143,603	<u>\$ 124,703</u>
Fund Balance				
Beginning of year			<u>153,925</u>	
End of year			<u>\$ 297,528</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Tax Increment No. 1 Construction - Capital Projects Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous revenues				
Investment income	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 44</u>	<u>\$ 14</u>
Expenditures				
Public works				
Capital outlay	<u>-</u>	<u>6,000</u>	<u>133</u>	<u>(5,867)</u>
Excess of revenues over (under) expenditures	<u>\$ 30</u>	<u>\$ (5,970)</u>	<u>(89)</u>	<u>\$ 5,881</u>
Fund Balance				
Beginning of year			<u>89</u>	
End of year			<u>\$ -</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Grove Street Improvement Project - Capital Projects Fund
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Intergovernmental revenue			
Municipal state aid	\$ 10,000	\$ -	\$ (10,000)
Other grants and aids	<u>20,000</u>	<u>23,560</u>	<u>3,560</u>
Total intergovernmental revenue	30,000	23,560	(6,440)
Miscellaneous revenues			
Investment income	<u>1,500</u>	<u>7,984</u>	<u>6,484</u>
Total revenues	<u>31,500</u>	<u>31,544</u>	<u>44</u>
Expenditures			
Public works			
Current			
Other	16,800	966	(15,834)
Capital outlay	<u>241,500</u>	<u>186,338</u>	<u>(55,162)</u>
Total expenditures	<u>258,300</u>	<u>187,304</u>	<u>(70,996)</u>
Excess of revenues over (under) expenditures	<u>\$ (226,800)</u>	(155,760)	<u>\$ 71,040</u>
Fund Balance			
Beginning of year		<u>553,241</u>	
End of year		<u>\$ 397,481</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Public Safety Capital Improvements - Capital Projects Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	\$ 100	\$ 190	\$ 90
Expenditures			
Public safety			
Current			
Other	800	712	(88)
Capital outlay	52,500	86,447	33,947
Total expenditures	53,300	87,159	33,859
Excess of revenues under expenditures	(53,200)	(86,969)	(33,769)
Other Financing Sources			
Transfers in	120,000	60,000	(60,000)
Net change in fund balance	\$ 66,800	(26,969)	\$ (93,769)
Fund Balance			
Beginning of year		43,768	
End of year		\$ 16,799	

**City of Falcon Heights
Statistical Section**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

Financial Trends

The tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Tables 1-5

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.

Tables 6-10

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Tables 11-15

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Tables 16-17

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Tables 18-20

**City of Falcon Heights
Net Position by Component
Last Ten Fiscal Years**

	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 6,137,726	\$ 7,033,744	\$ 7,620,526	\$ 7,695,346
Restricted	356,592	96,994	74,940	254,441
Unrestricted	3,403,646	2,783,025	2,706,267	2,501,081
Total governmental activities	<u>\$ 9,897,964</u>	<u>\$ 9,913,763</u>	<u>\$ 10,401,733</u>	<u>\$ 10,450,868</u>
Business-Type Activities				
Net investment in capital assets	\$ 980,706	\$ 968,304	\$ 920,202	\$ 874,377
Unrestricted	2,216,182	2,250,456	2,343,470	2,580,201
Total business-type activities	<u>\$ 3,196,888</u>	<u>\$ 3,218,760</u>	<u>\$ 3,263,672</u>	<u>\$ 3,454,578</u>
Primary Government				
Net investment in capital assets	\$ 7,118,432	\$ 8,002,048	\$ 8,540,728	\$ 8,569,723
Restricted	356,592	96,994	74,940	254,441
Unrestricted	5,619,828	5,033,481	5,049,737	5,081,282
Total primary government net position	<u>\$ 13,094,852</u>	<u>\$ 13,132,523</u>	<u>\$ 13,665,405</u>	<u>\$ 13,905,446</u>

Table 1

2013	2014	2015	2016	2017	2018
\$ 7,637,289	\$ 7,257,327	\$ 7,205,699	\$ 7,139,185	\$ 7,073,360	\$ 7,136,755
474,487	610,535	477,094	484,867	613,084	529,410
2,493,059	2,545,364	2,302,829	2,421,877	2,534,275	2,753,662
<u>\$ 10,604,835</u>	<u>\$ 10,413,226</u>	<u>\$ 9,985,622</u>	<u>\$ 10,045,929</u>	<u>\$ 10,220,719</u>	<u>\$ 10,419,827</u>
\$ 828,552	\$ 1,223,115	\$ 1,535,176	\$ 1,487,989	\$ 1,675,687	\$ 1,620,358
2,670,746	2,656,683	2,398,677	2,524,097	2,139,335	2,252,575
<u>\$ 3,499,298</u>	<u>\$ 3,879,798</u>	<u>\$ 3,933,853</u>	<u>\$ 4,012,086</u>	<u>\$ 3,815,022</u>	<u>\$ 3,872,933</u>
\$ 8,465,841	\$ 8,480,442	\$ 8,740,875	\$ 8,627,174	\$ 8,749,047	\$ 8,757,113
474,487	610,535	477,094	484,867	613,084	529,410
5,163,805	5,202,047	4,701,506	4,945,974	4,673,610	5,006,237
<u>\$ 14,104,133</u>	<u>\$ 14,293,024</u>	<u>\$ 13,919,475</u>	<u>\$ 14,058,015</u>	<u>\$ 14,035,741</u>	<u>\$ 14,292,760</u>

**City of Falcon Heights
Changes In Net Position
Last Ten Fiscal Years**

	2009	2010	2011	2012
Expenses				
Governmental activities				
General government	\$ 523,873	\$ 568,952	\$ 491,470	\$ 590,809
Public safety	799,212	830,881	852,153	882,722
Public Works	752,624	659,202	698,625	607,628
Park And Recreation	178,193	192,293	200,583	215,570
Community development	773	2,350	535	615
Interest on long-term debt	37,578	30,432	10,574	3,101
Total governmental activities expenses	<u>2,292,253</u>	<u>2,284,110</u>	<u>2,253,940</u>	<u>2,300,445</u>
Business-type activities				
Sanitary Sewer	583,548	707,466	635,832	565,107
Storm Sewer	109,282	114,869	210,185	139,766
Total business-type activities expenses	<u>692,830</u>	<u>822,335</u>	<u>846,017</u>	<u>704,873</u>
Total primary government expenses	<u>\$ 2,985,083</u>	<u>\$ 3,106,445</u>	<u>\$ 3,099,957</u>	<u>\$ 3,005,318</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 120,531	\$ 141,883	\$ 144,682	\$ 150,366
Public safety	129,344	113,489	137,447	147,127
Public Works	56,585	92,406	121,887	135,552
Park And Recreation	27,287	28,399	34,664	36,368
Community development	1,155	1,255	1,155	1,716
Operating grants and contributions	336,215	118,735	212,806	119,267
Capital grants and contributions	155,736	5,141	338,228	1,567
Total governmental activities program revenues	<u>826,853</u>	<u>501,308</u>	<u>990,869</u>	<u>591,963</u>
Business-type activities				
Charges for services				
Sanitary Sewer	704,759	748,376	760,972	788,551
Storm Sewer	122,034	120,665	125,339	141,630
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>826,793</u>	<u>869,041</u>	<u>886,311</u>	<u>930,181</u>
Total primary government program revenues	<u>\$ 1,653,646</u>	<u>\$ 1,370,349</u>	<u>\$ 1,877,180</u>	<u>\$ 1,522,144</u>

Table 2

2013	2014	2015*	2016	2017	2018
\$ 649,412	\$ 665,388	\$ 634,328	\$ 696,194	\$ 752,640	\$ 743,238
870,860	956,694	1,009,561	1,073,268	1,072,905	1,473,021
1,473,421	643,323	1,068,292	648,892	1,775,574	897,796
215,654	253,333	300,800	162,958	174,392	139,967
7,551	2,187	10,967	1,789	3,726	33,944
55,352		19,695	18,363	28,612	35,301
<u>3,272,250</u>	<u>2,520,925</u>	<u>3,043,643</u>	<u>2,601,464</u>	<u>3,807,849</u>	<u>3,323,267</u>
704,897	629,452	613,868	760,415	723,236	708,321
136,662	116,201	136,551	122,303	142,494	156,170
<u>841,559</u>	<u>745,653</u>	<u>750,419</u>	<u>882,718</u>	<u>865,730</u>	<u>864,491</u>
<u>\$ 4,113,809</u>	<u>\$ 3,266,578</u>	<u>\$ 3,794,062</u>	<u>\$ 3,484,182</u>	<u>\$ 4,673,579</u>	<u>\$ 4,187,758</u>
\$ 155,006	\$ 132,811	\$ 158,077	\$ 167,214	145,060	118,265
129,220	137,377	145,952	125,161	127,160	107,026
149,158	147,014	149,152	152,128	151,229	160,774
184,510	43,209	25,232	15,170	11,476	11,047
1,717	1,716	1,716	1,716	1,895	-
218,919	193,236	473,143	151,536	154,211	226,881
664,846	13,967	196,337	11,490	953,653	35,938
<u>1,503,376</u>	<u>669,330</u>	<u>1,149,609</u>	<u>624,415</u>	<u>1,544,684</u>	<u>659,931</u>
807,031	780,844	756,539	829,339	879,391	945,893
156,632	155,116	154,984	157,067	169,957	169,172
-	-	-	701	-	-
-	-	-	-	-	-
<u>963,663</u>	<u>935,960</u>	<u>911,523</u>	<u>987,107</u>	<u>1,049,348</u>	<u>1,115,065</u>
<u>\$ 2,467,039</u>	<u>\$ 1,605,290</u>	<u>\$ 2,061,132</u>	<u>\$ 1,611,522</u>	<u>\$ 2,594,032</u>	<u>\$ 1,774,996</u>

**City of Falcon Heights
Changes in Net Position
Last Ten Fiscal Years**

	2009	2010	2011	2012
Net (Expense)/Revenue				
Governmental activities	\$ (1,465,400)	\$ (1,782,802)	\$ (1,263,071)	\$ (1,708,482)
Business-type activities	133,963	46,706	40,294	225,308
Total primary government net expense	<u>\$ (1,331,437)</u>	<u>\$ (1,736,096)</u>	<u>\$ (1,222,777)</u>	<u>\$ (1,483,174)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 942,881	\$ 992,568	\$ 1,003,977	\$ 1,011,688
Franchise fees	-	-	-	-
Tax increments	328,757	366,948	345,716	349,752
Unrestricted state aids	441,005	330,012	341,137	311,928
Other general revenue	-	-	-	-
Unrestricted investment income	111,946	50,571	24,080	28,174
Gain on sale of assets	-	-	13,131	-
Transfers	142,000	58,502	23,000	56,075
Total governmental activities	<u>1,966,589</u>	<u>1,798,601</u>	<u>1,751,041</u>	<u>1,757,617</u>
Business-type activities				
Other general revenue	-	6,900	-	-
Unrestricted investment income	67,061	26,768	16,348	21,673
Proceeds sale of assets	-	-	11,270	-
Transfers	(142,000)	(58,502)	(23,000)	(56,075)
Total business-type activities	<u>(74,939)</u>	<u>(24,834)</u>	<u>4,618</u>	<u>(34,402)</u>
Total primary government	<u>\$ 1,891,650</u>	<u>\$ 1,773,767</u>	<u>\$ 1,755,659</u>	<u>\$ 1,723,215</u>
Changes in Net Position				
Governmental activities	\$ 501,189	\$ 15,799	\$ 487,970	\$ 49,135
Business-type activities	59,024	21,872	44,912	190,906
Total primary government	<u>\$ 560,213</u>	<u>\$ 37,671</u>	<u>\$ 532,882</u>	<u>\$ 240,041</u>

Table 2 (Continued)

2013	2014	2015	2016	2017	2018
\$ (1,768,874)	\$ (1,851,595)	\$ (1,894,034)	\$ (1,977,049)	\$ (2,263,165)	\$ (2,663,336)
122,104	190,307	161,104	104,389	183,618	250,574
<u>\$ (1,646,770)</u>	<u>\$ (1,661,288)</u>	<u>\$ (1,732,930)</u>	<u>\$ (1,872,660)</u>	<u>\$ (2,079,547)</u>	<u>\$ (2,412,762)</u>
\$ 1,080,588	\$ 1,043,863	\$ 1,081,384	\$ 1,181,336	1,271,602	1,600,552
-	-	-	-	-	22,179.00
374,385	202,372	156,606	251,476	172,018	294,506
312,593	505,414	533,015	542,320	546,524	604,943
66,520	38,602	15,000	-	18,437	31,975
118	26,324	14,783	22,163	29,149	78,289
8,637	34,060	270	61	225	-
80,000	(167,106)	-	40,000	400,000	230,000
<u>1,922,841</u>	<u>1,683,529</u>	<u>1,801,058</u>	<u>2,037,356</u>	<u>2,437,955</u>	<u>2,862,444</u>
-	-	-	-	-	-
2,616	23,087	13,091	13,844	19,318	37,337
-	-	-	-	-	-
(80,000)	167,106	-	(40,000)	(400,000)	(230,000)
<u>(77,384)</u>	<u>190,193</u>	<u>13,091</u>	<u>(26,156)</u>	<u>(380,682)</u>	<u>(192,663)</u>
<u>\$ 1,845,457</u>	<u>\$ 1,873,722</u>	<u>\$ 1,814,149</u>	<u>\$ 2,011,200</u>	<u>2,057,273</u>	<u>2,669,781</u>
\$ 153,967	\$ (168,066)	\$ (92,976)	\$ 60,307	\$ 174,790	\$ 199,108
44,720	380,500	174,195	78,233	(197,064)	57,911
<u>\$ 198,687</u>	<u>\$ 212,434</u>	<u>\$ 81,219</u>	<u>\$ 138,540</u>	<u>\$ (22,274)</u>	<u>\$ 257,019</u>

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**City of Falcon Heights
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years**

Table 3

Fiscal Year	Property Tax	Tax Increment	Franchise Tax	Total
2009	\$ 942,881	\$ 328,757	\$ -	\$ 1,271,638
2010	992,568	366,948	-	1,359,516
2011	1,003,977	345,716	-	1,349,693
2012	1,011,688	349,752	-	1,361,440
2013	1,080,588	374,385	-	1,454,973
2014	1,043,863	202,372	-	1,246,235
2015	1,081,384	156,606	-	1,237,990
2016	1,181,336	251,476	-	1,432,812
2017	1,271,602	172,018	-	1,443,620
2018	1,600,552	294,506	22,179	1,917,237

City of Falcon Heights
Fund Balances of Governmental Funds
Last 10 Fiscal Years

	Fiscal Year	
	2009	2010
General Fund		
Reserved	\$ 64,092	\$ 71,531
Unreserved	1,229,994	1,225,784
Total General Fund	<u>\$ 1,294,086</u>	<u>\$ 1,297,315</u>
All Other Governmental Funds		
Reserved	\$ 750	\$ -
Unreserved, reported in		
Special Revenue Funds	137,267	171,744
Debt Service Funds	56,985	9,758
Capital Projects Funds	2,301,744	1,735,450
Total all other Governmental Funds	<u>\$ 2,496,746</u>	<u>\$ 1,916,952</u>

	Fiscal Year				
	2011*	2012	2013	2014	2015
General Fund					
Nonspendable	\$ 65,289	\$ 67,068	\$ 70,602	\$ 89,222	\$ 85,535
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	1,236,211	1,275,982	1,326,645	1,334,716	1,504,383
Total General Fund	<u>\$ 1,301,500</u>	<u>\$ 1,343,050</u>	<u>\$ 1,397,247</u>	<u>\$ 1,423,938</u>	<u>\$ 1,589,918</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	258,902	333,945	951,032	411,590	318,141
Committed	182,259	189,414	285,035	251,368	263,384
Assigned	1,225,142	997,693	851,073	919,832	803,442
Unassigned	-	-	-	-	(43,120)
Total all other Governmental Funds	<u>\$ 1,666,303</u>	<u>\$ 1,521,052</u>	<u>\$ 2,087,140</u>	<u>\$ 1,582,790</u>	<u>\$ 1,341,847</u>

*Governmental Accounting Standards Board Statement NO. 54 required implementation for fiscal year 2011.

Table 4

Fiscal Year		
2016	2017	2018
\$ 71,138	\$ 37,201	\$ 40,800
-	-	-
-	-	-
-	-	-
<u>1,676,621</u>	<u>1,828,155</u>	<u>2,007,462</u>
<u>\$ 1,747,759</u>	<u>\$ 1,865,356</u>	<u>\$ 2,048,262</u>
\$ -	\$ -	\$ -
337,506	498,308	449,680
308,915	321,089	333,318
799,450	1,642,422	1,660,123
-	-	-
<u>\$ 1,445,871</u>	<u>\$ 2,461,819</u>	<u>\$ 2,443,121</u>

City of Falcon Heights
Changes In Fund Balances Of Governmental Funds
Last 10 Fiscal Years

	2009	2010	2011	2012	2013	2014
Revenues						
Taxes	\$ 1,267,192	\$ 1,356,491	\$ 1,346,281	\$ 1,371,399	\$ 1,453,211	\$ 1,254,073
Special assessments	96,239	23,478	8,011	5,918	130,256	62,977
Licenses and permits	52,082	69,270	73,100	75,629	75,077	68,253
Intergovernmental	893,875	496,416	625,363	486,354	761,796	755,281
Charges for services	135,438	177,017	221,007	243,946	393,542	253,357
Fines and forfeitures	78,486	61,792	72,246	64,121	68,208	67,638
Investment income	111,946	50,571	24,080	28,174	118	26,324
Miscellaneous	30,953	21,684	22,262	32,274	204,418	54,850
Total revenues	<u>2,666,211</u>	<u>2,256,719</u>	<u>2,392,350</u>	<u>2,307,815</u>	<u>3,086,626</u>	<u>2,542,753</u>
Expenditures						
General government	\$ 486,226	\$ 530,960	\$ 523,355	\$ 536,809	\$ 580,783	\$ 593,735
Public safety	743,437	769,924	778,565	822,563	807,412	867,779
Public works	278,839	272,874	339,843	378,776	408,555	363,027
Park and recreation	123,934	155,463	159,460	136,054	179,299	180,126
Community development	773	2,350	535	615	7,551	2,187
Miscellaneous	9,448	1,834	1,070	-	-	-
Capital outlay	684,640	1,055,955	593,850	553,842	1,614,042	1,097,652
Debt service						
Principal	345,000	365,000	265,000	65,000	65,000	70,000
Interest and other charges	44,403	37,426	13,603	3,466	52,336	19,966
Total expenditures	<u>2,716,700</u>	<u>3,191,786</u>	<u>2,675,281</u>	<u>2,497,125</u>	<u>3,714,978</u>	<u>3,194,472</u>
Excess of revenues under expenditures	(50,489)	(935,067)	(282,931)	(189,310)	(628,352)	(651,719)

Table 5

2015	2016	2017	2018
\$ 1,229,405	\$ 1,435,717	\$ 1,443,823	\$ 1,897,392
76,673	54,579	210,956	51,510
80,864	73,339	93,344	94,519
1,142,257	792,070	1,478,994	843,652
238,876	225,347	235,928	237,908
80,415	73,901	45,806	35,719
14,783	22,163	29,149	78,289
50,185	35,435	46,047	95,207
<u>2,913,458</u>	<u>2,712,551</u>	<u>3,584,047</u>	<u>3,334,196</u>
\$ 580,026	\$ 593,485	\$ 662,544	\$ 661,557
885,969	939,029	957,329	1,321,072
351,541	322,322	351,470	380,343
218,807	110,393	124,396	112,641
10,967	1,789	3,726	33,944
-	-	-	-
796,133	364,916	1,477,627	693,758
125,000	140,000	150,000	150,000
20,248	18,813	20,980	46,673
<u>2,988,691</u>	<u>2,490,747</u>	<u>3,748,072</u>	<u>3,399,988</u>
(75,233)	221,804	(164,025)	(65,792)

City of Falcon Heights
Changes in Fund Balances of Governmental Funds
Last 10 Fiscal Years

	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)						
Transfers in	\$ 446,800	\$ 807,329	\$ 274,366	\$ 246,775	\$ 170,418	\$ 241,685
Transfers out	(304,800)	(748,827)	(251,366)	(190,700)	(90,418)	(101,685)
Proceeds sale of capital assets	1,279	-	13,467	29,534	8,637	34,060
Bonds issued	-	300,000	-	-	1,160,000	-
Bond premium	-	-	-	-	-	-
Total other financing sources (uses)	<u>143,279</u>	<u>358,502</u>	<u>36,467</u>	<u>85,609</u>	<u>1,248,637</u>	<u>174,060</u>
Net change in fund balances	<u>\$ 92,790</u>	<u>\$ (576,565)</u>	<u>\$ (246,464)</u>	<u>\$ (103,701)</u>	<u>\$ 620,285</u>	<u>\$ (477,659)</u>
Debt service as a percentage of noncapital expenditures	15.41%	15.88%	11.42%	3.11%	3.72%	3.74%

Table 5 (continued)

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 24,716	\$ 62,000	\$ 442,000	\$ 291,770
(24,716)	(22,000)	(42,000)	(61,770)
270	61	225	-
-	-	845,000	-
-	-	52,345	-
<u>270</u>	<u>40,061</u>	<u>- 1,297,570</u>	<u>230,000</u>
<u>\$ (74,963)</u>	<u>\$ 261,865</u>	<u>\$ 1,133,545</u>	<u>\$ 164,208</u>
5.02%	6.44%	4.62%	5.97%

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City of Falcon Heights
General Governmental Tax Revenues by Source
Last 10 Fiscal Years

Table 6

Fiscal Year	Property Tax	Tax Increment	Franchise Tax	Total
2009	\$ 938,435	\$ 328,757	\$ -	\$ 1,267,192
2010	988,609	367,882	-	1,356,491
2011	998,999	347,282	-	1,346,281
2012	1,021,683	349,716	-	1,371,399
2013	1,078,855	374,356	-	1,453,211
2014	1,051,636	202,437	-	1,254,073
2015	1,072,799	156,606	-	1,229,405
2016	1,184,241	251,476	-	1,435,717
2017	1,271,805	172,018	-	1,443,823
2018	1,602,886	294,506	22,179	1,919,571

City of Falcon Heights
Assessed Value and Estimated Actual Value of Taxable Property
Last 10 Fiscal Years

Year Ended December 31,	Real Property (1)		Personal Property (1)		Less Tax Exempt Real Property (1)	Total Taxable Assessed Value (1)	Total Direct Tax Rate
	Residential Property	Commercial Property	Motor Vehicles	Other			
2009	\$ 4,572,505	NA	NA	\$ 48,842	NA	\$ 4,621,347	19.216
2010	4,453,957	NA	NA	48,814	NA	4,502,771	20.654
2011	4,255,866	NA	NA	52,800	NA	4,308,666	21.521
2012	4,021,671	NA	NA	55,328	NA	4,076,999	23.515
2013	3,697,530	NA	NA	59,508	NA	3,757,038	27.884
2014	3,776,860	NA	NA	59,934	NA	3,836,794	24.819
2015	4,111,429	NA	NA	61,664	NA	4,173,093	23.470
2016	4,100,084	NA	NA	64,788	NA	4,164,872	25.855
2017	4,327,797	NA	NA	68,082	NA	4,395,879	26.342
2018	4,602,900	NA	NA	72,140	NA	4,675,040	31.780

(1) Assessed values replaced by Gross Tax Capacity (GTC) by state statutes.
Assessed values of commercial property, motor vehicles and tax exempt properties are not provided by Ramsey County.

Table 7

	<u>Estimated Actual Taxable Market Value</u>	<u>Assesed (Tax Capacity) Value⁽¹⁾ as a Percentage of Taxable Market Value</u>
\$	427,019,600	1.08%
	415,592,900	1.08%
	397,758,400	1.08%
	374,125,500	1.09%
	362,697,600	1.04%
	369,585,000	1.04%
	385,888,200	1.08%
	384,679,900	1.08%
	403,438,700	1.09%
	426,967,700	1.09%

**City of Falcon Heights
Property Tax Rates
Direct and Overlapping (1) Governments
Last 10 Fiscal Years**

Table 8

Net Tax Capacity Rates (2)

Fiscal Year	City of Falcon Heights			Overlapping Rates				Total Direct And Overlapping Rates
	Operating Rate (3)	Debt Service Rate	Total City Rate	Technical College Rate	Ramsey County Rate	School District No. 623 Rate	Special Districts Rate	
2009	19.216	0.000	19.216	0.000	46.546	10.624	6.806	83.192
2010	20.654	0.000	20.654	0.000	50.248	13.065	7.233	91.200
2011	21.521	0.000	21.521	0.000	54.678	14.566	7.889	98.654
2012	23.515	0.000	23.515	0.000	61.316	17.065	8.871	110.767
2013	27.884	0.000	27.884	0.000	65.240	15.464	9.305	117.893
2014	24.819	0.000	24.819	0.000	63.735	16.251	9.037	113.842
2015	23.470	0.000	23.470	0.000	58.922	17.18	8.647	108.219
2016	25.855	0.000	25.855	0.000	58.885	20.958	9.052	114.750
2017	26.342	0.000	26.342	0.000	55.850	18.894	8.669	109.755
2018	31.780	0.000	31.780	0.000	53.962	34.396	9.086	129.223

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

(2) Tax capacity rates are used by state statute instead of millage rates.

(3) Does not include tax increments.

**City of Falcon Heights
Principal Property Taxpayers
December 31, 2018**

Table 9

Taxpayer	2018			2009		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Falcon Heights Town Square Apartments, LP	\$ 167,218	1	3.80 %	\$ 120,788	2	2.68 %
Spire Federal Credit Union	145,052	2	3.30 %	181,718	1	4.03 %
Sidal Realty Co. Limited Partnership	138,150	3	3.14 %	99,000	3	2.20 %
Town Square Senior Apartments, LLC	80,000	4	1.82 %	54,079	4	1.20 %
Northern States Power	72,140	5	1.73 %	48,840	5	1.08 %
Falcon Crossing, LLC	63,738	6	1.45 %	49,650	6	1.10 %
Anna Spiegler	50,978	7	1.16 %	36,338	8	0.81 %
Carl and Eloise Pohlada Foundation	49,054	8	1.12 %	-	-	- %
Warner Properties of MN, LLP	48,038	9	1.09 %	45,450	7	1.01 %
1800 Larpenteur LLC & CO John Stiehm	36,507	10	0.83 %	-	-	- %
JAK Rental Properties LLC	34,376	11	0.83 %	47,250	-	1.05 %
Cox Building LLC	33,400	12	0.78 %	-	-	- %
Total	<u>\$ 918,651</u>		<u>21.06 %</u>	<u>\$ 683,113</u>		<u>15.15 %</u>

(1) Assessed values replaced by Gross Tax Capacities (GTC) by state statute.

**City of Falcon Heights
Property Tax Levies and Collections ⁽¹⁾
Last 10 Fiscal Years**

Table 10

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 943,828	\$ 937,551	99.3%	\$ 6,277	\$ 943,828	100.00%
2010	1,022,944	982,578	96.1%	17,552	1,000,130	97.77%
2011	1,038,290	989,035	95.3%	5,963	994,998	95.83%
2012	1,017,944	1,011,688	99.4%	6,256	1,017,944	100.00%
2013	1,084,007	1,078,855	99.5%	4,411	1,083,266	99.93%
2014	1,083,850	1,044,751	96.4%	3,311	1,048,062	96.70%
2015	1,083,850	1,072,033	98.9%	11,280	1,083,313	99.95%
2016	1,173,447	1,171,208	99.8%	2,239	1,173,447	100.00%
2017	1,278,231	1,271,805	99.5%	2,599	1,274,404	99.70%
2018	1,487,059	1,480,385	99.6%		1,480,385	99.55%

**City of Falcon Heights
Ratios of Outstanding Debt by Type
Last 10 Fiscal Years**

Table 11

Fiscal Year	<u>Governmental Activities</u> G.O. Bonds	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
2009	\$ 565,000	\$ 565,000	0.35%	98
2010	500,000	500,000	0.32%	94
2011	235,000	235,000	0.14%	44
2012	170,000	170,000	0.10%	31
2013	1,265,000	1,265,000	0.78%	236
2014	1,195,000	1,195,000	0.72%	218
2015	1,070,000	1,070,000	0.65%	196
2016	930,000	930,000	0.54%	170
2017	1,625,000	1,625,000	0.95%	298
2018	1,475,000	1,475,000	0.75%	271

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

⁽¹⁾ See the Schedule of Demographic and Economic Statistics (Table 16) for personal income and population data.

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**City of Falcon Heights
Ratios of General Bonded Debt Outstanding
Last 10 Fiscal Years**

Table 12

Fiscal Year	G.O. Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ⁽¹⁾ of Property	Per Capita ⁽²⁾
2009	\$ 565,000	\$ 56,985	\$ 508,015	0.12%	88
2010	500,000	9,758	490,242	0.12%	92
2011	235,000	402	234,598	0.06%	44
2012	170,000	2,427	167,573	0.04%	31
2013	1,265,000	44,007	1,220,993	0.34%	227
2014	1,195,000	260,990	934,010	0.25%	170
2015	1,070,000	234,341	835,659	0.22%	153
2016	930,000	247,198	682,802	0.18%	125
2017	1,625,000	404,754	1,220,246	0.30%	224
2018	1,475,000	351,141	1,123,859	0.26%	206

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

⁽¹⁾ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (Table 7) for property value data.

⁽²⁾ Population data can be found in the Schedule of Demographic and Economic Statistics (Table 16)

**City of Falcon Heights
Direct and Overlapping Governmental Activities Debt
December 31, 2018**

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share Of Overlapping Debt
Debt repaid with property taxes: county	\$ 1,990,348,966	0.8%	<u>\$ 16,746,812</u>
Subtotal, overlapping debt			16,746,812
City of Falcon Heights direct debt			<u>1,475,000</u>
Total direct and overlapping debt			<u><u>\$ 18,221,812</u></u>

Note: overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the city. This process recognizes that, when considering the government'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.

⁽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 total taxable assessed value.

Sources: Assessed value data used to estimate applicable percentages provided by the county board of equalization and assessment. Debt outstanding data provided by the county.

City of Falcon Heights
Computation of Direct and Overlapping Bonded Debt
December 31, 2018

Table 13 (Continued)

Governmental Unit	Gross Debt (1)	Sinking Funds	Net Debt	City's Share	
				Percent	Amount
Direct					
City of Falcon Heights	\$ 1,475,000	\$ 351,141	\$ 1,123,859	100.00	% \$ 1,123,859
Overlapping					
School Districts					
Isd No. 623	173,740,000	3,494,772	170,245,228	7.25	12,343,630
Isd No. 916	78,970,000	3,844,541	75,125,459	1.77	1,331,461
Ramsey County					
Ramsey County	153,827,000	55,753,214	98,073,786	0.88	859,765
County Library	28,830,000	2,392,578	26,437,422	1.75	461,345
Metro Watershed	4,419,000	-	4,419,000	-	-
Metropolitan Agencies					
Metro Council	1,549,087,966	197,844,669	1,351,243,297	0.13	1,750,611
Metro Airports	-	-	-	-	-
Total	-	-	-	-	-
Overlapping Debt	<u>1,988,873,966</u>	<u>263,329,774</u>	<u>1,725,544,192</u>		<u>16,746,812</u>
Total direct and overlapping debt	<u>\$ 1,990,348,966</u>	<u>\$ 263,680,915</u>	<u>\$ 1,726,668,051</u>		<u>\$ 17,870,671</u>

⁽¹⁾ gross debt totals include bonds which are financed by ad valorem tax levy, G.O. Revenue financing and special assessments.

Metro council has G.O. revenue debt of \$1,359,776,990 and revenue debt of \$0. Metro airports commission has G.O. Revenue debt of \$0 and revenue debt of \$1,402,780,000.

Source: department of property records and revenue - Ramsey County

**City of Falcon Heights
Legal Debt Margin Information
Last 10 Fiscal Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 8,540,392	\$ 8,311,858	\$ 7,955,168	\$ 7,482,510	\$ 6,838,406
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 8,540,392</u>	<u>\$ 8,311,858</u>	<u>\$ 7,955,168</u>	<u>\$ 7,482,510</u>	<u>\$ 6,838,406</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Under state finance law, the City's G.O. debt should not exceed 2% of total assessed tax capacity. By law, the G.O. debt subject to the limitation may be offset by amounts set aside for repaying G.O. bonds.

Table 14

2014	2015	2016	2017	2018
\$ 6,991,052	\$ 7,717,764	\$ 7,693,598	\$ 8,068,774	\$ 8,539,354
-	-	-	-	-
<u>\$ 6,991,052</u>	<u>\$ 7,717,764</u>	<u>\$ 7,693,598</u>	<u>\$ 8,068,774</u>	<u>\$ 8,539,354</u>
0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt
Margin
Calculation for
Fiscal Year 2018

Assessed Value	\$ 426,967,700
Add Back Exempt Real Property	-
Total Assessed Value	<u>426,967,700</u>
Debt Limit (2% of Total Assessed Value)	8,539,354
Debt Applicable to Limit:	
G.O. Bonds	-
Less Amount Set Aside for Repayment of G.O. Debt	-
Total Net Debt Applicable to Limit	<u>-</u>
Legal Debt Margin	<u>\$ 8,539,354</u>

**City of Falcon Heights
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Table 15

Fiscal Year	Special Assessment Bonds				
	Special Assessment Collections	Debt Service		Coverage	
		Principal	Interest		
2009	\$ 17,951	\$ 165,000	\$ 16,917	9.9%	
2010	2,857	175,000	5,273	1.6%	
2011	-	200,000	5,200	0.0%	
2012	-	-	-	0.0%	
2013	31,483	-	-	0.0%	
2014	58,007	-	6,701	865.6%	
2015	50,145	60,000	6,870	75.0%	
2016	45,371	60,000	6,345	68.4%	
2017	39,328	65,000	5,606	55.7%	
2018	43,579	65,000	30,772	45.5%	

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

**City of Falcon Heights
Demographic and Economic Statistics
Last 10 Fiscal Years**

Table 16

Fiscal Year	Population ⁽¹⁾	Total Personal Income	Per Capita Personal Income ⁽²⁾	Median Age ⁽³⁾	Education Level in Years of Formal Schooling ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2009	5,775	\$ 161,676,900	\$ 27,996	NA	14.5	6,450	7.6
2010	5,321	154,074,876	28,956	NA	14.8	6,561	6.4
2011	5,350	164,009,600	30,656	NA	14.8	6,747	5.5
2012	5,426	165,113,180	30,430	NA	14.8	6,793	5.4
2013	5,370	161,631,630	30,099	NA	14.8	7,471	4.3
2014	5,490	165,117,240	30,076	NA	14.8	7,436	3.2
2015	5,450	165,314,850	30,333	NA	14.8	7,507	3.1
2016	5,460	170,657,760	31,256	NA	14.8	7,590	4.1
2017	5,450	170,345,200	36,156	NA	14.8	7,592	3.2
2018	5,450	197,050,200	36,156	NA	14.8	7,519	2.9

Data sources

⁽¹⁾ Bureau of the Census/Metropolitan Council

⁽²⁾ State of Minnesota Demography Department - Ramsey County data and US Census data (2018 is estimated on 2017 data)

⁽³⁾ Census Data for 2000 and 2010

⁽⁴⁾ School District

⁽⁵⁾ State Department of Labor

* Revenue Information for Ramsey County not available

Note: Population, median age and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

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**City of Falcon Heights
Principal Employers
Current Year and Nine Years Ago**

Table 17

Taxpayer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Minnesota (1)	2,700	1	75.00 %	2,620	1	77.06 %
Spire Federal Credit Union	285	2	7.92 %	84	2	- %
Twin Cities Laboratories	127	3	3.53 %	-	-	- %
Minnesota State Fair (2)	85	4	2.36 %	80	3	2.35 %
Falcon Heights Elementary	46	5	1.28 %	45	4	1.32 %
Estimated Total City Employees All Businesses	<u>3,600</u>		<u>90.08 %</u>	<u>3,400</u>		<u>80.74 %</u>

- (1) The University of Minnesota Saint Paul Campus employs an additional 1400 part time people during the year.
(2) During the Minnesota State Fair held each fall, there are an additional 2,800 people contingently employed.

City of Falcon Heights
Full-Time Equivalent City Government Employees by Function
Last 10 Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016
General Government	3.85	4.29	4.16	4.16	4.16	4.51	4.26	4.26
Public Safety								
Police (1)								
Officers	NA	NA	NA	NA	NA	NA	NA	NA
Fire								
Firefighters and Officers	2.27	2.27	2.27	2.27	2.27	3.02	3.02	3.02
Highways and Streets								
Engineering (2)								
Maintenance	1.38	1.32	1.13	1.13	1.13	1.13	1.13	1.13
Park and Recreation	2.00	2.49	2.49	2.49	2.49	2.49	2.49	2.49
Sewer	2.41	2.29	2.19	2.19	2.19	2.19	2.19	2.19
Total	11.91	12.66	12.24	12.24	12.24	13.34	13.09	13.09

- (1) The City contracts with a neighboring city for police services.
(2) The City contracts with outside entities for engineering services.

Table 18

<u>2017</u>	<u>2018</u>
4.61	5.21
NA	NA
2.77	2.77
1.10	1.11
2.44	2.49
<u>2.32</u>	<u>2.32</u>
13.24	13.90

**City of Falcon Heights
Operating Indicators by Function
Last 10 Fiscal Years**

Function	2009	2010	2011	2012	2013	2014	2015
Police							
Physical arrests	613	547	638	605	649	620	700
Parking violations	426	391	243	215	336	427	313
Traffic violations	1,370	1,315	1,647	1,486	1,608	1,496	1,987
Fire							
Number of calls answered	88	108	101	149	94	117	108
Inspections	30	29	60	68	61	86	67
Highways and Streets							
Streets resurfacing (miles)	0.6	-	-	-	1	-	-
Potholes repaired	14	20	30	60	70	185	80
Sanitation							
Refuse collected (tons/day) (1)	NA	NA	NA	NA	NA	NA	NA
Recyclables collected (tons/day) (2)	17.2	21.5	9.9	9.3	9.3	9.6	8.9
Park and Recreation							
Athletic field permits issued	68	59	6	3	3	3	3
Community centers admissions (3)	NA	NA	NA	NA	NA	NA	NA
Water							
New connections	-	-	-	-	-	-	-
Water mains breaks	1	3	-	-	6	1	-
Average daily consumption (thousands of gallons)	741	715	868	903	1054	707	728
Wastewater							
Average daily sewage treatment (thousands of gallons per day)	708	626	604	688	553	562	561

Note: Indicators are not available for the general government function.

- (1) Individual property owners contract privately with refuse collectors to provide this service.
- (2) The City of Falcon Heights contracts with a recycling collector to collect recyclables. Starting 2011, recyclables were picked up every week during the summer months.
- (3) The City of Falcon Heights has no community center, but does have park buildings to use when parks are rented.

Table 19

<u>2016</u>	<u>2017</u>	<u>2018</u>
539	311	59
303	155	304
1,344	1,653	270
120	119	143
77	105	146
-	-	1
70	68	29
NA	NA	NA
9.0	8.9	8.6
3	83	87
NA	NA	NA
-	3	2
-	1	1
716	723	769
574	538	629

ing the year instead of twice a month.

**City of Falcon Heights
Capital Asset Statistics by Function
Last 10 Fiscal Years**

Function	2009	2010	2011	2012	2013	2014
Public Safety						
Police (1)						
Stations	-	-	-	-	-	-
Patrol units	-	-	-	-	-	-
Fire stations	1	1	1	1	1	1
Highways and Streets						
Streets (miles)	24.3	24.3	24.3	24.3	24.3	24.3
Streetlights	210	210	210	210	210	210
Traffic signals	9	9	9	9	9	9
Park and Recreation						
Parks acreage	18.07	18.07	18.07	18.07	18.07	18.07
Parks	3	3	3	3	3	3
Tennis courts	2	2	2	2	2	2
Water						
Water mains (miles)	14.5	14.5	14.5	14.5	14.5	14.5
Fire hydrants	146	146	146	146	146	146
Maximum daily capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000
Sewer						
Sanitary sewers (miles)	14.7	14.7	14.7	14.7	14.7	14.7
Storm sewers (miles)	4	4	4	4	4	4
Maximum daily treatment capacity (2) (thousands of gallons)	339,000	339,000	339,000	339,000	339,000	339,000

Note: No capital asset indicators are available for the general government function.

- (1) Falcon Heights contracts with the Ramsay County Sherriff's Department for 24 hour police coverage
(2) Falcon Heights is part of the Metropolitan Council Environmental Services metro area wide treatment facility.
This number represents total system daily plant capacity authorized by permit for the area including the City.

Table 20

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
-	-	-	-
-	-	-	-
1	1	1	1
24.3	24.3	24.3	24.3
210	210	210	210
9	9	9	9
18.07	18.07	18.07	18.07
3	3	3	3
2	2	2	2
14.5	14.5	14.5	14.5
146	146	146	146
2,000	2,000	2,000	2,000
14.7	14.7	14.7	14.7
4	4	4	4
339,000	339,000	339,000	339,000