



The City of Vadnais Heights, Minnesota

2019 Comprehensive Annual Financial Report

Year Ended December 31, 2019



**Building on the tradition of yesterday
and the promise of tomorrow.**

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CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019

REPORT PREPARED BY:
THE FINANCE DEPARTMENT

MEMBER OF THE GOVERNMENT FINANCE OFFICERS ASSOCIATION
IN THE UNITED STATES AND CANADA

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INTRODUCTORY SECTION
CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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Bob Sundberg
Finance Director

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651.204.6100 Fax
bob.sundberg@cityvadnaisheights.com



The City of Vadnais Heights
800 East County Road E
Vadnais Heights, MN 55127

June 26, 2020

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

The Comprehensive Annual Financial Report of the City of Vadnais Heights (the City) for the fiscal year ended December 31, 2019, is hereby submitted. Minnesota Statutes Section 6.74 requires cities to report their financial activities annually to the Office of the State Auditor within 180 days of the fiscal year end. Additionally, cities over 2,500 in population, according to the latest census, must have an annual audit in accordance with generally accepted accounting principles. This requirement has been satisfied by the engagement of the firm of Abdo, Eick & Meyers, LLP; their report is included in the financial section of this report.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control network that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements to conform to Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Abdo, Eick & Meyers, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended December 31, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP further requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Vadnais Heights

Vadnais Heights is a northeast suburb of the Minneapolis-St. Paul Metropolitan Area and is located seven miles north of the Saint Paul city limits. The City covers an area of approximately 8.3 square miles and its population, according to the 2010 Census, is estimated at 12,302. A hallmark feature in our City is Vadnais-Sucker Lake Regional Park. This scenic and recreational jewel boasts 1,200 acres of woods and lakes. In addition, Vadnais Heights has more than 100 acres of active parkland.

The City is empowered by the state to levy property taxes on property within its boundaries. The majority of the tax base in Vadnais Heights is residential property. However, the City's sizable commercial base provides the City with a stable tax revenue flow. A much-deliberated City Center plan, developed in the 1980's, sparked commercial growth along County Road E. Important to the plan was the major infrastructure improvement to County Road E in the area of I-35E in the 1990's. The resulting commercial area includes shops, restaurants, and other businesses focusing on service for this community.

The City was incorporated in 1957 and became a statutory city in 1974. Its governing body, the city council, is comprised of a mayor and four at-large council members. The City provides its residents and businesses a full range of municipal services directly and on a contractual basis consisting of police, fire/EMT, paramedics, public works, parks and recreation and general administrative services. The City also operates three enterprises: water utility, sewer utility, and a surface water utility. The City adopts a formal annual budget for the general fund. Less formal operational budgets are approved for special revenue and enterprise funds as these funds are not dependent on property tax revenues and their expenditures are dictated by revenues received. Capital projects are scheduled in the five year capital improvement plan.

Local Economy

Approximately two thirds of the City's net tax capacity is comprised of residential homesteaded properties; the majority of the remaining tax capacity is comprised of commercial and industrial properties. There are over 300 business establishments in the City including a variety of light manufacturing, research and development, hospitality, health/medical, and various other commercial service and retail establishments. Approximately 8,100 jobs exist within the City. The local economy continues to flourish with several new commercial building projects underway. Additionally, residential property values continued their upward trend after several years of decline according to the Ramsey County Assessor's most recent report. A senior housing project is in operation. Several medical clinics have been recently completed. Several small residential developments, including a new market-rate apartment complex, are also in the planning and building stages. The City is served by several four-lane highways and is intersected by two interstate freeways that enhance the City's desirability for developers. Current property tax collection rates continue to be high; tax abatements from previous years, due to property value appeals, have returned to normal levels.

Financial Planning and Policies

The City's general fund balance remained healthy in 2019. The fund balance remains within the required range established by the City Council. In 2011, the City adopted a fund balance policy requiring the maintenance of a balance of 35 - 60% of the following year's budget as unrestricted fund balance in the general fund. The fund balance is necessary for cash flow purposes as scheduled property tax receipts don't occur until July and December of each year. The City anticipates maintaining a similar fund balance in future years as it has consistently done in the past. In 2010, the City revised its policy related to the accounting for compensated absences. Compensated absences are earned, but unused, vacation, sick and comp time hours. A new internal service fund was created and the liability for compensated absences was fully funded in 2010. This fund continues to be fully funded in 2019.

The annual budget serves as the foundation for the City's financial planning and control. All department heads of the City are required to submit requests for appropriation to the City Administrator by July 1 each year. The city administrator and finance director use these requests as a starting point for developing a preliminary general fund budget. The preliminary budget and the not to exceed tax levy for each subsequent year are approved by the Council by September of each prior year as required by state statute. The Council is required to hold a public hearing on the budget and to adopt a final budget and tax levy by December. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the city council. Activities of the general fund are included in the annually appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level.

Major capital projects in the city are planned and budgeted in the five-year capital improvement plan, which is considered and approved by the City Council each year. Historically, each year, street segments, using the most cost-effective repair methods, are improved. Funding is provided by a combination of assessments to benefiting property owners and city capital contributions. Commencing in 2018, a franchise fee related to gas and electric utilities will provide funding for the city's portion of the annual street reconstruction program. When street segments are scheduled for improvement, utility infrastructure beneath these segments are inspected; any deficiencies in the City's underground utility system are corrected in conjunction with the project.

The City of Vadnais Heights' worker's compensation insurance and its general property and liability coverage are provided through the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT worker's compensation program is a joint self-insurance plan, designed to lower and stabilize cities' workers compensation costs and to assure that cities have a source of coverage available.

Financial Reporting Award

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities who submit outstanding comprehensive annual financial reports each year. The City received the award for its 2018 financial report. The City expects to submit for the award again for its 2019 financial report. Earning the award is the result of the combined efforts of the City's audit firm, Abdo, Eick & Meyers, LLP, and the City's finance department.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Bob Sundberg", written in a cursive style.

Bob Sundberg,
Finance Director



Government Finance Officers Association

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

Presented to

**City of Vadnais Heights
Minnesota**

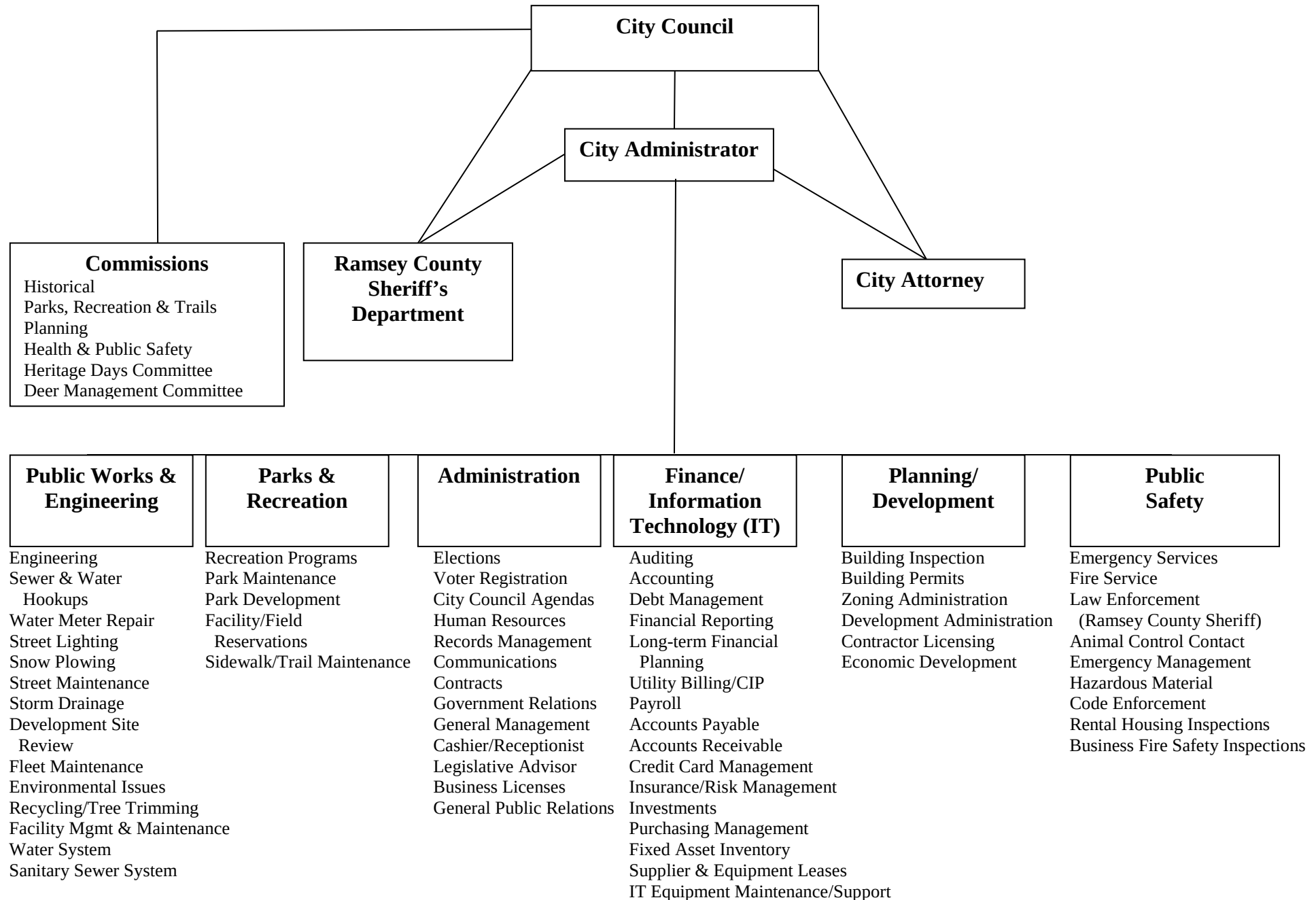
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

City of Vadnais Heights
ORGANIZATIONAL CHART



City of Vadnais Heights, Minnesota
List of Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED OFFICIALS

Name	Title	Term Expires
Heidi Gunderson	Mayor	January 4, 2021
Bob Morse	Council Member	January 4, 2021
Greg Urban	Council Member	January 2, 2023
Craig Johnson	Council Member	January 4, 2021
Patrick Youker	Council Member	January 2, 2023

APPOINTED OFFICIALS

Kevin Watson	City Administrator
Jesse Farrell	City Engineer/Public Service Director
Tim Sandvik	Assistant City Administrator
Ed Leier	Fire Chief
Bob Sundberg	Finance Director
Nolan Wall	Community Development Director

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FINANCIAL SECTION
CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Vadnais 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 Vadnais Heights, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2019, 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.

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Other Matters

Required Supplementary Information

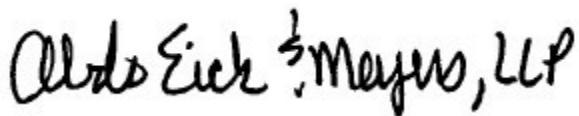
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 25 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in the City's Other Post Employment Benefit Liability and Related Ratios, starting on page 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, statistical section and combining and individual fund financial statements and schedules 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.

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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 26, 2020

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Management's Discussion and Analysis

As management of the City of Vadnais Heights, Minnesota, (the City), we offer readers this expanded narrative and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. Pages 11 through 14 provide additional information regarding the City.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$74,442,592 (net position). Of this amount, \$22,487,685 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,508,233 during the year. The increase is mostly due to an excess of charges for services over operating expenses in the governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,792,842, an increase of \$1,114,896 in comparison with the prior year. Of this total amount, \$3,485,403 is available for use at the City's discretion, or *unassigned*. The remainder, \$12,307,439 has been classified as *nonspendable, restricted, committed or assigned*.
- At the end of 2019, the City's General fund unassigned balance was \$3,485,403, or 52.8 percent of budgeted 2020 General fund expenditures. These funds are not legally restricted and can be spent at the City's discretion. The remaining balance of General fund, \$69,248, is *nonspendable* because it consists of inventory and prepaid items.
- The City's total debt decreased by \$275,000 primarily due to annual debt service payments.

Overview of the Financial Statements

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

Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

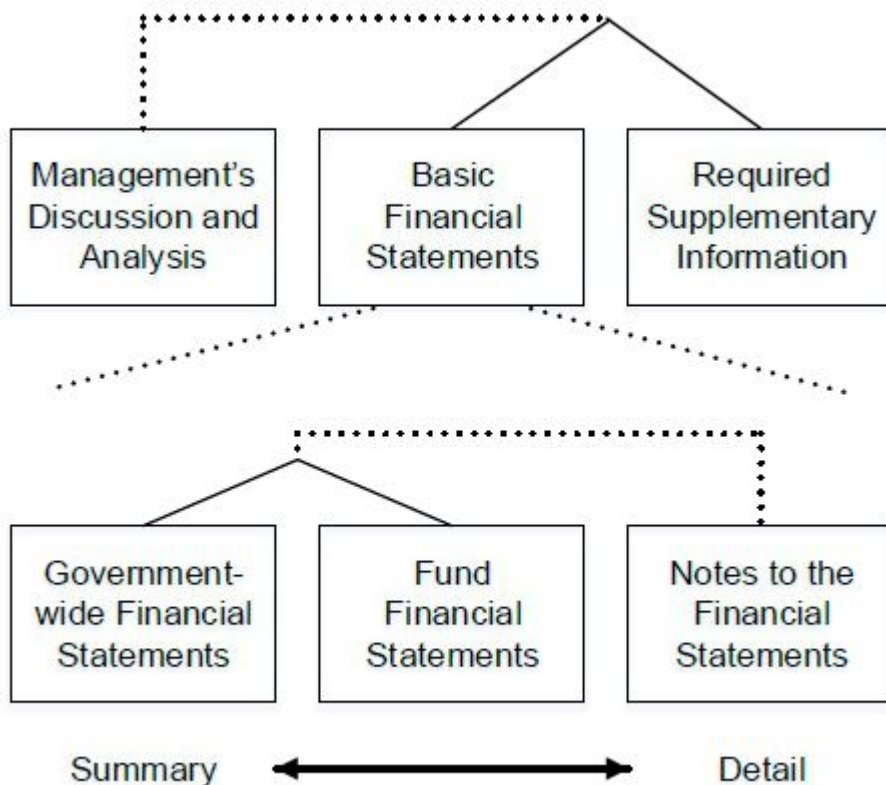


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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 deferred outflows or resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position balances 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 revenue (*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, culture and recreation, community development and interest on long-term debt. The business-type activities of the City include water, sewer, and surface water management.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority for which the City is financially accountable. When applicable, financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Economic Development Authority, although legally separate, functions for all practical purposes as a department of the City, and therefore is included as an integral part of the primary government when financial activity occurs.

The government-wide financial statements start on page 39 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 of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds, two of which are Debt Service 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, Public Works Reserve fund, Capital Improvements and the TIF-16 fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annually appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 44 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and surface water management operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the funding of the City's compensated absences liability.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary funds financial statements start on page 52 of this report.

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 the financial statements start on page 57 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 98 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$74,442,592 at the close of the most recent fiscal year.

A portion of the City's net position (61.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Vadnais Heights' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 20,220,247	\$ 18,664,781	\$ 1,555,466	\$ 12,812,174	\$ 12,290,397	\$ 521,777
Capital assets	41,264,173	41,839,903	(575,730)	10,133,165	10,184,830	(51,665)
Total Assets	61,484,420	60,504,684	979,736	22,945,339	22,475,227	470,112
Deferred Outflows of Resources						
Deferred pension resources	519,274	844,879	(325,605)	26,300	46,711	(20,411)
Deferred other postemployment benefit resources	12,126	8,783	3,343	3,103	2,438	665
Total Deferred Outflows of Resources	531,400	853,662	(322,262)	29,403	49,149	(19,746)
Liabilities						
Noncurrent liabilities						
outstanding	7,674,594	8,038,109	(363,515)	280,579	304,206	(23,627)
Other liabilities	1,396,274	1,259,436	136,838	139,592	268,810	(129,218)
Total Liabilities	9,070,868	9,297,545	(226,677)	420,171	573,016	(152,845)
Deferred Inflows of Resources						
Deferred pension resources	981,540	1,003,387	(21,847)	72,456	74,415	(1,959)
Deferred other postemployment benefit resources	2,337	-	2,337	598	-	598
Total Deferred Inflows of Resources	983,877	1,003,387	(19,510)	73,054	74,415	(1,361)
Net Position						
Net investment in capital assets	35,734,173	36,034,903	(300,730)	10,133,165	10,184,830	(51,665)
Restricted for						
Debt service	326,151	426,473	(100,322)	-	-	-
Solid waste	22,826	16,226	6,600	-	-	-
Charitable gambling	76,673	55,386	21,287	-	-	-
Economic development	5,356,455	5,070,673	285,782	-	-	-
Community development	241,874	224,951	16,923	-	-	-
Cable broadcasting	63,590	-	63,590	-	-	-
Unrestricted	10,139,333	9,228,802	910,531	12,348,352	11,692,115	656,237
Total Net Position	\$ 51,961,075	\$ 51,057,414	\$ 903,661	\$ 22,481,517	\$ 21,876,945	\$ 604,572

An additional portion of the City's net position (\$6,023,979) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$22,487,685) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

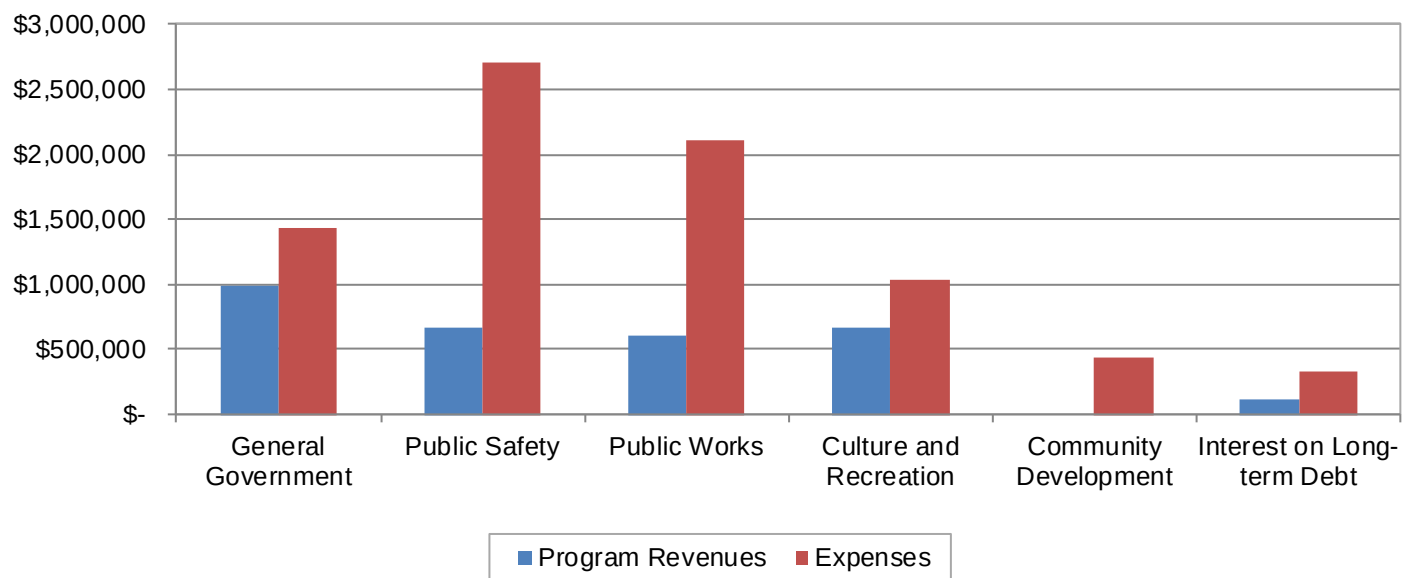
Governmental activities increased the City's net position by \$903,661. This increase was primarily the result of an increase in charges for services, unrestricted investment earnings, tax increments and a decrease in public works expenses. Other key elements of the net position increase are noted below:

City of Vadnais Heights' Changes in Net Position

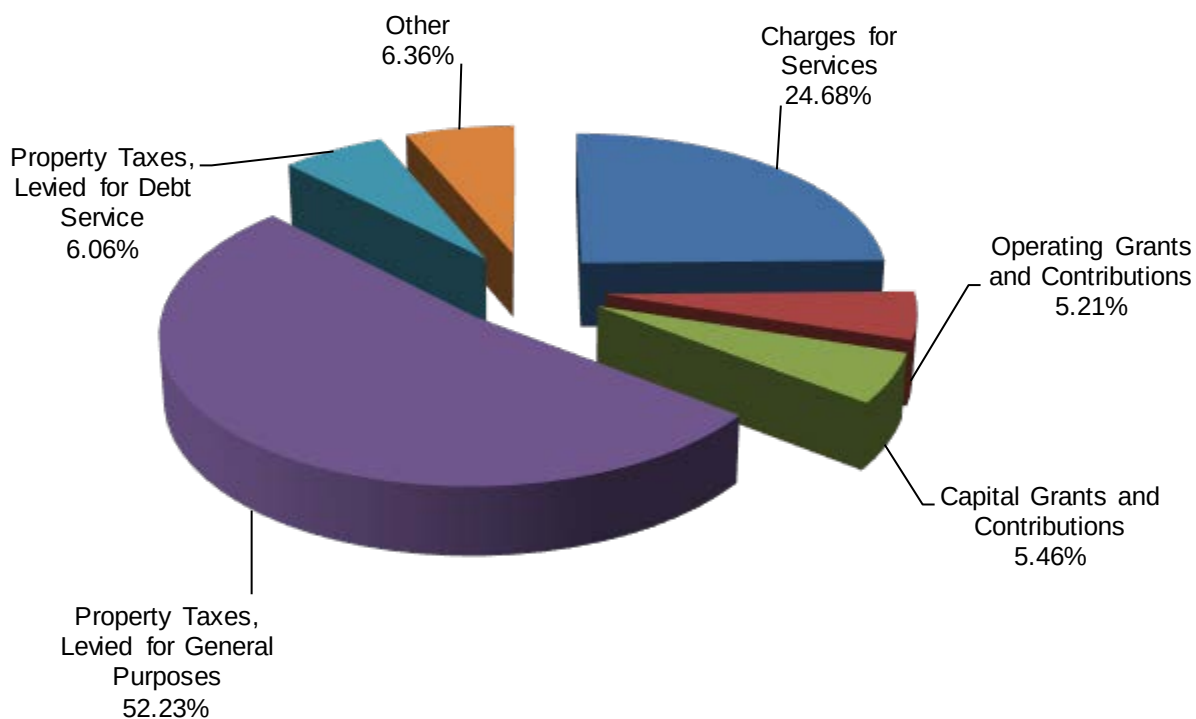
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,121,035	\$ 1,893,715	\$ 227,320	\$ 3,774,645	\$ 3,783,903	\$ (9,258)
Operating grants and contributions	447,209	398,948	48,261	424	1,521	(1,097)
Capital grants and contributions	468,716	330,368	138,348	-	-	-
General Revenues						
Taxes						
Property taxes	4,416,666	4,394,342	22,324	-	-	-
Tax increments and other taxes	590,266	430,580	159,686	-	-	-
Unrestricted investment earnings	507,959	191,944	316,015	434,582	180,611	253,971
Gain on sale of capital assets	38,214	18,000	20,214	-	-	-
Total Revenues	<u>8,590,065</u>	<u>7,657,897</u>	<u>932,168</u>	<u>4,209,651</u>	<u>3,966,035</u>	<u>243,616</u>
Expenses						
General government	1,441,685	1,282,295	159,390	-	-	-
Public safety	2,701,365	2,530,275	171,090	-	-	-
Public works	2,107,292	2,364,593	(257,301)	-	-	-
Culture and recreation	1,037,276	975,805	61,471	-	-	-
Community development	442,366	388,510	53,856	-	-	-
Interest on long-term debt	331,719	346,315	(14,596)	-	-	-
Water	-	-	-	974,910	937,903	37,007
Sewer	-	-	-	1,864,435	1,698,053	166,382
Surface water management	-	-	-	390,435	614,586	(224,151)
Total Expenses	<u>8,061,703</u>	<u>7,887,793</u>	<u>173,910</u>	<u>3,229,780</u>	<u>3,250,542</u>	<u>(20,762)</u>
Increase (Decrease) in Net Position						
Before Transfers and Contributions	528,362	(229,896)	758,258	979,871	715,493	264,378
Transfers	375,299	500,000	(124,701)	(375,299)	(500,000)	124,701
Change in Net Position	903,661	270,104	633,557	604,572	215,493	389,079
Net Position, January 1	<u>51,057,414</u>	<u>50,787,310</u>	<u>270,104</u>	<u>21,876,945</u>	<u>21,661,452</u>	<u>215,493</u>
Net Position, December 31	<u>\$ 51,961,075</u>	<u>\$ 51,057,414</u>	<u>\$ 903,661</u>	<u>\$ 22,481,517</u>	<u>\$ 21,876,945</u>	<u>\$ 604,572</u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

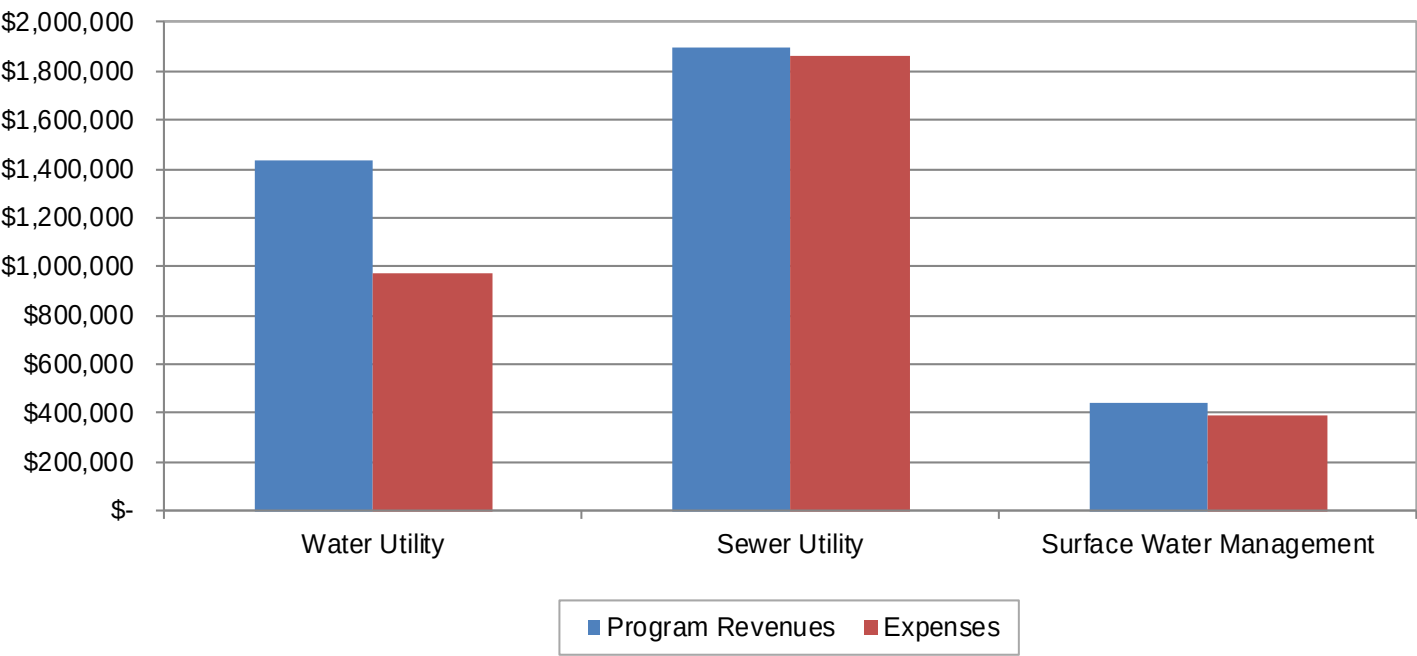


Revenues by Source - Governmental Activities

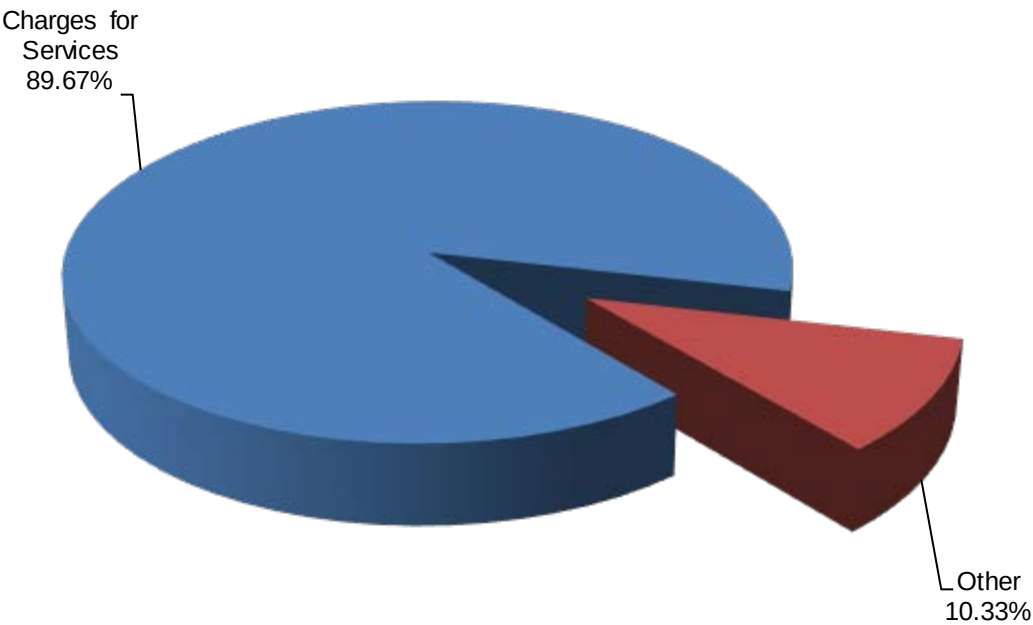


Business-type Activities. Business-type activities increased the City's net position by \$604,572. This increase was primarily the result of increasing water revenues being collected in excess of operating expenses.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,792,842, an increase of \$1,114,896 in comparison with the prior year. Approximately 22.1 percent of this total amount, \$3,485,403, constitutes *unassigned* fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$12,307,439) is not available for new spending because it is either 1) nonspendable (\$69,248), 2) restricted (\$6,225,099), 3) committed (\$26,600), or 4) assigned (\$5,986,492) for the purposes described in the notes to the financial statements. Activity in the City's major funds is discussed below.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
General	\$ 3,554,651	\$ 3,376,102	\$ 178,549
The increase in the General fund was primarily due to an excess of revenues over expenditures and a transfer in from other funds.			
Public Works Reserve	\$ 2,052,041	\$ 1,919,476	\$ 132,565
The increase in the Public Works Reserve fund is due to special assessments revenue exceeding current year project costs.			
Capital Improvements	\$ 3,278,476	\$ 2,823,667	\$ 454,809
The increase in the Capital Improvements fund is due to tax revenue exceeding current year capital improvement costs			
TIF 1-16	\$ 3,365,998	\$ 3,244,485	\$ 121,513
The increase in the TIF 1-16 fund balance was due to interest on investments exceeding community development expenditures.			

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

Unrestricted net position of the enterprise funds at the end of the year amounted to a fund balance of \$12,348,352. The total increase in net position for the funds was \$604,572.

General Fund Highlights

The General fund accounts for most of the City's day-to-day operations such as police and fire protection, emergency management, maintenance of streets, community development, administration, and parks and recreation services. In 2019 the General Fund balance increased \$178,549.

	Final Budget	Actual	Variance
Revenues	\$ 5,713,279	\$ 5,858,796	\$ 145,517
Expenditures	(6,213,779)	(6,186,241)	27,538
Transfer In	500,000	500,000	-
Sale of Capital Assets	500	5,994	5,494
Increase in Fund Balance	<u>\$ -</u>	<u>\$ 178,549</u>	<u>\$ 178,549</u>

- A number of revenue categories varied from what was budgeted. Most notably miscellaneous revenues were over budget by \$129,581, and taxes were under budget by \$122,850. Miscellaneous revenues were over budget due to lease revenue. Taxes were under budget due to property tax collections being lower than expected.
- Overall expenditures were under budget by \$27,538. The largest expenditure variance occurred in Public Works which exceeded budget by \$155,795 which was offset by General Government expenditures which were under budget by \$124,710.

Property Tax Management

Property taxes are levied for four separate purposes: General Fund operations, capital improvements, debt service and for specific development activities.

To promote development in areas which would not make economic sense without financial assistance, tax increment financing is used. This tool returns a portion of newly created property taxes to developers to generate a rate of return that encourages investment in blighted areas. Property taxes are dependent on the increase in property values that occur as a result of the developer's investment activity.

On an annual basis, the City levies property taxes for General Fund activities, capital projects and debt service. The annual debt service levy is established at the time of debt issuance and continues until the relevant debt issues are paid off. The other portions of the City levy are determined on an annual basis. The following table shows the levies for the periods 2014 - 2019.

Levy	2014	2015	2016	2017	2018	2019
General	\$ 2,867,780	\$ 2,975,172	\$ 3,167,640	\$ 3,365,707	\$ 3,404,394	\$ 3,571,779
Capital Projects	172,886	140,000	327,700	276,305	499,745	481,781
Debt Service	633,797	634,250	636,264	639,950	523,409	524,525
Tax Increment	1,610,616	1,118,395	162,759	172,127	130,781	134,352

Debt Administration

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$5,930,000.

City of Vadnais Heights' Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Taxable Bonds	\$ 5,530,000	\$ 5,805,000	\$ (275,000)	\$ -	\$ -	\$ -
Notes Payable	400,000	400,000	-	-	-	-
Total	<u>\$ 5,930,000</u>	<u>\$ 6,205,000</u>	<u>\$ (275,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Managing debt is a key part of the City's strategy to properly handle its fiscal affairs. Borrowing is limited to capital projects with financing coming from taxes, assessments, development taxes, and enterprise fees. In June 2009, the City's bond rating was upgraded to AA by Standard & Poor's. Because of its involvement with the financing of a sports facility in the City, the City's Standard & Poor's bond rating was lowered to 'A' on July 17, 2012 and to 'B' on August 21, 2012. Standard and Poors affirmed this rating on March 2, 2015. On September 5, 2012, Moody's lowered the City's debt rating to Ba1 from Aa2. Two years later on October 15, 2014, Moody's upgraded the rating on Vadnais Heights, Minn.'s general obligation (GO) debt to a 'Baa2'. As of March 29, 2016, Moody's affirmed the Baa2 debt rating citing the City's for sound General fund operations, stable economy and low debt burden.

For a more detailed review of debt, please refer to Note 3E in the financial statements.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2019 amounts to \$51,397,338 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads.

City of Vadnais Heights' Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 9,492,878	\$ 9,492,878	\$ -	\$ 10,593	\$ 10,593	\$ -
Buildings	11,555,229	11,913,082	(357,853)	318,359	329,336	(10,977)
Construction Work in Process	44,082	7,091	36,991	1,239,035	877,902	361,133
Infrastructure	18,706,484	18,923,969	(217,485)	-	-	-
Machinery and Equipment	1,465,500	1,502,883	(37,383)	244,899	304,738	(59,839)
Improvements Other Than Buildings	-	-	-	8,320,279	8,662,261	(341,982)
Total	<u>\$ 41,264,173</u>	<u>\$ 41,839,903</u>	<u>\$ (575,730)</u>	<u>\$ 10,133,165</u>	<u>\$ 10,184,830</u>	<u>\$ (51,665)</u>

Capital plans call for continuous repair and development of the municipal infrastructure. Annual street pavement program, construction of trails, park land acquisition and development, fleet purchases, and work on the enterprise systems are examples of capital outlay. Highlights for the year were:

- Commons and City Hall lighting upgrade
- 2019 Street Improvement project
- Bear Playground equipment
- Kohler Park tennis court resurfacing
- Construction in progress additions relating to the water meters upgrade and sewer lining projects.
- Purchase of a 2019 Ford F-350 plow truck

Additional capital asset information can be found in Note 3C in the financial statements.

Tax Increment Projects

At year-end, there were five active tax increment project funds. A separate project fund is set-up to account for revenues and expenditures of each district. The district must be closed when it reaches its statutory end date or de-certified when all obligations have been met. A total of eighteen districts have been closed or decertified by the City since 2003.

The combined fund balance for the districts is \$5,356,455 at the end of 2019. This amount is pledged towards public improvements, note obligations, and debt retirement.

Current Events

- Approved construction of a new Cadillac automobile dealership.
- Approved construction of a 14-unit garage condo development.
- Approved a parking lot expansion for the Acura/Subaru automobile dealership.

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 Finance Director, City of Vadnais Heights, 800 East County Road E, Vadnais Heights, Minnesota 55127.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Vadnais Heights, Minnesota
Statement of Net Position
December 31, 2019

Exhibit 1

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 16,533,467	\$ 11,844,771	\$ 28,378,238
Receivables			
Accrued interest	69,065	-	69,065
Taxes	78,534	-	78,534
Accounts	154,203	809,710	963,913
Special assessments	1,099,340	157,670	1,257,010
Notes	400,000	-	400,000
Due from other governments	20,169	-	20,169
Inventory	14,781	-	14,781
Prepaid items	54,467	23	54,490
Net pension asset	938,750	-	938,750
Land held for resale	857,471	-	857,471
Capital assets			
Land and construction in progress	9,536,960	1,249,628	10,786,588
Depreciable assets, net	31,727,213	8,883,537	40,610,750
Total Assets	<u>61,484,420</u>	<u>22,945,339</u>	<u>84,429,759</u>
Deferred Outflows of Resources			
Deferred pension resources	519,274	26,300	545,574
Deferred other postemployment benefit resources	12,126	3,103	15,229
Total Deferred Outflows of Resources	<u>531,400</u>	<u>29,403</u>	<u>560,803</u>
Liabilities			
Accounts payable	372,882	89,467	462,349
Accrued salaries payable	154,020	25,430	179,450
Due to other governments	253,661	8,751	262,412
Accrued interest payable	137,530	-	137,530
Deposits payable	397,040	-	397,040
Unearned revenue	81,141	15,944	97,085
Noncurrent liabilities			
Due within one year	551,187	-	551,187
Due in more than one year	5,645,000	-	5,645,000
Net pension liability	1,343,636	246,093	1,589,729
Other postemployment benefits liability	134,771	34,486	169,257
Total Liabilities	<u>9,070,868</u>	<u>420,171</u>	<u>9,491,039</u>
Deferred Inflows of Resources			
Deferred pension resources	981,540	72,456	1,053,996
Deferred other postemployment benefit resources	2,337	598	2,935
Total Deferred Inflows of Resources	<u>983,877</u>	<u>73,054</u>	<u>1,056,931</u>
Net Position			
Net investment in capital assets	35,734,173	10,133,165	45,867,338
Restricted for			
Debt service	326,151	-	326,151
Solid waste	22,826	-	22,826
Charitable gambling	76,673	-	76,673
Park dedication	241,874	-	241,874
Community development	5,356,455	-	5,356,455
Cable broadcasting	63,590	-	63,590
Unrestricted	10,139,333	12,348,352	22,487,685
Total Net Position	<u>\$ 51,961,075</u>	<u>\$ 22,481,517</u>	<u>\$ 74,442,592</u>

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,441,685	\$ 960,064	\$ 23,263	\$ 1,466
Public safety	2,701,365	577,859	88,119	-
Public works	2,107,292	35,217	179,353	386,659
Culture and recreation	1,037,276	547,895	45,855	80,591
Community development	442,366	-	-	-
Interest on long-term debt	331,719	-	110,619	-
Total Governmental Activities	<u>8,061,703</u>	<u>2,121,035</u>	<u>447,209</u>	<u>468,716</u>
Business-type Activities				
Water utility	974,910	1,438,509	200	-
Sewer utility	1,864,435	1,897,969	224	-
Surface water management	390,435	438,167	-	-
Total Business-type Activities	<u>3,229,780</u>	<u>3,774,645</u>	<u>424</u>	<u>-</u>
Total	<u>\$ 11,291,483</u>	<u>\$ 5,895,680</u>	<u>\$ 447,633</u>	<u>\$ 468,716</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Unrestricted investment earnings

Sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (456,892)	\$ -	\$ (456,892)
(2,035,387)	-	(2,035,387)
(1,506,063)	-	(1,506,063)
(362,935)	-	(362,935)
(442,366)	-	(442,366)
(221,100)	-	(221,100)
<u>(5,024,743)</u>	<u>-</u>	<u>(5,024,743)</u>
-	463,799	463,799
-	33,758	33,758
-	47,732	47,732
<u>-</u>	<u>545,289</u>	<u>545,289</u>
<u>(5,024,743)</u>	<u>545,289</u>	<u>(4,479,454)</u>
3,895,994	-	3,895,994
520,672	-	520,672
134,352	-	134,352
455,914	-	455,914
507,959	434,582	942,541
38,214	-	38,214
375,299	(375,299)	-
<u>5,928,404</u>	<u>59,283</u>	<u>5,987,687</u>
903,661	604,572	1,508,233
<u>51,057,414</u>	<u>21,876,945</u>	<u>72,934,359</u>
<u>\$ 51,961,075</u>	<u>\$ 22,481,517</u>	<u>\$ 74,442,592</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Vadnais Heights, Minnesota

Balance Sheet Governmental Funds December 31, 2019

	101	401	402
	General	Public Works Reserve	Capital Improvements
Assets			
Cash and temporary investments	\$ 4,396,450	\$ 1,713,426	\$ 3,305,848
Receivables			-
Accrued interest	69,065	-	-
Taxes	63,102	9,943	2,628
Accounts	79,931	-	-
Special assessments	1,218	1,057,868	-
Notes	-	400,000	-
Due from other governments	20,169	-	-
Inventory	14,781	-	-
Prepaid items	54,467	-	-
	<u>54,467</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 4,699,183</u>	<u>\$ 3,181,237</u>	<u>\$ 3,308,476</u>
Liabilities			
Accounts payable	\$ 210,285	\$ 71,328	\$ 30,000
Accrued salaries payable	154,020	-	-
Due to other governments	253,661	-	-
Deposits payable	397,040	-	-
Unearned revenue	81,141	-	-
Total Liabilities	<u>1,096,147</u>	<u>71,328</u>	<u>30,000</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	47,167	-	-
Unavailable revenue - special assessments	1,218	1,057,868	-
Total Deferred Inflows of Resources	<u>48,385</u>	<u>1,057,868</u>	<u>-</u>
Fund Balances			
Nonspendable	69,248	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	2,052,041	3,278,476
Unassigned	3,485,403	-	-
Total Fund Balances	<u>3,554,651</u>	<u>2,052,041</u>	<u>3,278,476</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,699,183</u>	<u>\$ 3,181,237</u>	<u>\$ 3,308,476</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 3

461	Other	Total
TIF 1-16	Governmental	Governmental
	Funds	Funds
\$ 3,365,998	\$ 3,485,558	\$ 16,267,280
-	-	69,065
-	2,861	78,534
-	74,272	154,203
-	40,254	1,099,340
-	-	400,000
-	-	20,169
-	-	14,781
-	-	54,467
<u>\$ 3,365,998</u>	<u>\$ 3,602,945</u>	<u>\$ 18,157,839</u>
\$ -	\$ 61,269	\$ 372,882
-	-	154,020
-	-	253,661
-	-	397,040
-	-	81,141
-	61,269	1,258,744
-	-	47,167
-	-	1,059,086
-	-	1,106,253
-	-	69,248
3,365,998	2,859,101	6,225,099
-	26,600	26,600
-	655,975	5,986,492
-	-	3,485,403
<u>3,365,998</u>	<u>3,541,676</u>	<u>15,792,842</u>
<u>\$ 3,365,998</u>	<u>\$ 3,602,945</u>	<u>\$ 18,157,839</u>

The notes to the financial statements are an integral part of this statement.

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City of Vadnais Heights, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2019

Exhibit 4

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental	\$ 15,792,842
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	63,416,871
Less accumulated depreciation	(22,152,698)
Land held for resale	857,471
Long-term assets from pensions reported in governmental activities are not current financial resources and therefore are not reported as assets in the funds.	
Net pension asset	938,750
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	
Notes payable	(400,000)
Bond principal payable	(5,530,000)
Other postemployment benefits payable	(134,771)
Net Pension liability	(1,343,636)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable in the funds.	
Special assessments receivable	1,059,086
Delinquent taxes receivable	47,167
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	519,274
Deferred outflows of other postemployment benefit resources	12,126
Deferred inflows of pension resources	(981,540)
Deferred inflows of other postemployment benefit resources	(2,337)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(137,530)</u>
Total Net Position - Governmental Activities	<u><u>\$ 51,961,075</u></u>

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	101	401	402
	General	Public Works Reserve	Capital Improvements
Revenues			
Taxes	\$ 3,562,929	\$ 1,210	\$ 478,380
Special assessments	1,466	386,659	-
Licenses and permits	724,226	-	-
Intergovernmental	202,616	-	-
Charges for services	867,858	-	35,217
Fines and forfeitures	25,641	-	-
Interest on investments	133,779	58,674	109,097
Miscellaneous	340,281	-	-
Total Revenues	<u>5,858,796</u>	<u>446,543</u>	<u>622,694</u>
Expenditures			
Current			
General government	1,383,820	-	-
Public safety	2,571,312	-	-
Public works	1,035,677	-	-
Culture and recreation	788,978	-	-
Community development	406,454	-	-
Capital outlay			
Public works	-	313,978	61,304
Culture and recreation	-	-	138,801
Community development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Total Expenditures	<u>6,186,241</u>	<u>313,978</u>	<u>200,105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(327,445)</u>	<u>132,565</u>	<u>422,589</u>
Other Financing Sources (Uses)			
Transfer in	500,000	-	-
Sale of capital assets	5,994	-	32,220
Transfer out	-	-	-
Total Other Financing Sources (Uses)	<u>505,994</u>	<u>-</u>	<u>32,220</u>
Net Change in Fund Balances	178,549	132,565	454,809
Fund Balances, January 1	<u>3,376,102</u>	<u>1,919,476</u>	<u>2,823,667</u>
Fund Balances, December 31	<u><u>\$ 3,554,651</u></u>	<u><u>\$ 2,052,041</u></u>	<u><u>\$ 3,278,476</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit 5

461		Other	Total
TIF 1-16		Governmental	Governmental
		Funds	Funds
\$ -	\$ 946,194	\$ 4,988,713	
-	-	388,125	
-	-	724,226	
-	141,474	344,090	
-	130,652	1,033,727	
-	-	25,641	
122,230	84,179	507,959	
-	174,977	515,258	
<u>122,230</u>	<u>1,477,476</u>	<u>8,527,739</u>	
-	-	1,383,820	
-	16,281	2,587,593	
-	30,815	1,066,492	
-	55,920	844,898	
-	-	406,454	
-	311,546	686,828	
-	61,568	200,369	
717	36,737	37,454	
-	275,000	275,000	
-	337,448	337,448	
<u>717</u>	<u>1,125,315</u>	<u>7,826,356</u>	
<u>121,513</u>	<u>352,161</u>	<u>701,383</u>	
-	-	500,000	
-	-	38,214	
-	(124,701)	(124,701)	
<u>-</u>	<u>(124,701)</u>	<u>413,513</u>	
121,513	227,460	1,114,896	
<u>3,244,485</u>	<u>3,314,216</u>	<u>14,677,946</u>	
<u>\$ 3,365,998</u>	<u>\$ 3,541,676</u>	<u>\$ 15,792,842</u>	

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2019

Exhibit 6

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 1,114,896
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	949,134
Depreciation expense	(1,524,864)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	275,000
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 the 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.	5,729
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(38,725)
Property taxes	18,219
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefits	(4,496)
Long-term pension activity is not reported in governmental funds.	
Negative pension expense	102,281
Direct aid contributions	6,487
Change in Net Position - Governmental Activities	<u>\$ 903,661</u>

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2019

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,685,779	\$ 3,685,779	\$ 3,562,929	\$ (122,850)
Licenses and permits	623,200	623,200	724,226	101,026
Intergovernmental	248,800	248,800	202,616	(46,184)
Charges for services	874,800	874,800	867,858	(6,942)
Fines and forfeitures	30,000	30,000	25,641	(4,359)
Interest on investments	32,000	32,000	133,779	101,779
Special assessments	8,000	8,000	1,466	(6,534)
Miscellaneous	210,700	210,700	340,281	129,581
Total Revenues	<u>5,713,279</u>	<u>5,713,279</u>	<u>5,858,796</u>	<u>145,517</u>
Expenditures				
Current				
General government	1,508,530	1,508,530	1,383,820	124,710
Public safety	2,687,349	2,687,349	2,571,312	116,037
Public works	879,882	879,882	1,035,677	(155,795)
Culture and recreation	800,058	800,058	788,978	11,080
Community development	337,960	337,960	406,454	(68,494)
Total Expenditures	<u>6,213,779</u>	<u>6,213,779</u>	<u>6,186,241</u>	<u>27,538</u>
Deficiency of Revenues Under Expenditures	<u>(500,500)</u>	<u>(500,500)</u>	<u>(327,445)</u>	<u>173,055</u>
Other Financing Sources				
Transfer in	500,000	500,000	500,000	-
Sale of capital assets	500	500	5,994	5,494
Total Other Financing Sources	<u>500,500</u>	<u>500,500</u>	<u>505,994</u>	<u>5,494</u>
Net Change in Fund Balances	-	-	178,549	178,549
Fund Balances, January 1	<u>3,376,102</u>	<u>3,376,102</u>	<u>3,376,102</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,376,102</u>	<u>\$ 3,376,102</u>	<u>\$ 3,554,651</u>	<u>\$ 178,549</u>

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota

Exhibit 8

Statement of Net Position

Proprietary Funds

December 31, 2019

	Business-type Activities - Enterprise Funds				Internal Service Fund
	601	603	604		
	Water Utility	Sewer Utility	Surface Water Management	Total	Compensated Absences
Assets					
Current Assets					
Cash and temporary investments	\$ 6,430,938	\$ 3,595,860	\$ 1,817,973	\$ 11,844,771	\$ 266,187
Receivables					
Accounts	287,185	420,521	102,004	809,710	-
Special assessments	156,213	1,415	42	157,670	-
Prepaid items	-	23	-	23	-
Total Current Assets	<u>6,874,336</u>	<u>4,017,819</u>	<u>1,920,019</u>	<u>12,812,174</u>	<u>266,187</u>
Noncurrent Assets					
Capital Assets					
Land	10,000	-	593	10,593	-
Buildings	197,717	200,000	37,000	434,717	-
Improvements	11,098,678	5,058,464	5,381,314	21,538,456	-
Machinery and equipment	500,342	160,744	119,767	780,853	-
Construction in progress	-	1,239,035	-	1,239,035	-
Less accumulated depreciation	<u>(7,664,184)</u>	<u>(3,627,745)</u>	<u>(2,578,560)</u>	<u>(13,870,489)</u>	<u>-</u>
Total Noncurrent Assets	<u>4,142,553</u>	<u>3,030,498</u>	<u>2,960,114</u>	<u>10,133,165</u>	<u>-</u>
Total Assets	<u>11,016,889</u>	<u>7,048,317</u>	<u>4,880,133</u>	<u>22,945,339</u>	<u>266,187</u>
Deferred Outflows of Resources					
Deferred pension resources	9,244	10,321	6,735	26,300	-
Deferred other postemployment benefit resources	1,265	1,298	540	3,103	-
Total Deferred Outflows of Resources	<u>10,509</u>	<u>11,619</u>	<u>7,275</u>	<u>29,403</u>	<u>-</u>
Liabilities					
Current Liabilities					
Accounts payable	70,995	16,780	1,692	89,467	-
Accrued salaries payable	10,919	10,091	4,420	25,430	-
Due to other governments	7,431	-	1,320	8,751	-
Compensated absences payable - current	-	-	-	-	266,187
Unearned revenue	-	15,944	-	15,944	-
Total Current Liabilities	<u>89,345</u>	<u>42,815</u>	<u>7,432</u>	<u>139,592</u>	<u>266,187</u>
Noncurrent Liabilities					
Other postemployment benefits payable	14,056	14,430	6,000	34,486	-
Pension liability	85,868	95,878	64,347	246,093	-
Total Noncurrent Liabilities	<u>99,924</u>	<u>110,308</u>	<u>70,347</u>	<u>280,579</u>	<u>-</u>
Total Liabilities	<u>189,269</u>	<u>153,123</u>	<u>77,779</u>	<u>420,171</u>	<u>266,187</u>
Deferred Inflows of Resources					
Deferred pension resources	25,462	28,430	18,564	72,456	-
Deferred other postemployment benefit resources	244	250	104	598	-
Total Deferred Inflows of Resources	<u>25,706</u>	<u>28,680</u>	<u>18,668</u>	<u>73,054</u>	<u>-</u>
Net Position					
Investment in capital assets	4,142,553	3,030,498	2,960,114	10,133,165	-
Unrestricted	<u>6,669,870</u>	<u>3,847,635</u>	<u>1,830,847</u>	<u>12,348,352</u>	<u>-</u>
Total Net Position	<u>\$ 10,812,423</u>	<u>\$ 6,878,133</u>	<u>\$ 4,790,961</u>	<u>\$ 22,481,517</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

Exhibit 9

	Business-type Activities - Enterprise Funds				Internal Service Fund
	601	603	604		
	Water Utility	Sewer Utility	Surface Water Management	Total	Compensated Absences
Operating Revenues					
Charges for service	\$ 1,427,378	\$ 1,821,720	\$ 437,509	\$ 3,686,607	\$ 594
Operating Expenses					
Personnel services	166,066	185,259	128,469	479,794	594
Supplies	143,235	1,124	2,055	146,414	-
Repair and maintenance	22,057	74,549	24,140	120,746	-
Fees	46,802	-	9,482	56,284	-
Contracted services	90,831	11,765	5,574	108,170	-
Utilities	71,122	3,036	-	74,158	-
Administrative and general	133,008	193,087	107,370	433,465	-
Sewer charges	-	1,245,781	-	1,245,781	-
Depreciation	301,789	149,834	113,345	564,968	-
Total Operating Expenses	974,910	1,864,435	390,435	3,229,780	594
Operating Income (Loss)	452,468	(42,715)	47,074	456,827	-
Nonoperating Revenues					
Other income	11,331	76,473	658	88,462	-
Interest on investments	216,875	152,708	64,999	434,582	-
Total Nonoperating Revenues	228,206	229,181	65,657	523,044	-
Income Before Transfers	680,674	186,466	112,731	979,871	-
Transfers in	34,152	59,325	31,224	124,701	-
Transfers out	(50,000)	(400,000)	(50,000)	(500,000)	-
Net Operating Transfers	(15,848)	(340,675)	(18,776)	(375,299)	-
Change in Net Position	664,826	(154,209)	93,955	604,572	-
Net Position, January 1	10,147,597	7,032,342	4,697,006	21,876,945	-
Net Position, December 31	\$ 10,812,423	\$ 6,878,133	\$ 4,790,961	\$ 22,481,517	\$ -

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

Exhibit 10

	Business-type Activities - Enterprise Funds				Internal Service Fund
	601	603	604	Total	Compensated Absences
	Water Utility	Sewer Utility	Surface Water Management		
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,428,158	\$ 1,902,809	\$ 436,833	\$ 3,767,800	\$ -
Receipts for interfund services provided	-	-	-	-	594
Payments to suppliers	(492,791)	(1,511,075)	(147,514)	(2,151,380)	-
Payments to employees	(161,027)	(181,141)	(125,536)	(467,704)	(1,187)
Net Cash Provided (Used) by Operating Activities	774,340	210,593	163,783	1,148,716	(593)
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	34,152	59,325	31,224	124,701	-
Transfers to other funds	(50,000)	(400,000)	(50,000)	(500,000)	-
Net Cash Used by Noncapital Financing Activities	(15,848)	(340,675)	(18,776)	(375,299)	-
Cash Flows from Capital Financing Activities					
Acquisition of capital assets	-	(687,470)	-	(687,470)	-
Cash Flows from Investing Activities					
Interest received on investments	216,875	152,708	64,999	434,582	-
Net Increase (Decrease) in Cash and Cash Equivalents	975,367	(664,844)	210,006	520,529	(593)
Cash and Cash Equivalents, January 1	5,455,571	4,260,704	1,607,967	11,324,242	266,780
Cash and Cash Equivalents, December 31	\$ 6,430,938	\$ 3,595,860	\$ 1,817,973	\$ 11,844,771	\$ 266,187

The notes to the financial statements are an integral part of this statement.

City of Vadnais Heights, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2019

Exhibit 10

	Business-type Activities - Enterprise Funds				Internal Service Fund
	601	603	604	Total	Compensated Absences
	Water Utility	Sewer Utility	Surface Water Management		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 452,468	\$ (42,715)	\$ 47,074	\$ 456,827	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	11,331	76,473	658	88,462	-
Depreciation	301,789	149,834	113,345	564,968	-
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(20,391)	4,616	(1,334)	(17,109)	-
Special assessments receivable	9,840	-	-	9,840	-
Prepaid items	3,242	2,494	285	6,021	-
Deferred pension resources	7,054	7,878	5,479	20,411	-
Deferred other postemployment benefit resources	(211)	(244)	(210)	(665)	-
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts payable	17,317	(177)	(307)	16,833	-
Accrued salaries payable	7,912	6,546	2,933	17,391	-
Due to other governments	(6,539)	-	1,320	(5,219)	-
Compensated absences payable	-	-	-	-	(593)
Unearned revenue	-	15,944	-	15,944	-
Other postemployment benefits payable	(1,457)	(1,083)	1,143	(1,397)	-
Net Pension liability	(7,756)	(8,661)	(5,813)	(22,230)	-
Deferred pension resources	(503)	(562)	(894)	(1,959)	-
Deferred other postemployment benefit resources	244	250	104	598	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 774,340</u>	<u>\$ 210,593</u>	<u>\$ 163,783</u>	<u>\$ 1,148,716</u>	<u>\$ (593)</u>

The notes to the financial statements are an integral part of this statement.

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City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Vadnais Heights, Minnesota (the City), operates under "Optional Plan A" as defined in the State of Minnesota (the State) statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has the following component unit:

Blended Component Unit. The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The seven member board consists of the City Council and two other City Council appointed members. Because the EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council and because management of the City has operational responsibility for the EDA, it is reported as a blended component unit in the financial statements.

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 nonfiduciary activities of the City and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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 (including special assessments) 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*.

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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

Public Works Reserve fund - The purpose of this fund is to account for certain capital projects such as streets, curb and gutter, storm sewer and sidewalks.

Capital Improvements fund - The purpose of this fund is to accumulate resources that will fund future capital projects.

Tax Increment Financing District 1-16 fund - The purpose of this fund is to account for public improvements that are allowable under pooled tax increment funding laws in the state.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensure that user charges are sufficient to pay for those costs.

The *Surface Water Management fund* accounts for the costs associated with the City's storm water system, which are financed by the storm water surcharge and ensure that user charges are sufficient to pay for those costs.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund type:

The *Internal Service fund* accounts for the funding of compensated absences provided by one department of the City to other departments on a cost reimbursement basis. The activity of the Internal Service fund is accounted for using the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and surface water 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity date not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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.

The City has the following recurring fair value measurements as of December 31, 2019:

- US Treasury securities of \$11,377,377 are valued using quoted market prices (Level 1 inputs)
- Negotiable Certificates of Deposits of \$3,006,363 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. 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. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent surface water, water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental fund special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Land Held for Resale

The City acquires properties for redevelopment purposes. These properties are reported at their net realizable value in the financial statements. Any costs incurred that are above a property's net realizable value are reported as expenditures of the current period.

Inventory and Prepaid Items

All inventories are valued at cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 of the City are accounted for using the consumption method.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Capital Assets

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

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Property, plant and equipment will be depreciated in the proprietary funds and government wide statements of the City using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	40
Machinery and Equipment	3 to 50
Infrastructure	40 to 50
Improvements Other Than Buildings	10 to 50

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Compensated Absences

Subject to certain limitations, it is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave that is not vested. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Internal Service fund is used to liquidate the liability for all compensated absences.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2019. The General fund is typically used to liquidate the liability for postemployment benefits other than pensions.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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. The recognition of bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

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. The General fund is typically used to liquidate the governmental net pension liability.

The total negative pension expense for the GERP, PEPFP and Vadnais Heights Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
Pension Expense	\$ 115,301	\$ 63,267	\$ (10,503)	\$ 168,065

For purposes of measuring the net pension liability (asset) and deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Vadnais Heights Firefighter's Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 government has two types of items, which arise under the full accrual and modified accrual bases of accounting that qualify as needing to be reported in this category. Accordingly, the items include unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items, inventory and notes receivable.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35 - 60 percent of the next year's budgeted expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position balances are displayed in three components:

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

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

Before August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council adopts a preliminary budget and maximum tax levy. Truth-in-taxation notices are mailed out to residents by Ramsey County and the City Council holds public hearings and adopts a budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The City's Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no amendments made to the 2019 budget.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the following departments:

Department	Excess of Expenditures Over Appropriations
Public Works	
Street maintenance	\$ 68,201
Central garage facility	49,741
Engineering	37,853
Community Development	68,494

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

- General obligation securities of any state or local government with taxing powers which are rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which are rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City’s carrying amount of deposits was \$3,557,511 and the bank balance was also \$3,557,511. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution’s trust department in the City’s name.

Investments

At year end, the City’s investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than 1 year	\$ 10,436,417			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	less than 1 year	1,495,641	\$ -	\$ 1,495,641	\$ -
Negotiable Certificates of Deposit	N/A	1 to 5 years	1,510,722	-	1,510,722	-
Government Agency Securities	AA+	less than 1 year	499,925	499,925	-	-
Government Agency Securities	AA+	1 to 5 years	3,193,384	3,193,384	-	-
Government Agency Securities	AA+	more than 5 years	5,981,568	5,981,568	-	-
Government Agency Securities	AAA	more than 5 years	1,702,500	1,702,500	-	-
Total Investments			\$ 24,820,157	\$ 11,377,377	\$ 3,006,363	\$ -

(1) Ratings are provided by Standard & Poor’s agency where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

The investments of the City are subject to the following risks:

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 60 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy requires diversification of securities to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of securities.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy seeks to reduce the City's exposure to interest rate risk by diversifying securities in short, intermediate, and long-term maturities.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 3,557,511
Investments	24,820,157
Cash on Hand	<u>570</u>
 Total Cash and Temporary Investments - Statement of Net Position	 <u><u>\$ 28,378,238</u></u>

B. Notes Receivable

A note receivable is recorded in the Public Works Reserve capital projects fund. The note is secured by a mortgage.

Willow Ridge Apartments, Limited Partnership received \$400,000 from the City, at no interest due December 31, 2037.	 <u><u>\$ 400,000</u></u>
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City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land and land improvements	\$ 9,492,878	\$ -	\$ -	\$ 9,492,878
Construction in progress	7,091	625,045	(588,054)	44,082
Total Capital Assets not Being Depreciated	<u>9,499,969</u>	<u>625,045</u>	<u>(588,054)</u>	<u>9,536,960</u>
Capital Assets Being Depreciated				
Buildings	16,445,881	100,249	-	16,546,130
Infrastructure	31,192,168	613,003	-	31,805,171
Machinery and equipment	5,422,594	198,891	(92,875)	5,528,610
Total Capital Assets Being Depreciated	<u>53,060,643</u>	<u>912,143</u>	<u>(92,875)</u>	<u>53,879,911</u>
Less Accumulated Depreciation for				
Buildings	(4,532,799)	(458,102)	-	(4,990,901)
Infrastructure	(12,268,199)	(830,488)	-	(13,098,687)
Machinery and equipment	(3,919,711)	(236,274)	92,875	(4,063,110)
Total Accumulated Depreciation	<u>(20,720,709)</u>	<u>(1,524,864)</u>	<u>92,875</u>	<u>(22,152,698)</u>
Total Capital Assets Being Depreciated, Net	<u>32,339,934</u>	<u>(612,721)</u>	<u>-</u>	<u>31,727,213</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 41,839,903</u></u>	<u><u>\$ 12,324</u></u>	<u><u>\$ (588,054)</u></u>	<u><u>\$ 41,264,173</u></u>

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General government	\$ 98,488
Public safety	203,254
Public works	1,061,966
Culture and recreation	<u>161,156</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,524,864</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 10,593	\$ -	\$ -	\$ 10,593
Construction in progress	<u>877,902</u>	<u>485,382</u>	<u>(124,249)</u>	<u>1,239,035</u>
Total Capital Assets not Being Depreciated	<u>888,495</u>	<u>485,382</u>	<u>(124,249)</u>	<u>1,249,628</u>
Capital Assets Being Depreciated				
Buildings	434,717	-	-	434,717
Improvements	21,386,286	152,170	-	21,538,456
Machinery and equipment	<u>780,853</u>	<u>-</u>	<u>-</u>	<u>780,853</u>
Total Capital Assets Being Depreciated	<u>22,601,856</u>	<u>152,170</u>	<u>-</u>	<u>22,754,026</u>
Less Accumulated Depreciation for				
Buildings	(105,381)	(10,977)	-	(116,358)
Improvements other than buildings	(12,724,025)	(494,152)	-	(13,218,177)
Machinery and equipment	<u>(476,115)</u>	<u>(59,839)</u>	<u>-</u>	<u>(535,954)</u>
Total Accumulated Depreciation	<u>(13,305,521)</u>	<u>(564,968)</u>	<u>-</u>	<u>(13,870,489)</u>
Total Capital Assets Being Depreciated, Net	<u>9,296,335</u>	<u>(412,798)</u>	<u>-</u>	<u>8,883,537</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 10,184,830</u></u>	<u><u>\$ 72,584</u></u>	<u><u>\$ (124,249)</u></u>	<u><u>\$ 10,133,165</u></u>

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities

Water utility	\$ 301,789
Sewer utility	149,834
Surface water management	<u>113,345</u>
 Total Depreciation Expense - Business-type Activities	 <u><u>\$ 564,968</u></u>

Construction Commitments

The City has one active construction project as of December 31, 2019. The project includes various street and road improvements. At year end the City's commitment with contractor is as follows:

Project	Spent to Date	Remaining Commitment
2019 Street Project	\$ 373,381	\$ 166,881

D. Interfund Transfers

Interfund Transfers

The composition of interfund transfers as of December 31, 2019 is as follows:

Fund	Transfers In				Total
	General	Water Utility	Sewer Utility	Surface Water Management	
Transfers Out					
Nonmajor Governmental	\$ -	\$ 34,152	\$ 59,325	\$ 31,224	\$ 124,701
Water Utility	50,000	-	-	-	50,000
Sewer Utility	400,000	-	-	-	400,000
Surface Water Management	50,000	-	-	-	50,000
 Total	 <u><u>\$ 500,000</u></u>	 <u><u>\$ 34,152</u></u>	 <u><u>\$ 59,325</u></u>	 <u><u>\$ 31,224</u></u>	 <u><u>\$ 624,701</u></u>

During the year ended December 31, 2019 the City made the following transfers:

- The Water Utility, Sewer Utility and Surface Water Management funds transferred a total of \$500,000 to the General fund to reduce the required levy.
- The Nonmajor governmental funds transferred \$34,152, \$59,352, and \$31,224 to the Water Utility, Sewer Utility and Surface Water Management funds, respectively for the closing of funds.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

General Obligation Taxable Bonds

In 2009, the City issued general obligation taxable bonds for the construction of the North Service Center. The bonds are backed by the full faith and credit of the City. The bonds are to be repaid out of the 2009A G.O. Build America Bonds Debt Service fund. Due to federal sequestration, the federal interest rebate for these bonds has been reduced indefinitely.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Bonds, Series 2009A	\$ 6,975,000	3.25 - 6.50 %	06/15/09	02/01/34	<u>\$ 5,530,000</u>

Annual debt service requirements for general obligation taxable bonds outstanding at December 31, 2019 are as follows:

Year Ending December 31,	Governmental Activities			
	Principal	Interest	Interest Subsidy	Total
2020	\$ 285,000	\$ 322,948	\$ (113,032)	\$ 494,916
2021	285,000	308,413	(107,944)	485,469
2022	295,000	293,185	(102,615)	485,570
2023	305,000	277,133	(96,996)	485,137
2024	320,000	260,098	(91,034)	489,064
2025 - 2029	1,820,000	1,001,836	(350,643)	2,471,193
2030 - 2034	<u>2,220,000</u>	<u>371,475</u>	<u>(130,016)</u>	<u>2,461,459</u>
Total	<u>\$ 5,530,000</u>	<u>\$ 2,835,086</u>	<u>\$ (992,280)</u>	<u>\$ 7,372,806</u>

Notes Payable

During 2007, the City entered into a \$400,000 zero percent interest note payable due to Metropolitan Council under the Livable Communities grant. The proceeds were used to provide funding to the Willow Ridge Apartments, Limited Partnership. The note is due with a lump sum payment in 2037. If the proceeds of the note are used under the term of the grant, the note will become forgivable. The note payable is offset by a note receivable from Willow Ridge Apartments referenced in note 3B.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Notes Payable Metropolitan Council	\$ 400,000	- %	05/08/07	12/31/37	<u>\$ 400,000</u>

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Taxable general obligation bonds	\$ 5,805,000	\$ -	\$ (275,000)	\$ 5,530,000	\$ 285,000
Notes Payable	400,000	-	-	400,000	-
Compensated Absences Payable	<u>266,780</u>	<u>266,780</u>	<u>(267,373)</u>	<u>266,187</u>	<u>266,187</u>
 Governmental Activity Long-term Liabilities	 <u>\$ 6,471,780</u>	 <u>\$ 266,780</u>	 <u>\$ (542,373)</u>	 <u>\$ 6,196,187</u>	 <u>\$ 551,187</u>

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2019, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Public Works Reserve	Capital Improvements	TIF 1-16	Other Governmental Funds	Total
Nonspendable						
Inventory	\$ 14,781	\$ -	\$ -	\$ -	\$ -	\$ 14,781
Prepaid items	54,467	-	-	-	-	54,467
Total Nonspendable	\$ 69,248	\$ -	\$ -	\$ -	\$ -	\$ 69,248
Restricted						
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 463,681	\$ 463,681
Charitable Gambling	-	-	-	-	76,673	76,673
Solid Waste	-	-	-	-	22,826	22,826
Parks	-	-	-	-	241,874	241,874
Community Development	-	-	-	3,365,998	1,990,457	5,356,455
Cable broadcasting	-	-	-	-	63,590	63,590
Total Restricted	\$ -	\$ -	\$ -	\$ 3,365,998	\$ 2,859,101	\$ 6,225,099
Committed						
Community Service	\$ -	\$ -	\$ -	\$ -	\$ 5,601	\$ 5,601
Heritage Days	-	-	-	-	20,999	20,999
Total Committed	\$ -	\$ -	\$ -	\$ -	\$ 26,600	\$ 26,600
Assigned						
Public Works Reserve	\$ -	\$ 2,052,041	\$ 3,278,476	\$ -	\$ 166,533	\$ 5,497,050
Fire Vehicle and Equipment	-	-	-	-	489,442	489,442
Total Assigned	\$ -	\$ 2,052,041	\$ 3,278,476	\$ -	\$ 655,975	\$ 5,986,492
Unassigned	\$ 3,485,403	\$ -	\$ -	\$ -	\$ -	\$ 3,485,403

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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 (GERP)

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

Public Employees Police and Fire Plan (PEPFP)

The PEPFP, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFP also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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.

GERP Benefits

GERP 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 Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

PEPFP Benefits

Benefits for the PEPFP members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFP members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated 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 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$126,656, \$123,336, and \$122,904 respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$55,021, \$51,977, and \$51,162 respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,266,090 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 2019. 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 \$39,498. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0229 percent which was a decrease of 0.0020 percent from its proportion measured as of June 30, 2018.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

City's Proportionate Share of the Net Pension Liability	\$ 1,266,090
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>39,498</u>
Total	<u><u>\$ 1,305,588</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$112,343 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$2,958 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.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 53,592	\$ 3,359
Changes in Actuarial Assumptions	9,371	113,471
Net Difference Between Projected and Actual Earnings on Plan Investments	-	145,700
Changes in Proportion	9,661	113,159
Contributions Paid to PERA Subsequent to the Measurement Date	<u>63,766</u>	<u>-</u>
Total	<u><u>\$ 136,390</u></u>	<u><u>\$ 375,689</u></u>

The \$63,766 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (113,155)
2021	(130,437)
2022	(61,514)
2023	2,041

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$323,639 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0304 percent which was the same as its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$59,163 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$4,104 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 14,809	\$ 51,585
Changes in Actuarial Assumptions	278,370	372,829
Net Difference Between Projected and Actual Earnings on Plan Investments	-	66,061
Changes in Proportion	4,895	8,781
Contributions Paid to PERA Subsequent to the Measurement Date	<u>27,616</u>	<u>-</u>
Total	<u>\$ 325,690</u>	<u>\$ 499,256</u>

The \$27,616 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (24,092)
2021	(48,245)
2022	(129,520)
2023	949
2024	(274)

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual 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 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 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 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 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were 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 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:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 2,081,383	\$ 1,266,090	\$ 592,903
Police and Fire Fund	707,414	323,639	6

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.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Vadnais Heights Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered 38 active firefighters and 16 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions. The State of Minnesota contributed \$83,495 in fire state aid to the fund for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2019 were \$83,495. The City's contributions were equal to the required contributions as set by state statute, if applicable. The City made no voluntary contributions to the plan.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2019, the City reported a net pension liability (asset) of (\$938,750) for the plan. The net pension liability (asset) was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2018	\$ 744,323	\$ 1,363,971	\$ (619,648)
Changes for the Year			
Service cost	61,933	-	61,933
Interest on pension liability (asset)	47,539	-	47,539
Actuarial experience (gains)/losses	(49,616)	-	(49,616)
Projected investment return	-	83,496	(83,496)
Nonemployer contributions	-	2,553	(2,553)
Adjustment to initial asset transfer	-	45,285	(45,285)
(Gain)/loss	-	256,036	(256,036)
Benefit payments	(27,880)	(27,880)	-
Administrative expenses	-	(8,412)	8,412
Total Net Changes	31,976	351,078	(319,102)
Ending Balance December 31, 2018	\$ 776,299	\$ 1,715,049	\$ (938,750)

For the year ended December 31, 2019, the City recognized negative pension expense of (\$93,997).

At December 31, 2019, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 139,358
Changes in Actuarial Assumptions	-	39,693
Contributions to Plan Subsequent to the Measurement Date	83,494	-
Total	\$ 83,494	\$ 179,051

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Deferred outflows of resources totaling \$83,495 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ (44,763)
2021	(44,763)
2022	(44,763)
2023	(44,762)

E. Actuarial Assumptions

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the later of Age 50 or 20 years of service	
Inflation Rate	3.00%
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2019.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined Benefit Plan	\$ (895,594)	\$ (938,750)	\$ (979,189)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.00 %	5.10 %
International Stocks	15.00	5.30
Bonds	45.00	0.75
Cash	<u>5.00</u>	-
Total	<u><u>100.00 %</u></u>	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2019 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Vadnais Heights Fire Department Relief Association, 3595 Arcade Street, Vadnais Heights, MN 55127

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. There are 27 active participants and 1 retired participant. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated each three-year bargaining period. The retiree-related provisions of this benefit plan are mandated by the state of Minnesota. The Retiree Health Plan does not issue a publicly available financial report.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	1
Active Plan Members	27
Total Plan Members	28

B. Funding Policy

All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical insurance. The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

Contribution requirements are set by the City annually on a pay-as-you-go basis. The City contributes none of the cost of current year premiums for eligible retired plan members and their dependents except for the implicit rate subsidy described above. For the year 2019, the City's average contribution rate was 8.43 percent of covered-employee payroll. For the year ended 2019 the City directly contributed \$0 to the plan, while implicit contributions totaled \$15,229.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$169,257 was measured as of January 1, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.80%
20-Year Municipal Bond Yield	3.30%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.25% in 2019 decreasing to 5.00% over 5 years

The discount rate used to measure the total OPEB liability was 3.80 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 6: Postemployment Benefits Other Than Pensions (Continued)

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the December 31, 2019 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2018	\$ 165,152
Changes for the Year:	
Service cost	13,149
Interest	5,700
Changes in assumptions or other inputs	(3,523)
Benefit payments	(11,221)
Net Changes	4,105
Balances at December 31, 2019	\$ 169,257

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.30% to 3.80%.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

1 Percent Decrease (2.8%)	Current (3.8%)	1 Percent Increase (4.8%)
\$ 178,347	\$ 169,257	\$ 160,682

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (6.25 percent decreasing to 5.25 percent) or 1-percentage-point higher (6.25 percent increasing to 7.25 percent) than the current cost trend rate:

1 Percent Decrease (6.25% Decreasing to 5.25%)	Healthcare Cost Trend Rates (6.25%)	1 Percent Increase (6.25% Increasing to 7.25%)
\$ 154,931	\$ 169,257	\$ 186,019

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 6: Postemployment Benefits Other Than Pensions (Continued)

For the year ended December 31, 2019, the City recognized OPEB expense of \$4,105. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ -	\$ 2,935
Contributions to OPEB Subsequent to the Measurement Date	15,229	-
Total	<u>\$ 15,229</u>	<u>\$ 2,935</u>

Deferred outflows of resources totaling \$15,229 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2020	\$ (588)
2021	(588)
2022	(588)
2023	(588)
2024	(583)

Note 7: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs).

The City is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable but no material adjustments to the financial statements are anticipated.

B. Legal Debt Margin

The City's statutory debt limit is equal to 3 percent of the estimated taxable market value of the property located within the City. The taxable market value totals \$1,673,246,100, which calculates to a debt margin of \$50,197,383. Debt financed partially or entirely by special assessments is not applied against the City's debt limit, nor is debt financed by proprietary fund revenues. Currently the City has net general obligation debt outstanding of \$5,530,000 leaving a debt margin of \$50,197,383.

City of Vadnais Heights, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 7: Other Information (Continued)

C. Tax Increment Financing Districts

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

D. Conduit Debt Obligations

Conduit debt obligations are 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 financial assistance to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2019, there were two revenue bonds outstanding. The aggregate principal amount payable at year end is \$13,000,000.

Note 8: Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. City assets may have seen unrealized market losses as of June 26, 2020. However, City of Vadnais Heights management is unable to determine the long term material impact to its asset values.

On March 4, 2020 the City of Vadnais Heights issued series 2020A General Obligation Capital Improvement Plan Refunding Bonds. The value of the 2020A bonds are \$5,380,000. On March 11, 2020 the City used a portion of the net proceeds of the bonds to redeem the 2021 through 2034 maturities of the Series 2009A Bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Vadnais Heights, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2019	0.0229 %	\$ 1,266,090	\$ 39,498	\$ 1,305,588	\$ 1,608,323	81.2 %	80.2 %
6/30/2018	0.0249	1,381,350	45,457	1,426,807	1,742,519	81.9	79.5
6/30/2017	0.0246	1,570,448	19,744	1,590,192	1,522,335	104.5	75.9
6/30/2016	0.0259	2,102,952	27,530	2,130,482	1,610,404	132.3	68.9
6/30/2015	0.0267	1,383,733	-	1,383,733	1,627,771	85.0	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2019	\$ 126,656	\$ 126,656	\$ -	\$ 1,688,750	7.5 %
12/31/2018	123,336	123,336	-	1,644,483	7.5
12/31/2017	122,904	122,904	-	1,638,718	7.5
12/31/2016	118,178	118,178	-	1,575,704	7.5
12/31/2015	119,536	119,536	-	1,593,809	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Vadnais Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2015 - 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.

City of Vadnais Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2019	0.0304 %	\$ 323,639	\$ -	\$ 323,639	\$ 307,742	105.2 %	89.3 %
6/30/2018	0.0304	324,033	-	324,033	333,286	97.2	88.8
6/30/2017	0.0300	405,036	-	405,036	299,246	135.4	85.4
6/30/2016	0.0310	1,244,084	-	1,244,084	301,338	412.9	63.9
6/30/2015	0.0310	352,233	-	352,233	299,166	117.7	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2019	\$ 55,021	\$ 55,021	\$ -	\$ 324,607	17.0 %
12/31/2018	51,977	51,977	-	320,845	16.2
12/31/2017	51,162	51,162	-	315,815	16.2
12/31/2016	49,544	49,544	-	305,825	16.2
12/31/2015	47,963	47,963	-	296,066	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Vadnais Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Vadnais Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

Changes in Plan Provisions

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Vadnais Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2019	2018	2017
Total Pension Liability			
Service cost	\$ 61,933	\$ 64,755	\$ 44,202
Interest	47,539	51,657	61,225
Differences between expected and actual experience	(49,616)	(74,154)	(64,535)
Changes of assumptions	-	-	(1,589)
Benefit payments, including refunds of employee contributions	(27,880)	(188,268)	(176,900)
Net Change in Total Pension Liability	<u>31,976</u>	<u>(146,010)</u>	<u>(137,597)</u>
Total Pension Liability - January 1	744,323	613,543	751,140
Change in pension plan and measurement date*	<u>-</u>	<u>276,790</u>	<u>-</u>
Total Pension Liability - December 31	<u><u>\$ 776,299</u></u>	<u><u>\$ 744,323</u></u>	<u><u>\$ 613,543</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ 271	\$ -
Contributions - state	86,049	2,907	79,745
Net investment income	81,838	84,530	135,044
Benefit payments, including refunds of employee contributions	(27,880)	(188,268)	(176,900)
Adjustment to initial asset transfer	45,285	201,755	-
Asset (Gain)/Loss	174,198	(135,298)	-
Administrative expense	(8,412)	(10,767)	(7,200)
Other	-	-	(1,017)
Net Change in Plan Fiduciary Net Position	<u>351,078</u>	<u>(44,870)</u>	<u>29,672</u>
Plan Fiduciary Net Position - January 1	1,363,971	1,366,296	1,336,624
Change in pension plan and measurement date*	<u>-</u>	<u>42,545</u>	<u>-</u>
Plan Fiduciary Net Position - December 31	<u><u>\$ 1,715,049</u></u>	<u><u>\$ 1,363,971</u></u>	<u><u>\$ 1,366,296</u></u>
Fire Relief's Net Pension Liability (Asset) - December 31	<u><u>\$ (938,750)</u></u>	<u><u>\$ (619,648)</u></u>	<u><u>\$ (752,753)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	220.93%	183.25%	222.69%
Covered-employee Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

City of Vadnais Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/19	\$ 83,495	\$ 83,495	\$ -
12/31/18	80,634	80,634	-
12/31/17	79,745	79,745	-
12/31/16	76,630	76,630	-
12/31/15	89,373	89,373	-

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	2019	2018
Total OPEB Liability		
Service cost	\$ 13,149	\$ 13,667
Interest	5,700	5,535
Changes in assumptions	(3,523)	-
Benefit payments	(11,221)	(16,115)
Net Change in Total OPEB Liability	4,105	3,087
Total OPEB Liability - Beginning	165,152	162,065
Total OPEB Liability - Ending	<u>\$ 169,257</u>	<u>\$ 165,152</u>
Covered Payroll	\$ 2,007,950	\$ 1,949,466
City's Total OPEB Liability as a Percentage of Covered Payroll	8.43 %	8.47 %

Benefit Changes:

None

Changes in Assumptions:

2019

The discount rate was changed from 3.30% to 3.80% for the fiscal year ending December 31, 2019.

2018

The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

The retirement and withdrawal tables for all employees were updated.

The discount rate was changed from 3.50% to 3.30%.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Vadnais Heights, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

Exhibit A-1

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 195,374	\$ 2,829,364	\$ 460,820	\$ 3,485,558
Receivables				
Taxes	-	-	2,861	2,861
Accounts	14,030	60,242	-	74,272
Special assessments	40,254	-	-	40,254
	<u>40,254</u>	<u>-</u>	<u>-</u>	<u>40,254</u>
Total Assets	<u>\$ 249,658</u>	<u>\$ 2,889,606</u>	<u>\$ 463,681</u>	<u>\$ 3,602,945</u>
Liabilities				
Accounts payable	\$ 59,969	\$ 1,300	\$ -	\$ 61,269
Fund Balances				
Restricted	163,089	2,232,331	463,681	2,859,101
Committed	26,600	-	-	26,600
Assigned	-	655,975	-	655,975
Total Fund Balances	<u>189,689</u>	<u>2,888,306</u>	<u>463,681</u>	<u>3,541,676</u>
Total Liabilities and Fund Balances	<u>\$ 249,658</u>	<u>\$ 2,889,606</u>	<u>\$ 463,681</u>	<u>\$ 3,602,945</u>

City of Vadnais Heights, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2019

Exhibit A-2

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ 425,522	\$ 520,672	\$ 946,194
Intergovernmental	30,855	-	110,619	141,474
Charges for services	52,161	78,491	-	130,652
Interest on investments	-	84,179	-	84,179
Miscellaneous	92,477	82,500	-	174,977
Total Revenues	<u>175,493</u>	<u>670,692</u>	<u>631,291</u>	<u>1,477,476</u>
Expenditures				
Current				
Public safety	16,281	-	-	16,281
Public works	30,815	-	-	30,815
Culture and recreation	55,920	-	-	55,920
Capital outlay				
Public works	-	311,546		311,546
Culture and recreation	-	61,568	-	61,568
Community development	-	36,737	-	36,737
Debt service				
Principal	-	-	275,000	275,000
Interest and other	-	-	337,448	337,448
Total Expenditures	<u>103,016</u>	<u>409,851</u>	<u>612,448</u>	<u>1,125,315</u>
Excess of Revenues Over Expenditures	72,477	260,841	18,843	352,161
Other Financing Uses				
Transfer out	<u>-</u>	<u>-</u>	<u>(124,701)</u>	<u>(124,701)</u>
Net Change in Fund Balances	72,477	260,841	(105,858)	227,460
Fund Balances, January 1	<u>117,212</u>	<u>2,627,465</u>	<u>569,539</u>	<u>3,314,216</u>
Fund Balances, December 31	<u>\$ 189,689</u>	<u>\$ 2,888,306</u>	<u>\$ 463,681</u>	<u>\$ 3,541,676</u>

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenue derived from specific taxes or other earmarked revenue sources. They are usually required by Minnesota statute or local ordinance to finance particular functions or activities of government.

Community Service Fund - The purpose of this fund is to account for targeted donations and grants and the spending of these revenues.

Heritage Days Fund - The purpose of this fund is to account for donations, fees, and operating expenses for the City's annual summer festival.

Solid Waste Fund - The purpose of this fund is to account for the City's financial transactions involving the organized collection of refuse and recyclables in the City. A consortium of haulers provides these services in partnership with the City and County.

Charitable Gambling Fund - The purpose of this fund is to account for fees received from charitable gambling operations and the spending of these resources.

City of Vadnais Heights, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2019

Exhibit B-1

	201 Community Service	225 Heritage Days	226 Solid Waste	227 Charitable Gambling	Total
Assets					
Cash and temporary investments	\$ 67,115	\$ 20,999	\$ 30,653	\$ 76,607	\$ 195,374
Receivables					
Accounts	13,316	-	-	714	14,030
Special assessments	-	-	40,254	-	40,254
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 80,431</u>	<u>\$ 20,999</u>	<u>\$ 70,907</u>	<u>\$ 77,321</u>	<u>\$ 249,658</u>
Liabilities					
Accounts payable	<u>\$ 11,240</u>	<u>\$ -</u>	<u>\$ 48,081</u>	<u>\$ 648</u>	<u>\$ 59,969</u>
Fund Balances					
Restricted	63,590	-	22,826	76,673	163,089
Committed	<u>5,601</u>	<u>20,999</u>	<u>-</u>	<u>-</u>	<u>26,600</u>
Total Fund Balances	<u>69,191</u>	<u>20,999</u>	<u>22,826</u>	<u>76,673</u>	<u>189,689</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 80,431</u>	<u>\$ 20,999</u>	<u>\$ 70,907</u>	<u>\$ 77,321</u>	<u>\$ 249,658</u>

City of Vadnais Heights, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2019

Exhibit B-2

	201 Community Service	225 Heritage Days	226 Solid Waste	227 Charitable Gambling	Total
Revenues					
Intergovernmental	\$ -	\$ -	\$ 30,855	\$ -	\$ 30,855
Charges for services	-	8,033	6,560	37,568	52,161
Miscellaneous	77,477	15,000	-	-	92,477
Total Revenues	<u>77,477</u>	<u>23,033</u>	<u>37,415</u>	<u>37,568</u>	<u>175,493</u>
Expenditures					
Current					
Public safety	-	-	-	16,281	16,281
Public works	-	-	30,815	-	30,815
Culture and recreation	32,108	23,812	-	-	55,920
Total Expenditures	<u>32,108</u>	<u>23,812</u>	<u>30,815</u>	<u>16,281</u>	<u>103,016</u>
Net Change in Fund Balances	45,369	(779)	6,600	21,287	72,477
Fund Balances, January 1	<u>23,822</u>	<u>21,778</u>	<u>16,226</u>	<u>55,386</u>	<u>117,212</u>
Fund Balances, December 31	<u>\$ 69,191</u>	<u>\$ 20,999</u>	<u>\$ 22,826</u>	<u>\$ 76,673</u>	<u>\$ 189,689</u>

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NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by enterprise funds.

Franchise Fees Street Maintenance Fund - The purpose of this fund is to account for street repairs that are financed by franchise fees.

Park Dedication Fund - The purpose of this fund is to account for park improvements approved in the Capital Improvement Plan that are financed by park dedication fees paid by developers.

Fire Vehicle and Equipment Fund - The purpose of this fund is to account for fire department equipment expenditures approved in the Capital Improvement Plan that are financed by fire department fund raising efforts.

Tax Increment Financing District 1-8 Fund - The purpose of this fund is to account for public improvements that are allowable under pooled tax increment funding laws in the state

Tax Increment Financing District 1-12 Fund - The purpose of this fund is to account for public improvements as specified in the approved budget for this tax increment financing district.

Tax Increment Financing District 1-23 Fund - The purpose of this fund is to account for public improvements as specified in the approved budget for this tax increment financing district.

Tax Increment Financing District 1-30 Fund - The purpose of this fund is to account for public improvements as specified in the approved budget for this tax increment financing district.

City of Vadnais Heights, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2019

Exhibit C-1

	413	420	425	455
	Franchise Fees Street Maintenance	Park Dedication	Fire Vehicle and Equipment	TIF 1-8
Assets				
Cash and temporary investments	\$ 106,291	\$ 241,874	\$ 489,442	\$ 58,215
Receivables				
Accounts	60,242	-	-	-
Total Assets	<u>\$ 166,533</u>	<u>\$ 241,874</u>	<u>\$ 489,442</u>	<u>\$ 58,215</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund Balances				
Restricted	-	241,874	-	58,215
Assigned	166,533	-	489,442	-
Total Fund Balances	<u>166,533</u>	<u>241,874</u>	<u>489,442</u>	<u>58,215</u>
Total Liabilities and Fund Balances	<u>\$ 166,533</u>	<u>\$ 241,874</u>	<u>\$ 489,442</u>	<u>\$ 58,215</u>

458	468	474	
TIF 1-12	TIF 1-23	TIF 1-30	Total
\$ 753,455	\$ 1,158,336	\$ 21,751	\$ 2,829,364
-	-	-	60,242
<u>\$ 753,455</u>	<u>\$ 1,158,336</u>	<u>\$ 21,751</u>	<u>\$ 2,889,606</u>
\$ 1,300	\$ -	\$ -	\$ 1,300
752,155	1,158,336	21,751	2,232,331
-	-	-	655,975
<u>752,155</u>	<u>1,158,336</u>	<u>21,751</u>	<u>2,888,306</u>
<u>\$ 753,455</u>	<u>\$ 1,158,336</u>	<u>\$ 21,751</u>	<u>\$ 2,889,606</u>

City of Vadnais Heights, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2019

Exhibit C-2

	413	420	425	455
	Franchise Fees Street Maintenance	Park Dedication	Fire Vehicle and Equipment	TIF 1-8
Revenues				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ -
Franchise fees	291,170	-	-	-
Charges for services	-	78,491	-	-
Interest on investments	-	-	17,525	-
Miscellaneous	-	-	82,500	-
Total Revenues	<u>291,170</u>	<u>78,491</u>	<u>100,025</u>	<u>-</u>
Expenditures				
Capital outlay				
Public works	311,546	-	-	-
Culture and recreation		61,568	-	-
Community development	-	-	-	881
Total Expenditures	<u>311,546</u>	<u>61,568</u>	<u>-</u>	<u>881</u>
Net Change in Fund Balances	(20,376)	16,923	100,025	(881)
Fund Balances, January 1	<u>186,909</u>	<u>224,951</u>	<u>389,417</u>	<u>59,096</u>
Fund Balances, December 31	<u><u>\$ 166,533</u></u>	<u><u>\$ 241,874</u></u>	<u><u>\$ 489,442</u></u>	<u><u>\$ 58,215</u></u>

458	468	474	
TIF 1-12	TIF 1-23	TIF 1-30	Total
\$ -	\$ 99,770	\$ 34,582	\$ 134,352
-	-	-	291,170
-	-	-	78,491
27,372	39,282	-	84,179
-	-	-	82,500
27,372	139,052	34,582	670,692
-	-	-	311,546
-	-	-	61,568
1,875	3,654	30,327	36,737
1,875	3,654	30,327	409,851
25,497	135,398	4,255	260,841
726,658	1,022,938	17,496	2,627,465
\$ 752,155	\$ 1,158,336	\$ 21,751	\$ 2,888,306

City of Vadnais Heights, Minnesota

Exhibit D-1

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued on the Following Pages)

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property	\$ 3,573,779	\$ 3,573,779	\$ 3,398,185	\$ (175,594)	\$ 3,386,451
Franchise	112,000	112,000	164,744	52,744	112,890
Total taxes	3,685,779	3,685,779	3,562,929	(122,850)	3,499,341
Licenses and permits					
Business	203,200	203,200	172,034	(31,166)	196,039
Nonbusiness	420,000	420,000	552,192	132,192	415,496
Total licenses and permits	623,200	623,200	724,226	101,026	611,535
Intergovernmental					
State					
Fire aid	77,800	77,800	-	(77,800)	-
Highway aid	165,000	165,000	179,353	14,353	179,524
Other	6,000	6,000	23,263	17,263	11,666
Total intergovernmental	248,800	248,800	202,616	(46,184)	191,190
Charges for services					
General government	394,200	394,200	395,343	1,143	489,361
Public safety	10,600	10,600	14,590	3,990	14,100
Culture and recreation	470,000	470,000	457,925	(12,075)	487,197
Total charges for services	874,800	874,800	867,858	(6,942)	990,658
Fines and forfeitures	30,000	30,000	25,641	(4,359)	25,296
Interest on investments	32,000	32,000	133,779	101,779	57,114
Special assessments	8,000	8,000	1,466	(6,534)	8,740
Miscellaneous					
Other	5,700	5,700	3,172	(2,528)	3,449
Rents	155,000	155,000	204,980	49,980	203,999
Refunds and reimbursements	50,000	50,000	132,129	82,129	42,849
Total miscellaneous	210,700	210,700	340,281	129,581	250,297
Total Revenues	5,713,279	5,713,279	5,858,796	145,517	5,634,171

City of Vadnais Heights, Minnesota

Exhibit D-1

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued)

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018	
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 34,039	\$ 34,039	\$ 33,299	\$ 740	\$ 34,052
Supplies	300	300	2,457	(2,157)	243
Other services and charges	94,167	94,167	88,023	6,144	99,725
Total mayor and city council	128,506	128,506	123,779	4,727	134,020
Administration					
Personnel services	470,268	470,268	476,609	(6,341)	450,642
Supplies	1,500	1,500	887	613	4,107
Other services and charges	39,100	39,100	25,439	13,661	20,365
Total administration	510,868	510,868	502,935	7,933	475,114
Finance					
Personnel services	225,978	225,978	221,205	4,773	221,237
Other services and charges	69,850	69,850	59,875	9,975	68,078
Total finance	295,828	295,828	281,080	14,748	289,315
MIS					
Other services and charges	123,471	123,471	112,383	11,088	92,282
City attorney					
Other services and charges	180,000	180,000	153,591	26,409	165,381
City hall					
Personnel services	2,807	2,807	2,487	320	2,480
Supplies	18,200	18,200	13,865	4,335	54,250
Other services and charges	248,850	248,850	193,700	55,150	325,128
Total city hall	269,857	269,857	210,052	59,805	381,858
Total general government	1,508,530	1,508,530	1,383,820	124,710	1,537,970
Public safety					
Police protection					
Contracted services	1,382,767	1,382,767	1,347,014	35,753	1,241,717

City of Vadnais Heights, Minnesota

Exhibit D-1

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued)

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Fire protection					
Personnel services	\$ 983,584	\$ 983,584	\$ 944,754	\$ 38,830	\$ 891,523
Supplies	86,098	86,098	70,355	15,743	97,700
Other services and charges	234,900	234,900	209,189	25,711	173,455
Total fire protection	1,304,582	1,304,582	1,224,298	80,284	1,162,678
Total public safety	2,687,349	2,687,349	2,571,312	116,037	2,404,395
Public works					
Street maintenance					
Personnel services	248,264	248,264	273,436	(25,172)	248,216
Supplies	64,000	64,000	89,527	(25,527)	51,666
Other services and charges	166,400	166,400	183,902	(17,502)	139,785
Total street maintenance	478,664	478,664	546,865	(68,201)	439,667
Central garage facility					
Personnel services	99,572	99,572	95,643	3,929	107,322
Supplies	79,600	79,600	79,538	62	91,090
Other services and charges	122,825	122,825	176,557	(53,732)	130,608
Total central garage facility	301,997	301,997	351,738	(49,741)	329,020
Engineering					
Personnel services	82,571	82,571	75,749	6,822	53,620
Supplies	250	250	-	250	2,858
Other services and charges	16,400	16,400	61,325	(44,925)	46,200
Total engineering	99,221	99,221	137,074	(37,853)	102,678
Total public works	879,882	879,882	1,035,677	(155,795)	871,365
Culture and recreation					
Parks and recreation					
Personnel services	414,558	414,558	435,663	(21,105)	432,370
Supplies	79,300	79,300	55,828	23,472	76,693
Other services and charges	306,200	306,200	297,487	8,713	314,759
Total parks and recreation	800,058	800,058	788,978	11,080	823,822
Total culture and recreation	800,058	800,058	788,978	11,080	823,822

City of Vadnais Heights, Minnesota

Exhibit D-1

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued)

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Community development					
Community development					
Personnel services	\$ 281,710	\$ 281,710	\$ 268,964	\$ 12,746	\$ 271,873
Supplies	1,000	1,000	286	714	208
Other services and charges	55,250	55,250	137,204	(81,954)	47,879
Total community development	337,960	337,960	406,454	(68,494)	319,960
Total Expenditures	6,213,779	6,213,779	6,186,241	27,538	5,957,512
Deficiency of Revenues					
Under Expenditures	(500,500)	(500,500)	(327,445)	173,055	(323,341)
Other Financing Sources (Uses)					
Transfers in	500,000	500,000	500,000	-	500,000
Sale of capital assets	500	500	5,994	5,494	-
Transfers out	-	-	-	-	(626,904)
Total Other Financing Sources (Uses)	500,500	500,500	505,994	5,494	(126,904)
Net Change in Fund Balances	-	-	178,549	178,549	(450,245)
Fund Balances, January 1	3,376,102	3,376,102	3,376,102	-	3,826,347
Fund Balances, December 31	\$ 3,376,102	\$ 3,376,102	\$ 3,554,651	\$ 178,549	\$ 3,376,102

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NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

Debt Service funds are established to account for the collection of ad valorem taxes; special assessments and tax increment revenue transfers as well as the payment of principal and interest of general long-term debt.

2004 G.O. Fund - The purpose of this fund is to account for resources accumulated and payments for principal and interest on long term debt.

2009A G.O. Build America Bonds Fund - The purpose of this fund is to account for resources accumulated and payments for principal and interest on long term debt.

City of Vadnais Heights, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2019

Exhibit E-1

	307	308	
	2004 G.O.	2009A G.O. Build America Bonds	Total
Assets			
Cash and temporary investments	\$ -	\$ 460,820	\$ 460,820
Receivables			
Taxes	-	2,861	2,861
	<u>-</u>	<u>2,861</u>	<u>2,861</u>
Total Assets	<u>\$ -</u>	<u>\$ 463,681</u>	<u>\$ 463,681</u>
Fund Balances			
Restricted	<u>\$ -</u>	<u>\$ 463,681</u>	<u>\$ 463,681</u>

City of Vadnais Heights, Minnesota
Nonmajor Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2019

Exhibit E-2

	307	308 2009A G.O. Build America	
	2004 G.O.	Bonds	Total
Revenues			
Property taxes	\$ -	\$ 520,672	\$ 520,672
Intergovernmental	-	110,619	110,619
Total Revenues	<u>-</u>	<u>631,291</u>	<u>631,291</u>
Expenditures			
Debt service			
Principal	-	275,000	275,000
Interest and other charges	-	337,448	337,448
Total Expenditures	<u>-</u>	<u>612,448</u>	<u>612,448</u>
Excess of Revenues Over Expenditures	-	18,843	18,843
Other Financing Uses			
Transfers out	<u>(124,701)</u>	<u>-</u>	<u>(124,701)</u>
Net Change in Fund Balances	(124,701)	18,843	(105,858)
Fund Balances, January 1	<u>124,701</u>	<u>444,838</u>	<u>569,539</u>
Fund Balances, December 31	<u><u>\$ -</u></u>	<u><u>\$ 463,681</u></u>	<u><u>\$ 463,681</u></u>

City of Vadnais Heights, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2019 and 2018

Exhibit F-1

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 4,988,713	\$ 4,825,032	3.39 %
Special assessments	388,125	313,461	23.82
Licenses and permits	724,226	611,535	18.43
Intergovernmental	344,090	305,752	12.54
Charges for services	1,033,727	1,071,877	(3.56)
Fines and forfeitures	25,641	25,296	1.36
Interest on investments	507,959	191,944	164.64
Miscellaneous	515,258	339,970	51.56
Total Revenues	<u>\$ 8,527,739</u>	<u>\$ 7,684,867</u>	10.97 %
Per Capita	<u>\$ 646</u>	<u>\$ 605</u>	6.81 %
Expenditures			
Current			
General government	\$ 1,383,820	\$ 1,537,970	(10.02) %
Public safety	2,587,593	2,452,316	5.52
Public works	1,066,492	899,943	18.51
Culture and recreation	844,898	853,522	(1.01)
Community development	406,454	319,960	27.03
Capital outlay			
Public safety	-	79,741	(100.00)
Public works	686,828	406,569	68.93
Culture and recreation	200,369	61,666	224.93
Community development	37,454	97,386	(61.54)
Debt service			
Principal	275,000	505,000	(45.54)
Interest and other charges	337,448	355,586	(5.10)
Total Expenditures	<u>\$ 7,826,356</u>	<u>\$ 7,569,659</u>	3.39 %
Per Capita	<u>\$ 593</u>	<u>\$ 596</u>	(0.48) %
Total Long-term Indebtedness	\$ 5,930,000	\$ 6,205,000	(4.43) %
Per Capita	449	488	
General Fund Balance - December 31	\$ 3,554,651	\$ 3,376,102	5.29 %
Per Capita	269	266	

The purpose of this report is to provide a summary of financial information concerning the City of Vadnais Heights to interested citizens. The complete financial statements may be examined at City Hall, 800 East County Road E, Vadnais Heights, Minnesota 55127. Questions about this report should be directed to the Finance Director at (651) 204-6020.

STATISTICAL SECTION (UNAUDITED)

CITY OF VADNAIS HEIGHTS
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Vadnais Heights' 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 government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

City of Vadnais Heights, Minnesota
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 32,632,446	\$ 33,066,019	\$ 32,969,054	\$ 32,866,484
Restricted	-	5,028,174	6,099,110	4,239,831
Unrestricted	16,447,864	11,793,299	8,189,282	8,362,645
Total Governmental Activities Net Position	<u>\$ 49,080,310</u>	<u>\$ 49,887,492</u>	<u>\$ 47,257,446</u>	<u>\$ 45,468,960</u>
Business-type Activities				
Net investment in capital assets	\$ 12,774,215	\$ 5,594,415	\$ 10,890,127	\$ 10,694,948
Unrestricted	8,974,272	10,482,422	7,325,203	9,505,954
Total Business-type Activities Net Position	<u>\$ 21,748,487</u>	<u>\$ 16,076,837</u>	<u>\$ 18,215,330</u>	<u>\$ 20,200,902</u>
Primary Government				
Net investment in capital assets	\$ 45,406,661	\$ 38,660,434	\$ 43,859,181	\$ 43,561,432
Restricted	-	5,028,174	6,099,110	4,239,831
Unrestricted	25,422,136	22,275,721	15,514,485	17,868,599
Total Primary Government Net Position	<u>\$ 70,828,797</u>	<u>\$ 65,964,329</u>	<u>\$ 65,472,776</u>	<u>\$ 65,669,862</u>

Note: The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal 2013.
Net position information has been restated for 2012 for this accounting change.
Years prior to 2012 have not been restated.

Note: The City implemented GASB Statement No. 68 and GASB Statement No. 71 in fiscal 2015.
Years prior to 2015 have not been restated.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 34,359,652	\$ 35,382,155	\$ 36,003,415	\$ 36,318,397	\$ 36,034,903	\$ 35,734,173
8,330,549	8,632,570	6,407,612	5,924,089	5,793,709	6,087,569
6,755,531	6,615,692	8,096,597	8,597,572	9,228,802	10,139,333
<u>\$ 49,445,732</u>	<u>\$ 50,630,417</u>	<u>\$ 50,507,624</u>	<u>\$ 50,840,058</u>	<u>\$ 51,057,414</u>	<u>\$ 51,961,075</u>
\$ 10,373,025	\$ 10,410,507	\$ 10,046,657	\$ 9,715,193	\$ 10,184,830	\$ 10,133,165
10,399,281	10,485,288	11,154,268	11,968,954	11,692,115	12,348,352
<u>\$ 20,772,306</u>	<u>\$ 20,895,795</u>	<u>\$ 21,200,925</u>	<u>\$ 21,684,147</u>	<u>\$ 21,876,945</u>	<u>\$ 22,481,517</u>
\$ 44,732,677	\$ 45,792,662	\$ 46,050,072	\$ 46,033,590	\$ 46,219,733	\$ 45,867,338
8,330,549	8,632,570	6,407,612	5,924,089	5,793,709	6,087,569
17,154,812	17,100,980	19,250,865	20,566,526	20,920,917	22,487,685
<u>\$ 70,218,038</u>	<u>\$ 71,526,212</u>	<u>\$ 71,708,549</u>	<u>\$ 72,524,205</u>	<u>\$ 72,934,359</u>	<u>\$ 74,442,592</u>

City of Vadnais Heights, Minnesota
Changes in Net Position (Continued on the Following Pages)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental Activities				
General government	\$ 1,304,150	\$ 1,201,069	\$ 1,142,427	\$ 1,129,033
Public safety	2,057,085	2,241,891	2,188,839	2,253,586
Public works	1,468,544	1,203,618	1,838,208	1,780,217
Culture and recreation	706,751	723,863	1,021,686	1,027,564
Community development	1,211,772	1,386,053	937,114	697,110
Interest on long-term debt	499,178	497,028	456,300	308,248
Total Governmental Activities Expenses	<u>7,247,480</u>	<u>7,253,522</u>	<u>7,584,574</u>	<u>7,195,758</u>
Business-type Activities				
Water	971,487	1,029,912	980,794	1,015,500
Sewer	1,342,582	1,419,988	1,261,370	1,335,613
Surface water management	249,990	275,450	261,751	274,580
Sportsplex	555,625	3,144,986	3,023,589	-
Total Business-type Activities Expenses	<u>3,119,684</u>	<u>5,870,336</u>	<u>5,527,504</u>	<u>2,625,693</u>
Total Primary Government Expenses	<u>\$ 10,367,164</u>	<u>\$ 13,123,858</u>	<u>\$ 13,112,078</u>	<u>\$ 9,821,451</u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 1,306,590	\$ 974,448	\$ 1,025,058	\$ 783,811
Public safety	446,226	316,123	347,432	502,801
Public works	-	18,558	34,375	66,211
Culture and recreation	142,860	201,693	265,337	364,801
Economic development	-	-	-	-
Interest on long-term debt	500,108	329,000	394,011	190,000
Operating grants and contributions	322,835	254,748	234,332	287,669
Capital grants and contributions	418,026	998,238	350,387	320,694
Total Governmental Activities Program Revenues	<u>3,136,645</u>	<u>3,092,808</u>	<u>2,650,932</u>	<u>2,515,987</u>
Business-type Activities				
Charges for services				
Water	973,813	1,166,005	1,328,016	1,256,480
Sewer	1,447,317	1,733,399	1,617,433	1,628,951
Surface water management	384,808	395,823	385,529	415,557
Sportsplex	231,459	1,426,048	1,325,397	-
Operating grants and contributions	135,999	210,435	62,318	-
Capital grants and contributions	4,633,192	8,062	-	-
Total Business-type Activities Program Revenues	<u>7,806,588</u>	<u>4,939,772</u>	<u>4,718,693</u>	<u>3,300,988</u>
Total Primary Government Program Revenues	<u>\$ 10,943,233</u>	<u>\$ 8,032,580</u>	<u>\$ 7,369,625</u>	<u>\$ 5,816,975</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 1,269,824	\$ 1,356,105	\$ 1,632,524	\$ 1,378,208	\$ 1,282,295	\$ 1,441,685
2,405,345	2,458,993	2,605,999	2,742,934	2,530,275	2,701,365
1,504,464	419,811	787,393	1,363,779	2,364,593	2,107,292
1,109,923	1,140,692	1,106,695	1,144,785	975,805	1,037,276
1,062,088	2,077,248	2,283,107	953,036	388,510	442,366
425,220	584,675	389,151	368,771	346,315	331,719
<u>7,776,864</u>	<u>8,037,524</u>	<u>8,804,869</u>	<u>7,951,513</u>	<u>7,887,793</u>	<u>8,061,703</u>
1,019,161	929,088	934,256	821,938	937,903	974,910
1,373,039	1,385,779	1,504,205	1,613,389	1,698,053	1,864,435
291,765	307,905	338,462	367,719	614,586	390,435
-	-	-	-	-	-
<u>2,683,965</u>	<u>2,622,772</u>	<u>2,776,923</u>	<u>2,803,046</u>	<u>3,250,542</u>	<u>3,229,780</u>
<u>\$ 10,460,829</u>	<u>\$ 10,660,296</u>	<u>\$ 11,581,792</u>	<u>\$ 10,754,559</u>	<u>\$ 11,138,335</u>	<u>\$ 11,291,483</u>
\$ 834,431	\$ 974,470	\$ 1,121,784	\$ 966,896	\$ 916,134	\$ 960,064
319,525	498,352	603,148	435,674	450,190	577,859
12,004	47,273	54,204	28,935	23,754	35,217
435,353	468,313	537,763	547,876	503,637	547,895
-	176,631	-	-	-	-
355,000	-	178,000	-	-	-
523,860	596,271	436,118	501,132	398,948	447,209
2,539,686	1,727,441	733,667	585,976	330,368	468,716
<u>5,019,859</u>	<u>4,488,751</u>	<u>3,664,684</u>	<u>3,066,489</u>	<u>2,623,031</u>	<u>3,036,960</u>
1,145,635	1,334,664	1,410,316	1,417,132	1,470,398	1,438,509
1,695,319	1,764,479	1,881,720	1,758,528	1,891,724	1,897,969
412,184	403,057	441,702	424,708	421,781	438,167
-	-	-	-	-	-
-	-	1,201	75	1,521	424
-	-	-	-	-	-
<u>3,253,138</u>	<u>3,502,200</u>	<u>3,734,939</u>	<u>3,600,443</u>	<u>3,785,424</u>	<u>3,775,069</u>
<u>\$ 8,272,997</u>	<u>\$ 7,990,951</u>	<u>\$ 7,399,623</u>	<u>\$ 6,666,932</u>	<u>\$ 6,408,455</u>	<u>\$ 6,812,029</u>

City of Vadnais Heights, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Net (Expense)/Revenue				
Governmental activities	\$ (4,110,835)	\$ (4,160,714)	\$ (4,933,642)	\$ (4,679,771)
Business-type activities	4,686,904	(930,564)	(808,811)	675,295
Total Primary Government Net Expense	\$ 576,069	\$ (5,091,278)	\$ (5,742,453)	\$ (4,004,476)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes	\$ 3,176,705	\$ 3,379,999	\$ 3,563,677	\$ 3,575,401
Tax increments	2,298,992	2,025,497	2,002,516	1,398,827
Franchise taxes	60,597	66,044	66,231	65,449
Grants and contributions not restricted to specific programs	814	1,269	9,460	3,600
Unrestricted investment earnings	25,176	197,845	106,700	(467,864)
Sale of capital assets	-	30,451	-	45,608
Contributions of capital assets	-	-	(22,728)	-
Transfers	410,000	(214,792)	385,000	675,000
Special item - loss on disposal on land held for resale	-	-	(3,807,260)	-
Total Governmental Activities	5,972,284	5,486,313	2,303,596	5,296,021
Business-type Activities				
Unrestricted investment earnings	17,884	161,049	112,038	(419,459)
Contributions of capital assets	-	-	22,728	-
Transfers	(410,000)	214,792	(385,000)	(675,000)
Special item - gain on discontinued operations	-	-	3,197,538	-
Total Business-type Activities	(392,116)	375,841	2,947,304	(1,094,459)
Total Primary Government	\$ 5,580,168	\$ 5,862,154	\$ 5,250,900	\$ 4,201,562
Change in Net Position				
Governmental activities	\$ 1,861,449	\$ 1,325,599	\$ (2,630,046)	\$ 616,250
Business-type activities	4,294,788	(554,723)	2,138,493	(419,164)
Total Primary Government	\$ 6,156,237	\$ 770,876	\$ (491,553)	\$ 197,086

Note: The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal 2013.
Net position information has been restated for 2012 for this accounting change.
Years prior to 2012 have not been restated.

Note: The City implemented GASB Statement No. 68 and GASB Statement No. 71 in fiscal 2015.
Years prior to 2015 have not been restated.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ (2,757,005)	\$ (3,548,773)	\$ (5,140,114)	\$ (4,885,024)	\$ (5,264,762)	\$ (5,024,743)
569,173	879,428	958,016	797,397	534,882	545,289
<u>\$ (2,187,832)</u>	<u>\$ (2,669,345)</u>	<u>\$ (4,182,098)</u>	<u>\$ (4,087,627)</u>	<u>\$ (4,729,880)</u>	<u>\$ (4,479,454)</u>
\$ 3,786,696	\$ 3,815,786	\$ 4,044,991	\$ 4,200,541	\$ 4,394,342	\$ 4,416,666
1,598,616	1,106,035	162,759	172,127	130,781	134,352
64,058	112,301	160,664	103,257	299,799	455,914
24,636	33,405	37,279	17,442	-	-
682,768	168,905	(34,024)	197,143	191,944	507,959
2,003	-	20,652	26,948	18,000	38,214
-	-	-	-	-	-
575,000	625,000	625,000	500,000	500,000	375,299
-	-	-	-	-	-
<u>6,733,777</u>	<u>5,861,432</u>	<u>5,017,321</u>	<u>5,217,458</u>	<u>5,534,866</u>	<u>5,928,404</u>
577,231	133,704	(27,886)	185,825	180,611	434,582
-	-	-	-	-	-
(575,000)	(625,000)	(625,000)	(500,000)	(500,000)	(375,299)
-	-	-	-	-	-
<u>2,231</u>	<u>(491,296)</u>	<u>(652,886)</u>	<u>(314,175)</u>	<u>(319,389)</u>	<u>59,283</u>
<u>\$ 6,736,008</u>	<u>\$ 5,370,136</u>	<u>\$ 4,364,435</u>	<u>\$ 4,903,283</u>	<u>\$ 5,215,477</u>	<u>\$ 5,987,687</u>
\$ 3,976,772	\$ 2,312,659	\$ (122,793)	\$ 332,434	\$ 270,104	\$ 903,661
571,404	388,132	305,130	483,222	215,493	604,572
<u>\$ 4,548,176</u>	<u>\$ 2,700,791</u>	<u>\$ 182,337</u>	<u>\$ 815,656</u>	<u>\$ 485,597</u>	<u>\$ 1,508,233</u>

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City of Vadnais Heights, Minnesota
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Exhibit G-3

Fiscal Year	Property Tax	Tax Increment	Franchise Tax	Total
2010	\$ 3,176,705	\$ 2,298,992	\$ 60,597	\$ 5,536,294
2011	3,379,999	2,025,497	66,044	5,471,540
2012	3,563,677	2,002,516	66,231	5,632,424
2013	3,575,401	1,398,827	65,449	5,039,677
2014	3,786,696	1,598,616	64,058	5,449,370
2015	3,815,786	1,106,035	112,301	5,034,122
2016	4,044,991	162,759	160,664	4,368,414
2017	4,200,541	172,127	103,257	4,475,925
2018	4,394,342	130,781	299,799	4,824,922
2019	4,416,666	134,352	455,914	5,006,932

City of Vadnais Heights, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Nonspendable	\$ -	\$ 40,954	\$ 46,830	\$ 55,878
Unassigned	-	2,889,632	581,937	2,894,026
Reserved	44,562	-	-	-
Unreserved	<u>2,734,951</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>\$ 2,779,513</u>	<u>\$ 2,930,586</u>	<u>\$ 628,767</u>	<u>\$ 2,949,904</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ 410,000	\$ 400,000	\$ 400,000
Restricted	-	5,241,279	6,224,427	6,989,261
Committed	-	31,522	36,936	38,985
Assigned	-	4,307,219	4,108,361	1,842,596
Unassigned	-	(62,369)	-	-
Reserved	468,146	-	-	-
Unreserved, reported in				
Special revenue funds	60,779	-	-	-
Capital projects funds	<u>8,995,571</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 9,524,496</u>	<u>\$ 9,927,651</u>	<u>\$ 10,769,724</u>	<u>\$ 9,270,842</u>

Note: GASB Statement No. 54 replaced the categories used to classify fund balance.
The City implemented GASB Statement No. 54 in 2011, prior year balances were not reclassified.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 51,463	\$ 41,374	\$ 24,954	\$ 45,614	\$ 57,069	\$ 69,248
2,968,435	3,231,249	3,639,751	3,780,733	3,319,033	3,485,403
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,019,898</u>	<u>\$ 3,272,623</u>	<u>\$ 3,664,705</u>	<u>\$ 3,826,347</u>	<u>\$ 3,376,102</u>	<u>\$ 3,554,651</u>
\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -
8,471,108	8,770,687	6,555,159	6,076,426	5,936,775	6,225,099
42,479	59,600	62,058	51,770	45,575	26,600
2,191,460	2,355,651	3,747,377	4,108,195	5,319,469	5,986,492
(2,019)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 10,703,028</u>	<u>\$ 11,185,938</u>	<u>\$ 10,364,594</u>	<u>\$ 10,236,391</u>	<u>\$ 11,301,844</u>	<u>\$ 12,238,191</u>

City of Vadnais Heights, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Property taxes	\$ 4,184,808	\$ 3,405,973	\$ 3,999,931	\$ 3,805,408
Tax increments	1,409,728	2,025,497	1,583,842	1,188,099
Franchise taxes	60,597	66,044	66,231	65,449
Licenses and permits	653,232	435,848	464,040	639,837
Intergovernmental	248,152	981,651	446,764	219,255
Charges for services	1,356,878	1,141,399	1,157,773	1,098,266
Fines and forfeitures	33,223	29,256	40,769	37,400
Special assessments	638,981	349,848	395,767	344,336
Interest on investments	25,176	197,845	106,700	(467,864)
Miscellaneous	424,460	278,598	285,433	355,185
Total Revenues	<u>9,035,235</u>	<u>8,911,959</u>	<u>8,547,250</u>	<u>7,285,371</u>
Expenditures				
General government	1,194,421	1,161,456	1,198,477	1,158,408
Public safety	1,848,016	1,932,227	1,997,602	2,042,634
Public works	639,573	659,963	674,742	835,774
Culture and recreation	586,021	719,473	761,571	856,718
Community and economic development	284,634	168,996	209,648	189,550
Capital outlay	8,683,892	2,357,947	1,944,565	1,285,212
Debt service				
Principal	710,000	675,000	735,000	460,000
Interest and other changes	568,824	498,328	465,655	314,328
Total Expenditures	<u>14,515,381</u>	<u>8,173,390</u>	<u>7,987,260</u>	<u>7,142,624</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,480,146)</u>	<u>738,569</u>	<u>559,990</u>	<u>142,747</u>
Other Financing Sources (Uses)				
Transfers in	475,232	671,806	435,000	7,413,033
Transfers out	(282,596)	(886,598)	(50,000)	(6,738,033)
Sale of capital assets	-	30,451	-	4,508
Total Other Financing Sources (Uses)	<u>192,636</u>	<u>(184,341)</u>	<u>385,000</u>	<u>679,508</u>
Net Change in Fund Balances	<u>\$ (5,287,510)</u>	<u>\$ 554,228</u>	<u>\$ 944,990</u>	<u>\$ 822,255</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>21.9%</u>	<u>20.2%</u>	<u>19.9%</u>	<u>13.2%</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 4,833,450	\$ 4,781,372	\$ 4,050,015	\$ 4,217,340	\$ 4,581,361	\$ 4,689,617
589,494	131,918	191,521	172,127	130,781	134,352
64,058	112,301	160,664	103,257	112,890	164,744
477,465	698,486	790,139	625,053	611,535	724,226
1,369,351	721,914	670,912	606,893	305,752	344,090
1,259,831	1,189,900	1,360,529	1,072,768	1,071,877	1,033,727
38,815	33,156	28,527	28,464	25,296	25,641
548,686	540,620	445,525	448,784	313,461	388,125
682,768	168,905	(34,024)	197,143	191,944	507,959
342,937	635,139	363,568	268,967	339,970	515,258
10,206,855	9,013,711	8,027,376	7,740,796	7,684,867	8,527,739
1,216,587	1,242,939	1,404,400	1,425,721	1,537,970	1,383,820
2,187,940	2,219,510	2,291,655	2,582,187	2,452,316	2,587,593
829,338	826,712	828,121	908,467	899,943	1,066,492
925,808	968,586	923,732	981,689	853,522	844,898
211,606	911,080	326,189	342,854	319,960	406,454
3,034,243	1,687,307	2,461,073	1,128,076	645,362	924,651
445,000	455,000	470,000	485,000	505,000	275,000
431,156	591,942	397,120	377,311	355,586	337,448
9,281,678	8,903,076	9,102,290	8,231,305	7,569,659	7,826,356
925,177	110,635	(1,074,914)	(490,509)	115,208	701,383
626,022	675,000	1,264,150	500,000	1,126,904	500,000
(51,022)	(50,000)	(639,150)	-	(626,904)	(124,701)
2,003	2,003	4,500	23,948	-	38,214
577,003	627,003	629,500	523,948	500,000	413,513
\$ 1,502,180	\$ 737,638	\$ (445,414)	\$ 33,439	\$ 615,208	\$ 1,114,896
12.7%	14.7%	11.5%	12.3%	12.3%	8.9%

City of Vadnais Heights, Minnesota
Assessed Net Tax Capacity and Estimated Market Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Assessed Net Tax Capacity					Net Taxable Value
	Real Property	Personal Property	Total Real & Personal Property	Fiscal Disparities	Tax Increment	
2010	\$ 18,212,134	\$ 170,959	\$ 18,383,093	\$ (1,140,454)	\$ (2,255,557)	\$ 14,987,082
2011	17,442,231	241,454	17,683,685	(2,811,519)	(2,159,823)	12,712,343
2012	15,984,693	255,262	16,239,955	(2,819,972)	(1,989,277)	11,430,706
2013	14,817,817	263,241	15,081,058	(2,522,073)	(1,624,788)	10,934,197
2014	14,712,508	262,106	14,974,614	(2,205,210)	(1,525,158)	11,244,246
2015	15,722,775	267,673	15,990,448	(2,358,778)	(1,175,423)	12,456,247
2016	16,333,431	317,264	16,650,695	(2,500,883)	(149,129)	14,000,683
2017	16,850,424	306,867	17,157,291	(2,496,158)	(162,396)	14,498,737
2018	18,556,884	321,887	18,878,771	(2,764,287)	(127,308)	15,987,176
2019	20,070,354	310,303	20,380,657	(3,003,451)	(130,505)	17,246,701

Source: Ramsey County Department of Property Records and Revenue

Note: Property in the county is reassessed annually. The county assesses property at approximately 95 to 105 percent of actual value for all types of real and personal property. Assessed Net Tax Capacity is determined by taking the taxable market value multiplied by the classification rate of the property. The County Assessor assigns the classification. The classification rate is determined by Minnesota State statute 273.13

Exhibit G-6

<u>Total Direct Tax Rate</u>	<u>Estimated Market Value of Taxable Property</u>	<u>Ratio of Assessed Tax Capacity to Market Value</u>
19.051	\$1,466,560,900	1.02 %
23.163	1,404,908,600	0.90
24.771	1,262,531,400	0.91
27.840	1,265,585,700	0.86
29.051	1,260,815,200	0.89
29.269	1,347,893,300	0.92
26.904	1,386,228,300	1.01
26.845	1,433,936,000	1.01
24.872	1,559,613,600	1.03
24.127	1,673,246,100	1.03

City of Vadnais Heights, Minnesota
Property Tax Rates
Direct and Overlapping (1) Governments
Last Ten Fiscal Years

Exhibit G-7

Fiscal Year	City of Vadnais Heights						Overlapping Rates								Fiscal Year
							School Districts								
	Debt		Total		#621		#624		#916						
					Tax Capacity Based	Market Value Based (2)	Tax Capacity Based	Market Value Based (2)	Tax Capacity Based						
General Fund	Service Fund			Ramsey County											
2010	17.979 %	1.072 %	19.051 %	46.546 %	22.937 %	0.18685 %	19.396 %	0.17362 %	- %	2010					
2011	20.055	3.108	23.163	50.248	24.560	0.18882	21.772	0.19072	-	2011					
2012	20.341	4.430	24.771	54.678	25.573	0.19536	22.521	0.24061	-	2012					
2013	22.837	5.003	27.840	61.316	29.044	0.21242	26.102	0.24848	-	2013					
2014	23.890	5.161	29.051	60.638	29.444	0.22834	28.622	0.26424	-	2014					
2015	24.237	5.032	29.269	63.735	29.734	0.21069	28.562	0.27299	-	2015					
2016	22.368	4.536	26.904	58.922	27.378	0.21901	26.660	0.23976	-	2016					
2017	22.833	4.012	26.845	55.850	25.305	0.20712	23.476	0.22996	-	2017					
2018	21.932	2.940	24.872	53.962	28.464	0.19725	23.685	0.22280	-	2018					
2019	21.367	2.760	24.127	56.766	26.330	0.18765	26.081	0.23240	-	2019					

Source: Ramsey County Department of Property Records and Revenue

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Vadnais Heights. Not all overlapping rates apply to all City of Vadnais Heights property owners (e.g. the rates for the school districts will only apply to the portion of the property owners located within the geographic boundaries of each school district.)

(2) Market value based property tax rates are based on \$100 of market valuation. All other tax rates are based on \$100 of assessed net tax capacity of taxable property as defined in Table 6.

(3) Total Direct and Overlapping Rates do not include the market value based tax rates for the school districts.

City of Vadnais Heights, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Exhibit G-8

Taxpayer	Type of Business	2019			2010		
		Taxable Net Tax Capacity	Rank	Percentage of Total Taxable Net Tax Capacity	Taxable Net Tax Capacity	Rank	Percentage of Total Taxable Net Tax Capacity
H B Fuller	R&D Laboratory/Manufacturing	\$ 384,376	1	2.2%	\$ 833,344	1	4.3 %
Dakota Upreit LP	Retail	354,868	2	2.1%	312,376	2	1.6
MSP Vadnais LLC	Medical Office Building	293,250	3	1.7%	-	-	
Buerkle Enterprises, LLC	Automotive Dealership	284,632	4	1.7%	163,692	8	0.8
VH Medical Partners LLC	Medical Office Building	284,392	5	1.6%	-	-	-
Wal Mart Real Estate Bus Trust	Retail	279,804	6	1.6%	252,776	3	1.3
Gable Pines Development LP	Senior Housing	247,104	7	1.4%	-	-	-
Northern States Power	Utility	222,866	8	1.3%	165,036	7	0.9
Dokmo Northwood Villa LLC	Apartment	210,480	9	1.2%	-		-
Dayton Hudson Corporation	Retail	148,050	10	0.9%	179,376	5	0.9
Willow Lake Properties	Office, Industrial	-		-	176,842	6	0.9
WKS/WKK LLC	Office, Manufacturing, Hotel	-		-	126,650	10	0.7
John Rickson Properties	Office Building	-		-	237,570	4	1.2
Dayton Hudson Corporation	Retail	-		-	179,376	5	0.9
Parkway Place LLC	Office Building	-		-	128,762	9	0.7
Total		<u>\$ 2,709,822</u>		<u>15.7% %</u>	<u>\$ 2,576,424</u>		<u>13.3 %</u>

Source: Ramsey County Department of Property Records and Revenue

City of Vadnais Heights, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Exhibit G-9

<u>Fiscal Year Ended December 31,</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Tax Collections as a Percent of Current Levy</u>
2010	\$ 3,397,817	\$ 3,252,955	95.7 %	\$ 144,862	\$ 3,397,817	100.0 %
2011	3,401,400	3,342,417	98.3	57,525	3,399,942	100.0
2012	3,534,366	3,470,474	98.2	65,350	3,535,824	100.0
2013	3,579,662	3,545,339	99.0	34,323	3,579,662	100.0
2014	3,686,463	3,645,976	98.9	39,358	3,685,334	100.0
2015	3,761,782	3,739,552	99.4	21,329	3,760,881	100.0
2016	4,131,604	4,093,114	99.1	35,397	4,128,511	99.9
2017	4,281,962	4,266,523	99.6	12,475	4,278,998	99.9
2018	4,427,548	4,391,941	99.2	6,640	4,398,581	99.3
2019	4,578,085	4,548,748	99.4	-	4,548,748	99.4

City of Vadnais Heights, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Exhibit G-10

Fiscal Year	Governmental Activities				Business-type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Tax Increment Bonds	Public Project Revenue Bonds	Notes	Revenue Bonds			
2010	\$ 7,645,000	\$ 2,390,000	\$ -	\$ 400,000	\$ -	\$ 10,435,000	6.32 %	\$ 3,027
2011	9,779,000	858,000	-	400,000	26,800,000	37,837,000	6.71	3,017
2012	8,134,000	491,000	-	400,000	26,077,000	35,102,000	1.61	728
2013	7,758,000	407,000	-	400,000	-	8,565,000	1.47	678
2014	7,389,000	331,000	-	400,000	-	8,120,000	1.39	643
2015	7,012,000	253,000	-	400,000	-	7,665,000	1.30	606
2016	6,624,000	171,000	-	400,000	-	7,195,000	1.22	572
2017	6,223,000	87,000	-	400,000	-	6,710,000	1.04	520
2018	5,805,000	-	-	400,000	-	6,205,000	0.93	488
2019	5,530,000	-	-	400,000	-	5,930,000	0.82	449

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

(1) See the Demographic and Economic Statistics on page 144 for personal income and population data.

City of Vadnais Heights, Minnesota
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Exhibit G-11

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Funds	Net Bonded Debt	Percentage of Estimated Market Value of Taxable Property	Per Capita
2010	\$ 10,035,000	\$ 212,284	\$ 9,822,716	0.67 %	\$ 798
2011	10,637,000	213,105	10,423,895	0.74	847
2012	8,625,000	242,539	8,382,461	0.66	676
2013	8,165,000	362,049	7,802,951	0.62	618
2014	7,720,000	702,666	7,017,334	0.56	555
2015	7,265,000	545,730	6,719,270	0.50	534
2016	6,795,000	743,269	6,051,731	0.44	485
2017	6,310,000	645,628	5,664,372	0.40	439
2018	5,805,000	426,473	5,378,527	0.34	423
2019	5,530,000	326,151	5,203,849	0.31	394

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

See Assessed Net Tax Capacity and Estimated Market Value of Taxable Property on pages 134 and 135 for property value data.

See the Demographic and Economic Statistics on page 144 for population data.

City of Vadnais Heights, Minnesota
Computation of Direct and Overlapping Debt
December 31, 2019

Exhibit G-12

Governmental Unit	Debt Outstanding*	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct Debt			
City of Vadnais Heights	\$ 5,930,000	100.000 %	<u>\$ 5,930,000</u>
Overlapping Debt			
Ramsey County	193,333,286	3.19	6,166,177
Independent School Dist. #621	246,135,000	1.69	4,156,072
Independent School Dist. #624	85,805,000	18.81	16,136,980
Ramsey/Washington Metropolitan Watershed District	4,926,865	0.25	12,530
Metropolitan Council	189,310,976	0.004	7,114
Total Overlapping Debt			<u>26,478,874</u>
Total Direct and Overlapping Debt			<u><u>\$ 32,408,874</u></u>

Comparative Debt Ratios

Ratio of Debt per capita (13,198 population)	\$ 2,425
Ratio of debt to tax capacity valuations (value for local rate) of \$17,246,701	185.59%
Ratio of debt to estimated market valuation of \$1,673,246,100	1.91%

* Source of Data: Ramsey County 2019 Financial Report, Direct and Overlapping Governmental Activities debt

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Vadnais Heights. This process recognized 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.

City of Vadnais Heights, Minnesota

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Debt Limit	\$ 29,331,218	\$ 28,098,172	\$ 37,875,942	\$ 37,967,571
Total Net Debt Applicable to Limit	<u>7,372,318</u>	<u>9,436,373</u>	<u>7,777,379</u>	<u>7,395,951</u>
Legal Debt Margin	<u>\$ 21,958,900</u>	<u>\$ 18,661,799</u>	<u>\$ 30,098,563</u>	<u>\$ 30,571,620</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	25.1%	33.6%	20.5%	19.5%

Legal Debt Margin Calculation for Fiscal Year 2018

Taxable Market Value

Debt Limit (3% of Market Value)

Debt Applicable to Limit

General obligation bonds

Less amount available in

Debt Service funds

Total Net Debt Applicable to Limit

Legal Debt Margin

Note: Under state law, the City's outstanding general obligation debt should not exceed 3 percent of the market value of taxable property (2 percent for years prior to 2008). By law, the general obligation debt subject to the limitation may be offset by amounts set aside for the extinguishment of those obligations.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 37,824,456	\$ 40,436,799	\$ 41,586,849	\$ 43,018,080	46,788,408	\$ 50,197,383
6,686,334	6,466,270	5,880,731	5,577,372	5,378,527	5,203,849
<u>\$ 31,138,122</u>	<u>\$ 33,970,529</u>	<u>\$ 35,706,118</u>	<u>\$ 37,440,708</u>	<u>\$ 41,409,881</u>	<u>\$ 44,993,534</u>
17.7%	16.0%	14.1%	13.0%	11.5%	10.4%

\$1,673,246,100

\$ 50,197,383

5,530,000

(326,151)

5,203,849

\$ 44,993,534

City of Vadnais Heights, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Exhibit G-14

Fiscal Year	Population (1)	Number of Households (1)	Personal Income (2)	Per Capita Personal Income (3)	School Enrollment		Unemployment Rate (5)
					Mounds View (4)	White Bear Lake (4)	
2010	12,302	5,066	\$ 589,167,384	\$ 47,892	10,090	8,250	3.7 %
2011	12,302	5,066	553,122,524	44,962	10,234	8,174	6.2
2012	12,393	5,103	562,208,445	45,365	10,048	8,022	5.9
2013	12,631	5,165	582,592,244	46,124	10,734	8,179	4.4
2014	12,643	5,235	588,266,147	46,529	10,596	7,947	3.2
2015	12,583	5,243	591,640,077	47,019	10,880	8,072	3.8
2016	12,490	5,243	591,640,077	47,019	10,880	8,072	3.8
2017	12,910	5,364	642,724,350	49,785	11,399	8,523	3.1
2018	12,704	5,381	664,304,864	52,291	11,540	8,562	3.4
2019	13,198	5,386	725,018,932	54,934	11,957	8,860	3.4

Source:

- (1) Metropolitan Council.
- (2) Calculated by multiplying the estimated population by the per capita personal income for Ramsey County.
- (3) Bureau of Economic Analysis, U. S. Department of Commerce- for all of Ramsey County.
- (4) Minnesota Department of Education - Figures are for school districts as a whole
- (5) Minnesota Department of Employment and Economic Development - Ramsey County

City of Vadnais Heights, Minnesota

Exhibit G-15

Principal Employers
Current Year and Nine Years Ago

	2019			2010		
	Employees (1)	Rank	Percentage of Total City Employment	Employees (2)	Rank	Percentage of Total City Employment
H.B. Fuller Company	600	1	7.76 %	400	2	5.14 %
I.C. Systems	564	2	7.00	631	1	8.10
Bal Seal Engineering	500	3	6.21	-		-
Wal-Mart	410	4	5.09	357	3	4.58
Buerkle Company	250	5	3.10	145	9	1.86
S.E.H.	200	6	2.48	250	4	3.21
Keller Williams	200	7	2.48	-		-
Target	150	8	1.86	171	8	2.20
Dynamic Air	125	9	1.55	-		-
Posi Flate	125	10	1.55	-		-
Reell Precision Manufacturing	-		-	208	5	2.67
Gephart Electric	-		-	180	6	2.31
Coloplast Manufacturing	-		-	180	7	2.31
Festival Foods	-		-	130	10	1.67
Total	<u>3,149</u>		<u>39.11 %</u>	<u>2,652</u>		<u>34.05 %</u>

Source: City license information

(1) Reference USA

(2) City license information.

City of Vadnais Heights, Minnesota
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013
General Government	11	10	8	8
Public Safety				
Fire				
Firefighters and officers (1)	P.O.C.	P.O.C.	P.O.C.	P.O.C.
Civilians	5	5	5	5
Streets and Highways				
Maintenance	2	3	3	3
Culture and Recreation				
Parks	3	3	3	2
Recreation	2	2	3	3
Water	4	3	3	3
Sewer	2	2	2	2
Surface Water Management	1	-	-	0
	<u>30</u>	<u>28</u>	<u>27</u>	<u>26</u>
Total	<u>30</u>	<u>28</u>	<u>27</u>	<u>26</u>

Source: City of Vadnais Heights, Finance Department
(1) Paid on call

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
8	8	10	10	10	10
P.O.C.	P.O.C.	P.O.C.	P.O.C.	P.O.C.	P.O.C.
5	5	5	5	5	5
3	3	4	4	3	3
2	3	3	3	3	3
3	3	2	2	2	2
3	3	3	2	2	2
2	2	2	2	2	2
0	0	0	0	1	1
<u>26</u>	<u>27</u>	<u>29</u>	<u>28</u>	<u>28</u>	<u>28</u>

City of Vadnais Heights, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Exhibit G-17

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire										
Fire/medical calls	825	721	795	845	887	861	918	1,075	1,075	1,487
Inspections	1,055	1,178	1,207	1,252	1,269	1,110	829	2,040	2,040	1,847
Building/Engineering										
Permits issued	617	334	845	903	965	707	653	935	920	985
Culture and Recreation										
Recreation participants	1,615	1,443	1,435	1,351	1,497	1,346	1,244	1,269	1,296	2,140
Water										
New connections	-	-	-	4	36	12	6	18	16	33
Water main breaks	-	1	3	1	8	2	1	1	6	8
Average daily consumption (thousands of gallons)	1,380	1,183	1,093	1,106	1,472	1,327	1,376	1,267	1,342	1,060
Sewer										
Average daily treatment flow (thousands of gallons)	1,186	1,190	1,192	1,192	1,207	1,167	1,185	1,229	1,273	1,328

Sources: Various government departments.

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

City of Vadnais Heights, Minnesota
Capital Asset Statistics by Function
Last Ten Fiscal Years

Exhibit G-18

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Street division										
Miles of street	39	39	39	39	39	39	39	39	39	39
Street lights (city owned)	70	70	70	70	70	81	85	85	85	85
Signalized intersections	16	16	16	17	17	17	17	17	17	17
Parks division										
Parks	14	14	14	14	14	14	14	14	14	14
Parks acreage	178	178	178	178	178	178	178	178	178	178
Basketball courts	5	5	5	5	5	5	5	5	5	5
Hockey rinks/outdoor	3	1	2	2	2	2	2	2	2	2
Open skating	2	1	1	1	1	1	1	1	1	1
Picnic shelters	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	12	12	12	12	12	12	12	12	12	12
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	10	10	10	10	10	9	9	9	9	9
Warming houses	2	1	2	2	2	1	1	1	1	1
Miles of park trails	11	11	11	11	11	11	11	11	11	11
Utilities										
Water										
Miles of water main	55	55	55	55	55	55	55	55	55	55
Wells	4	4	4	5	5	5	4	4	4	4
Water towers	2	2	2	2	2	2	2	2	2	2
Consumers	4,194	3,976	4,014	4,038	4,151	4,114	4,120	4,162	4,116	4,148
Maximum daily capacity - gallons		5,112,000	5,112,000	5,112,000	5,112,000	5,112,000	5,112,000	5,112,000	5,112,000	5,112,000
Sewer										
Miles of sanitary sewer	54	54	54	54	54	54	54	54	54	54
Lift stations	1	1	1	1	1	1	1	1	1	1
Consumers	4,407	3,934	3,972	3,989	4,020	4,048	4,056	4,063	4,083	4,114
Surface water management										
Miles of storm sewer	21	21	21	21	21	21	21	21	21	21
Catch basins	792	792	792	792	792	798	802	802	802	802
Consumers	4,363	3,891	3,924	3,947	3,976	3,996	3,996	3,964	3,964	4,015

Source: City of Vadnais Heights Financial Records.

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