

CITY OF FALCON HEIGHTS
Regular Meeting of the City Council
City Hall
2077 West Larpenteur Avenue

AGENDA
May 9, 2018 at 7:00 P.M.

- A. CALL TO ORDER:
- B. ROLL CALL: LINDSTROM ___ LEEHY___ BROWN THUNDER ___
 MIAZGA ___ GUSTAFSON___

 STAFF PRESENT: THONGVANH___
- C. PRESENTATIONS:
 - 1. 2017 Year End Audit Presentation
- D. APPROVAL OF MINUTES:
 - 1. April 25, 2018 City Council Meeting Minutes
- E. PUBLIC HEARINGS:
 - 1. Tobacco Ordinance Amendment
- F. CONSENT AGENDA:
 - 1. General Disbursements through: 5/01/18 \$58,963.56
 Payroll through: 4/30/18 \$18,515.31
 - 2. City Hall Summer Hours
- G: POLICY ITEMS:
- H. INFORMATION/ANNOUNCEMENTS
- I. COMMUNITY FORUM:
- J. ADJOURNMENT:

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The City That Soars!

REQUEST FOR COUNCIL ACTION

Meeting Date	May 9, 2018
Agenda Item	Presentations C1
Attachment	CAFR Documents
Submitted By	Sack Thongvanh, City Administrator

Item	Year End 2017 Annual Audit Report
Description	<p>Matt Meyer of KDV will present the Comprehensive Annual Financial Report for the Year Ended December 31, 2017. The Financial Report is a complex document that includes evaluation and analysis of the financial stability of the City as it relates to General Fund, Capital Funds, Proprietary Funds, and Debt Service Funds.</p> <p>Mr. Meyer will provide a high-level overview of the financial stability of the City for year-end 2017.</p>
Budget Impact	N/A
Attachment(s)	<ul style="list-style-type: none"> · Communication Letter · Compliance Report · Comprehensive Annual Financial Report (CAFR) 2017
Action(s) Requested	Motion to accept and approve the Year End 2017 Annual Audit Report

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**City of Falcon Heights
Ramsey County, Minnesota**

**Independent Auditor's Report
on Legal Compliance**

December 31, 2017



Report on Legal Compliance

Independent Auditor's Report

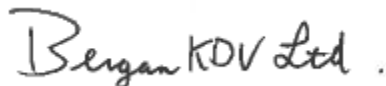
Honorable Mayor and Members
of the City Council
City of Falcon Heights
Falcon Heights, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Falcon Heights, Minnesota as of and for the year ended December 31, 2017, and the related notes to financial statements, and have issued our report thereon dated April 30, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Falcon Heights failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Minneapolis, Minnesota
April 30, 2018

**City of Falcon Heights
Ramsey County, Minnesota**

Communications Letter

December 31, 2017



**City of Falcon Heights
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weakness	3
Required Communication	5
Financial Analysis	8
Emerging Issues	17

**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

Honorable Mayor, Members
of the City Council and Management
Sack Thongvanh, City Administrator
Roland Olson, Finance Director
City of Falcon Heights
Falcon Heights, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Falcon Heights, Minnesota, as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated April 30, 2018, on such statements.

This communication is intended solely for the information and use of management, the City Council, and others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

BerganKDV Ltd.

Minneapolis, Minnesota
April 30, 2018

City of Falcon Heights Material Weakness

LACK OF SEGREGATION OF ACCOUNTING DUTIES

The City continued to evaluate and improve the segregation of accounting duties among City staff during 2017. Because of a limited number of office personnel, some areas of internal control still remain without proper segregation of accounting duties; however, we can report on the following processes. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Revenue Cycle

The four areas of segregation in the revenue cycle include mailroom custody, treasurer custody, accounts receivable, and accounting.

We noted some overlap in the mailroom and treasurer custody, with one employee having job responsibilities in both areas.

We also noted overlapping duties between accounts receivable and accounting, in that the person responsible for accounts receivable also is responsible for bank reconciliations.

Purchasing Cycle

The five areas of segregation in the purchasing cycle include purchasing authorization, receiving authorization, accounts payable, treasurer responsibilities, and accounting.

We noted proper segregation between the responsibility of purchasing goods and services, the individual responsible for preparing the purchase order and the person responsible for approving the purchase order. However, we noted overlapping duties with the approval of purchase orders, input of invoices, and preparing of disbursements being performed by one individual.

Payroll Cycle

The five areas of segregation in the payroll cycle include human resources authorization, immediate supervisor authorization, payroll recording, paymaster custody, and accounting.

In addition to having responsibilities in payroll recording, paymaster custody, and accounting cycles noted above, the Finance Director has full general ledger access and the ability to write and post journal entries. While we believe this access is necessary to efficiently perform the financial duties required, this access has the ability to override many of the controls and segregation listed above.

**City of Falcon Heights
Material Weakness**

LACK OF SEGREGATION OF ACCOUNTING DUTIES (CONTINUED)

Journal Entries

The three areas of segregation in journal entries include an employee to write the journal entry, another to post the entry, and finally another employee to review the entry.

We noted some journal entries were not approved by someone other than the person writing the entry.

We recommend a second review/approval to ensure accuracy.

Bank Reconciliation Process

The two areas of segregation include an employee to prepare the cash reconciliation and another employee to review the reconciliation; ideally, the individual preparing the reconciliation has limited involvement in the revenue and purchasing cycles.

We noted the bank reconciliations were not approved or reviewed by another person.

We recommend each reconciliation be reviewed to help ensure accuracy.

City of Falcon Heights Required Communication

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2017. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplement(s) the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

PLANNED SCOPE AND TIMING OF THE AUDIT

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City.

City of Falcon Heights Required Communication

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

One of the misstatements detected as a result of audit procedures and corrected by management was material, both individually and in the aggregate, to the financial statements taken as a whole.

**City of Falcon Heights
Required Communication**

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We requested certain representations from management that are included in the management representation letter.

MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

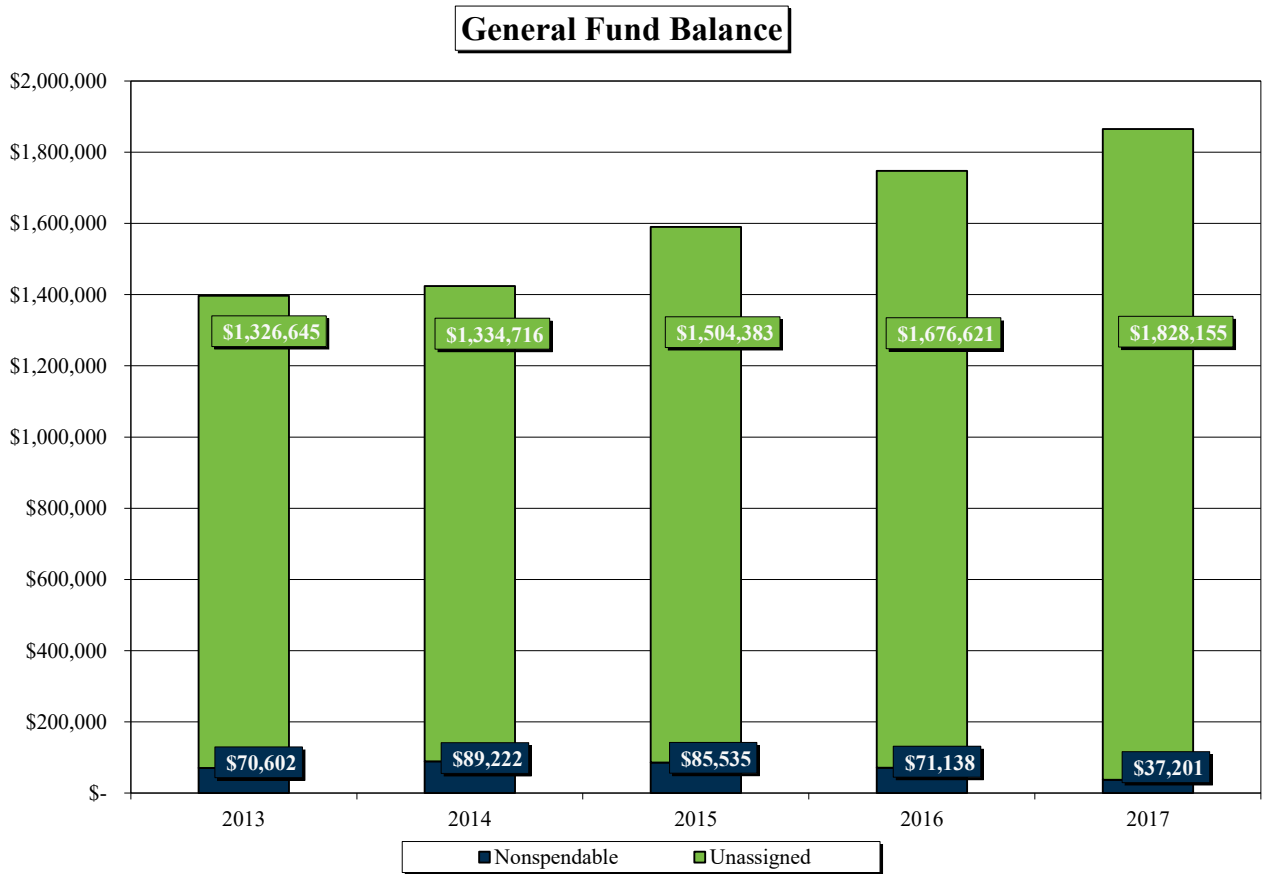
We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

City of Falcon Heights Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis of discussion of past performance and how implementing certain changes may enhance future performance.

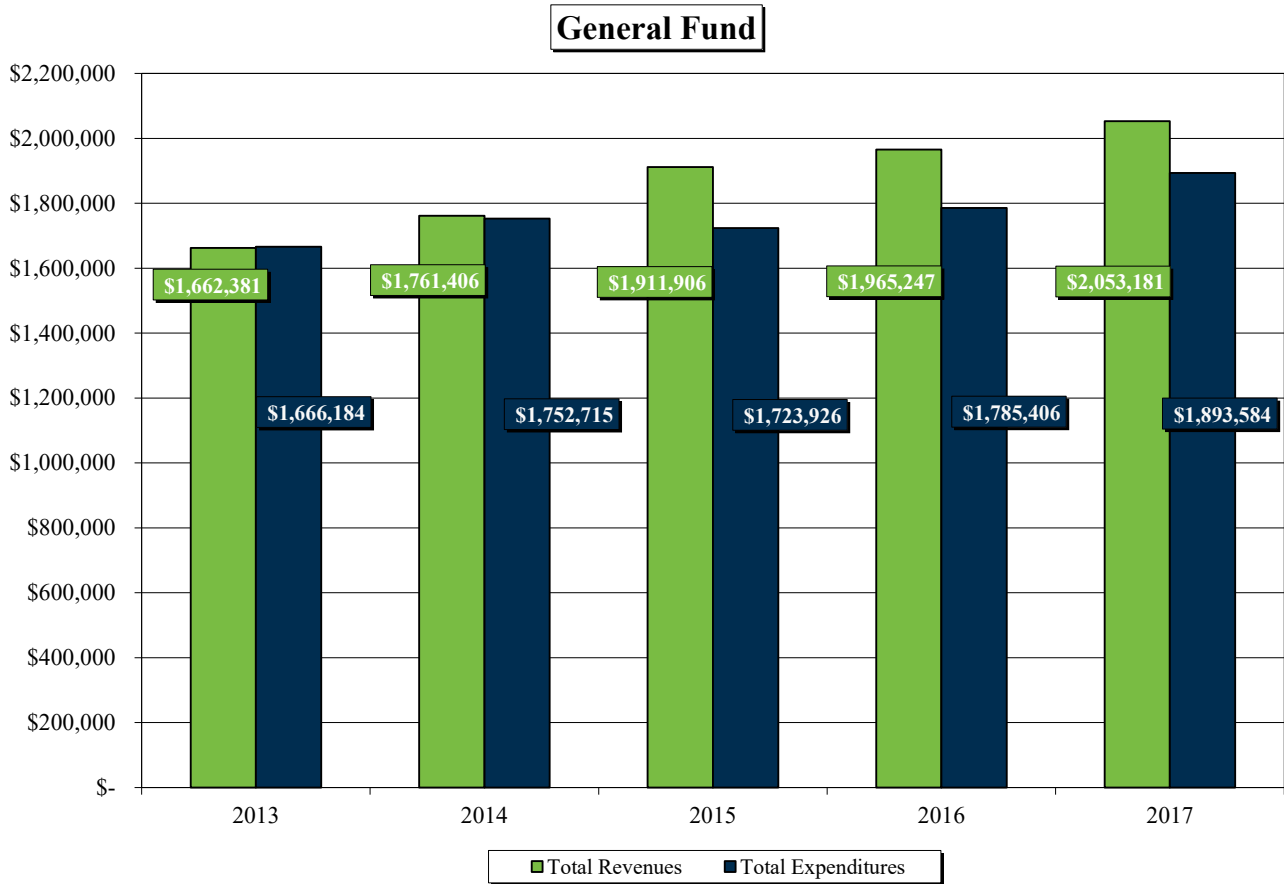
GENERAL FUND BALANCE

At December 31, 2017, the General Fund balance was \$1,865,356 which is an increase of \$117,597 from 2016. Based on current expenditure levels, the fund balance represents over 11 months of expenditures.



City of Falcon Heights Financial Analysis

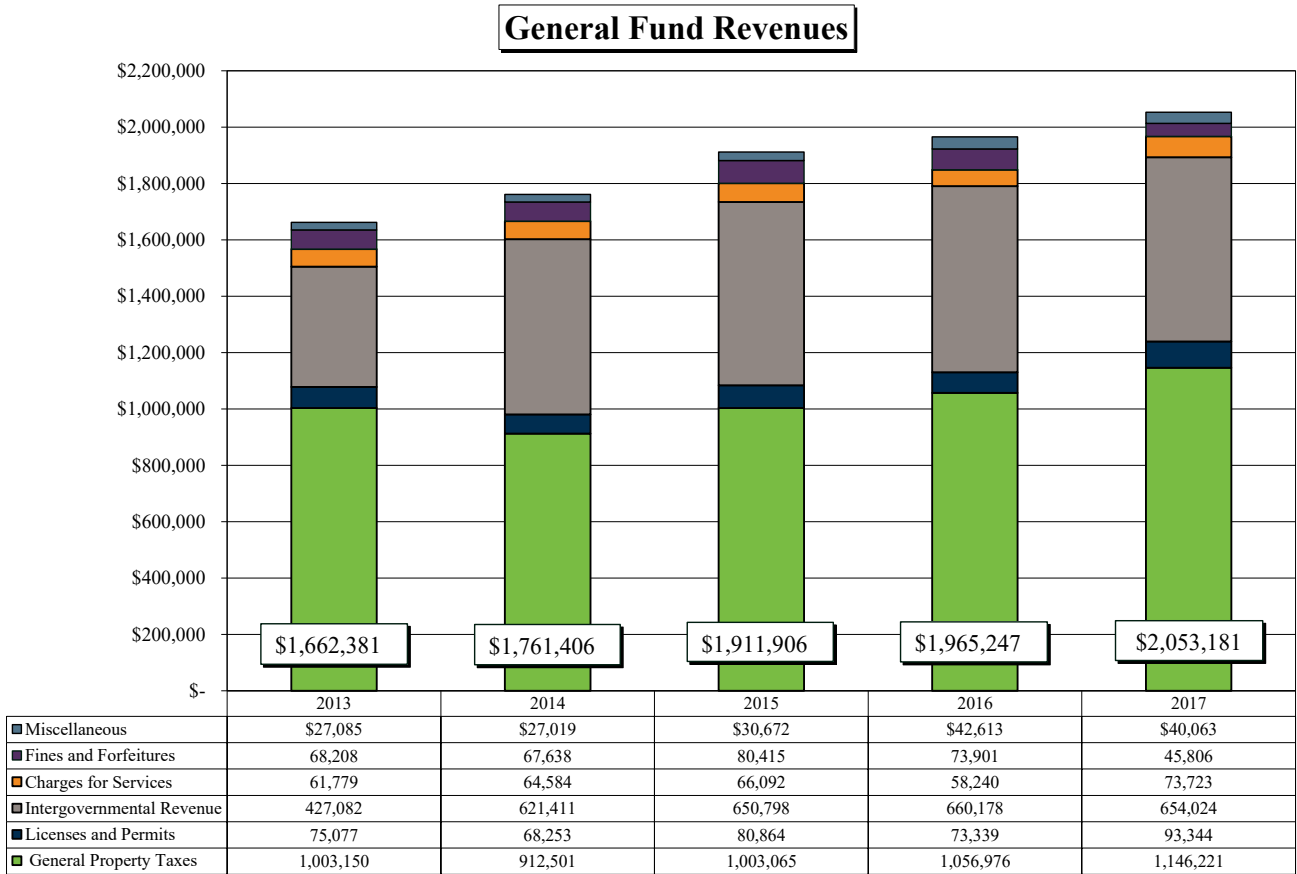
GENERAL FUND



General Fund revenues increased by \$87,934, or 4.5%, in 2017. Expenditures in the General Fund increased by \$108,178, or 6.1%, and resulted in total revenues exceeding expenditures by \$159,597. Further detailed explanations regarding variances will follow in subsequent charts.

City of Falcon Heights Financial Analysis

GENERAL FUND REVENUES



Property taxes increased \$89,245, or 8.4%, from 2016 due to an increase in the total amount levied in the fund in 2017. Licenses and permits increased \$20,005 from 2017 due to an increase in building permit revenues from the prior year. These increases were partially offset with a decrease in fines and forfeitures, which decreased \$28,095 from 2016. Fines and forfeitures can fluctuate from year to year and decreased in 2017 due to less court fines collected.

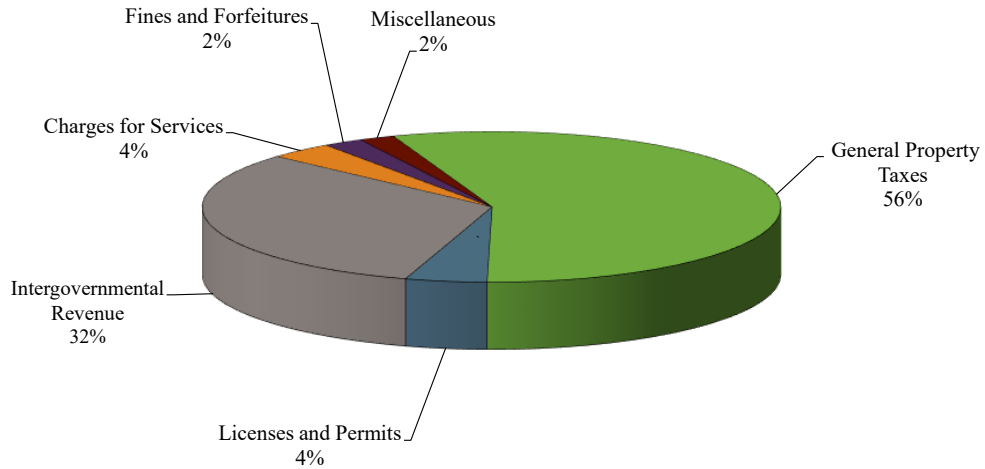
The other remaining General Fund revenues in 2017 stayed relatively consistent with the prior year.

City of Falcon Heights Financial Analysis

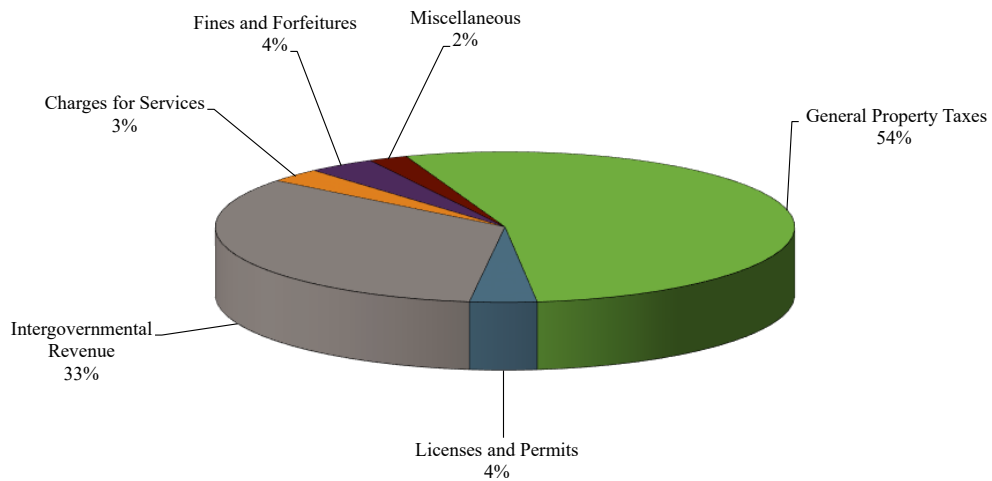
GENERAL FUND REVENUES (CONTINUED)

The following charts depict the components of the General Fund revenues by percentages.

General Fund Revenues 2017



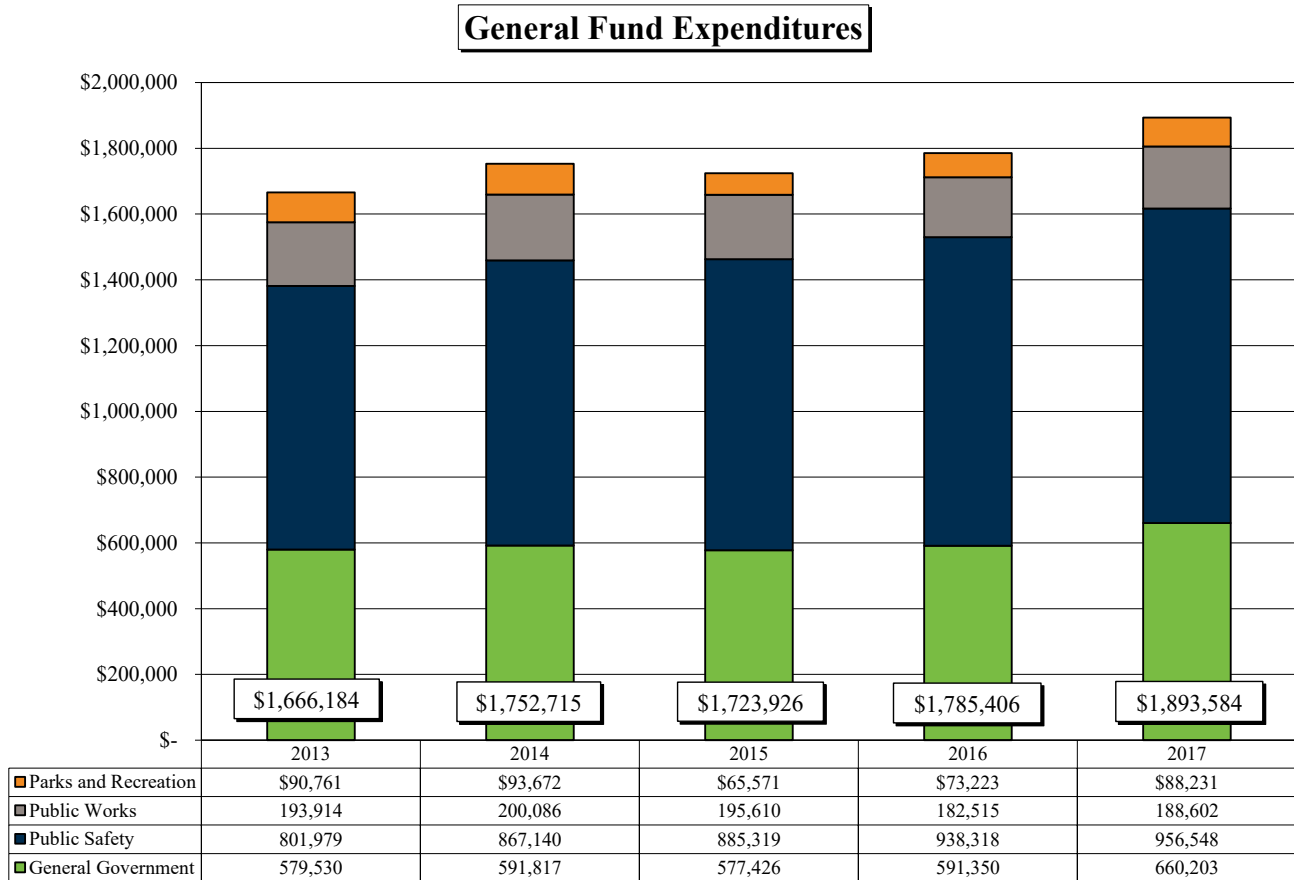
General Fund Revenues 2016



General Fund sources of revenue remained consistent in 2017 compared to 2016.

City of Falcon Heights Financial Analysis

GENERAL FUND EXPENDITURES

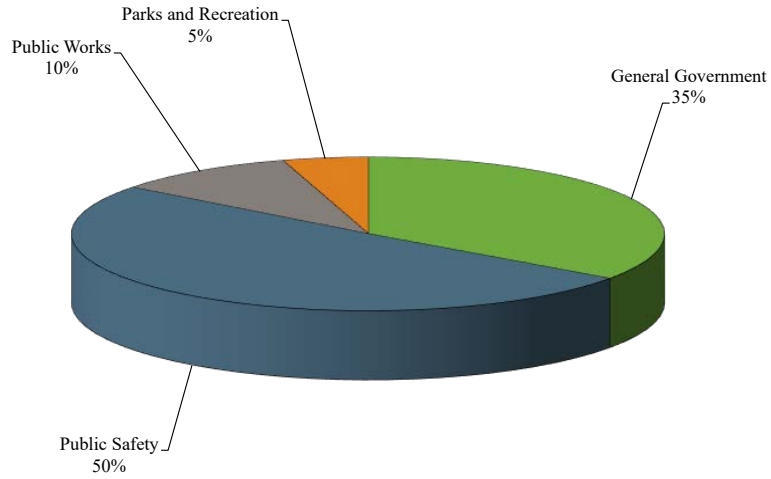


In 2017, expenditures increased \$108,178, or 6.1%, from 2016. General government accounted for \$68,853 of the total increase. This increase was due to increase in building inspection costs, an increase in the cost of healthcare premiums and an increase in wages. Public safety increased \$18,230, or 1.9% from the prior year due to an increase in police service costs and dispatch fees. Other expenditures stayed relatively consistent with the prior year.

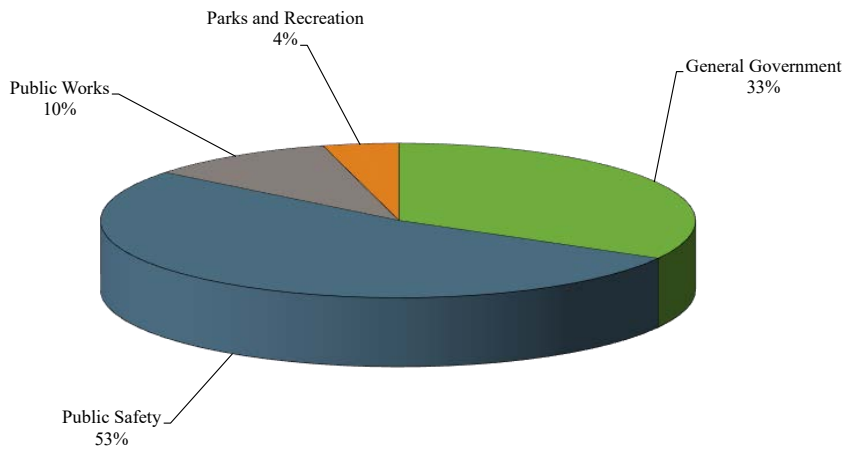
City of Falcon Heights Financial Analysis

GENERAL FUND EXPENDITURES (CONTINUED)

General Fund Expenditures 2017



General Fund Expenditures 2016



**City of Falcon Heights
Financial Analysis**

GENERAL FUND BUDGET

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Over (under)
Revenues			
Taxes	\$ 1,152,646	\$ 1,146,221	\$ (6,425)
Licenses and permits	59,950	93,344	33,394
Intergovernmental	668,524	654,024	(14,500)
Charges for services	52,935	73,723	20,788
Fines and forfeitures	73,000	45,806	(27,194)
Miscellaneous	15,500	40,063	24,563
Total revenues	2,022,555	2,053,181	30,626
Expenditures			
General government	678,150	660,203	(17,947)
Public safety	972,966	956,548	(16,418)
Public works	236,649	188,602	(48,047)
Parks and recreation	92,790	88,231	(4,559)
Total expenditures	1,980,555	1,893,584	(86,971)
Excess of receipts over disbursements	5,000	388,125	383,125
Other Financing Uses			
Transfers out	(42,000)	(42,000)	-
Net change in fund balance	\$ -	\$ 117,597	\$ 117,597

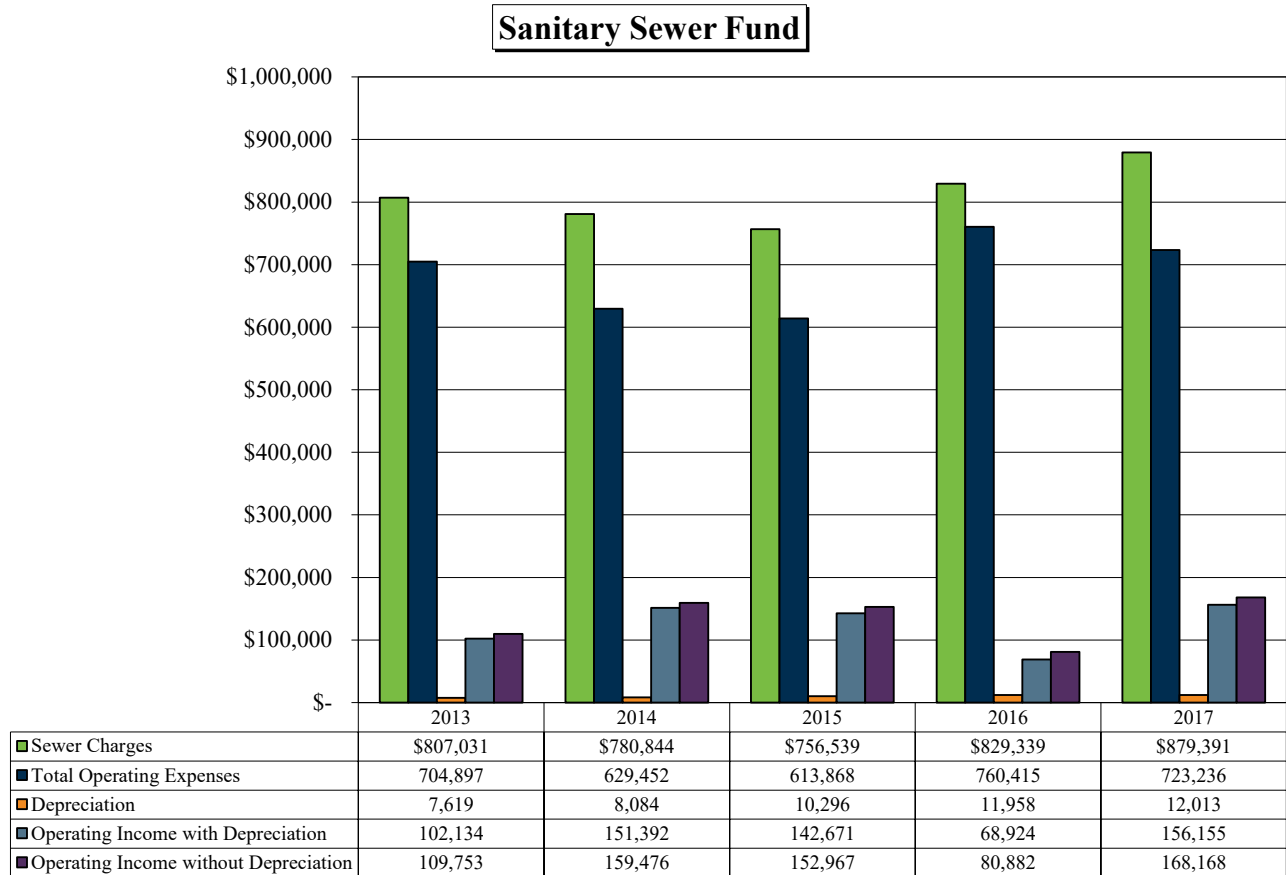
Overall, General Fund revenues were over budget by 1.5%, or \$30,626. This is primarily due to conservative budget estimates in licenses and permits, charges for services and miscellaneous revenues. These categories were a combined \$78,745 over budget in 2017. This was offset by fines and forfeitures, which were under budget by \$27,194, which was budgeted based on revenues received in the 2016.

Expenditures were under budget by \$86,971, or 4.4%. The largest variance was in public works which was \$48,047 under budget, mostly due to budgeting for more snow removal costs in 2017. Other expenditures were closer to budgeted amounts.

City of Falcon Heights Financial Analysis

SANITARY SEWER FUND

The graphs below and on the next page illustrate the current operations of the Sanitary Sewer and the Storm Drainage Funds.

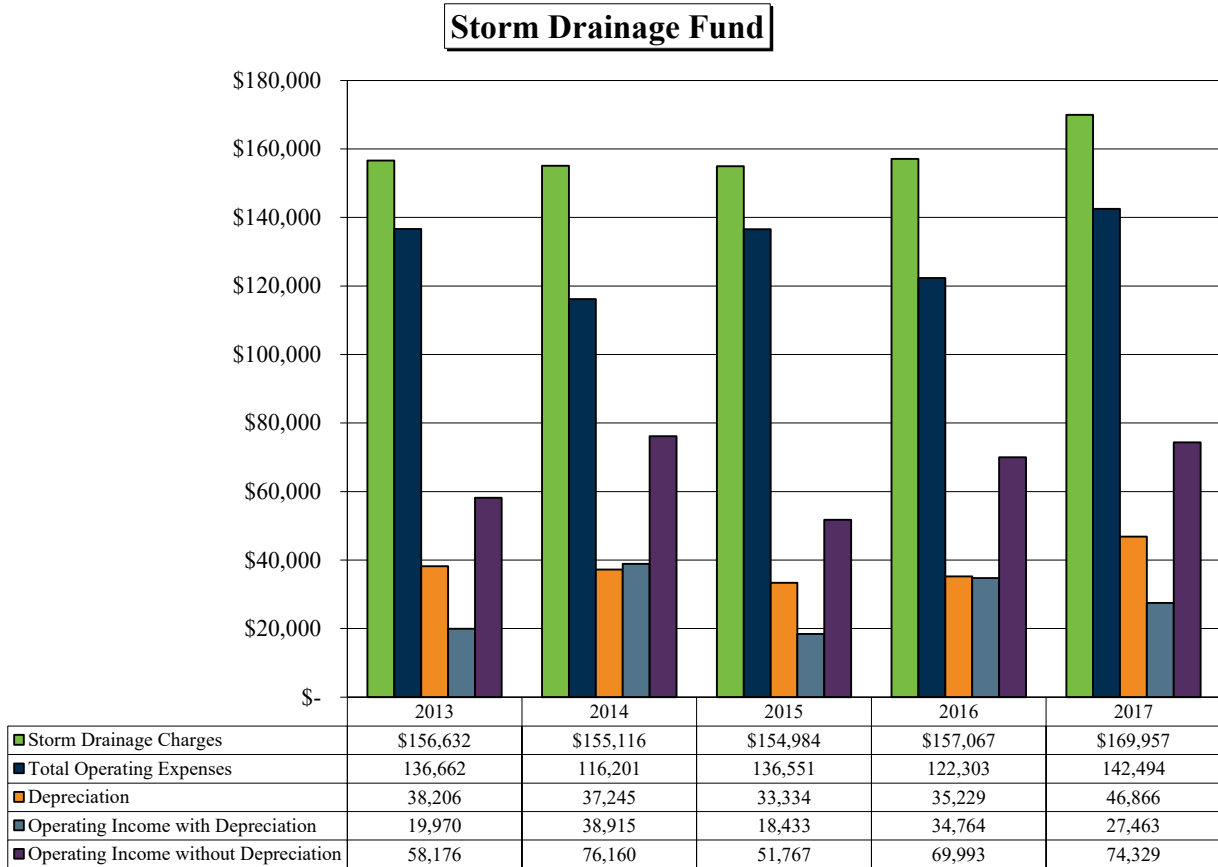


The Sanitary Sewer Fund realized operating income of \$156,155 during 2017. Sewer charges in 2017 increased by \$50,052 from 2016 due to an increase in sewer rates and additional charges received from the University of Minnesota. Expenses in the fund decreased, going from \$760,415 in 2016, to \$723,236 in 2017. This decrease was due to a large televising project in 2016 as well as more repairs needed in 2016.

With an operating income of \$156,155, \$17,988 in nonoperating revenue, and \$400,000 in net transfers out of the fund, the change in the Sanitary Sewer Fund net position was a decrease of \$225,857. Total net position fell to \$2,289,052 in 2017.

City of Falcon Heights Financial Analysis

STORM DRAINAGE FUND



Storm sewer charges for services increased \$12,890 from the prior year. Operating expenses also increased in 2017, going from \$122,303 in 2016 to \$142,494 in 2017. This increase of \$20,191 was due to an increase in depreciation expense, additional repairs during the year, and an increase in wages. The Storm Drainage Fund had operating income of \$27,463 in 2017.

With \$1,330 in investment income, the Storm Drainage Fund had a total increase in net position of \$28,793. Ending net position at December 31, 2017 was \$1,525,970.

City of Falcon Heights Emerging Issues

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions** – GASB has issued GASB Statement No. 75 relating to accounting and financial reporting for postemployment benefits other than pensions. This new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities.
- **Accounting Standard Update – GASB Statement No. 84 – Fiduciary Activities** – GASB has issued GASB Statement No. 84 relating to accounting and financial reporting for fiduciary activities. This new statement establishes clarity to determine when a government has fiduciary responsibility for a certain activity.
- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 75 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

**City of Falcon Heights
Emerging Issues**

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 75 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

- Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a *net OPEB liability*—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their *proportionate share of the collective OPEB liability* for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the *total OPEB liability* related to their employees.

GASB Statement No. 75 carries forward from Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments.

GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

Information provided above was obtained from www.gasb.org.

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 84 – FIDUCIARY ACTIVITIES

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

**City of Falcon Heights
Emerging Issues**

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 84 – *FIDUCIARY ACTIVITIES* (CONTINUED)

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB Statement No. 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – *LEASES*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**City of Falcon Heights
Emerging Issues**

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES
(CONTINUED)**

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

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

For the Year Ended

December 31, 2017

Prepared by

THE DEPARTMENT OF FINANCE
AND ADMINISTRATION

Sack Thongvanh, City Administrator

Roland Olson, Finance Director

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

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**City of Falcon Heights
Table of Contents**

	Page
Introductory Section	
Elected Officials and Administration	1
Organization Chart	2
City Map	3
Letter of Transmittal	5
Certificate of Achievement for Excellence in Financial Reporting	10
 Financial Section	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	30
Statement of Activities	31
Fund Financial Statements	
Balance Sheet – Governmental Funds	32
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	38
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	39
Statement of Net Position – Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	41
Statement of Cash Flows – Proprietary Funds	42
Notes to Financial Statements	43
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability General Employees Retirement Fund	68
Schedule of City Contributions General Employees Retirement Fund	68
Required Supplementary Information and Notes to Required Supplementary Information	69
Notes to Required Supplementary Information	70
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	76

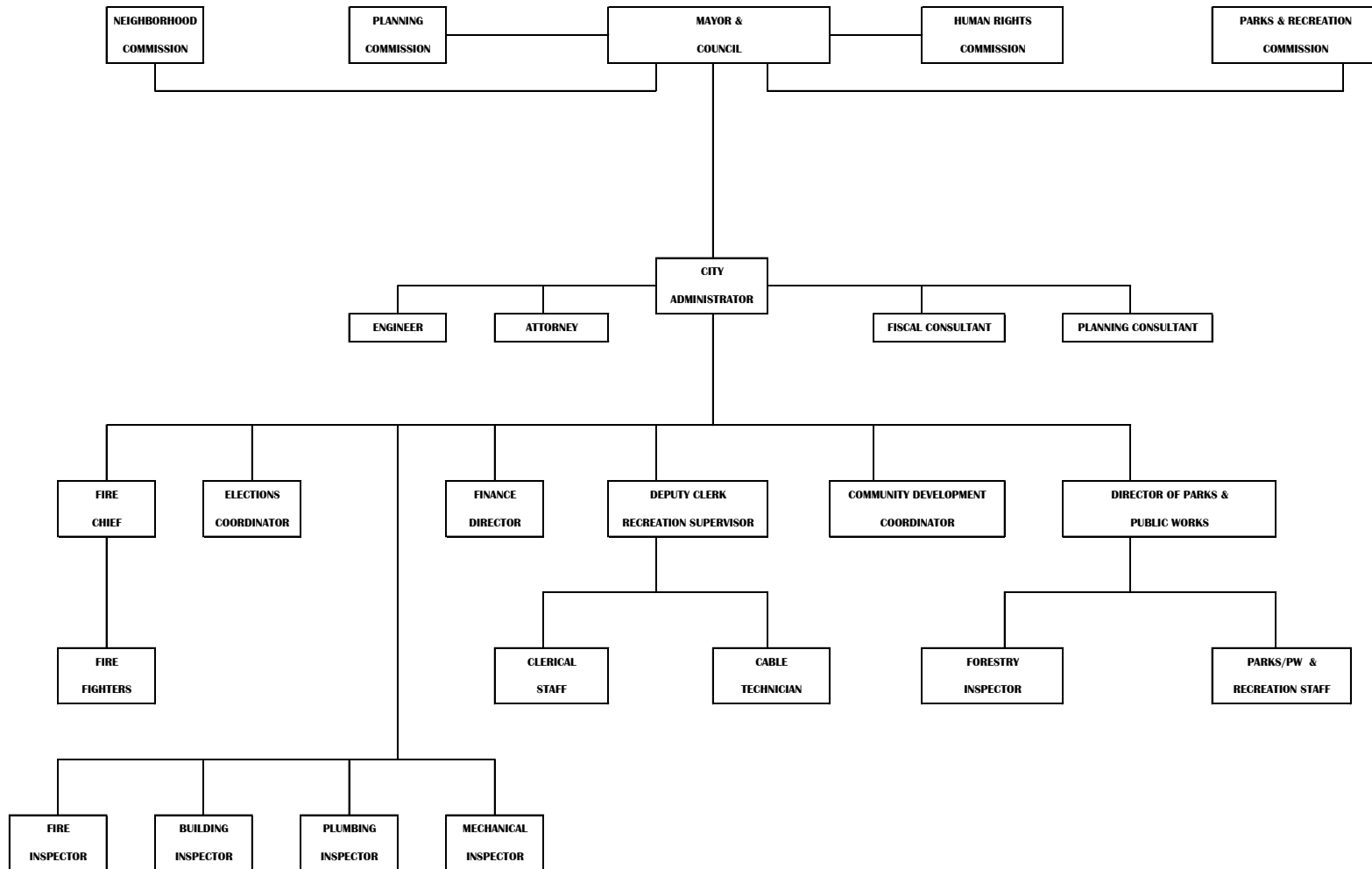
**City of Falcon Heights
Table of Contents**

	Table	Page
Financial Section (Continued)		
Combining and Individual Fund Statements and Schedules (Continued)		
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual		
General Fund – Detailed		80
Park Programs Fund – Special Revenue Fund		83
Water Fund – Special Revenue Fund		84
Solid Waste Fund – Special Revenue Fund		85
Community Development Fund – Special Revenue Fund		86
Street Lighting Fund – Special Revenue Fund		87
Community Garden Fund – Special Revenue Fund		88
Emerald Ash Borer Grant Fund – Special Revenue Fund		89
G.O. Improvement Bonds, Series 2017A – Debt Service Fund		90
G.O. Improvement Bonds, Series 2013A – Debt Service Fund		91
G.O. Equipment Certificates, Series 2013B – Debt Service Fund		92
Future Improvements – Capital Projects Fund		93
Grove Street Improvement Project – Capital Projects Fund		94
General Capital Improvements – Capital Projects Fund		95
Parks/PW and Facilities Capital Improvements – Capital Projects Fund		96
Tax Increment No. 1 Construction – Capital Projects Fund		97
Tax Increment No. 1-3 – Capital Projects Fund		98
Public Safety Capital Improvements – Capital Projects Fund		99
Statistical Section		
Net Position by Component	1	103
Changes in Net Position	2	105
Governmental Activities Tax Revenues by Source	3	106
Fund Balances of Governmental Funds	4	107
Changes in Fund Balances of Governmental Funds	5	108
General Governmental Tax Revenues by Source	6	110
Assessed Value and Estimated Actual Value of Taxable Property	7	111
Property Tax Rates – Direct and Overlapping Governments	8	112
Principal Property Taxpayers	9	113
Property Tax Levies and Collections	10	114
Ratios of Outstanding Debt by Type	11	115
Ratios of General Bonded Debt Outstanding	12	117
Direct and Overlapping Governmental Activities Debt	13	118
Legal Debt Margin Information	14	120
Pledged-Revenue Coverage	15	121
Demographic and Economic Statistics	16	122
Principal Employers	17	123
Full-Time Equivalent City Government Employees by Function	18	124
Operating Indicators by Function	19	125
Capital Asset Statistics by Function	20	126

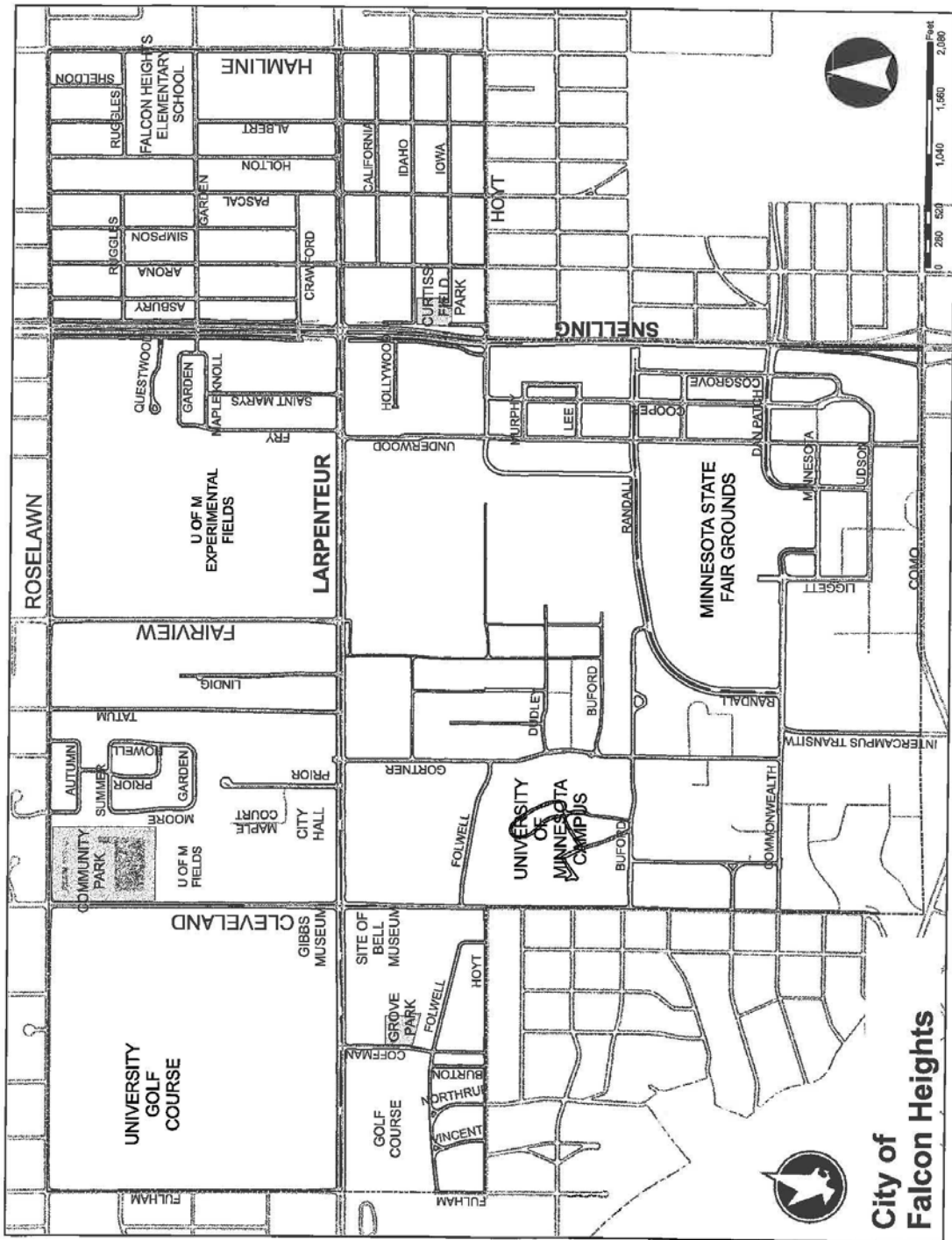
**City of Falcon Heights
Elected Officials and Administration
December 31, 2017**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Peter Lindstrom	Mayor	December 31, 2019
Joseph Brown Thunder	Council Member	December 31, 2019
Pamela Harris	Council Member	December 31, 2017
Randy Gustafson	Council Member	December 31, 2019
Tony Fischer	Council Member	December 31, 2017
<u>Administration</u>		
Sack Thongvanh	City Administrator	
Roland Olson	Finance Director	
Tim Pittman	Park and Public Works Director	
Rich Hinrichs	Fire Chief	

**City of Falcon Heights
Organization Chart
December 31, 2017**



**City of Falcon Heights
City Map
December 31, 2017**



**City of
Falcon Heights**

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CITY OF
FALCON HEIGHTS

2077 W. Larpenteur Avenue
Falcon Heights, MN 55113-5594

email: mail@falconheights.org
website: www.falconheights.org

The City That Soars!

Phone - (651) 792-7600
Fax - (651) 792-7610

April 30, 2018

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

Minnesota statutes require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2017.

Management assumes full responsibility for the completeness and propriety of the information contained in this report. The information herein is based upon a comprehensive framework of internal controls established for the summarization and disclosure of financial data. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BerganKDV, Ltd., a firm of licensed certified public accountants, has audited the City of Falcon Heights' financial statements. BerganKDV, Ltd. has issued an unmodified ("clean") opinion on the City of Falcon Heights' financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements the Letter of Transmittal and should be read in conjunction with it.

Profile of the Government

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

FAMILIES, FIELDS AND FAIR



PRINTED ON RECYCLED PAPER

Profile of the Government (Continued)

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

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

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

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Transfers of appropriations between funds require the special approval of the city council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 36 as part of the basic financial statements for the governmental funds. For the Special Revenue funds, Debt Service funds, and Capital Project funds, this comparison is presented on pages 71-91.

Local Economy

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

Local Economy (Continued)

The City of Falcon Heights is primarily a bedroom, residential, inner ring suburban community situated near the center of the Minneapolis and St. Paul metropolitan area. The economy of the City consists of retail, commerce, agricultural-related businesses, and institutional landowners, such as the St. Paul campus of the University of Minnesota and the Minnesota State Fair. The St. Paul campus of the University of Minnesota has 2,700 employees and a student population of approximately 6,300 students enrolled in the specific colleges located on the St. Paul Campus. The Minnesota State Fair, held over a 12-day period, is one of the nation's largest and best-attended entertainment events with approximately 1.94

million visitors each year. Also, additional "non-fair" events have attendance estimated at 100,000 visitors. One of these "non-fair" events is the Minnesota Street Rod Convention, which attracts over 65,000 visitors.

Because of its location in a region with a varied economic base, unemployment is relatively stable and tends to be less than the State of Minnesota and national rates. During the past ten years, the unemployment rate for Ramsey County, within which the City is located, was at a high of 9.1% in July 2011, and in 2017, the unemployment rate was 3.2%. In 2017, the State of Minnesota's ending unemployment rate was 3.1% and the national ending unemployment rate was 4.1%. The average 2017 state of Minnesota's unemployment rate was 3.4% and the average 2017 national unemployment rate was 4.4%.

The City is at or near full development, with a 2% increase in the median market value of property during 2017. The City's economic conditions have remained relatively stable with the University of Minnesota agricultural campus, Spire Federal Credit Union, and the Minnesota State Fairgrounds providing a diversified economic employment base.

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

Long-Term Financial Planning

During 2009, the City of Falcon Heights completed updating its Comprehensive Plan and obtained approval of the plan by the Metropolitan Council. As part of the plan, the City continues to look at alternative ways to increase the tax base of the City such as evaluating any re-development opportunities in our business district and increasing housing densities when appropriate.

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

Relevant Financial Policies

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

Major Initiatives

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

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

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

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

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

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

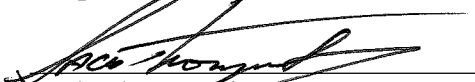
Awards and Acknowledgements

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

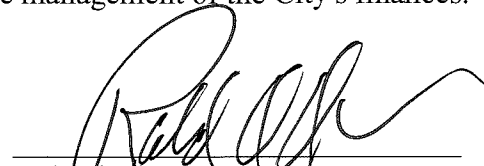
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department, as well as the auditing personnel of BerganKDV, Ltd. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report, and to the auditing firm for its professional assistance in preparing the Comprehensive Annual Financial Report for 2017. Credit also must be given to the mayor and the city council for their resolute support for maintaining high standards of professionalism in the management of the City's finances.

Respectfully submitted,



Sack Thongvanh
City Administrator



Roland Olson
Finance Director



Government Finance Officers Association

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

Presented to

**City of Falcon Heights
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Falcon Heights, Minnesota, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Falcon Heights, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



Other Matters (Continued)

Other Information (Continued)

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.

BerganKDV Ltd.

Minneapolis, Minnesota
April 30, 2018

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City of Falcon Heights Management's Discussion and Analysis

As management of the City of Falcon Heights (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-9 of this report. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets & deferred inflows of resources of the City exceeded its liabilities & deferred inflows of resources at the close of the most recent fiscal year by \$14,035,741 (net position). Of this amount, \$4,673,610 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$22,274. Unrestricted net position decreased by \$272,364.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,327,175 an increase of \$1,133,545 in comparison with the prior year. Debt principal payments of \$150,000 and interest payments of \$15,593 occurred in 2017. A positive change in fund balance in the general fund of \$117,597, along with increases of \$1,015,948 in the fund balances of other governmental funds resulted in a net increase of \$1,133,545 in total fund balance.
- Fund balance definitions must conform to the Government Accounting Standards Board (GASB) Statement No. 54 for the most current year-ended. GASB 54 requires governments to allocate fund balances pursuant to a new hierarchy; fund balances are defined as "Non-spendable," "Restricted," "Committed," "Assigned," and "Unassigned." The new hierarchy defines how a fund discloses its fund balance. Only the general fund maintains an unassigned residual fund balance. The fund balances maintained by all of the other funds are designated for a specific purpose. Restricted, committed, and assigned balances represent differing forms of legal constraint. The reservation of restricted fund balances is stipulated by a city charter, constitution, or grant contract. Committed fund balances have been reserved by the highest law-making body of the government. An assigned fund balance is reserved for the purpose of the fund; for example, the fund balance in the Future Improvements Fund is assigned for future improvements. The General Fund's unassigned fund balance of \$1,828,155 is approximately 45% of the total fund balance of all governmental funds.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,828,155, or 96.5%, of total General Fund expenditures at 2017 levels.
- For 2017, there was an 8.9% increase in the property tax levy. For 2016, there was an 8.3% increase. In 2015 and 2014, there was no increase in the property tax levy. For 2013, there was a 6.5% increase in the property tax levy. For 2012, there was a 1.96% decrease in the property tax levy. For 2011, there was a 1.5% increase in the property tax levy.

City of Falcon Heights Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

- The City's total debt increased by \$695,000 during the current fiscal year. This represents scheduled payments of \$150,000 of the City's debt and the addition of the 2017 GO Improvement Bond of \$845,000. The principal of general obligation debt outstanding as of December 31, 2017 is \$1,625,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 30-31 of this report.

City of Falcon Heights Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

Any fund experiencing financial change during the year is considered active. The City maintained 18 individual governmental funds during 2017. Of these funds, five are major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Future Improvements, G.O. Improvement Series 2017A Debt Service Fund, G.O. Improvement Series 2013A Debt Service Fund, and the Grove Street Improvement capital fund – the five major funds of the City. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. In addition, individual fund schedules are presented on pages 83-99 for all Special Revenue, Debt Service and Capital Projects Funds.

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

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

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

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and storm drainage activities.

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

The basic proprietary fund financial statements can be found on pages 40-42 of this report.

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 can be found on pages 43-65 of this report.

OTHER INFORMATION

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements, along with statistical tables for the City. Combining and individual fund statements and schedules can be found on pages 72-99. Statistical tables can be found on pages 103-126 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets & deferred outflows of resources exceeded liabilities & deferred inflows of resources by \$14,035,741 at the close of the most recent fiscal year.

Thirty three percent (\$4,673,610) of the City's net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. About 4% (\$613,084) of the net position is restricted and represents resources that are subject to external restrictions on how they may be used. The remaining 63% (\$8,749,047) reflects the City's investment in capital assets (e.g., land, buildings, machinery, and equipment) offset by any related debt used to acquire those assets that are still outstanding.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Falcon Heights' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 4,645,762	\$ 3,416,385	\$ 2,319,781	\$ 2,689,272	\$ 6,965,543	\$ 6,105,657
Capital assets	<u>7,902,797</u>	<u>8,069,185</u>	<u>1,675,687</u>	<u>1,487,989</u>	<u>9,578,484</u>	<u>9,557,174</u>
Total assets	<u>12,548,559</u>	<u>11,485,570</u>	<u>3,995,468</u>	<u>4,177,261</u>	<u>16,544,027</u>	<u>15,662,831</u>
Deferred outflows of resources - pensions	<u>114,286</u>	<u>210,172</u>	<u>39,589</u>	<u>74,223</u>	<u>153,875</u>	<u>284,395</u>
Total assets and deferred outflows of resources	<u>\$ 12,662,845</u>	<u>\$ 11,695,742</u>	<u>\$ 4,035,057</u>	<u>\$ 4,251,484</u>	<u>\$ 16,697,902</u>	<u>\$ 15,947,226</u>
Liabilities						
Long-term liabilities						
Outstanding	\$ 1,999,014	\$ 1,330,190	\$ 168,938	\$ 198,485	\$ 2,167,952	\$ 1,528,675
Other liabilities	<u>357,379</u>	<u>245,376</u>	<u>21,400</u>	<u>14,692</u>	<u>378,779</u>	<u>260,068</u>
Total liabilities	<u>2,356,393</u>	<u>1,575,566</u>	<u>190,338</u>	<u>213,177</u>	<u>2,546,731</u>	<u>1,788,743</u>
Deferred inflows of resources - pensions	<u>85,733</u>	<u>74,247</u>	<u>29,697</u>	<u>26,221</u>	<u>115,430</u>	<u>100,468</u>
Net Position						
Net investment in capital assets	7,073,360	7,139,185	1,675,687	1,487,989	8,749,047	8,627,174
Restricted	613,084	484,867	-	-	613,084	484,867
Unrestricted	<u>2,534,275</u>	<u>2,421,877</u>	<u>2,139,335</u>	<u>2,524,097</u>	<u>4,673,610</u>	<u>4,945,974</u>
Total net position	<u>10,220,719</u>	<u>10,045,929</u>	<u>3,815,022</u>	<u>4,012,086</u>	<u>14,035,741</u>	<u>14,058,015</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,662,845</u>	<u>\$ 11,695,742</u>	<u>\$ 4,035,057</u>	<u>\$ 4,251,484</u>	<u>\$ 16,697,902</u>	<u>\$ 15,947,226</u>

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to extinguish these liabilities.

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

City of Falcon Heights Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Falcon Heights' Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 436,820	\$ 461,389	\$ 1,049,348	\$ 986,406	\$ 1,486,168	\$ 1,447,795
Operating grants and contributions	154,211	151,536	-	701	154,211	152,237
Capital grants and contributions	953,653	11,490	-	-	953,653	11,490
General revenues						
Property taxes	1,271,602	1,181,336	-	-	1,271,602	1,181,336
Other	736,979	793,796	-	-	736,979	793,796
Investment earnings	29,149	22,163	19,318	13,844	48,467	36,007
Gain of sale of assets	225	61	-	-	225	61
Total revenues	<u>3,582,639</u>	<u>2,621,771</u>	<u>1,068,666</u>	<u>1,000,951</u>	<u>4,651,305</u>	<u>3,622,722</u>
Expenses						
General government	752,640	696,194	-	-	752,640	696,194
Public safety	1,072,905	1,073,268	-	-	1,072,905	1,073,268
Public works	1,775,574	648,892	-	-	1,775,574	648,892
Park and recreation	174,392	162,958	-	-	174,392	162,958
Community development	3,726	1,789	-	-	3,726	1,789
Interest on long-term debt	28,612	18,363	-	-	28,612	18,363
Sanitary sewer	-	-	723,236	760,415	723,236	760,415
Storm drainage	-	-	142,494	122,303	142,494	122,303
Total expenses	<u>3,807,849</u>	<u>2,601,464</u>	<u>865,730</u>	<u>882,718</u>	<u>4,673,579</u>	<u>3,484,182</u>
Increase in net position before transfers	(225,210)	20,307	202,936	118,233	(22,274)	138,540
Transfer	400,000	40,000	(400,000)	(40,000)	-	-
Changes in net position	<u>174,790</u>	<u>60,307</u>	<u>(197,064)</u>	<u>78,233</u>	<u>(22,274)</u>	<u>138,540</u>
Net position – January 1	10,045,929	9,985,622	4,012,086	3,933,853	14,058,015	13,919,475
Net position - December 31	<u>\$ 10,220,719</u>	<u>\$ 10,045,929</u>	<u>\$ 3,815,022</u>	<u>\$ 4,012,086</u>	<u>\$ 14,035,741</u>	<u>\$ 14,058,015</u>

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$174,790.

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

In the governmental activities section, overall, charges for services decreased \$24,569 from the 2016 level. Comparing to 2016 levels, roofing permits decreased \$10,844, plan check fees increased \$10,570, and the city's insurance refund decreased \$22,154.

Capital grants increased \$942,163 primarily due to the 2017 Grove street project with capital grant support of \$468,786 from St Paul Water Utility, \$79,083 from the University of Minnesota, \$190,000 from Minnesota Department of Transportation, and property street assessments of \$163,930.

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

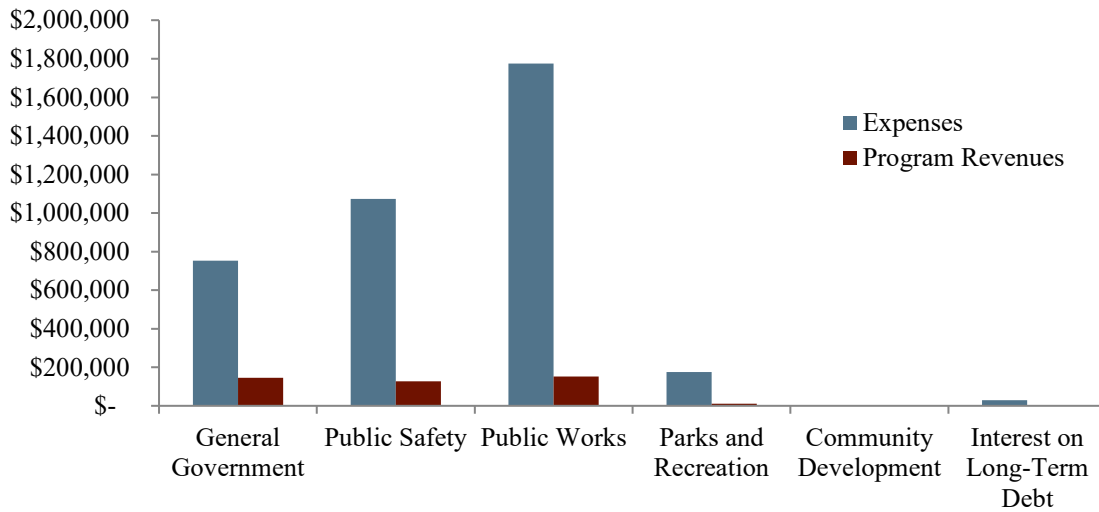
GOVERNMENTAL ACTIVITIES (CONTINUED)

Operating grants and contributions remain consistent with the 2016 level. In 2017, they were \$154,211 compared to \$151,536 in 2016.

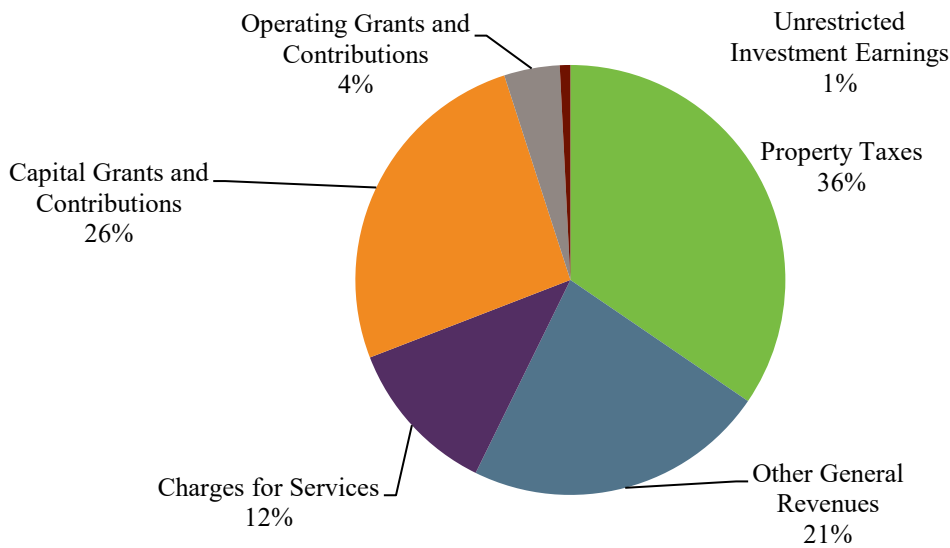
Local Government Aid (LGA) to the City from the State of Minnesota increased \$4,200 in 2017. The amount of LGA support from the State of Minnesota typically varies annually. In addition, governmental activities unrestricted investment revenues increased \$6,986 as compared to 2016.

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

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



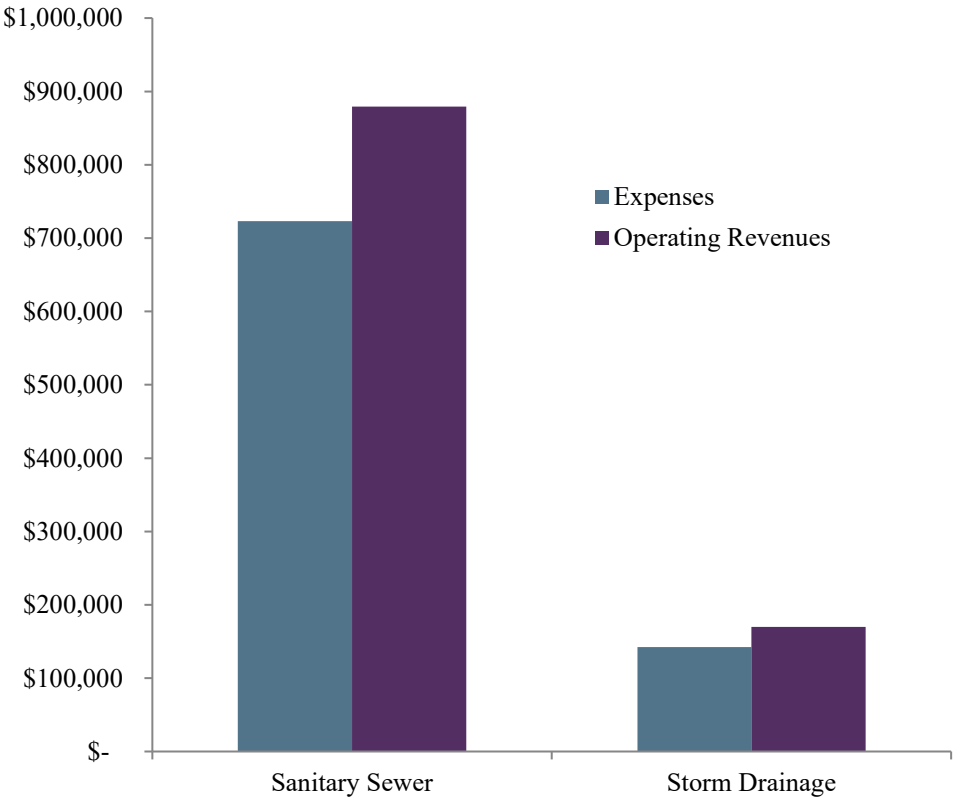
**City of Falcon Heights
Management's Discussion and Analysis**

BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the City's net position by \$197,064. In 2017, there was a 4.7% increase in the sanitary sewer fees and a 6.8% increase in storm drainage fees. In the business-type activities section, there was an increase in charges for services totaling \$62,942.

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

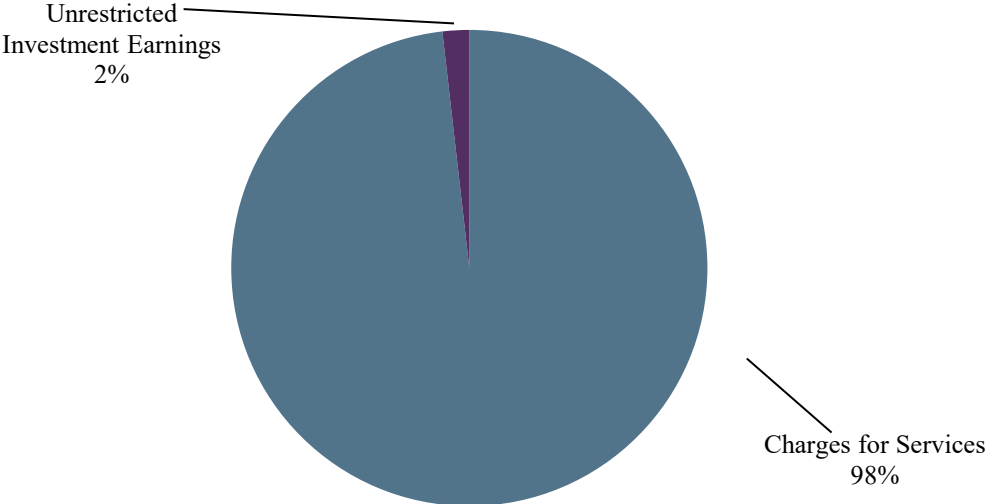
Expenses and Operating Revenues – Business-Type Activities



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

BUSINESS-TYPE ACTIVITIES (CONTINUED)

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, unreserved fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,327,175, an increase of \$1,133,545 in comparison with the prior year. Approximately 42% (\$1,828,155) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately one percent (\$37,201) of the remainder of fund balance is non-spendable, which indicates that it is not available for new spending because it has already been disbursed for various prepaid expenditures in the General Fund. Twelve percent (\$498,308) is restricted fund balance constrained to a specific purpose by outside legislation, external parties, or constitutional provisions. Seven percent (\$321,089) is committed fund balance constrained by the City Council for specific purposes. Thirty eight percent (\$1,642,422) is assigned fund balance intended for specific purposes by management as delegated authority by the City Council.

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,828,155, while total fund balance reached \$1,865,356. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96.5% of total General Fund expenditures, while total fund balance represents 98.5% of that same amount.

In 2017, the fund balance of the City's General Fund increased by \$117,597. Revenues were \$30,626 over budget. Expenditures were \$86,971 under budget. During 2017, the City emphasized operating within the budget. Key factors for this increased fund balance are:

Revenue Variances

- Property Tax revenue had a variance under budget of \$6,425 due to delinquencies.
- Revenues from fees associated with licenses and permits was \$33,394 over budget primarily due to building permits from three new homes being built and the elementary school being re-roofed.
- Intergovernmental revenue had a variance under budget of \$14,500 primarily due to less revenue from a neighboring city fire contract due to decreased fire calls.
- Fines and forfeits revenue had a variance of \$27,194 under budget primarily due to changes in police procedures. Ramsey County's court system collects the fines and forfeits for the City.
- Plan check fees were over budget by \$11,231. Once again due to increased building permits.
- Investment income was \$8,519 over budget due to improving yields on investments.
- Other revenues was over budget by \$14,539 due to a refund of the city's insurance policy, reimbursements from City of Anthony police expenses and fire training reimbursements from State of Minnesota.

Expenditure Variances

- The administrative section recognized a \$13,836 expenditure variance under budget. \$5,707 of this variance was due to a reduction in conference and education expenses.
- The Finance section recognized a \$7,713 expenditure variance under budget. This is due to lower salary and compensation expenses than budgeted.
- There was a \$6,210 expenditure variance under budget in Legal due to less use of legal representation.
- A \$6,039 expenditure variance over the budgeted amount in police expenditures was recognized by the City.
- Expenditures for firefighting for the City were \$5,694 under budget for the current year.
- The fire relief aid had a \$14,418 expenditure variance under budget.

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

- Public works expenditures had a variance under budget of \$48,047. Savings in snow plowing costs of \$25,985 were achieved by a mild winter and performing snowplowing in house instead of hiring an outside vendor. Additional savings in motor fuel, lubricants, and supplies resulted in an additional \$4,845 variance under budget.
- A \$17,947 expenditure variance over budget in planning and inspection expenditures primarily due to the large permits that were granted in 2017.
- A \$4,559 expenditure variance under budget in total park and recreation expenditures was due to less overall park maintenance.
- A transfer of \$22,000 continued to be made from the General Fund to the Parks Program Special Revenue Fund to help support summer recreational sports programming activities. In additions, there was transfer of \$20,000 from the General Fund to the General Capital for future capital needs in city hall.

The Future Improvements Fund, a major fund, is the fund the City uses to record the infrastructure capital improvements of the City that would not be associated with any of the City's tax increment financing districts. The City received \$57,005 in street aid from the state of Minnesota and an additional grant of \$4,031 from the University of Minnesota for bike repair stations in the City. This Future Improvement Fund holds \$701,074 in assigned fund balance for future construction projects.

Proprietary Funds

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

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$1,976,704 while unrestricted net position for the Storm Drainage Fund amounted to \$162,631.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, General Fund expenditures were \$86,971 less than the budgetary estimates. Revenues were \$30,626 more than the budgetary estimates. Also, \$22,000 was transferred from the General Fund to the Parks Program Special Revenue Fund to help support summer recreational activities in the City and \$20,000 was transferred from the General Fund to the General Capital Fund for future capital projects in our council chambers. In 2017, the net change in fund balance for the General Fund was \$117,597

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$9,578,484 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements other than buildings, machinery and equipment and infrastructure.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

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

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

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 419,707	\$ 419,707	\$ -	\$ -	\$ 419,707	\$ 419,707
Construction in progress					-	-
Building and system	302,391	344,911	1,619,929	1,479,585	1,922,320	1,824,496
Improvements other						
Than buildings	529,625	534,672	-	-	529,625	534,672
Machinery and equipment	901,291	1,020,112	55,758	8,404	957,049	1,028,516
Infrastructure	5,749,783	5,749,783	-	-	5,749,783	5,749,783
Total	\$ 7,902,797	\$ 8,069,185	\$ 1,675,687	\$ 1,487,989	\$ 9,578,484	\$ 9,557,174

Additional information on the City's capital assets can be found in Note 3 on pages 54-55 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,625,000. During 2017 debt of \$845,000 was issued. The debt service payment in 2017 was \$150,000.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
G.O. Bonds	\$ 1,625,000	\$ 930,000	\$ -	\$ -	\$ 1,625,000	\$ 930,000

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

State statutes limit the amount of G.O. debt a governmental entity may issue to a percentage of its total assessed valuation. The current debt limitation for the City is \$8,068,774, which is in excess of the City's outstanding G.O. debt.

Additional information on the City's long-term debt can be found in Note 5 on pages 56-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The December 2017 unemployment rate for Ramsey County, in which the City resides, is currently 3.2%, which is a decrease from a rate of 3.5% a year ago. This local unemployment rate compares unfavorably to the state's December 2017 unemployment rate of 3.1% and favorably to the national December 2017 rate of 4.1%.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

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

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

During the current fiscal year, the fund balance in the General Fund increased by \$117,597 to a total of \$1,865,356. The City has designated \$1,828,155 of this balance as unassigned fund balance available for spending at the City's discretion.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**City of Falcon Heights
Statement of Net Position
December 31, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 4,349,489	\$ 2,063,766	\$ 6,413,255
Receivables			
Taxes receivable	10,727	-	10,727
Special assessments	151,284	-	151,284
Accounts receivable	44,758	207,020	251,778
Interest receivable	7,663	6,149	13,812
Due from other governments	44,640	-	44,640
Prepaid items	37,201	42,846	80,047
Capital assets (net of accumulated depreciation)			
Land	419,707	-	419,707
Infrastructure	5,749,783	-	5,749,783
Buildings and system	302,391	1,619,929	1,922,320
Improvements other than buildings	529,625	-	529,625
Machinery and equipment	901,291	55,758	957,049
Total assets	<u>12,548,559</u>	<u>3,995,468</u>	<u>16,544,027</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>114,286</u>	<u>39,589</u>	<u>153,875</u>
Total assets and deferred outflows of resources	<u>\$ 12,662,845</u>	<u>\$ 4,035,057</u>	<u>\$ 16,697,902</u>
Liabilities			
Accounts payable	\$ 64,395	\$ 5,883	\$ 70,278
Contracts payable	69,461	-	69,461
Due to other governments	660	-	660
Salaries and benefits payable	1,227	1,777	3,004
Interest payable	17,371	-	17,371
Unearned revenue	20,833	-	20,833
Bond principal payable			
Payable within one year	65,000	-	65,000
Payable after one year	1,089,437	-	1,089,437
Equipment certificate payable			
Payable within one year	85,000	-	85,000
Payable after one year	435,000	-	435,000
Compensated absences payable			
Payable within one year	33,432	13,740	47,172
Payable after one year	57,326	24,403	81,729
Net pension liability	<u>417,251</u>	<u>144,535</u>	<u>561,786</u>
Total liabilities	<u>2,356,393</u>	<u>190,338</u>	<u>2,546,731</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>85,733</u>	<u>29,697</u>	<u>115,430</u>
Net Position			
Net investment in capital assets	7,073,360	1,675,687	8,749,047
Restricted for			
Debt service	519,530	-	519,530
Tax increment	58,964	-	58,964
Park dedication	34,590	-	34,590
Unrestricted	<u>2,534,275</u>	<u>2,139,335</u>	<u>4,673,610</u>
Total net position	<u>10,220,719</u>	<u>3,815,022</u>	<u>14,035,741</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,662,845</u>	<u>\$ 4,035,057</u>	<u>\$ 16,697,902</u>

See notes to financial statements.

30

**City of Falcon Heights
Statement of Activities
Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 752,640	\$ 145,060	\$ -	\$ -	\$ (607,580)	\$ -	\$ (607,580)
Public safety	1,072,905	127,160	82,397	-	(863,348)	-	(863,348)
Public works	1,775,574	151,229	70,734	951,517	(602,094)	-	(602,094)
Park and recreation	174,392	11,476	1,080	-	(161,836)	-	(161,836)
Community development	3,726	1,895	-	2,136	305	-	305
Interest on long-term debt	28,612	-	-	-	(28,612)	-	(28,612)
Total governmental activities	<u>3,807,849</u>	<u>436,820</u>	<u>154,211</u>	<u>953,653</u>	<u>(2,263,165)</u>	<u>-</u>	<u>(2,263,165)</u>
Business-type activities							
Sanitary sewer	723,236	879,391	-	-	-	156,155	156,155
Storm sewer	142,494	169,957	-	-	-	27,463	27,463
Total business-type activities	<u>865,730</u>	<u>1,049,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,618</u>	<u>183,618</u>
Total governmental and business-type activities	<u>\$ 4,673,579</u>	<u>\$ 1,486,168</u>	<u>\$ 154,211</u>	<u>\$ 953,653</u>	(2,263,165)	183,618	(2,079,547)
General revenues							
Property taxes levied for general purposes					1,146,562	-	1,146,562
Property taxes levied for debt service					125,040	-	125,040
Tax increments					172,018	-	172,018
Unrestricted state aid					546,524	-	546,524
Other general revenue					18,437	-	18,437
Unrestricted investment earnings					29,149	19,318	48,467
Gain of sale of assets					225	-	225
Transfers					400,000	(400,000)	-
Total general revenues and transfers					<u>2,437,955</u>	<u>(380,682)</u>	<u>2,057,273</u>
Change in net position					174,790	(197,064)	(22,274)
Net position - beginning					<u>10,045,929</u>	<u>4,012,086</u>	<u>14,058,015</u>
Net position - ending					<u>\$ 10,220,719</u>	<u>\$ 3,815,022</u>	<u>\$ 14,035,741</u>

31 See notes to financial statements.

City of Falcon Heights
Balance Sheet - Governmental Funds
December 31, 2017

	General	Debt Service Funds	
		G.O. Improvement Series 2017A	G.O. Improvement Series 2013A
Assets			
Cash and investments	\$ 1,828,979	\$ 138,635	\$ 135,872
Taxes receivable - delinquent	9,793	-	-
Special assessment receivables - deferred	-	38,485	93,662
Accounts receivable	3,069	-	-
Interest receivable	5,208	-	-
Due from other governments	42,255	-	2,250
Prepaid items	37,201	-	-
Total assets	\$ 1,926,505	\$ 177,120	\$ 231,784
Liabilities			
Accounts payable	\$ 49,469	\$ -	\$ -
Contracts payable	-	-	-
Due to other governments	660	-	-
Salaries and benefits payable	1,227	-	-
Unearned revenue	-	-	-
Total liabilities	51,356	-	-
Deferred Inflows of Resources			
Unavailable revenue - property tax	9,793	-	-
Unavailable revenue - special assessments	-	38,485	93,662
Total deferred inflows of resources	9,793	38,485	93,662
Fund Balances			
Nonspendable	37,201	-	-
Restricted	-	138,635	138,122
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,828,155	-	-
Total fund balances	1,865,356	138,635	138,122
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,926,505	\$ 177,120	\$ 231,784

<u>Capital Projects Fund</u>			
<u>Future Improvements</u>	<u>Grove Street Improvement Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 704,858	\$ 599,319	\$ 941,826	\$ 4,349,489
934	-	-	10,727
19,137	-	-	151,284
-	18,943	22,746	44,758
1,816	-	639	7,663
-	-	135	44,640
-	-	-	37,201
<u>\$ 726,745</u>	<u>\$ 618,262</u>	<u>\$ 965,346</u>	<u>\$ 4,645,762</u>
\$ 5,600	\$ 560	\$ 8,766	\$ 64,395
-	64,461	5,000	69,461
-	-	-	660
-	-	-	1,227
-	-	20,833	20,833
<u>5,600</u>	<u>65,021</u>	<u>34,599</u>	<u>156,576</u>
934	-	-	10,727
19,137	-	-	151,284
<u>20,071</u>	<u>-</u>	<u>-</u>	<u>162,011</u>
-	-	-	37,201
-	-	221,551	498,308
-	-	321,089	321,089
701,074	553,241	388,107	1,642,422
-	-	-	1,828,155
<u>701,074</u>	<u>553,241</u>	<u>930,747</u>	<u>4,327,175</u>
<u>\$ 726,745</u>	<u>\$ 618,262</u>	<u>\$ 965,346</u>	<u>\$ 4,645,762</u>

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**City of Falcon Heights
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2017**

Total fund balances - governmental funds \$ 4,327,175

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	10,388,820
Less accumulated depreciation	(2,486,023)

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:

Bond principal payable	(1,105,000)
Bond premium	(49,437)
Equipment certificates payable	(520,000)
Compensated absences payable	(90,758)
Net pension liability	(417,251)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(85,733)
Deferred outflows of resources related to pensions	114,286

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	10,727
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred special assessments	151,284
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Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.

<u>(17,371)</u>

Total net position - governmental activities

<u><u>\$ 10,220,719</u></u>

See notes to financial statements.

35

City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2017

	General	Debt Service Funds	
		G.O. Improvement Series 2017A	G.O. Improvement Series 2013A
Revenues			
Property taxes	\$ 1,146,221	\$ -	\$ 26,228
Tax increments	-	-	-
Special assessments	-	-	39,328
Licenses and permits	93,344	-	-
Intergovernmental	654,024	-	-
Charges for services	73,723	-	-
Fines and forfeitures	45,806	-	-
Miscellaneous			
Investment income	15,519	185	527
Contributions and donations	-	-	-
Refunds and reimbursements	6,505	-	-
Other	18,039	-	-
Total revenues	<u>2,053,181</u>	<u>185</u>	<u>66,083</u>
Expenditures			
Current			
General government	660,203	-	781
Public safety	956,548	-	-
Public works	188,602	-	-
Park and recreation	88,231	-	-
Community development	-	-	-
Debt service			
Principal	-	-	65,000
Interest and other charges	-	-	10,544
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Park and recreation	-	-	-
Total expenditures	<u>1,893,584</u>	<u>-</u>	<u>76,325</u>
Excess of revenues over (under) expenditures	159,597	185	(10,242)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Bond issuance	-	13,450	-
Bond premium	-	-	-
Transfers in	-	125,000	25,000
Transfers out	(42,000)	-	-
Total other financing sources (uses)	<u>(42,000)</u>	<u>138,450</u>	<u>25,000</u>
Net change in fund balances	117,597	138,635	14,758
Fund Balances			
Beginning of year	<u>1,747,759</u>	<u>-</u>	<u>123,364</u>
End of year	<u>\$ 1,865,356</u>	<u>\$ 138,635</u>	<u>\$ 138,122</u>

See notes to financial statements.

Capital Projects Funds			
Future Improvements	Grove Street Improvement Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 99,356	\$ 1,271,805
-	-	172,018	172,018
7,697	163,931	-	210,956
-	-	-	93,344
61,402	737,869	25,699	1,478,994
184	-	162,021	235,928
-	-	-	45,806
5,731	2,154	5,033	29,149
-	-	1,080	1,080
-	-	-	6,505
-	91	20,332	38,462
<u>75,014</u>	<u>904,045</u>	<u>485,539</u>	<u>3,584,047</u>
-	-	1,560	662,544
-	-	781	957,329
10,641	176	152,051	351,470
-	-	36,165	124,396
-	-	3,726	3,726
-	-	85,000	150,000
-	-	10,436	20,980
-	-	30,303	30,303
-	-	20,777	20,777
5,555	1,234,523	167,850	1,407,928
-	-	18,619	18,619
<u>16,196</u>	<u>1,234,699</u>	<u>527,268</u>	<u>3,748,072</u>
58,818	(330,654)	(41,729)	(164,025)
-	-	225	225
-	831,550	-	845,000
-	52,345	-	52,345
-	-	292,000	442,000
-	-	-	(42,000)
<u>-</u>	<u>883,895</u>	<u>292,225</u>	<u>1,297,570</u>
58,818	553,241	250,496	1,133,545
<u>642,256</u>	<u>-</u>	<u>680,251</u>	<u>3,193,630</u>
<u>\$ 701,074</u>	<u>\$ 553,241</u>	<u>\$ 930,747</u>	<u>\$ 4,327,175</u>

**City of Falcon Heights
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2017**

Net change in fund balances - governmental funds \$ 1,133,545

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

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

Capital outlays	49,070
Depreciation expense	(215,458)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (15,170)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. (20,587)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net assets in the Statement of Activities. 150,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (10,540)

Proceeds from long-term debt are recognized as another financing source in the Governmental funds but as a decrease in net assets in the statement of activities. (845,000)

The governmental funds report the effect of bond premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium on new bond issuances	(52,345)
Amortization of bond premiums	2,908

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	(1,430)
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Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (203)

Change in net position - governmental activities \$ 174,790

**City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget -
Revenues			
Property taxes	\$ 1,152,646	\$ 1,146,221	\$ (6,425)
Licenses and permits	59,950	93,344	33,394
Intergovernmental	668,524	654,024	(14,500)
Charges for services	52,935	73,723	20,788
Fines and forfeitures	73,000	45,806	(27,194)
Miscellaneous revenues			
Investment income	7,000	15,519	8,519
Refunds and reimbursements	5,000	6,505	1,505
Other	3,500	18,039	14,539
Total revenues	2,022,555	2,053,181	30,626
Expenditures			
Current			
General government	678,150	660,203	(17,947)
Public safety	972,966	956,548	(16,418)
Public works	236,649	188,602	(48,047)
Park and recreation	92,790	88,231	(4,559)
Total expenditures	1,980,555	1,893,584	(86,971)
Excess of revenues over expenditures	42,000	159,597	117,597
Other Financing Uses			
Transfers out	(42,000)	(42,000)	-
Net change in fund balance	\$ -	117,597	\$ 117,597
Fund Balance			
Beginning of year		1,747,759	
End of year		\$ 1,865,356	

City of Falcon Heights
Statement of Net Position - Proprietary Funds
December 31, 2017

	Sanitary Sewer	Storm Drainage	Total
Assets			
Current assets			
Cash and investments	\$ 1,864,469	\$ 199,297	\$ 2,063,766
Accounts receivable	179,636	27,384	207,020
Interest receivable	6,149	-	6,149
Prepaid items	41,846	1,000	42,846
Total current assets	2,092,100	227,681	2,319,781
Noncurrent assets			
Capital assets			
Sewer system	1,277,781	-	1,277,781
Storm drain	-	1,918,672	1,918,672
Machinery and equipment	53,104	122,570	175,674
Total capital assets	1,330,885	2,041,242	3,372,127
Less accumulated depreciation	(1,018,537)	(677,903)	(1,696,440)
Net capital assets	312,348	1,363,339	1,675,687
Total assets	2,404,448	1,591,020	3,995,468
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	26,242	13,347	39,589
Total assets and deferred outflows of resources	\$ 2,430,690	\$ 1,604,367	\$ 4,035,057
Liabilities			
Current liabilities			
Accounts payable	\$ 166	\$ 5,717	\$ 5,883
Salaries and benefits payable	1,351	426	1,777
Amount due within one year	8,788	4,952	13,740
Total current liabilities	10,305	11,095	21,400
Noncurrent liabilities			
Compensated absences	24,629	13,514	38,143
Net pension liability	95,807	48,728	144,535
Less amount due within one year	(8,788)	(4,952)	(13,740)
Total noncurrent liabilities	111,648	57,290	168,938
Total liabilities	121,953	68,385	190,338
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	19,685	10,012	29,697
Net Position			
Net investment in capital assets	312,348	1,363,339	1,675,687
Unrestricted	1,976,704	162,631	2,139,335
Total net position	2,289,052	1,525,970	3,815,022
Total liabilities, deferred inflows of resources, and net position	\$ 2,430,690	\$ 1,604,367	\$ 4,035,057

See notes to financial statements.

City of Falcon Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2017

	Sanitary Sewer	Storm Drainage	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues			
Charges for services	\$ 879,391	\$ 169,957	\$ 1,049,348
Operating expenses			
Wages, salaries, and compensation	145,626	72,451	218,077
Materials and supplies	-	1,245	1,245
Professional services	2,746	1,004	3,750
Electric	172	-	172
Maintenance	16,831	7,790	24,621
Repairs	-	3,278	3,278
Depreciation	12,013	46,866	58,879
Travel	-	34	34
Metro sewer charges	509,390	-	509,390
Sac charges	8,930	-	8,930
Billing fees	16,676	701	17,377
Insurance and bonds	6,656	2,238	8,894
Miscellaneous	4,196	6,887	11,083
Total operating expenses	<u>723,236</u>	<u>142,494</u>	<u>865,730</u>
Operating income	156,155	27,463	183,618
Nonoperating revenues			
Investment income	<u>17,988</u>	<u>1,330</u>	<u>19,318</u>
Income before transfers and capital contributions	174,143	28,793	202,936
Transfers out	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
Change in net position	(225,857)	28,793	(197,064)
Net position			
Beginning of year	<u>2,514,909</u>	<u>1,497,177</u>	<u>4,012,086</u>
End of year	<u>\$ 2,289,052</u>	<u>\$ 1,525,970</u>	<u>\$ 3,815,022</u>

See notes to financial statements.

City of Falcon Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2017

	Sanitary Sewer	Storm Drainage	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 816,366	\$ 168,550	\$ 984,916
Payments to suppliers	(565,037)	(21,063)	(586,100)
Payments to employees	(135,421)	(70,456)	(205,877)
Net cash flows - operating activities	115,908	77,031	192,939
Cash Flows - Noncapital Financing Activities			
Advance to other funds	300,000	-	300,000
Transfer to other funds	(400,000)	-	(400,000)
Net cash flows - noncapital financing activities	(100,000)	-	(100,000)
Cash Flows - Capital and Related Financing Activities			
Acquisition of capital assets	(33,089)	(213,488)	(246,577)
Cash Flows - Investing Activities			
Interest and dividends received	14,869	1,872	16,741
Net change in cash and cash equivalents	(2,312)	(134,585)	(136,897)
Cash and Cash Equivalents			
Beginning of year	1,866,781	333,882	2,200,663
End of year	\$ 1,864,469	\$ 199,297	\$ 2,063,766
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income	\$ 156,155	\$ 27,463	\$ 183,618
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	12,013	46,866	58,879
Accounts receivable	(63,025)	(1,407)	(64,432)
Prepaid items	603	(1,000)	(397)
Pension expense	4,638	5	4,643
Accounts payable	(43)	3,114	3,071
Salaries payable	1,351	426	1,777
Compensated absences payable	4,216	1,564	5,780
Total adjustments	(40,247)	49,568	9,321
Net cash flows - operating activities	\$ 115,908	\$ 77,031	\$ 192,939

See notes to financial statements.

City of Falcon Heights
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Description of Funds:

Major Governmental Funds:

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

G.O. Improvement Series 2017A – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issuance.

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

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

Grove Street Improvements Capital Projects Fund – This fund accounts for costs associated with the Grove Street improvement project.

Major Proprietary Funds:

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Sewer and the Storm Drainage Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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

1. Deposits and Investments

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

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

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

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

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

3. Prepaid Items and Inventory

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Prepaid Items and Inventory (Continued)

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

4. Capital Assets

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations (Continued)

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

8. Pensions

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

9. Fund Equity

a. Classification

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

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

City of Falcon Heights
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity (Continued)

a. Classification (Continued)

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

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

b. Minimum Fund Balance

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

10. Net Position

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

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise Funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2017, the City's bank balance of \$0 was not exposed to custodial credit risk because it was fully insured through the FDIC.

The book balance as of December 31, 2017, was \$0 for deposits.

As of December 31, 2017, the City had petty cash as follows:

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investment Type	Fair Value	Investment Maturity				Rating
		Less than 1 Year	1 to 3 Years	3 - 5 Years	Over 5 Years	
Brokered Certificates of Deposit	\$ 4,573,207	\$ 3,774,348	\$ 798,859	\$ -	\$ -	NR
U.S. Agencies	299,754	-	-	299,338	416	AAA
4M Fund	726,441	726,441	N/A	N/A	N/A	NR
4M Fund Plus	555,447	555,447	N/A	N/A	N/A	NR
Brokered Money Markets	258,156	258,156	N/A	N/A	N/A	NR
Total Investments	<u>\$ 6,413,005</u>					

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

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

The City has the following recurring fair value measurements as of December 31, 2017:

- \$4,872,961 of investments are significant other observable inputs (Level 2 inputs)

Summary of cash deposits and investments as of December 31, 2017, were as follows:

Petty Cash	\$ 250
Investments (Note 3.B.)	<u>6,413,005</u>
Total deposits and investments	<u><u>\$ 6,413,255</u></u>

C. Cash and Investments

Deposits and investments are presented in the December 31, 2017, basic financial statements as follows:

Statement of Net Position	
Cash and investments - governmental activities	\$ 4,049,489
Cash and investments - business-type activities	<u>2,363,766</u>
Total	<u><u>\$ 6,413,255</u></u>

City of Falcon Heights
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 419,707	\$ -	\$ -	\$ 419,707
Infrastructure	5,749,783	-	-	5,749,783
Total capital assets not being depreciated	<u>6,169,490</u>	<u>-</u>	<u>-</u>	<u>6,169,490</u>
Capital assets being depreciated				
Buildings	1,360,310	-	-	1,360,310
Improvements other than buildings	800,976	30,050	-	831,026
Machinery and equipment	<u>2,015,563</u>	<u>19,020</u>	<u>6,589</u>	<u>2,027,994</u>
Total capital assets being depreciated	<u>4,176,849</u>	<u>49,070</u>	<u>6,589</u>	<u>4,219,330</u>
Less accumulated depreciation for				
Buildings	1,015,399	42,520	-	1,057,919
Improvements other than buildings	266,304	35,097	-	301,401
Machinery and equipment	<u>995,451</u>	<u>137,841</u>	<u>6,589</u>	<u>1,126,703</u>
Total accumulated depreciation	<u>2,277,154</u>	<u>215,458</u>	<u>6,589</u>	<u>2,486,023</u>
Total capital assets being depreciated, net	<u>1,899,695</u>	<u>(166,388)</u>	<u>-</u>	<u>1,733,307</u>
Governmental activities capital assets, net	<u><u>\$ 8,069,185</u></u>	<u><u>\$ (166,388)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,902,797</u></u>

City of Falcon Heights
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Buildings and system	\$ 3,011,977	\$ 184,476	\$ -	\$ 3,196,453
Machinery and equipment	<u>113,573</u>	<u>62,101</u>	<u>-</u>	<u>175,674</u>
Total capital assets being depreciated	<u>3,125,550</u>	<u>246,577</u>	<u>-</u>	<u>3,372,127</u>
Less accumulated depreciation for				
Buildings and system	1,532,392	44,132	-	1,576,524
Machinery and equipment	<u>105,169</u>	<u>14,747</u>	<u>-</u>	<u>119,916</u>
Total accumulated depreciation	<u>1,637,561</u>	<u>58,879</u>	<u>-</u>	<u>1,696,440</u>
Total capital assets being depreciated, net	<u>1,487,989</u>	<u>187,698</u>	<u>-</u>	<u>1,675,687</u>
Business-type activities capital assets, net	<u>\$ 1,487,989</u>	<u>\$ 187,698</u>	<u>\$ -</u>	<u>\$ 1,675,687</u>

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

Governmental activities	
General government	\$ 60,741
Public safety	99,939
Public works	28,546
Culture and recreation	<u>26,232</u>
Total depreciation expense - governmental activities	<u>\$ 215,458</u>
Business-type activities	
Sanitary sewer	\$ 12,013
Storm drainage	<u>46,866</u>
Total depreciation expense - business-type activities	<u>\$ 58,879</u>

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

NOTE 4 – INTERFUND TRANSFERS

Transfers during the year ended December 31, 2017, were as follows:

	Transfers Out		
	General Fund	Sanitary Sewer	Total
Transfers in			
G.O. Improvement Series 2013A	\$ -	\$ 25,000	\$ 25,000
G.O. Improvement Series 2017A	-	125,000	125,000
Other Governmental Funds	42,000	250,000	292,000
Total	\$ 42,000	\$ 400,000	\$ 442,000

The transfer from the General Fund to Other Governmental Funds was to assist with park programs and capital improvements. The transfer from Sanitary Sewer Fund to Other Governmental Funds was to assist with capital improvements. The transfers from the Sanitary Sewer Fund to the G.O. Improvement Series 2013A Fund and the G.O. Improvement Series 2017A Fund were to assist with debt service payments.

NOTE 5 – LONG-TERM DEBT

A. G.O. Debt

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

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

	Original Issue	Interest Rates	Principal Outstanding
Long-term liabilities			
Governmental activities			
G.O. Equipment Certificates, Series 2013B	\$ 715,000	0.60%-2.40%	\$ 520,000
G.O. Improvement Bonds, Series 2013A	445,000	0.75%-2.40%	260,000
G.O. Improvement Bonds, Series 2017A	845,000	3.00%	845,000

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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. G.O. Debt (Continued)

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

Year Ending December 31,	G.O. Equipment Certificates		G.O. Improvement Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 85,000	\$ 9,136	\$ 65,000	\$ 30,772
2019	85,000	8,031	180,000	27,151
2020	85,000	6,671	180,000	22,418
2021	85,000	5,057	180,000	17,505
2022	90,000	3,173	120,000	13,200
2023-2025	90,000	1,080	380,000	17,250
Total	<u>\$ 520,000</u>	<u>\$ 33,148</u>	<u>\$ 1,105,000</u>	<u>\$ 128,296</u>

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Equipment Certificates	\$ 605,000	\$ -	\$ 85,000	\$ 520,000	\$ 85,000
G.O. Improvement Bonds	325,000	845,000	65,000	1,105,000	65,000
Compensated absences	75,588	49,656	34,486	90,758	33,432
Total governmental activities	<u>1,005,588</u>	<u>894,656</u>	<u>184,486</u>	<u>1,715,758</u>	<u>183,432</u>
Business-type activities					
Compensated absences	32,363	14,080	8,300	38,143	13,740
Total long-term liabilities	<u>\$ 1,037,951</u>	<u>\$ 908,736</u>	<u>\$ 192,786</u>	<u>\$ 1,753,901</u>	<u>\$ 197,172</u>

The General Fund typically liquidates the liability related to compensated absences.

C. Conduit Debt

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

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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Conduit Debt (Continued)

As of December 31, 2017, the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding as of 12/31/17
Coventry Apartments	2008A	\$ 12,000,000	\$ 10,819,731
Pines of Hutchinson, LLC	2013	4,400,000	3,788,203
Mounds Park Academy	2014	7,707,444	7,529,998
DeLasalle High School	2015	2,380,000	2,056,436
St Paul Academy & Summit School Project Series	2017	7,375,000	7,375,000
 Total		<u>\$ 33,862,444</u>	<u>\$ 31,569,368</u>

NOTE 6 – FUND BALANCE DETAIL

At December 31, 2017, fund balance was comprised of the following components:

	General	G.O. Improvement Series 2017A	G.O. Improvement Series 2013A	Future Improvements	Grove Streetscape Improvement Project	Other Governmental Fund	Total
Nonspendable							
Prepaid items	\$ 37,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,201
Restricted							
Tax increment capital projects	-	-	-	-	-	58,964	58,964
Debt service	-	138,635	138,122	-	-	127,997	404,754
Capital equipment	-	-	-	-	-	-	-
Committed							
Recreation costs	-	-	-	-	-	15,904	15,904
Hydrant and fire truck costs	-	-	-	-	-	125,996	125,996
Recycling and environmental activities	-	-	-	-	-	99,952	99,952
Activities promoting economic development	-	-	-	-	-	54,390	54,390
Lighting costs	-	-	-	-	-	20,942	20,942
Garden costs	-	-	-	-	-	3,701	3,701
Ash borer prevention	-	-	-	-	-	204	204
Assigned							
Capital projects	-	-	-	701,074	553,241	388,107	1,642,422
Unassigned	1,828,155	-	-	-	-	-	1,828,155
 Total	<u>\$ 1,865,356</u>	<u>\$ 138,635</u>	<u>\$ 138,122</u>	<u>\$ 701,074</u>	<u>\$ 553,241</u>	<u>\$ 930,747</u>	<u>\$ 4,327,175</u>

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

NOTE 7 – RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2017 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2017, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 8 – PENSION PLANS

The City participates in various pension plans and total pension expense for the year ended December 31, 2017 was \$69,370. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

A. Plan Description

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

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

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

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

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

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

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in calendar year 2017. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$43,937. The City's contributions were equal to the required contributions as set by state statute.

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$561,786 for its proportionate share of the General Employee Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$7,039. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0088%, which was an increase of 0.0004% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$69,370 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$203 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of General Employee Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 18,516	\$ 34,759
Changes in actuarial assumptions	89,030	56,319
Difference between projected and actual investment earnings	-	137
Changes in proportion	24,360	24,215
Contributions paid to PERA subsequent to the measurement date	21,969	-
	\$ 153,875	\$ 115,430

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

\$21,969 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2018	\$ 9,998
2019	34,017
2020	(3,692)
2021	(23,847)
Total	\$ 16,476

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees plan through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.5% per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of 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 stocks	39 %	5.10 %
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 871,372	\$ 561,786	\$ 308,334

H. Pension Plan Fiduciary Net Position

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

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

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

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

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

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

During 2017, the City made no contributions to the plan and passed through to the association \$55,582 in state aid.

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

NOTE 9 – COMMITMENTS

The City had the following construction commitments at December 31, 2017:

	<u>Project Authorization</u>	<u>Expended Through 12/13/2017</u>	<u>Remaining Commitment</u>
2017 Street Improvement Project	\$ 1,490,162	\$ 1,289,211	\$ 200,951

NOTE 10 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0087%	\$ 450,879	\$ -	\$ 450,879	\$ 502,440	89.74%	78.2%
2016	0.0084%	682,038	9,002	691,040	524,187	130.11%	68.9%
2017	0.0088%	561,786	7,039	568,825	564,907	99.45%	75.9%

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

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

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

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

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

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Streets and alleys					
Estimated	\$ 1,174,456	\$ -	\$ 921,000	\$ 40,000	\$ 1,211,500
Actual	<u>796,336</u>	<u>10,842</u>	<u>499,929</u>	<u>39,599</u>	<u>1,234,522</u>
Difference	<u>\$ 378,120</u>	<u>\$ (10,842)</u>	<u>\$ 421,071</u>	<u>\$ 401</u>	<u>\$ (23,022)</u>

CONDITION RATING OF THE CITY'S STREET SYSTEMS

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

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

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

City of Falcon Heights
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue			
	Park Programs	Water	Solid Waste	Community Development
Assets				
Cash and investments	\$ 15,769	\$ 120,932	\$ 93,410	\$ 74,677
Accounts receivable	-	5,064	12,311	-
Interest receivable	-	-	-	-
Due from other governments	135	-	-	-
	<u>15,904</u>	<u>125,996</u>	<u>105,721</u>	<u>74,677</u>
Total assets	<u>\$ 15,904</u>	<u>\$ 125,996</u>	<u>\$ 105,721</u>	<u>\$ 74,677</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 5,769	\$ 287
Contracts payable	-	-	-	-
Unearned revenue	-	-	-	20,000
Total liabilities	<u>-</u>	<u>-</u>	<u>5,769</u>	<u>20,287</u>
Fund Balances				
Restricted	-	-	-	-
Committed	15,904	125,996	99,952	54,390
Assigned	-	-	-	-
Total fund balances	<u>15,904</u>	<u>125,996</u>	<u>99,952</u>	<u>54,390</u>
Total liabilities and fund balances	<u>\$ 15,904</u>	<u>\$ 125,996</u>	<u>\$ 105,721</u>	<u>\$ 74,677</u>

Special Revenue				Debt Service
Street Lighting	Community Garden	Emerald Ash Borer Grant	Total	G.O. Equipment Certificates, Series 2013B
\$ 15,726	\$ 3,701	\$ 204	\$ 324,419	\$ 127,997
5,371	-	-	22,746	-
-	-	-	-	-
-	-	-	135	-
<u>\$ 21,097</u>	<u>\$ 3,701</u>	<u>\$ 204</u>	<u>\$ 347,300</u>	<u>\$ 127,997</u>
\$ 155	\$ -	\$ -	\$ 6,211	\$ -
-	-	-	-	-
-	-	-	20,000	-
<u>155</u>	<u>-</u>	<u>-</u>	<u>26,211</u>	<u>-</u>
-	-	-	-	127,997
20,942	3,701	204	321,089	-
-	-	-	-	-
<u>20,942</u>	<u>3,701</u>	<u>204</u>	<u>321,089</u>	<u>127,997</u>
<u>\$ 21,097</u>	<u>\$ 3,701</u>	<u>\$ 204</u>	<u>\$ 347,300</u>	<u>\$ 127,997</u>

**City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017**

	Capital Projects		
	General Capital Improvements	Parks/PW and Facilities Capital Improvements	Tax Increment No. 1 Construction
Assets			
Cash and investments	\$ 224,365	\$ 156,727	\$ 5,089
Accounts receivable	-	-	-
Interest receivable	639	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 225,004</u>	<u>\$ 156,727</u>	<u>\$ 5,089</u>
Liabilities			
Accounts payable	\$ -	\$ 1,969	\$ -
Contracts payable	-	-	5,000
Unearned revenue	-	833	-
Total liabilities	<u>-</u>	<u>2,802</u>	<u>5,000</u>
Fund Balances			
Restricted	-	34,590	89
Committed	-	-	-
Assigned	225,004	119,335	-
Total fund balances	<u>225,004</u>	<u>153,925</u>	<u>89</u>
Total liabilities and fund balances	<u>\$ 225,004</u>	<u>\$ 156,727</u>	<u>\$ 5,089</u>

Capital Projects

<u>Tax Increment No. 1-3</u>	<u>Public Safety Capital Improvements</u>	<u>Total</u>	<u>Total Other Governmental Funds</u>
\$ 59,461	\$ 43,768	\$ 489,410	\$ 941,826
-	-	-	22,746
-	-	639	639
-	-	-	135
<u>\$ 59,461</u>	<u>\$ 43,768</u>	<u>\$ 490,049</u>	<u>\$ 965,346</u>
\$ 586	\$ -	\$ 2,555	\$ 8,766
-	-	5,000	5,000
-	-	833	20,833
<u>586</u>	<u>-</u>	<u>8,388</u>	<u>34,599</u>
58,875	-	93,554	221,551
-	-	-	321,089
-	43,768	388,107	388,107
<u>58,875</u>	<u>43,768</u>	<u>481,661</u>	<u>930,747</u>
<u>\$ 59,461</u>	<u>\$ 43,768</u>	<u>\$ 490,049</u>	<u>\$ 965,346</u>

City of Falcon Heights
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2017

	Special Revenue			
	Park Programs	Water	Solid Waste	Community Development
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Intergovernmental	-	-	13,363	-
Charges for services	10,771	34,326	74,446	-
Miscellaneous				
Investment income	160	785	634	391
Contributions and donations	1,080	-	-	-
Other	-	-	-	1,895
Total revenues	12,011	35,111	88,443	2,286
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	10,818	85,810	-
Park and recreation	35,312	-	-	-
Community development	-	-	-	3,726
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	-	-
Total expenditures	35,312	10,818	85,810	3,726
Excess of revenues over (under) expenditures	(23,301)	24,293	2,633	(1,440)
Other Financing Sources				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	22,000	-	-	-
Total other financing sources	22,000	-	-	-
Net change in fund balances	(1,301)	24,293	2,633	(1,440)
Fund Balances				
Beginning of year	17,205	101,703	97,319	55,830
End of year	\$ 15,904	\$ 125,996	\$ 99,952	\$ 54,390

Special Revenue				Debt Service
Street Lighting	Community Garden	Emerald Ash Borer Grant	Total	G.O. Equipment Certificates, Series 2013B
\$ -	\$ -	\$ -	\$ -	\$ 99,356
-	-	-	-	-
-	-	-	13,363	-
41,773	705	-	162,021	-
-	-	-	-	-
199	27	1	2,197	407
-	-	-	1,080	-
-	-	-	1,895	-
<u>41,972</u>	<u>732</u>	<u>1</u>	<u>180,556</u>	<u>99,763</u>
-	-	-	-	780
-	-	-	-	-
54,643	-	-	151,271	-
-	73	-	35,385	-
-	-	-	3,726	-
-	-	-	-	-
-	-	-	-	85,000
-	-	-	-	10,436
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>54,643</u>	<u>73</u>	<u>-</u>	<u>190,382</u>	<u>96,216</u>
(12,671)	659	1	(9,826)	3,547
-	-	-	-	-
-	-	-	22,000	-
-	-	-	22,000	-
(12,671)	659	1	12,174	3,547
<u>33,613</u>	<u>3,042</u>	<u>203</u>	<u>308,915</u>	<u>124,450</u>
<u>\$ 20,942</u>	<u>\$ 3,701</u>	<u>\$ 204</u>	<u>\$ 321,089</u>	<u>\$ 127,997</u>

City of Falcon Heights
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2017

	Capital Projects		
	General Capital Improvements	Parks/PW and Facilities Capital Improvements	Tax Increment No. 1 Construction
Revenues			
Property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Intergovernmental	-	2,136	-
Charges for services	-	-	-
Miscellaneous			
Investment income	1,237	341	40
Contributions and donations	-	-	-
Other	18,437	-	-
Total revenues	<u>19,674</u>	<u>2,477</u>	<u>40</u>
Expenditures			
Current			
General government	780	-	-
Public safety	-	-	-
Public works	-	-	-
Park and recreation	-	780	-
Community development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	30,303	-	-
Public safety	-	-	-
Public works	-	-	-
Park and recreation	-	18,619	-
Total expenditures	<u>31,083</u>	<u>19,399</u>	<u>-</u>
Excess of revenues over (under) expenditures	(11,409)	(16,922)	40
Other Financing Sources			
Proceeds from sale of capital assets	-	225	-
Transfers in	170,000	100,000	-
Total other financing sources	<u>170,000</u>	<u>100,225</u>	<u>-</u>
Net change in fund balances	158,591	83,303	40
Fund Balances			
Beginning of year	<u>66,413</u>	<u>70,622</u>	<u>49</u>
End of year	<u>\$ 225,004</u>	<u>\$ 153,925</u>	<u>\$ 89</u>

Capital Projects			Total Other Governmental Funds
Tax Increment No. 1-3	Public Safety Capital Improvements	Total	
\$ -	\$ -	\$ -	\$ 99,356
172,018	-	172,018	172,018
-	10,200	12,336	25,699
-	-	-	162,021
434	377	2,429	5,033
-	-	-	1,080
-	-	18,437	20,332
<u>172,452</u>	<u>10,577</u>	<u>205,220</u>	<u>485,539</u>
-	-	780	1,560
-	781	781	781
780	-	780	152,051
-	-	780	36,165
-	-	-	3,726
-	-	-	85,000
-	-	-	10,436
-	-	30,303	30,303
-	20,777	20,777	20,777
167,850	-	167,850	167,850
-	-	18,619	18,619
<u>168,630</u>	<u>21,558</u>	<u>240,670</u>	<u>527,268</u>
3,822	(10,981)	(35,450)	(41,729)
-	-	225	225
-	-	270,000	292,000
-	-	270,225	292,225
3,822	(10,981)	234,775	250,496
<u>55,053</u>	<u>54,749</u>	<u>246,886</u>	<u>680,251</u>
<u>\$ 58,875</u>	<u>\$ 43,768</u>	<u>\$ 481,661</u>	<u>\$ 930,747</u>

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Property taxes	\$ 1,152,646	\$ 1,146,221	\$ (6,425)
Licenses and permits	59,950	93,344	33,394
Intergovernmental revenue			
Local government aid	544,817	544,817	-
Cable television franchise fees	52,000	51,918	(82)
Fire aid	70,000	55,582	(14,418)
Other grants and aids	1,707	1,707	-
Total intergovernmental revenue	<u>668,524</u>	<u>654,024</u>	<u>(14,500)</u>
Charges for services			
Fire contract	29,000	34,192	5,192
Plan check fees	2,000	13,231	11,231
Other	21,935	25,800	3,865
Snow removal	-	500	500
Total charges for services	<u>52,935</u>	<u>73,723</u>	<u>20,788</u>
Fines and forfeitures	73,000	45,806	(27,194)
Miscellaneous revenue			
Investment income	7,000	15,519	8,519
Refunds and reimbursements	5,000	6,505	1,505
Other	3,500	18,039	14,539
Total miscellaneous revenue	<u>15,500</u>	<u>40,063</u>	<u>24,563</u>
Total revenues	<u>2,022,555</u>	<u>2,053,181</u>	<u>30,626</u>
Expenditures			
General government			
Legislative			
Wages, salaries, and compensation	21,315	21,675	360
Materials and supplies	1,575	1,833	258
Other	20,018	18,428	(1,590)
Administration			
Wages, salaries, and compensation	202,921	204,076	1,155
Materials and supplies	8,000	8,195	195
Other	33,900	18,714	(15,186)

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Expenditures (Continued)			
General government (continued)			
Finance			
Wages, salaries, and compensation	\$ 125,040	\$ 116,639	\$ (8,401)
Materials and supplies	300	1,303	1,003
Other	19,970	19,655	(315)
Legal	16,500	10,290	(6,210)
Elections			
Materials and supplies	1,000	303	(697)
Other	19,363	19,516	153
Communications			
Wages, salaries, and compensation	24,845	23,464	(1,381)
Materials and supplies	4,300	2,856	(1,444)
Other	59,438	51,913	(7,525)
Planning and inspections			
Wages, salaries, and compensation	70,250	76,115	5,865
Materials and supplies	50	-	(50)
Other	49,365	65,228	15,863
Total general government	<u>678,150</u>	<u>660,203</u>	<u>(17,947)</u>
Public safety			
Emergency preparedness			
Wages, salaries, and compensation	6,658	4,452	(2,206)
Materials and supplies	-	1,603	1,603
Other	1,210	356	(854)
Police services	710,128	716,167	6,039
Legal	31,000	30,112	(888)
Fire fighting			
Wages, salaries, and compensation	82,660	78,885	(3,775)
Fire relief pension	70,000	55,582	(14,418)
Materials and supplies	11,520	8,986	(2,534)
Other	59,790	60,405	615
Total public safety	<u>972,966</u>	<u>956,548</u>	<u>(16,418)</u>
Public works			
Buildings and grounds			
Wages, salaries, and compensation	25,694	21,674	(4,020)
Materials and supplies	9,000	11,059	2,059
Other	35,550	36,723	1,173

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Expenditures (Continued)			
Public works (Continued)			
Streets			
Wages, salaries, and compensation	\$ 71,130	\$ 73,450	\$ 2,320
Materials and supplies	18,400	13,706	(4,694)
Other	54,825	25,295	(29,530)
Engineering	15,000	4,147	(10,853)
Tree program			
Materials and supplies	50	25	(25)
Tree maintenance	7,000	2,523	(4,477)
Total public works	<u>236,649</u>	<u>188,602</u>	<u>(48,047)</u>
Park and recreation			
Park maintenance			
Wages, salaries, and compensation	57,795	51,407	(6,388)
Materials and supplies	6,300	7,033	733
Other	28,695	29,791	1,096
Total parks and recreation	<u>92,790</u>	<u>88,231</u>	<u>(4,559)</u>
Total expenditures	<u>1,980,555</u>	<u>1,893,584</u>	<u>(86,971)</u>
Excess of revenues over expenditures	42,000	159,597	117,597
Other Financing Uses			
Transfers out	<u>(42,000)</u>	<u>(42,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	117,597	<u>\$ 117,597</u>
Fund Balance			
Beginning of year		<u>1,747,759</u>	
End of year		<u>\$ 1,865,356</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Park Programs Fund - Special Revenue Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services	\$ 27,000	\$ 10,771	\$ (16,229)
Miscellaneous revenues			
Investment income	100	160	60
Contributions and donations	1,000	1,080	80
Total miscellaneous revenues	1,100	1,240	140
Total revenues	28,100	12,011	(16,089)
Expenditures			
Park and recreation			
Current			
Wages, salaries, and compensation	35,382	27,287	(8,095)
Materials and supplies	2,500	1,037	(1,463)
Other	12,200	6,988	(5,212)
Total expenditures	50,082	35,312	(14,770)
Excess of revenues under expenditures	(21,982)	(23,301)	(1,319)
Other Financing Sources			
Transfers in	22,000	22,000	-
Net change in fund balance	\$ 18	(1,301)	\$ (1,319)
Fund Balance			
Beginning of year		17,205	
End of year		\$ 15,904	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Water Fund - Special Revenue Fund
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
Revenues			
Charges for services	\$ 29,000	\$ 34,326	\$ 5,326
Miscellaneous revenues			
Investment income	<u>350</u>	<u>785</u>	<u>435</u>
Total revenues	<u>29,350</u>	<u>35,111</u>	<u>5,761</u>
Expenditures			
Public works			
Wages, salaries, and compensation	9,257	9,084	(173)
Other	<u>3,690</u>	<u>1,734</u>	<u>(1,956)</u>
Total expenditures	<u>12,947</u>	<u>10,818</u>	<u>(2,129)</u>
Excess of revenues over expenditures	<u>\$ 16,403</u>	24,293	<u>\$ 7,890</u>
Fund Balance			
Beginning of year		<u>101,703</u>	
End of year		<u>\$ 125,996</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Solid Waste Fund - Special Revenue Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues			
Recycling grant	\$ 13,109	\$ 13,363	\$ 254
Charges for services	73,000	74,446	1,446
Miscellaneous revenues			
Investment income	350	634	284
Total revenues	86,459	88,443	1,984
Expenditures			
Public works			
Wages, salaries, and compensation	13,350	14,624	1,274
Materials and supplies	825	215	(610)
Recycling contract	70,000	69,228	(772)
Other	4,485	1,743	(2,742)
Total expenditures	88,660	85,810	(2,850)
Excess of revenues over (under) expenditures	\$ (2,201)	2,633	\$ 4,834
Fund Balance			
Beginning of year		97,319	
End of year		\$ 99,952	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Community Development Fund - Special Revenue Fund
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Miscellaneous revenues			
Investment income	150	391	241
Other	<u>1,716</u>	<u>1,895</u>	<u>179</u>
Total revenues	<u>1,866</u>	<u>2,286</u>	<u>420</u>
Expenditures			
Community Development			
Other	<u>35,850</u>	<u>3,726</u>	<u>(32,124)</u>
Excess of revenues under expenditures	<u>\$ (33,984)</u>	(1,440)	<u>\$ 32,544</u>
Fund Balance			
Beginning of year		<u>55,830</u>	
End of year		<u>\$ 54,390</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Street Lighting Fund - Special Revenue Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 41,000	\$ 41,000	\$ 41,773	\$ 773
Miscellaneous revenues				
Investment income	<u>70</u>	<u>70</u>	<u>199</u>	<u>129</u>
Total revenues	<u>41,070</u>	<u>41,070</u>	<u>41,972</u>	<u>902</u>
Expenditures				
Public works				
Other	<u>36,600</u>	<u>57,700</u>	<u>54,643</u>	<u>(3,057)</u>
Excess of revenues over (under) expenditures	<u>\$ 4,470</u>	<u>\$ (16,630)</u>	(12,671)	<u>\$ 3,959</u>
Fund Balance				
Beginning of year			<u>33,613</u>	
End of year			<u>\$ 20,942</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Community Garden Fund - Special Revenue Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services			
Park and recreation	\$ 700	\$ 705	\$ 5
Miscellaneous revenues			
Investment income	15	27	12
Total revenues	715	732	17
Expenditures			
Park and recreation			
Other	1,000	73	(927)
Excess of revenues over (under) expenditures	\$ (285)	659	\$ 944
Fund Balance			
Beginning of year		3,042	
End of year		\$ 3,701	

City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Emerald Ash Borer Grant Fund - Special Revenue Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	\$ -	\$ 1	\$ 1
Expenditures			
Parks and recreation			
Wages, salaries, and compensation	750	-	(750)
Excess of revenues over (under) expenditures	\$ (750)	1	\$ 751
Fund Balance			
Beginning of year		203	
End of year		\$ 204	

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ 40,000	\$ -	\$ (40,000)
Miscellaneous revenues				
Investment income	-	100	185	85
Total revenues	<u>-</u>	<u>40,100</u>	<u>185</u>	<u>(39,915)</u>
Expenditures				
Public works				
Wages, salaries and compensation	-	800	-	(800)
Debt service				
Interest and other charges	-	21,000	-	(21,000)
Total expenditures	<u>-</u>	<u>21,800</u>	<u>-</u>	<u>(21,800)</u>
Excess of revenues over expenditures	-	18,300	185	(18,115)
Other Financing Sources				
Bond Issuance	-	20,000	13,450	(6,550)
Transfers in	-	125,000	125,000	-
Total other financing sources	<u>-</u>	<u>145,000</u>	<u>138,450</u>	<u>(6,550)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 163,300</u>	138,635	<u>\$ (24,665)</u>
Fund Balance				
Beginning of year			<u>-</u>	
End of year			<u>\$ 138,635</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Improvement Bonds, Series 2013A - Debt Service Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property Taxes	\$ 26,228	\$ 26,228	\$ -
Special assessments	47,448	39,328	(8,120)
Miscellaneous revenues			
Investment income	200	527	327
Total revenues	73,876	66,083	(7,793)
Expenditures			
General government			
Other	750	781	31
Debt service			
Principal	65,000	65,000	-
Interest and other charges	12,606	10,544	(2,062)
Total expenditures	78,356	76,325	(2,031)
Excess of revenues under expenditures	(4,480)	(10,242)	(5,762)
Other Financing Sources			
Transfers in	25,000	25,000	-
Net change in fund balance	\$ 20,520	14,758	\$ (5,762)
Fund Balance			
Beginning of year		123,364	
End of year		\$ 138,122	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Equipment Certificates, Series 2013B - Debt Service Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 99,356	\$ 99,356	\$ -
Miscellaneous revenues			
Investment income	200	407	207
Total revenues	99,556	99,763	207
Expenditures			
General government			
Wages, salaries, and compensation	750	780	30
Debt service			
Principal	85,000	85,000	-
Interest and other charges	13,986	10,436	(3,550)
Total expenditures	99,736	96,216	(3,520)
Excess of revenues over (under) expenditures	\$ (180)	3,547	\$ 3,727
Fund Balance			
Beginning of year		124,450	
End of year		\$ 127,997	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Future Improvements - Capital Projects Fund
Year Ended December 31, 2017

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 81,000	\$ 6,000	\$ 7,697	\$ 1,697
Intergovernmental				
Other grants and aids	653,000	60,000	61,402	1,402
Charges for services				
Public works	-	-	184	184
Miscellaneous revenues				
Investment income	4,500	4,500	5,731	1,231
Total revenues	<u>738,500</u>	<u>70,500</u>	<u>75,014</u>	<u>4,514</u>
Expenditures				
Public works				
Current				
Other	25,750	25,750	10,641	(15,109)
Capital outlay	1,183,500	7,000	5,555	(1,445)
Debt service				
Interest and other charges	15,000	-	-	-
Total expenditures	<u>1,224,250</u>	<u>32,750</u>	<u>16,196</u>	<u>(16,554)</u>
Excess of revenues over (under) expenditures	(485,750)	37,750	58,818	21,068
Other Financing Sources				
Bond issuance	800,000	-	-	-
Net change in fund balance	<u>\$ 314,250</u>	<u>\$ 37,750</u>	58,818	<u>\$ 21,068</u>
Fund Balance				
Beginning of year			<u>642,256</u>	
End of year			<u>\$ 701,074</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Grove Street Improvement Project - Capital Projects Fund
Year Ended December 31, 2017

	Budgeted Amount		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Special assessments	\$ -	\$ 40,000	\$ 163,931	\$ 123,931
Intergovernmental revenue				
Municipal state aid	-	200,000	190,000	(10,000)
Other grants and aids	-	662,000	547,869	(114,131)
Total intergovernmental revenue	-	862,000	737,869	(124,131)
Miscellaneous revenues				
Investment income	-	100	2,154	2,054
Other	-	-	91	91
Total miscellaneous	-	100	2,245	2,145
Total revenues	-	902,100	904,045	1,945
Expenditures				
Public works				
Current				
Other	-	16,800	176	(16,624)
Capital outlay	-	1,211,500	1,234,523	23,023
Total expenditures	-	1,228,300	1,234,699	6,399
Excess of revenues under expenditures	-	(326,200)	(330,654)	(4,454)
Other Financing Sources (Uses)				
Bond issuance	-	850,000	831,550	(18,450)
Bond premium	-	-	52,345	52,345
Transfers out	-	(300,000)	-	300,000
Total other financing sources (uses)	-	550,000	883,895	333,895
Net change in fund balance	\$ -	\$ 223,800	553,241	\$ 329,441
Fund Balance				
Beginning of year			-	
End of year			\$ 553,241	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Capital Improvements - Capital Projects Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous revenues				
Investment income	\$ 400	\$ 400	\$ 1,237	\$ 837
Other	-	-	18,437	18,437
Total revenues	<u>400</u>	<u>400</u>	<u>19,674</u>	<u>19,274</u>
Expenditures				
General government				
Current				
Other	750	750	780	30
Capital outlay	<u>27,800</u>	<u>177,800</u>	<u>30,303</u>	<u>(147,497)</u>
Total expenditures	<u>28,550</u>	<u>178,550</u>	<u>31,083</u>	<u>(147,467)</u>
Excess of revenues under expenditures	(28,150)	(178,150)	(11,409)	166,741
Other Financing Sources				
Transfers in	<u>20,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (8,150)</u>	<u>\$ (8,150)</u>	158,591	<u>\$ 166,741</u>
Fund Balance				
Beginning of year			<u>66,413</u>	
End of year			<u>\$ 225,004</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual - Parks/PW
and Facilities Capital Improvements - Capital Projects Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Intergovernmental				
Other grants and aids	\$ -	\$ -	\$ 2,136	\$ 2,136
Miscellaneous revenues				
Investment income	200	200	341	141
Total Revenues	<u>200</u>	<u>200</u>	<u>2,477</u>	<u>2,277</u>
Expenditures				
Parks and recreation				
Current				
Other	750	750	780	30
Capital outlay	7,500	23,000	18,619	(4,381)
Total expenditures	<u>8,250</u>	<u>23,750</u>	<u>19,399</u>	<u>(4,351)</u>
Excess of revenues under expenditures	(8,050)	(23,550)	(16,922)	6,628
Other Financing Sources				
Proceeds from sale of capital assets	-	-	225	225
Transfers in	-	100,000	100,000	-
Total other financing sources	<u>-</u>	<u>100,000</u>	<u>100,225</u>	<u>225</u>
Net change in fund balance	<u>\$ (8,050)</u>	<u>\$ 76,450</u>	83,303	<u>\$ 6,853</u>
Fund Balance				
Beginning of year			<u>70,622</u>	
End of year			<u>\$ 153,925</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Tax Increment No. 1 Construction - Capital Projects Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous revenues				
Investment income	\$ -	\$ -	\$ 40	\$ 40
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	40	<u>\$ 40</u>
Fund Balance				
Beginning of year			<u>49</u>	
End of year			<u>\$ 89</u>	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Tax Increment No. 1-3 - Capital Projects Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Tax increments	\$ 240,000	\$ 172,018	\$ (67,982)
Miscellaneous revenue			
Investment income	200	434	234
Total revenues	240,200	172,452	(67,748)
Expenditures			
Public works			
Current			
Other	750	780	30
Capital outlay	248,000	167,850	(80,150)
Total expenditures	248,750	168,630	(80,120)
Excess of revenues over (under) expenditures	\$ (8,550)	3,822	\$ 12,372
Fund Balance			
Beginning of year		55,053	
End of year		\$ 58,875	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Public Safety Capital Improvements - Capital Projects Fund
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Intergovernmental Revenue			
Federal grants	\$ -	\$ 10,200	\$ 10,200
Miscellaneous revenues			
Investment income	<u>200</u>	<u>377</u>	<u>177</u>
Total revenues	<u>200</u>	<u>10,577</u>	<u>10,377</u>
Expenditures			
Public safety			
Current			
Other	750	781	31
Capital outlay	<u>43,500</u>	<u>20,777</u>	<u>(22,723)</u>
Total expenditures	<u>44,250</u>	<u>21,558</u>	<u>(22,692)</u>
Excess of revenues under expenditures	<u>\$ (44,050)</u>	(10,981)	<u>\$ 33,069</u>
Fund Balance			
Beginning of year		<u>54,749</u>	
End of year		<u>\$ 43,768</u>	

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**City of Falcon Heights
Statistical Section**

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

CONTENTS

Financial Trends

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

Tables 1-5

Revenue Capacity

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

Tables 6-10

Debt Capacity

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

Tables 11-15

Demographic and Economic Information

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

Tables 16-17

Operating Information

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

Tables 18-20

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

Table 1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 5,726,545	\$ 6,137,726	\$ 7,033,744	\$ 7,620,526	\$ 7,695,346	\$ 7,637,289	\$ 7,257,327	\$ 7,205,699	\$ 7,139,185	\$ 7,073,360
Restricted	415,459	356,592	96,994	74,940	254,441	474,487	610,535	477,094	484,867	613,084
Unrestricted	3,254,771	3,403,646	2,783,025	2,706,267	2,501,081	2,493,059	2,545,364	2,302,829	2,421,877	2,534,275
Total governmental activities	<u>\$ 9,396,775</u>	<u>\$ 9,897,964</u>	<u>\$ 9,913,763</u>	<u>\$ 10,401,733</u>	<u>\$ 10,450,868</u>	<u>\$ 10,604,835</u>	<u>\$ 10,413,226</u>	<u>\$ 9,985,622</u>	<u>\$ 10,045,929</u>	<u>\$ 10,220,719</u>
Business-Type Activities										
Net investment in capital assets	\$ 925,065	\$ 980,706	\$ 968,304	\$ 920,202	\$ 874,377	\$ 828,552	\$ 1,223,115	\$ 1,535,176	\$ 1,487,989	\$ 1,675,687
Unrestricted	2,212,799	2,216,182	2,250,456	2,343,470	2,580,201	2,670,746	2,656,683	2,398,677	2,524,097	2,139,335
Total business-type activities	<u>\$ 3,137,864</u>	<u>\$ 3,196,888</u>	<u>\$ 3,218,760</u>	<u>\$ 3,263,672</u>	<u>\$ 3,454,578</u>	<u>\$ 3,499,298</u>	<u>\$ 3,879,798</u>	<u>\$ 3,933,853</u>	<u>\$ 4,012,086</u>	<u>\$ 3,815,022</u>
Primary Government										
Net investment in capital assets	\$ 6,651,610	\$ 7,118,432	\$ 8,002,048	\$ 8,540,728	\$ 8,569,723	\$ 8,465,841	\$ 8,480,442	\$ 8,740,875	\$ 8,627,174	\$ 8,749,047
Restricted	415,459	356,592	96,994	74,940	254,441	474,487	610,535	477,094	484,867	613,084
Unrestricted	5,467,570	5,619,828	5,033,481	5,049,737	5,081,282	5,163,805	5,202,047	4,701,506	4,945,974	4,673,610
Total primary government net position	<u>\$ 12,534,639</u>	<u>\$ 13,094,852</u>	<u>\$ 13,132,523</u>	<u>\$ 13,665,405</u>	<u>\$ 13,905,446</u>	<u>\$ 14,104,133</u>	<u>\$ 14,293,024</u>	<u>\$ 13,919,475</u>	<u>\$ 14,058,015</u>	<u>\$ 14,035,741</u>

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

Table 2

	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
Expenses										
Governmental activities										
General government	\$ 597,928	\$ 523,873	\$ 568,952	\$ 491,470	\$ 590,809	\$ 649,412	\$ 665,388	\$ 634,328	\$ 696,194	752,640
Public safety	772,506	799,212	830,881	852,153	882,722	870,860	956,694	1,009,561	1,073,268	1,072,905
Public works	508,822	752,624	659,202	698,625	607,628	1,473,421	643,323	1,068,292	648,892	1,775,574
Park and recreation	212,820	178,193	192,293	200,583	215,570	215,654	253,333	300,800	162,958	174,392
Community development	5,563	773	2,350	535	615	7,551	2,187	10,967	1,789	3,726
Interest on long-term debt	49,367	37,578	30,432	10,574	3,101	55,352		19,695	18,363	28,612
Total governmental activities expenses	<u>2,147,006</u>	<u>2,292,253</u>	<u>2,284,110</u>	<u>2,253,940</u>	<u>2,300,445</u>	<u>3,272,250</u>	<u>2,520,925</u>	<u>3,043,643</u>	<u>2,601,464</u>	<u>3,807,849</u>
Business-type activities										
Sanitary sewer	587,105	583,548	707,466	635,832	565,107	704,897	629,452	613,868	760,415	723,236
Storm sewer	104,870	109,282	114,869	210,185	139,766	136,662	116,201	136,551	122,303	142,494
Total business-type activities expenses	<u>691,975</u>	<u>692,830</u>	<u>822,335</u>	<u>846,017</u>	<u>704,873</u>	<u>841,559</u>	<u>745,653</u>	<u>750,419</u>	<u>882,718</u>	<u>865,730</u>
Total primary government expenses	<u>\$ 2,838,981</u>	<u>\$ 2,985,083</u>	<u>\$ 3,106,445</u>	<u>\$ 3,099,957</u>	<u>\$ 3,005,318</u>	<u>\$ 4,113,809</u>	<u>\$ 3,266,578</u>	<u>\$ 3,794,062</u>	<u>\$ 3,484,182</u>	<u>\$ 4,673,579</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 105,605	\$ 120,531	\$ 141,883	\$ 144,682	\$ 150,366	\$ 155,006	\$ 132,811	\$ 158,077	\$ 167,214	145,060
Public safety	191,648	129,344	113,489	137,447	147,127	129,220	137,377	145,952	125,161	127,160
Public works	47,066	56,585	92,406	121,887	135,552	149,158	147,014	149,152	152,128	151,229
Park and recreation	22,570	27,287	28,399	34,664	36,368	184,510	43,209	25,232	15,170	11,476
Community development	1,155	1,155	1,255	1,155	1,716	1,717	1,716	1,716	1,716	1,895
Operating grants and contributions	101,372	336,215	118,735	212,806	119,267	218,919	193,236	473,143	151,536	154,211
Capital grants and contributions	8,513	155,736	5,141	338,228	1,567	664,846	13,967	196,337	11,490	953,653
Total governmental activities program revenues	<u>477,929</u>	<u>826,853</u>	<u>501,308</u>	<u>990,869</u>	<u>591,963</u>	<u>1,503,376</u>	<u>669,330</u>	<u>1,149,609</u>	<u>624,415</u>	<u>1,544,684</u>
Business-type activities										
Charges for services										
Sanitary sewer	674,211	704,759	748,376	760,972	788,551	807,031	780,844	756,539	829,339	879,391
Storm sewer	118,005	122,034	120,665	125,339	141,630	156,632	155,116	154,984	157,067	169,957
Operating grants and contributions	-	-	-	-	-	-	-	-	701	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>792,216</u>	<u>826,793</u>	<u>869,041</u>	<u>886,311</u>	<u>930,181</u>	<u>963,663</u>	<u>935,960</u>	<u>911,523</u>	<u>987,107</u>	<u>1,049,348</u>
Total primary government program revenues	<u>\$ 1,270,145</u>	<u>\$ 1,653,646</u>	<u>\$ 1,370,349</u>	<u>\$ 1,877,180</u>	<u>\$ 1,522,144</u>	<u>\$ 2,467,039</u>	<u>\$ 1,605,290</u>	<u>\$ 2,061,132</u>	<u>\$ 1,611,522</u>	<u>\$ 2,594,032</u>

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

Table 2 (Cont)

	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (1,669,077)	\$ (1,465,400)	\$ (1,782,802)	\$ (1,263,071)	\$ (1,708,482)	\$ (1,768,874)	\$ (1,851,595)	\$ (1,894,034)	\$ (1,977,049)	\$ (2,263,165)
Business-type activities	100,241	133,963	46,706	40,294	225,308	122,104	190,307	161,104	104,389	183,618
Total primary government net (expense)/revenue	<u>\$ (1,568,836)</u>	<u>\$ (1,331,437)</u>	<u>\$ (1,736,096)</u>	<u>\$ (1,222,777)</u>	<u>\$ (1,483,174)</u>	<u>\$ (1,646,770)</u>	<u>\$ (1,661,288)</u>	<u>\$ (1,732,930)</u>	<u>\$ (1,872,660)</u>	<u>\$ (2,079,547)</u>
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$ 924,922	\$ 942,881	\$ 992,568	\$ 1,003,977	\$ 1,011,688	\$ 1,080,588	\$ 1,043,863	\$ 1,081,384	\$ 1,181,336	1,271,602
Tax increments	309,127	328,757	366,948	345,716	349,752	374,385	202,372	156,606	251,476	172,018
Unrestricted state aids	309,520	441,005	330,012	341,137	311,928	312,593	505,414	533,015	542,320	546,524
Other general revenue	-	-	-	-	-	66,520	38,602	15,000	-	18,437
Unrestricted investment income	138,626	111,946	50,571	24,080	28,174	118	26,324	14,783	22,163	29,149
Gain on sale of assets	-	-	-	13,131	-	8,637	34,060	270	61	225
Transfers	65,000	142,000	58,502	23,000	56,075	80,000	(167,106)	-	40,000	400,000
Total governmental activities	<u>1,747,195</u>	<u>1,966,589</u>	<u>1,798,601</u>	<u>1,751,041</u>	<u>1,757,617</u>	<u>1,922,841</u>	<u>1,683,529</u>	<u>1,801,058</u>	<u>2,037,356</u>	<u>2,437,955</u>
Business-type activities										
Other general revenue	-	-	6,900	-	-	-	-	-	-	-
Unrestricted investment income	82,734	67,061	26,768	16,348	21,673	2,616	23,087	13,091	13,844	19,318
Proceeds sale of assets	-	-	-	11,270	-	-	-	-	-	-
Transfers	(65,000)	(142,000)	(58,502)	(23,000)	(56,075)	(80,000)	167,106	-	(40,000)	(400,000)
Total business-type activities	<u>17,734</u>	<u>(74,939)</u>	<u>(24,834)</u>	<u>4,618</u>	<u>(34,402)</u>	<u>(77,384)</u>	<u>190,193</u>	<u>13,091</u>	<u>(26,156)</u>	<u>(380,682)</u>
Total primary government	<u>\$ 1,764,929</u>	<u>\$ 1,891,650</u>	<u>\$ 1,773,767</u>	<u>\$ 1,755,659</u>	<u>\$ 1,723,215</u>	<u>\$ 1,845,457</u>	<u>\$ 1,873,722</u>	<u>\$ 1,814,149</u>	<u>\$ 2,011,200</u>	<u>\$ 2,057,273</u>
Changes in net position										
Governmental activities	\$ 78,118	\$ 501,189	\$ 15,799	\$ 487,970	\$ 49,135	\$ 153,967	\$ (168,066)	\$ (92,976)	\$ 60,307	\$ 174,790
Business-type activities	117,975	59,024	21,872	44,912	190,906	44,720	380,500	174,195	78,233	(197,064)
Total primary government	<u>\$ 196,093</u>	<u>\$ 560,213</u>	<u>\$ 37,671</u>	<u>\$ 532,882</u>	<u>\$ 240,041</u>	<u>\$ 198,687</u>	<u>\$ 212,434</u>		<u>\$ 138,540</u>	<u>\$ (22,274)</u>
Change in net position								\$ 81,219		
Net position - beginning								14,293,024		
Change in accounting principle (Note 10)								(454,768)		
Net position - beginning, as restated								<u>13,838,256</u>		
Net position - ending								<u>13,919,475</u>		

*Governmental Accounting Standards Board Statement NO. 68 required implementation for fiscal year 2015.

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

Table 3

Fiscal Year	Property Tax	Tax Increment	Franchise Tax	Total
2008	\$ 924,922	\$ 309,127	\$ -	\$ 1,234,049
2009	942,881	328,757	-	1,271,638
2010	992,568	366,948	-	1,359,516
2011	1,003,977	345,716	-	1,349,693
2012	1,011,688	349,752	-	1,361,440
2013	1,080,588	374,385	-	1,454,973
2014	1,043,863	202,372	-	1,246,235
2015	1,081,384	156,606	-	1,237,990
2016	1,181,336	251,476	-	1,432,812
2017	1,271,602	172,018	-	1,443,620

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

Table 4

	Fiscal Year						
	2008	2009	2010				
General Fund							
Reserved	\$ 62,924	\$ 64,092	\$ 71,531				
Unreserved	1,157,135	1,229,994	1,225,784				
Total general fund	<u>\$ 1,220,059</u>	<u>\$ 1,294,086</u>	<u>\$ 1,297,315</u>				
All Other Governmental Funds							
Reserved	\$ -	\$ 750	\$ -				
Unreserved, reported in							
Special revenue funds	113,415	137,267	171,744				
Debt service funds	49,905	56,985	9,758				
Capital projects funds	2,314,663	2,301,744	1,735,450				
Total all other governmental funds	<u>\$ 2,477,983</u>	<u>\$ 2,496,746</u>	<u>\$ 1,916,952</u>				
				Fiscal Year			
	2011*	2012	2013	2014	2015	2016	2017
General Fund							
Nonspendable	\$ 65,289	\$ 67,068	\$ 70,602	\$ 89,222	\$ 85,535	\$ 71,138	\$ 37,201
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	1,236,211	1,275,982	1,326,645	1,334,716	1,504,383	1,676,621	1,828,155
Total general fund	<u>\$ 1,301,500</u>	<u>\$ 1,343,050</u>	<u>\$ 1,397,247</u>	<u>\$ 1,423,938</u>	<u>\$ 1,589,918</u>	<u>\$ 1,747,759</u>	<u>\$ 1,865,356</u>
All Other Governmental Funds							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	258,902	333,945	951,032	411,590	318,141	337,506	498,308
Committed	182,259	189,414	285,035	251,368	263,384	308,915	321,089
Assigned	1,225,142	997,693	851,073	919,832	803,442	799,450	1,642,422
Unassigned	-	-	-	-	(43,120)	-	-
Total all other governmental funds	<u>\$ 1,666,303</u>	<u>\$ 1,521,052</u>	<u>\$ 2,087,140</u>	<u>\$ 1,582,790</u>	<u>\$ 1,341,847</u>	<u>\$ 1,445,871</u>	<u>\$ 2,461,819</u>

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

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

Table 5

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 1,232,705	\$ 1,267,192	\$ 1,356,491	\$ 1,346,281	\$ 1,371,399	\$ 1,453,211	\$ 1,254,073	\$ 1,229,405	\$ 1,435,717	\$ 1,443,823
Special assessments	58,749	96,239	23,478	8,011	5,918	130,256	62,977	76,673	54,579	210,956
Licenses and permits	52,725	52,082	69,270	73,100	75,629	75,077	68,253	80,864	73,339	93,344
Intergovernmental	450,726	893,875	496,416	625,363	486,354	761,796	755,281	1,142,257	792,070	1,478,994
Charges for services	118,880	135,438	177,017	221,007	243,946	393,542	253,357	238,876	225,347	235,928
Fines and forfeitures	77,479	78,486	61,792	72,246	64,121	68,208	67,638	80,415	73,901	45,806
Investment income	138,626	111,946	50,571	24,080	28,174	118	26,324	14,783	22,163	29,149
Miscellaneous	79,126	30,953	21,684	22,262	32,274	204,418	54,850	50,185	35,435	46,047
Total revenues	2,209,016	2,666,211	2,256,719	2,392,350	2,307,815	3,086,626	2,542,753	2,913,458	2,712,551	3,584,047
Expenditures										
General government	\$ 553,869	\$ 486,226	\$ 530,960	\$ 523,355	\$ 536,809	\$ 580,783	\$ 593,735	\$ 580,026	\$ 593,485	\$ 662,544
Public safety	711,068	743,437	769,924	778,565	822,563	807,412	867,779	885,969	939,029	957,329
Public works	290,052	278,839	272,874	339,843	378,776	408,555	363,027	351,541	322,322	351,470
Park and recreation	157,153	123,934	155,463	159,460	136,054	179,299	180,126	218,807	110,393	124,396
Community development	5,563	773	2,350	535	615	7,551	2,187	10,967	1,789	3,726
Miscellaneous	1,150	9,448	1,834	1,070	-	-	-	-	-	-
Capital outlay	247,829	684,640	1,055,955	593,850	553,842	1,614,042	1,097,652	796,133	364,916	1,477,627
Debt service:										
Principal	330,000	345,000	365,000	265,000	65,000	65,000	70,000	125,000	140,000	150,000
Interest and other charges	55,753	44,403	37,426	13,603	3,466	52,336	19,966	20,248	18,813	20,980
Total expenditures	2,352,437	2,716,700	3,191,786	2,675,281	2,497,125	3,714,978	3,194,472	2,988,691	2,490,747	3,748,072
Excess of revenues under expenditures	(143,421)	(50,489)	(935,067)	(282,931)	(189,310)	(628,352)	(651,719)	(75,233)	221,804	(164,025)

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

Table 5 (Cont.)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (uses)										
Transfers in	\$ 455,600	\$ 446,800	\$ 807,329	\$ 274,366	\$ 246,775	\$ 170,418	\$ 241,685	\$ 24,716	\$ 62,000	\$ 442,000
Transfers out	(390,600)	(304,800)	(748,827)	(251,366)	(190,700)	(90,418)	(101,685)	(24,716)	(22,000)	(42,000)
Proceeds sale of capital assets	-	1,279	-	13,467	29,534	8,637	34,060	270	61	225
Bonds issued	-	-	300,000	-	-	1,160,000	-	-	-	845,000
Bond premium	-	-	-	-	-	-	-	-	-	52,345
Total other financing sources (uses)	65,000	143,279	358,502	36,467	85,609	1,248,637	174,060	270	40,061	1,297,570
Net change in fund balances	<u>\$ (78,421)</u>	<u>\$ 92,790</u>	<u>\$ (576,565)</u>	<u>\$ (246,464)</u>	<u>\$ (103,701)</u>	<u>\$ 620,285</u>	<u>\$ (477,659)</u>	<u>\$ (74,963)</u>	<u>\$ 261,865</u>	<u>\$ 1,133,545</u>
Debt service as a percentage of noncapital expenditures	16.44%	15.41%	15.88%	11.42%	3.11%	3.72%	3.74%	5.02%	6.44%	4.62%

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

Table 6

Fiscal Year	Property Tax	Tax Increment	Franchise Tax	Total
2008	\$ 923,578	\$ 309,127	-	\$ 1,232,705
2009	938,435	328,757	-	1,267,192
2010	988,609	367,882	-	1,356,491
2011	998,999	347,282	-	1,346,281
2012	1,021,683	349,716	-	1,371,399
2013	1,078,855	374,356	-	1,453,211
2014	1,051,636	202,437	-	1,254,073
2015	1,072,799	156,606	-	1,229,405
2016	1,184,241	251,476	-	1,435,717
2017	1,271,805	172,018	-	1,443,823

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

Table 7

Year Ended December 31,	Real Property (1)		Personal Property (1)		Less Tax Exempt Real Property (1)	Total Taxable Assessed Value (1)	Total Direct Tax Rate	Estimated Actual Taxable Market Value	Assesed (Tax Capacity) Value ⁽¹⁾ as a Percentage of Taxable Market Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
2008	\$ 4,695,436	NA	NA	\$ 49,950	NA	\$ 4,745,386	18.554 %	\$ 437,709,000	1.08%
2009	4,572,505	NA	NA	48,842	NA	4,621,347	19.216 %	427,019,600	1.08%
2010	4,453,957	NA	NA	48,814	NA	4,502,771	20.654 %	415,592,900	1.08%
2011	4,255,866	NA	NA	52,800	NA	4,308,666	21.521 %	397,758,400	1.08%
2012	4,021,671	NA	NA	55,328	NA	4,076,999	23.515 %	374,125,500	1.09%
2013	3,697,530	NA	NA	59,508	NA	3,757,038	27.884 %	362,697,600	1.04%
2014	3,776,860	NA	NA	59,934	NA	3,836,794	24.819 %	369,585,000	1.04%
2015	4,111,429	NA	NA	61,664	NA	4,173,093	23.470 %	385,888,200	1.08%
2016	4,100,084	NA	NA	64,788	NA	4,164,872	25.855 %	384,679,900	1.08%
2017	4,327,797	NA	NA	68,082	NA	4,395,879	26.342 %	403,438,700	1.09%

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

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

Table 8

Net Tax Capacity Rates (2)

Fiscal Year	City of Falcon Heights			Overlapping Rates				Total Direct and Overlapping Rates
	Operating Rate (3)	Debt Service Rate	Total City Rate	Technical College Rate	Ramsey County Rate	School District No. 623 Rate	Special Districts Rate	
2008	18.554	0.000	18.554	0.000	44.023	10.175	6.687	79.439
2009	19.216	0.000	19.216	0.000	46.546	10.624	6.806	83.192
2010	20.654	0.000	20.654	0.000	50.248	13.065	7.233	91.200
2011	21.521	0.000	21.521	0.000	54.678	14.566	7.889	98.654
2012	23.515	0.000	23.515	0.000	61.316	17.065	8.871	110.767
2013	27.884	0.000	27.884	0.000	65.240	15.464	9.305	117.893
2014	24.819	0.000	24.819	0.000	63.735	16.251	9.037	113.842
2015	23.470	0.000	23.470	0.000	58.922	17.18	8.647	108.219
2016	25.855	0.000	25.855	0.000	58.885	20.958	9.052	114.750
2017	26.342	0.000	26.342	0.000	55.850	18.894	8.669	109.755

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

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

(3) does not include tax increments.

**City of Falcon Heights
Principal Property Taxpayers**

Table 9

Taxpayer	2017			2008		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Falcon Heights Town Square Apartments, LP	\$ 151,375	1	3.44 %	\$ 136,413	2	3.02 %
Spire Federal Credit Union	137,052	2	3.12	174,910	1	3.88
Sidal Realty Co. Limited Partnership	125,870	3	2.86	99,000	3	2.20
Town Square Senior Apartments, LLC	76,250	4	1.73	54,079	4	1.20
Northern States Power	68,082	5	1.63	49,950	5	1.11
Falcon Crossing, LLC	52,718	6	1.20	47,250	6	1.05
Anna Spiegler	46,446	7	1.06	39,398	8	0.87
Carl and Eloise Pohlads Foundation	43,220	8	0.98	-	-	-
Warner Properties of MN, LLP	41,674	9	0.95	43,250	7	0.96
1800 Larpenteur LLC & CO John Stiehm	33,263	10	0.76	-	-	-
JAK Rental Properties LLC	30,814	11	0.76	-	-	-
Cox Building LLC	28,698	12	0.70	-	-	-
Total	\$ 835,462		19.20 %	\$ 644,250		14.28 %

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

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

Table 10

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 922,476	\$ 920,967	99.8%	\$ 1,509	\$ 922,476	100.00%
2009	943,828	937,551	99.3%	6,277	943,828	100.00%
2010	1,022,944	982,578	96.1%	16,549	999,127	97.67%
2011	1,038,290	989,035	95.3%	5,222	994,257	95.76%
2012	1,017,944	1,011,688	99.4%	6,256	1,017,944	100.00%
2013	1,084,007	1,078,855	99.5%	4,411	1,083,266	99.93%
2014	1,083,850	1,044,751	96.4%	1,785	1,046,536	96.56%
2015	1,083,850	1,072,033	98.9%	10,178	1,082,211	99.85%
2016	1,173,447	1,171,208	99.8%	2,239	1,173,447	100.00%
2017	1,278,231	1,271,805	99.5%		1,271,805	99.50%

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

Table 11

Fiscal Year	Governmental Activities		Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	G.O. Bonds	Total Primary Government		
2008	\$ 910,000	\$ 910,000	0.34%	\$ 158
2009	565,000	565,000	0.35%	98
2010	500,000	500,000	0.32%	94
2011	235,000	235,000	0.14%	44
2012	170,000	170,000	0.10%	31
2013	1,265,000	1,265,000	0.78%	236
2014	1,195,000	1,195,000	0.72%	218
2015	1,070,000	1,070,000	0.65%	196
2016	930,000	930,000	0.54%	170
2017	1,625,000	1,625,000	0.95%	298

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

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

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

Table 12

Fiscal Year	G.O. Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ⁽¹⁾ of Property	Per Capita ⁽²⁾
2008	\$ 910,000	\$ 49,905	\$ 860,095	0.20%	\$ 149
2009	565,000	56,985	508,015	0.12%	88
2010	500,000	9,758	490,242	0.12%	92
2011	235,000	402	234,598	0.06%	44
2012	170,000	2,427	167,573	0.04%	31
2013	1,265,000	44,007	1,220,993	0.34%	227
2014	1,195,000	260,990	934,010	0.25%	170
2015	1,070,000	234,341	835,659	0.22%	153
2016	930,000	247,198	682,802	0.18%	125
2017	1,625,000	404,754	1,220,246	0.30%	224

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

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

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

**City of Falcon Heights
Direct and Overlapping Governmental Activities Debt
December 31, 2017**

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
Debt repaid with property taxes: county	\$ 1,810,501,202	0.4%	\$ 7,771,621
Subtotal, overlapping debt			<u>7,771,621</u>
City of Falcon Heights direct debt			<u>1,625,000</u>
Total direct and overlapping debt			<u><u>\$ 9,396,621</u></u>

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

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

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

**City of Falcon Heights
Ramsey County, Minnesota**

**Computation of Direct and Overlapping Bonded Debt
December 31, 2017**

Table 13 (Cont.)

Governmental Unit	Gross Debt ⁽¹⁾	Sinking Funds	Net Debt	City's Share	
				Percent	Amount
Direct					
City of Falcon Heights	\$ 1,625,000	\$ 404,754	\$ 1,220,246	100.00 %	\$ 1,220,246
Overlapping					
School Districts					
ISD No. 623	46,605,000	2,159,235	44,445,765	7.36	3,272,231
ISD No. 916	79,875,000	2,987,403	76,887,597	1.81	1,388,969
Ramsey County					
Ramsey County	162,252,000	65,357,666	96,894,334	0.90	870,773
County Library	31,350,000	2,278,319	29,071,681	1.78	516,917
Metro Watershed	4,755,770	-	4,755,770	-	-
Metropolitan Agencies					
Metro Council	1,484,038,432	176,014,035	1,308,024,397	0.13	1,722,731
Metro Airports	-	-	-	-	-
Commission	-	-	-	-	-
Total	-	-	-	-	-
Overlapping Debt	<u>1,808,876,202</u>	<u>248,796,658</u>	<u>1,560,079,544</u>		<u>7,771,621</u>
Total direct and overlapping debt	<u>\$ 1,810,501,202</u>	<u>\$ 249,201,412</u>	<u>\$ 1,561,299,790</u>		<u>\$ 8,991,867</u>

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

Metro Council has G.O. Revenue debt of \$ 1,295,417,818 and Revenue debt of \$ 0. Metro Airports Commission has G.O. Revenue debt of \$ 0 and Revenue debt of \$ 1,458,170,000. The City's share is based on Net Tax Capacity of each political subdivision

¹¹ Source: Department of Property Records and Revenue - Ramsey County

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

Table 14

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 8,754,180	\$ 8,540,392	\$ 8,311,858	\$ 7,955,168	\$ 7,482,510	\$ 6,838,406	\$ 6,991,052	\$ 7,717,764	\$ 7,693,598	\$ 8,068,774
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 8,754,180</u>	<u>\$ 8,540,392</u>	<u>\$ 8,311,858</u>	<u>\$ 7,955,168</u>	<u>\$ 7,482,510</u>	<u>\$ 6,838,406</u>	<u>\$ 6,991,052</u>	<u>\$ 7,717,764</u>	<u>\$ 7,693,598</u>	<u>\$ 8,068,774</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt
Margin
Calculation for
Fiscal Year 2017

Assessed value	\$ 403,438,700
Add back exempt real property	-
Total assessed value	<u>403,438,700</u>
Debt limit (2% of total assessed value)	8,068,774
Debt applicable to limit	
G.O. Bonds	-
Less amount set aside for repayment of G.O. Debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 8,068,774</u>

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

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

Table 15

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
2008	\$ 28,189	\$ 160,000	\$ 18,698	15.8%	
2009	17,951	165,000	16,917	9.9%	
2010	2,857	175,000	5,273	1.6%	
2011	-	200,000	5,200	0.0%	
2012	-	-	-	0.0%	
2013	31,483	-	-	0.0%	
2014	58,007	-	6,701	865.6%	
2015	50,145	60,000	6,870	75.0%	
2016	45,371	60,000	6,345	68.4%	
2017	39,328	65,000	5,606	55.7%	

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

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

Table 16

Fiscal Year	Population ⁽¹⁾	Total Personal Income	Per Capita Personal Income ⁽²⁾	Median Age ⁽³⁾	Education Level in Years of Formal Schooling ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2008	5,775	\$ 263,784,678	\$ 30,293	NA	14.5	6,450	5.3 %
2009	5,775	161,676,900	27,996	NA	14.5	6,450	7.6
2010	5,321	154,074,876	28,956	NA	14.8	6,561	6.4
2011	5,350	164,009,600	30,656	NA	14.8	6,747	5.5
2012	5,426	165,113,180	30,430	NA	14.8	6,793	5.4
2013	5,370	161,631,630	30,099	NA	14.8	7,471	4.3
2014	5,490	165,117,240	30,076	NA	14.8	7,436	3.2
2015	5,450	165,314,850	30,333	NA	14.8	7,507	3.1
2016	5,460	170,657,760	31,256	NA	14.8	7,590	4.1
2017	5,450	170,345,200	31,256	NA	14.8	7,592	3.2

Data sources

⁽¹⁾ Bureau of the Census/Metropolitan Council

⁽²⁾ State of Minnesota Demography Department - Ramsey County data and US Census data 2010 (2017 is estimated on 2016 data)

⁽³⁾ Census Data for 2000 and 2010

⁽⁴⁾ School District

⁽⁵⁾ State Department of Labor

* Revenue Information for Ramsey County not available

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

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

Table 17

Taxpayer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Minnesota (1)	2,700	1	75.00 %	2,683	1	72.51 %
Twin Cities Laboratories	118	3	3.28 %	-	-	- %
TIES	77	2	2.14 %	104	2	2.81 %
Spire Federal Credit Union	240	4	6.67 %	86	3	2.32 %
Minnesota State Fair (2)	75	5	2.08 %	80	4	2.16 %
Estimated Total City Employees All Businesses:	<u>3,600</u>		<u>89.17 %</u>	<u>3,700</u>		<u>79.80 %</u>

- (1) The University of Minnesota Saint Paul Campus employs an additional 2100 part time people during the year.
(2) During the Minnesota State Fair held each fall, there are an additional 2,700 people contingently employed.

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

Table 18

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	5.17	3.85	4.29	4.16	4.16	4.16	4.51	4.26	4.26	4.61
Public Safety										
Police (1)										
Officers	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Fire										
Firefighters and officers	2.27	2.27	2.27	2.27	2.27	2.27	3.02	3.02	3.02	2.77
Highways and Streets										
Engineering (2)										
Maintenance	1.25	1.38	1.32	1.13	1.13	1.13	1.13	1.13	1.13	1.10
Park and Recreation	2.74	2.00	2.49	2.49	2.49	2.49	2.49	2.49	2.49	2.44
Sewer	1.88	2.41	2.29	2.19	2.19	2.19	2.19	2.19	2.19	2.32
Total	13.31	11.91	12.66	12.24	12.24	12.24	13.34	13.09	13.09	13.24

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

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

Table 19

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	701	613	547	638	605	649	620	700	539	311
Parking violations	533	426	391	243	215	336	427	313	303	155
Traffic violations	2,180	1,370	1,315	1,647	1,486	1,608	1,496	1,987	1,344	1,653
Fire										
Number of calls answered	102	88	108	101	149	94	117	108	120	119
Inspections	114	30	29	60	68	61	86	67	77	105
Highways and Streets										
Streets resurfacing (miles)	-	0.6	-	-	-	1	-	-	-	-
Potholes repaired	26	14	20	30	60	70	185	80	70	68
Sanitation										
Refuse collected (tons/day) (1)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Recyclables collected (tons/day) (2)	25.2	17.2	21.5	9.9	9.3	9.3	9.6	8.9	9.0	8.9
Park and Recreation										
Athletic field permits issued	73	68	59	6	3	3	3	3	3	83
Community centers admissions (3)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Water										
New connections	-	-	-	-	-	-	-	-	-	3
Water mains breaks	2	1	3	-	-	6	1	-	-	1
Average daily consumption (thousands of gallons)	890	741	715	868	903	1054	707	728	716	723
Wastewater										
Average daily sewage treatment (thousands of gallons per day)	694	708	626	604	688	553	562	561	574	538

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

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

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

Table 20

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police (1)										
Stations	-	-	-	-	-	-	-	-	-	-
Patrol units	-	-	-	-	-	-	-	-	-	-
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3
Streetlights	210	210	210	210	210	210	210	210	210	210
Traffic signals	9	9	9	9	9	9	9	9	9	9
Park and Recreation										
Parks acreage	18.07	18.07	18.07	18.07	18.07	18.07	18.07	18.07	18.07	18.07
Parks	3	3	3	3	3	3	3	3	3	3
Tennis courts	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Fire hydrants	146	146	146	146	146	146	146	146	146	146
Maximum daily capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Sewer										
Sanitary sewers (miles)	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Storm sewers (miles)	4	4	4	4	4	4	4	4	4	4
Maximum daily treatment capacity (2) (thousands of gallons)	339,000	339,000	339,000	339,000	339,000	339,000	339,000	339,000	339,000	339,000

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

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

CITY OF FALCON HEIGHTS
Regular Meeting of the City Council
City Hall
2077 West Larpenteur Avenue

MINUTES
April 25, 2018 at 7:00 P.M.

A. CALL TO ORDER: 7:00 pm

B. ROLL CALL: LINDSTROM ___ LEEHY__X__ BROWN THUNDER __X__
MIAZGA __X__ GUSTAFSON__X__

STAFF PRESENT: THONGVANH__X__

1. Mayor Pro-tem Gustafson made a Motion that the agenda be amended adding a 5th item to the Consent Agenda.

Approved 4-0

C. PRESENTATIONS: None

D. APPROVAL OF MINUTES:

1. April 11, 2018 City Council Meeting Minutes

Corrections to be made are:

Pg. 1, line 4, change 'too' to 'to'.

Council Member Leehy had a question regarding Pg. 3, 3rd paragraph from the bottom, "The new law allows LGUs to impose rent of up to \$150 annually plus \$25 for maintenance for each site." She wanted to know if that was "annually or is part of that monthly"?

City Administrator Thongvanh, said he would have to check and get back to her.

Approved 4-0

E. PUBLIC HEARINGS: None

F. CONSENT AGENDA:

1. General Disbursements through: 4/18/18 \$141,893.01
Payroll through: 4/15/18 \$19,511.37
2. Approval of City Licenses – Municipal business license for "Banana Buy Back".
They buy cell phones, repair them, and sell them back.
3. 2019 Volunteer Fire Assistance Grants
4. Proclamation to Recognize National Police Week 2018
5. Appointment of Amanda Lor to the position of Administrative Coordinator with the City of Falcon Heights

Mayor Pro-Tem Gustafson Moved, Approved 4-0

G: POLICY ITEMS:

1. Approve the Replacement of Pedestrian Signal on Garden Ave and Hamline
City Administrator Thongvanh

The City of Roseville and the City of Falcon Heights jointly own 'flashers' for the crosswalk at Hamline and Garden. The existing pedestrian 'flashers' were installed in 2008 at an approximate cost of \$6,000 split between the cities. The City has received a number of complaints from residents that the flashers sometimes works or does not work and sometimes they are not consistent with each other. Part of that is the age of the flashers, but the other part of it, is the solar array panels that generate the power to the flashers and the panel that is attached to it, is just not large enough to last all day long.

The City of Roseville has trimmed the trees, so that it does not affect the solar panels, but ultimately the equipment has come to the age that it needs to be replaced. There are now three issues with the 'flashers' 1) the battery, 2) the two flashers are not communicating, and 3) the circuit board needs to be replaced for the system. The cost of replacing the circuit board is half the cost of the system; and the system has performed marginally at best, so it is definitely time to replace the 'flashers'.

The cost would be split with the City of Roseville. The City has received a quote of approximately \$11,600, using an RRFB signal instead of using the traditional flashing beacon, which is currently being used. Research has shown that this type of pedestrian flasher is much more effective at getting vehicles to stop for pedestrians, compared to the traditional flashing beacon. If approved, the City of Roseville would procure the equipment and split the cost with the City of Falcon Heights. Installation of the equipment will be installed by each city, so Falcon Heights will save a few thousand dollars. The cost of the signal replacement for the City of Falcon Heights would be \$5,822.64. The funding for the equipment will be from the lighting MSA fund, so there will not be an impact on our budget or any levee. Action is requested for a motion replacing the pedestrian signal at Garden and Hamline with an RRFB in the amount of \$5,822.64, and authorizing the City Administrator to execute all necessary documents.

Council Member Brown Thunder Moved, Approved 4-0

2. 2017 PMP Supplemental Agreement
City Administrator Thongvanh

Approval is requested for 2017 PMP Supplemental Agreement. During the 2017 pavement advent project construction, various conditions changed, so the City has to do a supplemental agreement to generate a summary of the work.

Supplemental Agreement #1: Due to utility conflicts, catch basin modifications and clearing and grubbing were needed to the storm sewer work along trail connecting Hoyt Ave to Folwell. Cost of the changes is \$5,170 which would be funded using storm sewer funds.

Supplemental Agreement #2: Based on residents request, installation of shredded hardwood mulch in lieu of sod for residents. Installation of B624 curb that needed to be replaced on Roselawn Avenue adjacent to the trail. The contract did not have a bid item for either of these two items. The cost of the change order is \$12,089.00.

There has been no increase in the cost, otherwise it would have been brought to the Council, since the choice for mulch and or sod was pretty cost neutral, so the residents were able to choose. One of the things done, which has not been done in the past, is requiring the residents to sign an Agreement with the City, saying they are responsible for any upkeep of the mulch, or add more mulch later. Say a homeowner sells their property five years from now, and the new homeowner does not want mulch, it is up to the seller to re-sod, and not the City's responsibility.

Staff would recommend approving Supplemental Agreement, Amendment 1 & 2 for the 2017 Pavement Management Project, and authorize the City Administrator to execute all the necessary documents.

Council Member Leehy Moved, Approved 4-0

H. INFORMATION/ANNOUNCEMENTS

Council Member Miazga

- This Saturday, April 28, is the Sustainable Action Fair at Community Park. Council Member Miazga said he would be there first thing at 8:30 to help set up and he hoped to see everyone there.
- Council Member Miazga reported that the Planning Commission meeting went well. He said it was an extensive meeting with the consultants, and they went over a lot of language, and tried to bring all the community input to the meeting. On Tuesday, May 22, at 7:00 pm there will be a public hearing on the comprehensive plan.

Council Member Leehy

- The Parks and Recreation Commission will be joining the Community Engagement Commission in the "Spring Together" event. Highlighted will be signage in place for the history of Curtiss Field. Roger Bergenson, a local author, will be donating ten of his books that have that history and will be given away during the event. Council Member Leehy said she was excited about the upcoming event, which is on Saturday, May 12 from 11:00 AM - 2:00 PM.
- Having a piano at Community Park is progressing. The title will be "Play Your Part", and will be coming in early June. One of the local art teachers from Falcon Heights Elementary will be helping with the decorations on the piano. People can come and play with their friends and family or plan events around that.

- Sign up for all the Summer Programs is progressing. Volunteers and part-time staff positions are being filled. Contact City Hall, Time Sanvik, to register for a program or to work as a volunteer or a part-time worker.
- Citizen of the Year Award. Any nominee would need three letters of recommendation to be eligible for the award. The end of May is the cut-off for these nominations.

Council Member Brown Thunder

- The NYFS 'Leadership Luncheon' will be Wednesday, May 2, from 11:30 AM – 1:00 PM at the Midland Hills Country Club. The NYFS Senior Chore Program is always looking for volunteers for spring cleanup projects for the seniors in our community. Information on this program is located at NYFS.org. You need to be a senior to get the services. NYFS is always looking for seniors to help.

Mayor Pro-tem Gustafson

- The Community Engagement Commission's next meeting will be June 18. 'Spring Together' has been the main focus of the group, and that will be happening Saturday, May 12 from 11:00 AM – 2:00 PM. Many of members of the Engagement Commission have been out knocking on doors at business' and homes, and passing out flyers to promote the event.
- 'Bike and Walk to School Day' is Wednesday, May 9 at Falcon Heights Elementary. He encouraged all the citizens to be careful while driving past the school, since there will be more walkers and bikers. They will be gathering at Roseville Lutheran and then traveling from there to Falcon Heights Elementary.
- 'National Police Week', which is May 13-19, the Sheriff's Office will be participating in the Minnesota Memorial at the Capitol Grounds. They will hold a vigil and stand guard in twenty-minute shifts from 7:00 pm on the May 14 through 7:00 pm on May 15. The Sheriff's Office first event is at 12:30 pm to lay the wreath for one of the fallen. There are four fallen members from the Sheriff's Office. Then the Sheriff's Office will stand guard at 1:00 pm until 3:00 pm. Thursday, May 17 at 11:00 AM, is the Suburban Ramsey County event. It will take place at St. Mary's of the Lake in the White Bear Lake Catholic Church on Bald Eagle Avenue.

City Administrator Thongvanh

- Restating the dates and times for the "Falcon Heights Sustainable Action Fair" for April 28th at 11am and "Spring Together" from 11am to 2pm.
- Reported that the 2017 PMP project has a number of things to be completed this year. He wanted to thank the community, the residents of the Grove Association, and the University Grove, as they did an excellent job this year. Initially, there were a few cars that were parked illegally, but mostly the Public Works Dept. had no problem plowing that area. There was a hiccup with the County, but no damage was done, so the City was able to complete the snow removal without much trouble.

In other areas of the community, there were many cars parked in the street, which will be addressed down the line.

The residents of the Grove will be receiving a letter soon with information about the 2017 PMP starting up. The residents in that area can expect a letter from the engineering firm, the City of Roseville in the next week. The engineering firm wants to start quickly.

- The Ramsey County Sheriff's Dept. will be able to use and administer citations after May 1. Keep an eye on the e-newsletter here will be more information.
- Council Member Gustafson, Council Member Leehy and I will be attending the Kettering Foundation's 'Shared Learning Experience' - May 20-23.
- The new Administrative Coordinator, Amanda Lor, will be attending the 'Spring Together' event. She will be the staff liaison for the Community Engagement Commission. Our Deputy Clerk will still be involved until she is acclimated to the position.

I. COMMUNITY FORUM: None

J. ADJOURNMENT: 7:26 P.M.

Randy Gustafson, Mayor Pro-Tem

Dated this 25th day of April, 2018

Sack Thongvanh, City Administrator

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The City That Soars!

REQUEST FOR COUNCIL ACTION

Meeting Date	May 9, 2018
Agenda Item	Public Hearing E1
Attachment	Ordinance and Summary Publication
Submitted By	Sack Thongvanh, City Administrator

Item	Tobacco Ordinance Amendment
Description	<p>During the February 7th City Council Workshop, Katie Engman Program Director for the Association for Nonsmokers-MN made a presentation about the effects of tobacco and how that affects underage children.</p> <p>Nationally, more than 260 communities in 18 states have adopted a Tobacco 21 policy. The states of California, Hawaii, Maine, New Jersey, and Oregon have also raised their minimum tobacco sale age to 21. Edina was the first Minnesota local jurisdiction to raise its tobacco sale age to 21, effective July 1, 2017. St. Louis Park will be the second with its ordinance going into effect on October 1, 2017.</p> <p>The proposal includes raising the age to purchase tobacco products to the age of 21. The ordinance presented will also include the regulation of flavored tobacco.</p>
Budget Impact	N/A
Attachment(s)	<ul style="list-style-type: none"> · Ordinance 18-03 Amending Chapter 14, Article IX Pertaining to Tobacco Regulations · Official Summary 18-03 A Summary of Ordinance 18-03 Mending Chapter 14, Article IX
Action(s) Requested	Staff would recommend approval ordinance and summary for publication.

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CITY OF FALCON HEIGHTS, RAMSEY COUNTY, MINNESOTA

ORDINANCE NO. 18-03

**AN ORDINANCE AMENDING CHAPTER 14, ARTICLE IX
PERTAINING TO TOBACCO**

THE CITY COUNCIL OF THE CITY OF FALCON HEIGHTS ORDAINS:

SECTION 1: Chapter 14, Article IX of the Falcon Heights City Code is amended by adding the underlined language and deleting the strikethrough language as follows:

SECTION 2: Section 14-292 of the Falcon Heights City Code is amended -to provide:

Because marketing and public health research and tobacco industry documents reveal that tobacco companies have used fruit, candy, and alcohol flavors as a way to target youth and young adults and that the presence of flavors such as menthol in tobacco products can make it more difficult for youth, young adult, and adult tobacco users to quit; and

The City further recognizes that young people are particularly susceptible to the addictive properties of tobacco products, and are particularly likely to become lifelong users. National data show that about 95 percent of adult smokers begin smoking before they turn 21. The ages of 18 to 21 are a critical period when many smokers move from experimental smoking to regular, daily use.

Because smoking has been shown to be the cause of several serious health problems which subsequently place a financial burden on all levels of government;

This article shall be intended to regulate the sale of tobacco, tobacco-related devices, electronic cigarettes, and nicotine or lobelia delivery products for the purpose of enforcing and furthering existing laws, to protect youth and young adults against the serious effects associated with the illegal use of tobacco, tobacco products, tobacco-related devices, and electronic delivery devices, and to further the official public policy of the state in regard to preventing young people from starting to smoke as stated in Minn. Stats. § 144.391, as it may be amended from time to time.

SECTION 3: Section 14-293 of the Falcon Heights City Code is amended by amending the definition of “Compliance checks”, “Electronic Delivery Device”, “Smoking” and “Tobacco-related devices” and adding the definitions of “Cigar”, “Child-Resistant Packaging”, “Flavored tobacco”, and “Person” and removing the definitions of “Minor”:

Cigar. Any roll of tobacco that is wrapped in tobacco leaf or in any other substance containing tobacco, with or without a tip or mouthpiece, which is not a cigarette as defined in Minn. Stat. § 297F.01, subd. 3, as may be amended from time to time.

Child-Resistant Packaging. Packaging that meets the definition set forth in Code of Federal Regulations, title 16, section 1700.15(b), as in effect on January 1, 2015, and was tested in accordance with the method described in Code of Federal Regulations, title 16, section 1700.20, as in effect on January 1, 2015.

Except as may otherwise be provided or clearly implied by context, all terms shall be given their commonly accepted definitions. For the purpose of this article, the following definitions shall apply unless the context clearly indicates or requires a different meaning:

Compliance checks means the system the city uses to investigate and ensure that those authorized to sell tobacco, tobacco products, tobacco-related devices, and electronic delivery devices are following and complying with the requirements of this article. Compliance checks shall involve the use of ~~minors~~ persons under the age of 21 as authorized by this article. Compliance checks shall also mean the use of ~~minors~~ persons under the age of 21 who attempt to purchase tobacco, tobacco products, tobacco-related devices, or electronic delivery devices for educational, research and training purposes as authorized by state and federal laws. Compliance checks may also be conducted by other units of government for the purpose of enforcing appropriate federal, state or local laws and regulations relating to tobacco, tobacco products, tobacco-related devices, and electronic delivery devices.

~~Electronic delivery devices means any product containing or delivering nicotine, lobelia, or any other substance intended for human consumption that can be used by a person to simulate smoking in the delivery of nicotine or any other substance through inhalation of vapor from the product. Electronic delivery device shall include any component part of such a product, whether or not sold separately. Electronic delivery device shall not include any product that has been approved or otherwise certified by the United States Food and Drug Administration for legal sales for use in tobacco cessation treatment or other medical purposes and is being marketed and sold solely for that approved purpose.~~

Electronic delivery device means any product containing or delivering nicotine, lobelia, or any other substance intended for human consumption through the inhalation of aerosol or vapor from the product. Electronic delivery device includes, but is not limited to, devices manufactured, marketed, or sold as e-cigarettes, e-cigars, e-pipes, vape pens, mods, tank systems, or under any other product name or descriptor. Electronic delivery device includes any component part of a product, whether or not marketed or sold separately. Electronic delivery device does not include any product that has been approved or certified by the United States Food and Drug Administration for sale as a tobacco-cessation product, as a tobacco-dependence product, or for other medical purposes, and is marketed and sold for such an approved purpose.

Flavored tobacco product means any tobacco, tobacco products, tobacco-related device, or electronic delivery device that contains a taste or smell, other than the taste or smell of tobacco, that is distinguishable by an ordinary consumer either prior to or during the consumption of the product, including, but not limited to, any taste or smell relating to menthol, mint, wintergreen, chocolate, cocoa, vanilla, honey, fruit, or any candy, dessert, alcoholic beverage, herb, or spice. A public statement or claim, whether express or implied, made or disseminated by a manufacturer of tobacco or tobacco related devices, or by any person authorized or permitted by the manufacturer to make or disseminate public statements concerning such products, that a

product has or produces a taste or smell other than tobacco will constitute presumptive evidence that the product is a flavored product.

Minor means any natural person who has not yet reached the age of 18 years.

Person means any natural person, partnership, firm, joint stock company, corporation, or other legal entity, including an employee of a legal entity.

Smoking means inhaling or exhaling smoke from any lighted or heated cigar, cigarette, pipe, or any other lighted or heated tobacco or plant product. Smoking also includes carrying a lighted or heated cigar, cigarette, pipe, or any other lighted or heated tobacco or plant product intended for inhalation. "Smoking" also includes the use of an electronic delivery device.

Tobacco-related devices include any tobacco product as well as a pipe, rolling papers, ashtray, or other device intentionally designed or intended to be used in a manner which enables the chewing, sniffing or smoking of tobacco or tobacco products. Tobacco-related devices include components of tobacco-related devices which may be marketed or sold separately.

Sec. 14-294. - License.

(l) Sale by person under the age of 18. It shall be unlawful for any business licensed under this article to allow any person under the age of 18 years to sell, offer for sale, or attempt to sell tobacco, tobacco products, tobacco-related devices, or electronic delivery devices.

(m) Age verification. Licensees must verify by means of government-issued photographic identification that the purchaser is at least 21 years of age. Verification is not required for a person over the age of 30. That the person appeared to be 30 years of age or older does not constitute a defense to a violation of this subsection.

(n) Signage. Notice of the legal sales age and age verification requirement must be posted at each location where licensed products are offered for sale. The required signage, which will be provided to the licensee by the city, must be posted in a manner that is clearly visible to anyone who is or is considering making a purchase.

Sec. 14-295. - License restrictions.

A. It shall be a violation of this article for any person to sell or offer to sell any tobacco, tobacco product, tobacco-related device, or electronic delivery device:

(1) To any person under the age of ~~18~~ 21 years.

(6) In the form of liquid, whether or not such liquid contains nicotine, which is intended for human consumption and use in an electronic delivery device, in packaging that is not child-resistant. Upon request, a licensee must provide a copy of the certificate of compliance or full laboratory testing report for the packaging used.

(7) By any other means, to any other person, or in any other manner or form prohibited by federal, state or other local law, ordinance provision, or other regulation.

- (8) It shall be a violation of this article for any person to sell or offer to sell any flavored tobacco product. This prohibition on the sale of flavored tobacco products does not apply to retail establishments that:
- a. Prohibit persons under ~~18~~ 21 years of age from entering at all times; and
 - b. Derive at least 90 percent of their revenues from the sale of any tobacco, tobacco products, tobacco-related devices, or electronic delivery devices.
 - c. Any retail establishment that sells flavored tobacco products must provide upon request financial records that document annual sales.

State Law reference— Sale of tobacco to minors, Minn. Stats. § 609.685.

Sec. 14-296. - Compliance checks.

- (b) Annual compliance checks. From time to time, but at least twice per year, the City shall conduct compliance checks. One check will be conducted by engaging, with the written consent of their parents or guardians, a person over the age of 15 years but less than 17 years of age, to enter the licensed premise to attempt to purchase tobacco, tobacco products, tobacco-related devices, or electronic cigarettes. A second check will be conducted by engaging a person over the age of 18 but less than 21 years of age, to enter the licensed premise to attempt to purchase tobacco, tobacco products, tobacco-related devices, or electronic cigarettes.
- (c) Persons under the age of 21 used for the purpose of compliance checks shall be supervised by City designated law enforcement officers or other designated City personnel. No person under the age of 21 used in compliance checks shall attempt to use a false identification misrepresenting the person's age, and all persons under the age of 21 lawfully engaged in a compliance check shall answer all questions about their person's age asked by the licensee or his or her employee and shall produce any identification, if any exists, for which he or she is asked. Nothing in this Section shall prohibit compliance checks authorized by state or federal laws for educational, research, or training purposes, or required for the enforcement of a particular state or federal law.

(Code 1993, § 5-1.03(D)(6); Ord. No. 99-01, § 1, 1-3-1999)

State Law reference— Compliance checks, Minn. Stats. § 461.128, subd. 5.

Sec. 14-297. - Violations and penalties.

- (d) Administrative civil penalties; individuals: An individual who sells tobacco to a person under the age of ~~18~~ 21 years shall pay an administrative penalty of \$50.00.

(Code 1993, § 5-1.03(D)(7); Ord. No. 99-01, § 1, 1-3-1999; Ord. No. 10-02, § 1, 1-27-2010)

Sec. 14-298. - Affirmative defense.

SECTION 5. Effective Date: This ordinance shall take effect 60 days from and after its passage and a summary published in the official newspaper.

ADOPTED this 9th day of May, 2018, by the City Council of Falcon Heights, Minnesota.

Moved by:

Approved by: _____

Peter Lindstrom
Mayor

LINDSTROM

___ In Favor

Attested by: _____

GUSTAFSON

Sack Thongvanh

BROWN THUNDER

___ Against

City Administrator

MELANIE LEEHY

MARK MIAZGA

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OFFICIAL SUMMARY NO. 18-03

**CITY OF FALCON HEIGHTS
RAMSEY COUNTY, MINNESOTA**

**A SUMMARY OF AN ORDINANCE AMENDING CHAPTER 14, ARTICLE
IX OF THE FALCON HEIGHTS CITY CODE
CONCERNING TOBACCO**

The following is the official summary of Ordinance 18-03 approved by the City Council of Falcon Heights on May 9, 2018.

This ordinance amends Chapter 14 of the Falcon Heights City Code concerning tobacco. This ordinance amends Chapter 14 Article IX – Tobacco of the Falcon Heights City Code that governs the regulation of tobacco and tobacco related products.

The proposed changes to the City Code would include, but not limited to:

1. Updates and addition to several definitions.
2. Increase the age for purchase of tobacco products from 18 years old to 21 years old.
3. Prohibits the sale of flavored tobacco with a few exceptions.

A printed copy of the entire ordinance is available for inspection by any person during the City Administrator/Clerk’s regular office hours at City Hall at 2077 Larpenteur Ave West, Falcon Heights, Minnesota 55113.

APPROVED for publication by the City Council of the City of Falcon Heights, Minnesota this 9th day of May, 2018 to be effective 60 days after publication.

Moved by:

Approved by: _____

Peter Lindstrom
Mayor

LINDSTROM ___ In Favor
GUSTAFSON
BROWN THUNDER ___ Against
MELANIE LEEHY
MARK MIAZGA

Attested by: _____

Sack Thongvanh
City Administrator

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ASANDC Aurora/St. Anthony Neighborhood
Development Corporation

"To improve the social and economic well-being of the people we serve"

774 University Avenue West
St. Paul, MN 55104
www.aurorastanthony.org

Office: 651-222-0399
Fax: 651-294-0034

May 1, 2018

Falcon Heights City Council
2077 Larpenteur Avenue West
Falcon Heights, MN 55423

Dear Mayor Lindstrom and Members of the Falcon Heights City Council,

I am writing on behalf of Aurora St. Anthony Neighborhood Development Corporation (ASANDC) to express our support for the proposed ordinance that would restrict the sale of flavored tobacco products, including menthol, to adult-only tobacco shops. ASANDC is a community development agency that has worked to ensure affordable housing, economic development and youth and resident leadership in Saint Paul's Rondo and Frogtown neighborhoods since 1981.

Our organization was one of the leaders advocating for Saint Paul to restrict the sale of menthol in 2017. We are pleased to see Falcon Heights, our neighbor, step up to do the right thing and protect our young people and our community from the predatory practices of the tobacco industry.

Since the 1960s the tobacco industry has targeted our African American community with menthol tobacco products. They bombarded us with messages and images in the magazines that we read and the stores where we shopped. They tried to make it look cool and fashionable to smoke menthol tobacco. They still do. Their unrelenting efforts to push this product on our community have worked. Now, 88% of African-Americans who use tobacco choose menthol products.

We are glad to see Falcon Heights recognize the need to restrict where these lethal products are sold. Please do the right thing and show us that you value the lives of communities of color and young people over a dollar by voting to support this ordinance.

Thank you for your courage.

Sincerely,

Nieeta Presley

Executive Director

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April 5, 2018

Falcon Heights City Council
2077 Larpenteur Avenue West
Falcon Heights, MN 55423

Dear Mayor Lindstrom and Members of the Falcon Heights City Council:

The Association for Nonsmokers – Minnesota (ANSR) strongly supports your efforts to restrict flavored tobacco products and increase the tobacco sales age to 21 in Falcon Heights. Since 1973, ANSR has worked to prevent youth tobacco use by helping enact strong public policies like the one you are considering.

The federal government banned fruit and candy flavors from cigarettes, but left it to local government to address the problem with all other flavored tobacco products like e-cigarettes and cigars. The tobacco industry targets young people with their products to ensure that they have lifelong customers. Tobacco products come in bright colors and an array of flavors like chocolate, mint, cherry cola and cotton candy. Youth tobacco use is rising for the first time in 17 years, largely due to increased use of electronic cigarettes and vaping products such as JUUL. Increasing the gap between youth and those legally able to purchase tobacco products will help get e-cigarettes and other tobacco products out of the hands of our youth.

Smoking remains the leading preventable cause of death and disease in the state of Minnesota. In Minnesota, tobacco causes more than 6,000 deaths and costs more than \$7 billion each year in excess healthcare costs and lost productivity. Increasing the tobacco age to 21 is a positive step towards ensuring Falcon Heights's youth are healthy and free of the burden of tobacco addiction.

The two proposed measures you are considering lower the *appeal* of tobacco to youth and prevent *access* to 13-17 year-olds through social sources. By adopting this ordinance, Falcon Heights will be a leader in preventing another generation from becoming lifelong tobacco users. If youth don't smoke by the time they are 21, they likely never will. Thank you for putting the health of your residents above the tobacco industry. Again, we strongly support your efforts and will provide any technical assistance you might require as this important ordinance moves forward.

Sincerely,

Jeanne Weigum
President-Association for Nonsmokers – Minnesota

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1400 EYE STREET, N.W. • SUITE 1200 • WASHINGTON, DC 20005
PHONE (202) 296-5469 • FAX (202) 296-5427

April 25, 2018

Mayor Lindstrom and Falcon Heights City Councilmembers,

My name is Jodi Radke. I am the Regional Director with the Campaign for Tobacco-Free Kids. Our organization works within the United States and around the world to advocate for public policies proven to prevent kids from using tobacco, help tobacco users quit and protect everyone from secondhand smoke. For more information about our policy priorities, please visit www.tobaccofreekids.org.

It is public health heroes, such as yourselves, who help achieve the outcomes we seek. Thank you for leading the way in protecting Minnesota's kids by considering raising the age of sale on tobacco and restricting access to flavored tobacco that includes menthol, products that demonstrate incentivized use and initiation amongst kids, in Falcon Heights from 18 to 21.

About 95 percent of adult smokers began smoking before they turned 21. Policies, such as the one you are considering, are a critical part of reducing the number of kids who start smoking, and will help to eliminate a critical point of access that kids have to tobacco. This policy will improve public health and will save lives.

The tobacco industry continues to target Minnesota kids with its deceptive marketing practices. We must be vigilant in protecting Minnesota's kids from the tobacco industry's outreach and efforts to addict them.

Thus far, five states and more than 300 localities (and counting) across the United States have raised their tobacco age to 21, including multiple cities within Minnesota. Let's keep the momentum going.

Thank you again for your leadership and partnership to protect Falcon Height's kids.

If you have any questions I can assist with, please feel free to contact me directly.

Respectfully,

Jodi L. Radke

Jodi L. Radke
Regional Director
Campaign for Tobacco-Free Kids
970-214-4808
jradke@tobaccofreekids.org

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March 21, 2018

Members of the City Council
City of Falcon Heights
2077 Larpenteur Avenue West
Falcon Heights, MN 55113

Dear Mayor Lindstrom and Members of the Falcon Heights City Council,

As physicians practicing at Central + Priority Pediatrics in Falcon Heights, we are writing in support of the proposed amendments to Falcon Heights' existing tobacco policy. Raising the tobacco sales to age 21 and restricting the sale of all flavored tobacco products to adult-only tobacco shops will have lasting impacts on the health of our community. We know that 95% of people start smoking before age 21 and the tobacco industry gets children addicted at a young age by targeting them with candy and fruit flavored tobacco products. Passing both policies will protect our patients from a lifetime of tobacco addiction and the subsequent burdens on their health later in life.

With the release of the Minnesota Department of Health's 2017 Minnesota Youth Tobacco Survey data last month, we learned that while smoking rates are at an all-time low among young people, e-cigarette use continues to rise at an alarming rate among middle and high school students. These products are almost entirely flavored and the ambiguity that the tobacco industry has propagated around them leads parents to misjudge the severity of the health risks they pose to their children. E-cigarettes contain nicotine and other toxic chemicals whose long-term effects are still unknown. Many of the more popular vaping devices among kids such as JUUL, contain nicotine concentrations equivalent to that of a pack of cigarettes in one single flavor pod. Adolescent use of nicotine increases their risks of various developmental issues as well as increasing the likelihood that they will go on to use other tobacco products like cigarettes. Limiting access to these flavored products is a way to decrease youth uptake of all tobacco products.



Increasing the tobacco sales age to 21 will also play an important role in protecting young people. This policy will limit high school students' access to tobacco products including e-cigarettes by increasing the gap between them and those who can legally purchase tobacco. If we want to see change in the health and well-being of our community, we need to make the healthiest choice the easiest choice, and that goes for our young people, too.

We are proud to live and work in a city willing to prioritize the health of future generations by passing evidence-based policies like these and strongly support you in this effort. Our patients and their families deserve the best chance we can give them for long and healthy lives.

Sincerely,

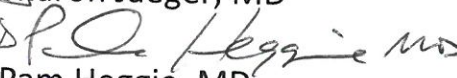

Shelly Strong, MD


Susan Goodale, MD


Sharon Jaeger, MD



James Ritchart, MD


Sandee Sackett, MD


Pam Heggie, MD

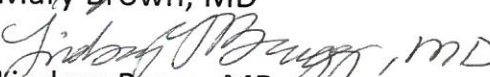

Nicole Wilson, MD


Nora Gavigan, MD


Mary Brown, MD

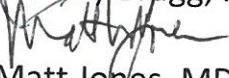

Laurel Anderson, MD


Chelsy Meier, MD

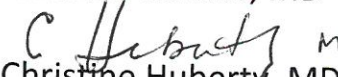

Lindsay Bragg, MD

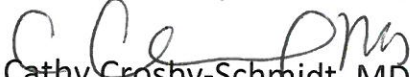
Heidi Hubbard, MD

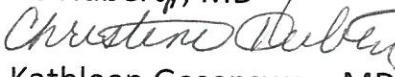

Amanda Gillette, MD



Matt Jones, MD


Barbara Staub, MD


Christine Huberty, MD


Cathy Crosby-Schmidt, MD


Kathleen Gesensway, MD


Christine Rhodes-Dekko, MD


Lawrence Morrissey, MD

Mailing Address:
PO Box 1309
Minneapolis, MN 55440-1309

April 9, 2018

The Honorable Mayor Lindstrom & Members of the Falcon Heights City Council
Falcon Heights City Hall
2077 W. Larpenteur Avenue
Falcon Heights, MN 55113

Dear Mayor Lindstrom and Members of the City Council:

On behalf of the 25,000 employees at HealthPartners, many of whom live or work in this city, we want to express our strong support for the proposed ordinance to raise the age for tobacco sales to 21 and restrict the sale of flavored products. As you may know, it is HealthPartners' mission to improve health and well-being in partnership with our members, patients and the community.

Approximately 95 percent of adult smokers started before they were 21. For years tobacco use has been the number one preventable cause of death in our country and our state. Smoking costs the state more than \$3 billion annually in excess health care costs and each year more than 6,000 Minnesotans die from tobacco-related diseases.

18-21 is a critical time when young people move from intermittent smoking to daily use. In addition to the countless long-term negative health effects of tobacco, nicotine itself is known to be particularly harmful to the development of the adolescent brain. Research suggests that nicotine interferes with brain maturation and can have long term effects on development and mental health. A recent report from the Institute of Medicine found that increasing the tobacco sales age to 21 would also mean that smoking initiation among 15-17-year-olds would be reduced by 25 percent.

In addition to increasing the tobacco sales age, please also consider restricting youth access to flavored tobacco products – a significant way in which the tobacco industry appeals to kids. Chocolate cigars and cherry e-cigarettes should not be available in stores where kids shop in Falcon Heights. By restricting the sale of flavored tobacco to adult-only stores like tobacco product shops, we can limit youth access to these products, which look kid-friendly but can lead to a lifetime of addiction. The combination of increasing the tobacco sales age and restricting youth access to flavored tobacco products will have a tremendous impact on the future health of our youth and our city.

Thank you for you for being a leader in our state and taking a positive step towards keeping tobacco out of the hands of our children.

Sincerely,



Dr. Thomas Kottke, M.D.
HealthPartners Medical Director, Well-being

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March 20, 2018

Falcon Heights City Council
2077 Larpenteur Avenue West
Falcon Heights, Minnesota 55113

Dear Members of the City Council:

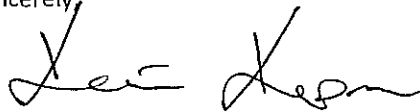
The Hubert H. Humphrey (HHH) Job Corps Center is writing to strongly support your efforts to increase the tobacco sales age to 21 in Falcon Heights. Job Corps is the premier federal job training program for disadvantaged 16- to 24-year olds, providing students with the intensive academic, career technical, and life skills training needed to prepare them for successful careers. Smoking is a significant barrier to the future employment prospects and earnings of our students. A 2016 Stanford University study found that unemployed smokers had a much harder time finding work than nonsmokers; and smokers that did find work earned an average of \$5 an hour less than the nonsmokers.ⁱ

Almost 95% of smokers become addicted to tobacco before the age of 21; the age of many of students we serve at the HHH Job Corps center.ⁱⁱ The tobacco industry has designed products, such as flavored tobacco, to get adolescents addicted and keep them as customers throughout their lives. The addictive properties of nicotine can lead adolescents to heavier daily tobacco use and a difficult time quitting later in life.

We know these policies work. Five years after the town of Needham, MA passed an ordinance raising the legal age to buy tobacco to 21, smoking among the town's high school students was cut by nearly half, while use among neighboring cities fell only slightly.ⁱⁱⁱ Over 290 municipalities throughout the country (including Edina, Plymouth, Bloomington, and St. Louis Park right here in Minnesota) have successfully implemented ordinances that increase the tobacco sales age to 21.^{iv}

Falcon Heights' proposed tobacco ordinance would complement the current tobacco prevention and cessation efforts taking place at HHH Job Corps center. In addition, Falcon Heights will be a leader in preventing adolescents and young adults from becoming lifelong tobacco users. Thank you for putting the health and employability of our students above the tobacco industry. Again, we strongly support your efforts and will provide any assistance you might require as this important ordinance moves forward.

Sincerely,



Katie Kapaun - Center Director
HHH Job Corps
1480 Snelling Ave
St. Paul, MN 55108

ⁱ Prochaska, J. J., Michalek, A. K., Brown-Johnson, C., Daza, E. J., Baiocchi, M., Anzal, N., ... Chieng, A. (2016). Likelihood of Unemployed Smokers vs Nonsmokers Attaining Reemployment in a One-Year Observational Study. *JAMA Internal Medicine*, 176(5), 662-670. <http://doi.org/10.1001/jamainternmed.2016.0772>

ⁱⁱ United States Department of Health and Human Services. Substance Abuse and Mental Health Services Administration. Center for Behavioral Health Statistics and Quality. National Survey on Drug Use and Health, 2014. ICPSR36361-v1. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 2016-03-22. <http://doi.org/10.3886/ICPSR36361.v1>

ⁱⁱⁱ Kessel Schneider S, Buka SL, Dash K, et al. (2016). Community reductions in youth smoking after raising the minimum tobacco sales age to 21. *Tobacco Control* 2016; 25:355-359.

^{iv} List of All Tobacco 21 Cities. Retrieved from <https://tobacco21.org/state-by-state/>

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Protecting, Maintaining and Improving the Health of All Minnesotans

May 4, 2018

Mr. Peter Lindstrom, Mayor
City of Falcon Heights
2077 West Larpenteur Ave
Falcon Heights, MN 55113-5594

Dear Mayor Lindstrom and Councilmembers:

As Commissioner of Health, I strongly support Falcon Heights' proposal to increase the minimum tobacco sales age to 21 and limit the sale of menthol and other flavored tobacco products. These measures are powerful deterrents of youth initiation, will reduce youth tobacco use, and protect youth from a lifetime of addiction.

I am very concerned about the dramatic increases in youth use of e-cigarettes and other tobacco products. As shown by the Minnesota Youth Tobacco Survey, tobacco use among high-school students spiked to 26% in 2017; the first increase in 17 years. This dramatic increase is driven in part by a surge in e-cigarette use. Among high school students, e-cigarette use increased by 50% since 2014, nearly 1 in 5 high school students reporting use. This is likely the result of wide availability and proliferation of e-cigarette and flavored tobacco products that are designed to attract and addict youth.

Young smokers report choosing flavored tobacco products because they taste better and seem to be safer. This is quite alarming as nearly all e-cigarettes contain nicotine, which we know is highly addictive. Research shows youth who use e-cigarettes are two times more likely to start smoking combustible cigarettes.

In 2015, the Minnesota Department of Health issued a health advisory detailing the harms of nicotine. No amount is safe for youth as there are negative implications for learning, memory, attention, and future addiction. Teens are especially susceptible to nicotine addiction and the harmful effects it has on the brain as teens grow. Raising the minimum tobacco sales age to 21 would limit youth access to tobacco until the portion of the brain responsible for rational decision-making is more fully developed.

I applaud Falcon Heights for considering these bold actions to protect youth from a lifetime of addiction.

For more information, contact Laura Oliven the Tobacco Program Manager at 651-201-5442.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jan K. Malcolm'.

Jan K. Malcolm
Commissioner
P.O. Box 64975
St. Paul, MN 55164-0975
www.health.state.mn.us

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April 5, 2018

Falcon Heights City Council Members
2077 Larpenteur Ave. West
Falcon Heights, MN 55113

Dear Mayor Lindstrom and members of the Falcon Heights City Council:

The Saint Paul - Ramsey County Public Health Department supports the City of Falcon Heights' proposed ordinance to restrict fruit, candy and mint flavored tobacco to adult-only tobacco stores. Attached is a copy of the Ramsey County Board of Commissioners resolution supporting this action.

Tobacco use has been and still is, a public health issue. Ramsey County, including the public health department is dedicated to advancing racial and health equity by being fair, inclusive and transparent in how we serve residents and communities. Research has found that mentholated tobacco products target African Americans, low-income individuals, and members of the LGBTQ community with its advertisements and promotions. Our 2016 Twin Cities survey regarding menthol tobacco in the African American community found that:

- 86% of respondents support more laws to reduce the harm of smoking.
- 84% of respondents who are smokers indicated they use menthol-flavored products.
- 72% of respondents who are smokers believe menthol makes it harder to quit.
- 69% of respondents who are smokers believe menthol makes it easier for young people to start smoking.

The federal government banned fruit and candy flavors from cigarettes, but left it to local government to address the problem with all other flavored tobacco products like e-cigarettes and cigars. The tobacco industry targets young people with their products to ensure that they have lifelong customers.

The efforts of the tobacco industry appear to be working as recent survey data from the Minnesota Youth Tobacco survey show that for the first time in 17 years, youth tobacco use has increased. Although less students smoke conventional cigarettes, one in five Minnesota high school students have used e-cigarettes, nearly a 50 percent increase since 2014. This spike follows more aggressive marketing of e-cigarettes and easy access to these products through peers.

Falcon Heights has a unique opportunity to be a leader in our state and prevent future generations from a lifelong addiction to tobacco. We commend the members of the Falcon Heights City Council for taking a stand against the tobacco industry. Thank you for your efforts in making Ramsey County a healthier place to live.

Sincerely,



Anne M. Barry
Saint Paul - Ramsey County Public Health Director
Encl.
09/12/17 Board Resolution
2016 Menthol Survey News Release



BOARD OF COMMISSIONERS

RESOLUTION

Presented By: Commissioner Ortega Date: September 12, 2017 No. B2017-211
Attention: Public Health

WHEREAS, Ramsey County is committed to being a vibrant community where all are valued and thrive; and

WHEREAS, Ramsey County seeks to strengthen individual, family and community health, safety and well-being through prevention and early intervention; and

WHEREAS, Ramsey County seeks to reduce tobacco rates and tobacco-related disease prevalence among adults and youth; and

WHEREAS, As a merged Public Health Department, Saint Paul - Ramsey County Public Health is responsible for acting in the health interests of both the City of Saint Paul and Ramsey County; and

WHEREAS, Tobacco use is the single most preventable cause of disease and death; and

WHEREAS, Long-term tobacco use is directly related to many illnesses, including lung, oral and pharyngeal cancer, heart disease, and lung diseases, such as emphysema and bronchitis; and

WHEREAS, In 2009 the federal Family Smoking Prevention and Tobacco Control Act prohibited the sale of flavored cigarettes, but exempted menthol, allowing mentholated tobacco products to continue being sold; and

WHEREAS, The harshness of the smoke is masked with menthol flavoring, making it easier for young people to start smoking and harder for people to quit; and

WHEREAS, Mentholated tobacco products have been shown to be the "gateway" product for youth who begin smoking; and

WHEREAS, National surveys show that mentholated tobacco products are particularly attractive to children with 47.7% of adolescent smokers (age 12-17) reporting menthol cigarette use compared to 40.8% of young adult smokers (age 18-25) and 31.5% of adult smokers (age 26 and older); and

WHEREAS, Data show that mentholated tobacco products are used disproportionately in communities of color, in areas of concentrated poverty, with 82.6% of African American smokers, 32.3% of Hispanic or Latino smokers, and 31.2% of Asian American smokers using mentholated tobacco products as opposed to 23.8% of White smokers; and

Ramsey County Board of Commissioners

Table with 3 columns: YEA, NAY, OTHER. Rows for Toni Carter, Blake Huffman, Jim McDonough, Mary Jo McGuire, Rafael Ortega, Janice Rettman, Victoria Reinhardt.

Victoria Reinhardt, Chair

Signature of Janet M. Guthrie

By: Janet M. Guthrie
Chief Clerk - County Board



BOARD OF COMMISSIONERS

RESOLUTION

Presented By: Commissioner Ortega Date: September 12, 2017 No. B2017-211
Attention: Public Health

WHEREAS, A study showed 56.1% of all respondents and 75.8% of African American respondents supported the restriction of mentholated tobacco products; and

WHEREAS, Many menthol smokers would quit smoking if mentholated tobacco products were restricted, especially African American (44.5%) and female (44.0%) menthol smokers; and

WHEREAS, One model of smoking in the U.S. concludes that if mentholated tobacco products were restricted, between 2010 and 2020, over 2.2 million people would not start smoking and by 2050, the number of people who would not start smoking would reach 9 million; and

WHEREAS, A leading model of smoking in the U.S. predicts that a 10% quit rate among menthol smokers would save thousands of lives, preventing 4,000 smoking-attributable deaths in the first ten years and that 300,000 lives would be saved over forty years, with approximately 100,000 of the lives saved being African Americans; and

WHEREAS, The Saint Paul - Ramsey County Community Health Services Advisory Committee, which advises and assists the Ramsey County Board of Commissioners with its public health responsibilities, encourages all cities in Ramsey County adopt an ordinance to restrict the sale of mentholated tobacco products; and

WHEREAS, The Ramsey County Board of Commissioners has previously taken actions to regulate tobacco and smoking to promote public health and community well-being as additional data and information about the harmful effects of smoking have emerged; Now, Therefore, Be It

RESOLVED, The Ramsey County Board of Commissioners supports restrictions to sales of mentholated tobacco products to adults only, tobacco only retail stores throughout all Ramsey County jurisdictions by August 31, 2018.

Ramsey County Board of Commissioners

Table with 3 columns: YEA, NAY, OTHER. Rows for Toni Carter, Blake Huffman, Jim McDonough, Mary Jo McGuire, Rafael Ortega, Janice Rettman, Victoria Reinhardt.

Victoria Reinhardt, Chair

By: Janet M. Guthrie
Chief Clerk - County Board

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Our voices. Our future.

NEWS RELEASE

January 26, 2017

222 So. 9th Street, Suite 1600,
Minneapolis, MN 55443

Community partnership takes on menthol tobacco use among local African Americans

A recent survey found that Twin Cities African Americans believe menthol tobacco is a serious threat to their health, that the tobacco industry has heavily targeted them with menthol tobacco marketing, and that they support new laws to reduce tobacco's harm in their community.

A new grassroots health initiative aims to change this and to encourage members of the community to come up with community driven solutions.

"Menthol-flavored cigarettes are a concern to us because they can mask the harshness of cigarette smoke and mislead people into thinking they are not as harmful," said Gene Nichols of the African American Leadership Forum (AALF) in Minneapolis and project manager of this innovative initiative. "We're very concerned about menthol making it easier for youth to start smoking, and harder for anyone to quit."

The first step was to gather the voice of the community to understand the extent of the issue. AALF conducted a baseline survey in mid-2016 among 407 U.S.-born African Americans in Hennepin and Ramsey counties¹ to measure community knowledge and awareness about the harms of menthol-flavored cigarettes – at church gatherings and community meetings and through door-to-door canvassing in predominantly African American neighborhoods. Results were further validated through interviews with respected leaders from the faith-based, community organizing, business and philanthropic sectors.

"We're connecting with leaders across all sectors of our community – the folks already working to find solutions that improve the lives of their community members," said Nichols, who also serves as co-chair of AALF's Health and Wellness Group. "This key informant process is fully engaging community members to assure alignment of the menthol issue in their community and to help identify change agents who now can educate the community about menthol."

Key survey highlights:

- 88 percent of all respondents said tobacco use remains a significant health issue in their community.
- 86 percent of respondents supported more laws to reduce the harm of smoking.
- 61 percent of respondents agreed menthol cigarettes are marketed to African Americans more than other racial groups.

Of all surveyed smokers (24 percent of respondents):

- Smokers were attracted to menthol products because they taste and feel different than other types of cigarettes.
- 84 percent indicated they use menthol-flavored products.
- 69 percent agreed that menthol's cooling sensation makes it easier for young people to start.
- 83 percent get their cigarettes at gas stations or convenience stores – locations commonly visited on a day-to-day basis.
- 57 percent noticed coupons for cigarettes in the past 30 days.

“We’ve gained valuable insight into the perceptions of menthol tobacco among the African American community,” said Nichols. “This effort lays the groundwork for what lies ahead. It will serve as a basis for community engagement and education in the second phase of the grant.”

The second phase, also led by AALF, is expected to include a number of educational sessions in the participating cities and counties to raise awareness and engage the local African American community in identifying solutions.

The project is supported by a Statewide Health Improvement Partnership (SHIP) grant required by the Minnesota Legislature¹ to address African American menthol tobacco use. The AALF is partnering with the local health departments of Hennepin County, Saint Paul-Ramsey County, Minneapolis, Bloomington, Edina and Richfield.

CONTACTS:

African American Leadership Forum:

Eugene M. Nichols, eugene.nichols@comcast.net; (651) 343-2048

¹ Surveys completed in Bloomington, Brooklyn Center, Brooklyn Park, Edina, Minneapolis, Richfield, and St. Paul

¹ Statewide Health Improvement Partnership: Menthol Cigarette Intervention Grant
<http://www.health.state.mn.us/divs/oshii/ship/menthol.html>



The City That Soars!

REQUEST FOR COUNCIL ACTION

Meeting Date	May 9, 2018
Agenda Item	Consent F1
Attachment	General Disbursements and Payroll
Submitted By	Roland Olson, Finance Director

Item	General Disbursements and Payroll
Description	General Disbursements through: 5/01/18 \$58,963.56 Payroll through: 4/30/18 \$18,515.31
Budget Impact	The general disbursements and payroll are consistent with the budget.
Attachment(s)	· General Disbursements and Payroll
Action(s) Requested	Staff recommends that the Falcon Heights City Council approve general disbursements and payroll.

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-----ID-----				GROSS	P.O. #		
DATE	BANK CODE	-----DESCRIPTION-----	DISCOUNT	G/L ACCOUNT	-----ACCOUNT NAME-----	DISTRIBUTION	
=====							
01-00255		AMERICAN OFFICE PRODUCTS					
I-4557		BUSINESS CARDS-COUNCIL	201.00				
4/26/2018	APBNK	DUE: 4/26/2018 DISC: 4/26/2018		1099: N			
		BUSINESS CARDS-COUNCIL		101 4112-70100-000	SUPPLIES	201.00	
		=== VENDOR TOTALS ===	201.00				
=====							
01-03123		CINTAS CORPORATION #470					
I-4005386175		SHOP TOWELS AND BLACK MATTS	195.22				
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N			
		SHOP TOWELS AND BLACK MATTS		101 4131-70110-000	SUPPLIES	195.22	
		=== VENDOR TOTALS ===	195.22				
=====							
01-03117		CITY OF LITTLE CANADA					
I-19382		1ST QTR BLDG INSPECTION MILEA	266.62				
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N			
		1ST QTR BLDG INSPECTION MILEAG		101 4117-81210-000	BUILDING INSPECTORS	266.62	
		=== VENDOR TOTALS ===	266.62				
=====							
01-00911		CITY OF NEW BRIGHTON					
I-18-0000807		1ST QTR HAZMAT	259.07				
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N			
		1ST QTR HAZMAT		101 4124-87025-000	HAZMAT EQUIPMENT MAINT	259.07	
		=== VENDOR TOTALS ===	259.07				
=====							
01-00000		CITY OF ROSEVILLE					
I-224441		APRIL IT SVCS	2,431.00				
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N			
		APRIL IT SVCS		101 4116-85080-000	LASERFICHE MAINTENANCE	2,431.00	
I-224476		APRIL PHONE	315.81				
4/26/2018	APBNK	DUE: 4/26/2018 DISC: 4/26/2018		1099: N			
		APRIL PHONE		101 4116-85010-000	TELEPHONE	315.81	
		=== VENDOR TOTALS ===	2,746.81				

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 T DATE BANK CODE -----DESCRIPTION----- GROSS P.O. #
 DISCOUNT G/L ACCOUNT -----ACCOUNT NAME----- DISTRIBUTION
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ID	T DATE	BANK CODE	DESCRIPTION	GROSS DISCOUNT	P.O. # G/L ACCOUNT	ACCOUNT NAME	DISTRIBUTION
01-0582		DUNK N JUMP					
I-201804266650	4/26/2018	APBNK	BOUNCE HOUSE FOR SUMMER EVT	160.00	1099: N		
			DUE: 4/26/2018 DISC: 4/26/2018		101 4116-89010-000	SPECIAL EVENTS	160.00
			BOUNCE HOUSE FOR SUMMER EVT				
=== VENDOR TOTALS ===				160.00			

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ID	T DATE	BANK CODE	DESCRIPTION	GROSS DISCOUNT	P.O. # G/L ACCOUNT	ACCOUNT NAME	DISTRIBUTION
01-05450		LEAGUE MN CITIES INS TRST					
I-201804266646	4/26/2018	APBNK	2018 CITY'S INSURANCE	35,664.00	1099: N		
			DUE: 4/26/2018 DISC: 4/26/2018				
			2018 EXCESS UMBRELLA		101 4112-88000-000	INSURANCE & BONDS	3,856.00
			2018 GENERAL LIABILITY		101 4112-88000-000	INSURANCE & BONDS	5,806.00
			2018 GENERAL LIABILITY		101 4131-88000-000	INSURANCE & BONDS	2,319.00
			2018 GENERAL LIABILITY		101 4132-88000-000	INSURANCE & BONDS	2,320.00
			2018 GENERAL LIABILITY		602 4602-88000-000	INSURANCE & BONDS	1,000.00
			2018 GENERAL LIABILITY		601 4601-88000-000	INSURANCE & BONDS	3,312.00
			2018 EMPLOYEE BOND		101 4113-88000-000	INSURANCE & BONDS	348.00
			2018 EQUIP BREAKDOWN		101 4124-88000-000	INSURANCE & BONDS	339.00
			2018 EQUIP BREAKDOWN		101 4132-88000-000	INSURANCE & BONDS	338.00
			2018 PROPERTY UNSCHEDULED		101 4131-88000-000	INSURANCE & BONDS	822.00
			2018 BKDG AND CONTENTS		101 4131-88000-000	INSURANCE & BONDS	2,536.00
			2018 COMM PK AND CONTENTS		101 4131-88000-000	INSURANCE & BONDS	4,444.00
			2018CITY PAVILION		101 4112-88000-000	INSURANCE & BONDS	212.00
			2018 GROVE PK EQUIP		101 4141-88000-000	INSURANCE & BONDS	389.00
			2018 CITY WIDE PROP IN OPEN		101 4131-88000-000	INSURANCE & BONDS	2,033.00
			2018 GAZEBO AT CURTISS PK		101 4141-88000-000	INSURANCE & BONDS	266.00
			2018 COMM PK AND PLAYGROUND EQ		101 4141-88000-000	INSURANCE & BONDS	1,286.00
			2018 LIFT STATION		601 4601-88000-000	INSURANCE & BONDS	33.00
			2018 CURTISS PLAYGROUND EQUIP		101 4141-88000-000	INSURANCE & BONDS	476.00
			2018CURTISS WARMING HOUSE		101 4141-88000-000	INSURANCE & BONDS	73.00
			2018 DIRE TRUCKS		101 4124-88000-000	INSURANCE & BONDS	1,841.00
			22018 CITY TRUCKS		101 4132-88000-000	INSURANCE & BONDS	874.00
			2018 CITY VOLUNTEERS		101 4112-88000-000	INSURANCE & BONDS	153.00
			22018 AUTO COVERAGE		101 4112-88000-000	INSURANCE & BONDS	57.00
			STREET SWEEPER		602 4602-88000-000	INSURANCE & BONDS	531.00
=== VENDOR TOTALS ===				35,664.00			

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ID	T DATE	BANK CODE	DESCRIPTION	GROSS DISCOUNT	P.O. # G/L ACCOUNT	ACCOUNT NAME	DISTRIBUTION
01-05670		METRO PRODUCTS INC					
I-134101	4/25/2018	APBNK	HARDWARE NUTS AND BOLTS	43.58	1099: N		
			DUE: 4/25/2018 DISC: 4/25/2018				
			HARDWARE NUTS AND BOLTS		101 4131-70110-000	SUPPLIES	43.58
=== VENDOR TOTALS ===				43.58			

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DATE	BANK CODE	-----DESCRIPTION-----	DISCOUNT	G/L ACCOUNT	-----ACCOUNT NAME-----	DISTRIBUTION
=====						
01-05731	MN DEPARTMENT OF LABOR INDUSTR					
I-MARCH1230152018		1ST QTR PERMIT SURCHARGES	550.47			
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N		
		1ST QTR PERMIT SURCHARGES		101 20801-000	DUE TO OTHER GOVERNMENTS	550.47
		=== VENDOR TOTALS ===	550.47			
=====						
01-07263	NEXTEL COMMUNICATIONS, INC					
I-201804256644		CELL PHONES	130.13			
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N		
		CELL PHONES		101 4121-85015-000	CELL PHONE	24.75
		CELL PHONES		101 4131-85015-000	CELL PHONE	13.09
		CELL PHONES		101 4141-85015-000	CELL PHONE	13.03
		CELL PHONES		101 4132-85015-000	CELL PHONE	13.02
		CELL PHONES		601 4601-85015-000	CELL PHONE	48.20
		CELL PHONES		602 4602-85015-000	CELL PHONES	18.04
		=== VENDOR TOTALS ===	130.13			
=====						
01-05992	NOB, SAROEUNG					
I-201804266648		REFUND PARK RENTAL	135.70			
4/26/2018	APBNK	DUE: 4/26/2018 DISC: 4/26/2018		1099: N		
		REFUND PARK RENTAL		101 34101-000	CITY FACILITY RENTAL	126.50
		REFUND PARK RENTAL		101 20802-000	SALES TAX PAYABLE	9.20
		=== VENDOR TOTALS ===	135.70			
=====						
01-05531	OFFICETEAM					
0714255		BILLED RATE FOR JANET	1,160.40			
05/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N		
		BILLED RATE FOR JANET		101 4112-80340-000	ADMINISTRATIVE SUPPORT	1,160.40
I-50746590		BILLED RATE FOR JANET	1,138.64			
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N		
		BILLED RATE FOR JANET		101 4112-80340-000	ADMINISTRATIVE SUPPORT	1,138.64
		=== VENDOR TOTALS ===	2,299.04			
=====						
01-06185	RAMSEY COUNTY					
I-fleet-000372		HYDRAULIC AUGER DUMP TRK	736.85			
4/26/2018	APBNK	DUE: 4/26/2018 DISC: 4/26/2018		1099: N		
		HYDRAULIC AUGER DUMP TRK		101 4132-87000-000	REPAIR EQUIPMENT	736.85
		=== VENDOR TOTALS ===	736.85			

ID	DATE	BANK CODE	DESCRIPTION	GROSS DISCOUNT	P.O. # G/L ACCOUNT	ACCOUNT NAME	DISTRIBUTION
=====							
01-00935			ST PAUL REGIONAL WATER SERVICE				
I-201804256645	4/25/2018	APBNK	WATER AND SANITARY SEWER DUE: 4/25/2018 DISC: 4/25/2018	1,194.00	1099: N		
			COMMUNITY PARK WATER		101 4141-85040-000	WATER	392.99
			COMMUNITY PARK SS		101 4141-85070-000	SEWER	206.98
			CITY HALL WATER		101 4131-85040-000	WATER	289.50
			CITY HALL SS		101 4131-85070-000	SEWER	206.98
			COMMUNITY PARK WATER		101 4141-85040-000	WATER	71.23
			COMMUNITY PARK SS		101 4141-85070-000	SEWER	26.32
			=== VENDOR TOTALS ===	1,194.00			
=====							
01-06590			TRUCK UTILITIES MFG CO.				
I-323611	4/25/2018	APBNK	PLOW MARKER RED DUE: 4/25/2018 DISC: 4/25/2018	11.00	1099: N		
			PLOW MARKER RED		101 4132-70120-000	SUPPLIES	11.00
			=== VENDOR TOTALS ===	11.00			
=====							
01-06931			U.S. POSTMASTER				
I-201804256643	4/25/2018	APBNK	ANNUAL PERMIT FEE DUE: 4/25/2018 DISC: 4/25/2018	225.00	1099: N		
			ANNUAL PERMIT FEE		101 4112-70500-000	POSTAGE	225.00
			=== VENDOR TOTALS ===	225.00			
=====							
01-05784			UPPER CUT TREE SERVICES				
I-4039	4/26/2018	APBNK	2018 TREE TRIMMING 55 BLVD TR DUE: 4/26/2018 DISC: 4/26/2018	5,300.00	1099: N		
			2018 TREE TRIMMING 55 BLVD TRE		419 4419-84000-000	TREE TRIMMING	5,300.00
I-4052	4/26/2018	APBNK	TREE REMOVAL/TREE TRIMMING DUE: 4/26/2018 DISC: 4/26/2018	1,209.00	1099: N		
			TREE REMOVAL		419 4419-85000-000	TREE REMOVAL	414.00
			TREE TRIMMING		419 4419-84000-000	TREE TRIMMING	795.00
			=== VENDOR TOTALS ===	6,509.00			
=====							
01-07194			ZARNOTH BRUSH WORKS				
I-60481	4/25/2018	APBNK	SWEEPER BRUSHES DUE: 4/25/2018 DISC: 4/25/2018	559.40	1099: N		
			SWEEPER BRUSHES		602 4602-83025-000	SWEEPER PARTS/SUPPLIES	559.40
			=== VENDOR TOTALS ===	559.40			

PACKET: 01747 April 26 Payables
VENDOR SET: 01 City of Falcon Heights
SEQUENCE : ALPHABETIC
DUE TO/FROM ACCOUNTS SUPPRESSED

-----ID-----			GROSS	P.O. #		
DATE	BANK CODE	-----DESCRIPTION-----	DISCOUNT	G/L ACCOUNT	-----ACCOUNT NAME-----	DISTRIBUTION
01-07205	ZEP SALES & SERVICE					
I-9003371197		TRASH BAGS AND CLEANING SUPPO	480.39			
4/25/2018	APBNK	DUE: 4/25/2018 DISC: 4/25/2018		1099: N		
		TRASH BAGS AND CLEANING SUPPOL		101 4132-70120-000	SUPPLIES	480.39
		=== VENDOR TOTALS ===	480.39			
		=== PACKET TOTALS ===	52,367.28			

5/01/2018 1:16 PM
 PACKET: 01751 May 1 payables
 VENDOR SET: 01 City of Falcon Heights
 SEQUENCE : ALPHABETIC
 DUE TO/FROM ACCOUNTS SUPPRESSED

A/P Regular Open Item Register

-----ID-----				GROSS	P.O. #		
DATE	BANK CODE	-----DESCRIPTION-----	DISCOUNT	G/L ACCOUNT	-----ACCOUNT NAME-----		DISTRIBUTION
=====							
01-00250		AMERIPRIDE SERVICES					
=====							
I-1004123879		LINEN CLEANING	47.63				
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N			
		LINEN CLEANING		101 4124-82011-000	LINEN CLEANING		47.63
		=== VENDOR TOTALS ===	47.63				
=====							
01-05422		BP					
=====							
I-201805016654		APRIL FUEL	1,376.95				
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N			
		APRIL FUEL		101 4132-74000-000	MOTOR FUEL & LUBRICANTS		1,119.15
		APRIL FUEL		101 4124-74000-000	MOTOR FUEL & LUBRICANTS		257.80
		=== VENDOR TOTALS ===	1,376.95				
=====							
01-05653		FIRST DUE FIRE TRAINING					
=====							
I-13		WATER SUPPLY/HOSE DEPLOYMENT	300.00				
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N			
		WATER SUPPLY/HOSE DEPLOYMENT		101 4124-86020-000	TRAINING		300.00
		=== VENDOR TOTALS ===	300.00				
=====							
01-05060		MCQUEEN EQUIPMENT INC					
=====							
I-P12386		HOSE SUCTION/PRESSURE PARTS	1,377.20				
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N			
		HOSE SUCTION/PRESSURE PARTS		602 4602-83025-000	SWEEPER PARTS/SUPPLIES		1,377.20
		=== VENDOR TOTALS ===	1,377.20				
=====							
01-013		MN NCPERS LIFE INSURANCE					
=====							
I-201805016652		APRIL LIFE INSURANCE	64.00				
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N			
		APRIL LIFE INSURANCE		101 21709-000	OTHER PAYABLE		36.64
		APRIL LIFE INSURANCE		201 21709-000	OTHER PAYABLE		4.00
		APRIL LIFE INSURANCE		204 21709-000	OTHER PAYABLE		1.60
		APRIL LIFE INSURANCE		601 21709-000	OTHER PAYABLE		15.52
		APRIL LIFE INSURANCE		602 21709-000	OTHER PAYABLE		6.24
		=== VENDOR TOTALS ===	64.00				

5/01/2018 1:16 PM
 PACKET: 01751 May 1 payables
 VENDOR SET: 01 City of Falcon Heights
 SEQUENCE : ALPHABETIC
 DUE TO/FROM ACCOUNTS SUPPRESSED

A/P Regular Open Item Register

-----ID-----			GROSS	P.O. #		
DATE	BANK CODE	-----DESCRIPTION-----	DISCOUNT	G/L ACCOUNT	-----ACCOUNT NAME-----	DISTRIBUTION
01-05832	MORETTO, PAUL					
I-201805016651		CELL PHONE REIMB:FEB-APR	60.00			
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N		
		CELL PHONE REIMB:FEB-APR		101 4117-85015-000	CELL PHONE	60.00
		=== VENDOR TOTALS ===	60.00			
01-05997	NORTHERN SANITARY SUPPLY CO					
I-190751		2 BRUSH ASSEMBLIES	112.60			
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N		
		2 BRUSH ASSEMBLIES		601 4601-70100-000	SUPPLIES	112.60
		=== VENDOR TOTALS ===	112.60			
01-06185	RAMSEY COUNTY					
I-EMCOM 006858		APRIL FLEET SUPPORT	81.12			
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N		
		APRIL FLEET SUPPORT		101 4124-86800-000	RADIO MESB/FLEET SUPPORT	81.12
		=== VENDOR TOTALS ===	81.12			
01-06184	RAMSEY COUNTY - POLICE AND 911					
I-EMCOM -006902		APRIL CAD SVC	499.10			
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N		
		APRIL CAD SVC		101 4122-81200-000	911 DISPATCH FEES	499.10
I-EMCOM 006888		APRIL 911 DISPATCH	2,557.68			
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N		
		APRIL 911 DISPATCH		101 4122-81200-000	911 DISPATCH FEES	2,557.68
		=== VENDOR TOTALS ===	3,056.78			
01-06628	SACK THONGVANH					
I-201805016653		CELL PHONE REIMB: MAR AND APR	120.00			
5/01/2018	APBNK	DUE: 5/01/2018 DISC: 5/01/2018		1099: N		
		CELL PHONE REIMB: MAR AND APR		101 4131-85015-000	CELL PHONE	60.00
		CELL PHONE REIMB: MAR AND APR		601 4601-85015-000	CELL PHONE	60.00
		=== VENDOR TOTALS ===	120.00			
		=== PACKET TOTALS ===	6,596.28			

EMP #	NAME	AMOUNT
01-0013	PETER C LINDSTROM	304.93
01-0022	RANDALL C GUSTAFSON	262.05
01-0023	MELANIE M LEEHY	262.05
01-0024	MARK J MIAZGA	262.05
01-1005	SACK THONGVANH	3,198.63
01-1017	TIMOTHY J SANDVIK	1,736.07
01-1136	ROLAND O OLSON	2,380.23
01-2246	BRANDON C NELSON	163.88
01-2154	MAUREEN A ANDERSON	152.27
01-1018	PAUL A MORETTO	2,023.87
01-0086	RICHARD H HINRICHS	884.82
01-0095	MICHAEL J POESCHL	623.34
01-0097	PATRICK GAFFNEY	128.61
01-0105	ANTON M FEHRENBACH	347.91
01-0123	BRYAN R SULLIVAN	92.24
01-0124	MICHAEL D KRUSE	126.40
01-1030	TIMOTHY J PITTMAN	2,062.95
01-1033	DAVE TRETSEVEN	1,626.64
01-1143	COLIN B CALLAHAN	1,614.32

TOTAL PRINTED: 19 18,253.26

4-26-2018 10:22 AM PAYROLL CHECK REGISTER
 PAYROLL NO: 01 City of Falcon Heights

PAGE: 1
 PAYROLL DATE: 4/26/2018

EMP NO	EMPLOYEE NAME	TYPE	CHECK DATE	CHECK AMOUNT	CHECK NO.
00	BROWN THUNDER, JOSEPH C	R	4/26/2018	262.05	087468

4-26-2018 10:22 AM PAYROLL CHECK REGISTER
 PAYROLL NO: 01 City of Falcon Heights

PAGE: 2
 PAYROLL DATE: 4/26/2018

*** REGISTER TOTALS ***

REGULAR CHECKS:	1	262.05
DIRECT DEPOSIT REGULAR CHECKS:	19	18,253.26
MANUAL CHECKS:		
PRINTED MANUAL CHECKS:		
DIRECT DEPOSIT MANUAL CHECKS:		
VOIDED CHECKS:		
NON CHECKS:		
TOTAL CHECKS:	20	18,515.31

*** NO ERRORS FOUND ***

* END OF REPORT **



The City That Soars!

REQUEST FOR COUNCIL ACTION

Meeting Date	May 9, 2018
Agenda Item	Consent F2
Attachment	N/A
Submitted By	Sack Thongvanh

Item	City Hall Summer Hours
Description	<p>For the past several years, the City has implemented a modified schedule during summer months.</p> <p>During the summer months, especially on Fridays, the amount of walk-in and phone call requests for service drops off dramatically. Many cities use this as an opportunity to employ alternative hours of operation, commonly known as “summer hours”.</p> <p>Currently, normal hours of operation are Monday – Friday, 8:00 a.m. – 4:30 p.m. Staff is proposing that the City of Falcon Heights use the following schedule between Memorial Day and Labor Day:</p> <p>Monday – Thursday 7:30 am – 5:00 pm Friday 7:30 am - noon</p> <p>This would allow for City Hall to still be open the same number of hours per week (42.5) and for employees to still work the same number of total hours (40, with one ½ hour break each day). It would also allow City Hall customers the ability to come in a ½ hour earlier and later in the day to conduct business.</p> <p>We will publicize this through our normal methods (email, website, flyers, newsletters, newspapers, and social media). We would also insert a notice on all permit applications so that contractors and/or residents do not come to city hall on Friday afternoon hoping to pick up permits for their weekend projects. Notice will also be given to those who rent facilities that building keys will need to be picked up before noon on Friday.</p>
Budget Impact	N/A
Attachment(s)	None

Action(s) Requested	Staff recommends that the Falcon Heights City Council adopt the summer hours schedule explained above from Memorial Day to Labor Day.
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