ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE

CITY OF FALCON HEIGHTS, MINNESOTA

For the Year Ended

December 31, 2025

Prepared by

THE DEPARTMENT OF FINANCE
AND ADMINISTRATION

Jack Linehan, City Administrator

Alyssa Landberg, Finance Director

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

City of Falcon Heights
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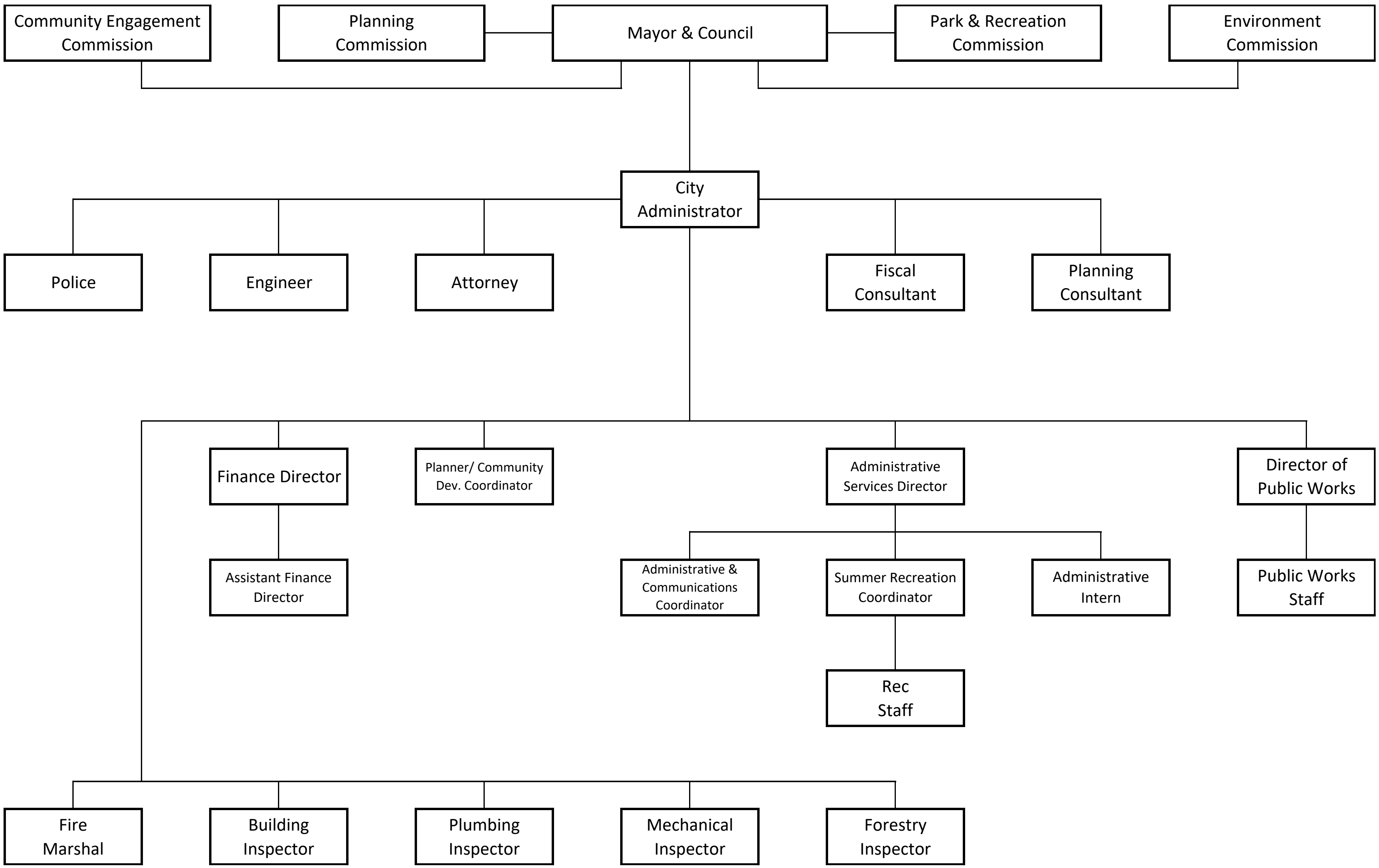
Elected Officials and Administration
December 31, 2025

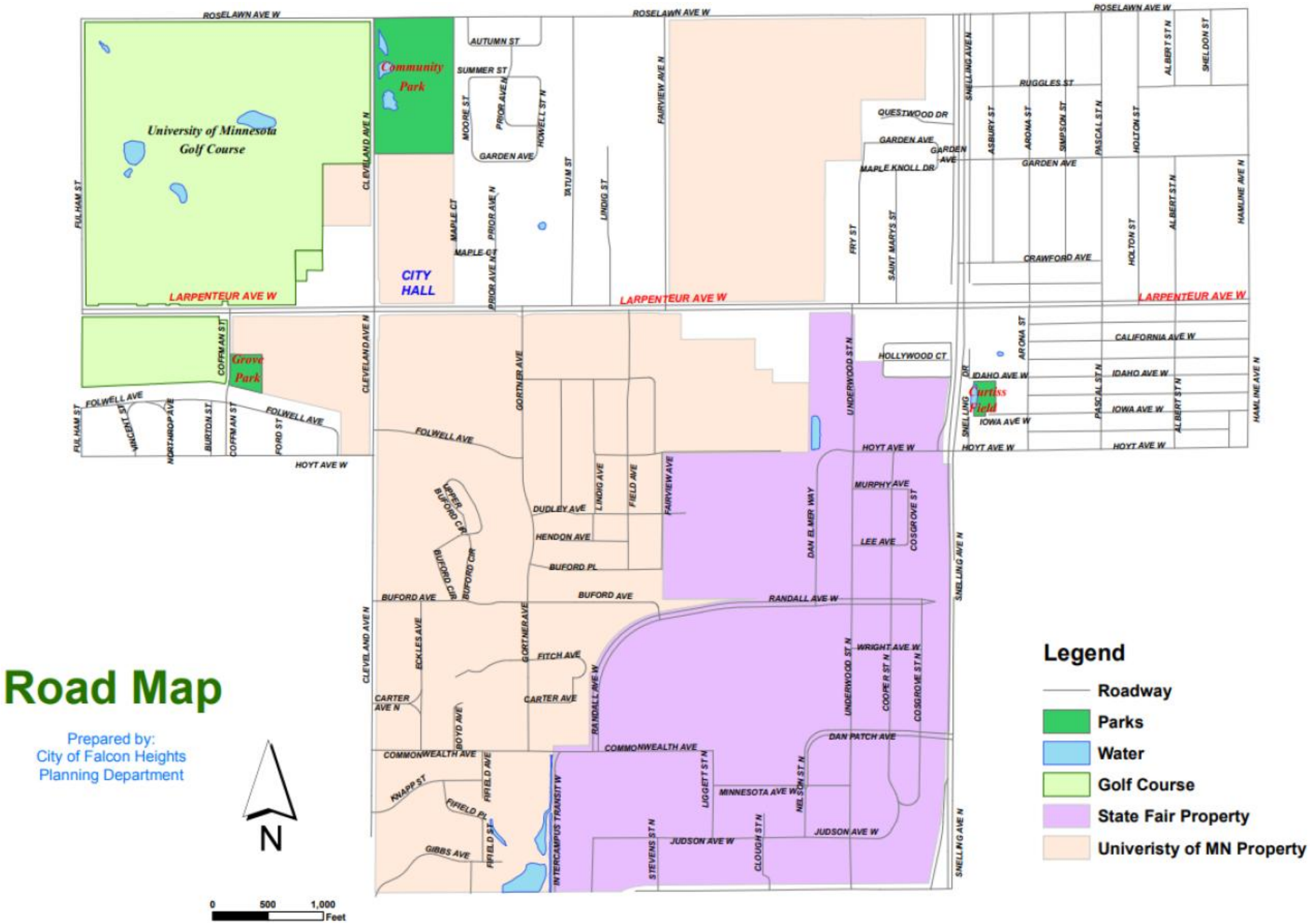
Elected Officials	Position	Term of Office Expires
Randy Gustafson	Mayor	December 31, 2027
Melanie Leehy	Council Member	December 31, 2025
Eric Meyer	Council Member	December 31, 2025
Jim Wassenberg	Council Member	December 31, 2027
Paula Mielke	Council Member	December 31, 2027

Administration	
Jack Linehan	City Administrator
Alyssa Landberg	Finance Director
Colin Callahan	Public Works Director
Kelly Nelson	Administrative Services Director
Hannah Lynch	City Planner / Community Development Coordinator
Elke Van Der Werf	Administrative and Communications Coordinator
Adrian Neis	Fire Inspector

City of Falcon Heights
Organization Chart
December 31, 2025



City of Falcon Heights
City Map
December 31, 2025



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CITY OF FALCON HEIGHTS
THE CITY THAT SOARS!

2077 Larpenteur Avenue W
Falcon Heights, MN 55113

P: 651-792-7600
F: 651-792-7610

May 13, 2026

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, 2025.

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, 2025. 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 5,640. 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.

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 recommends the appointment of 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 range of services including 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 Ramsey County Sheriff's Office and the St. Anthony Police Department provided police services in 2025, and the City of St. Paul provides fire protection and ambulance services.

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 34 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 92-102.

Expenditures may not exceed budgeted appropriations at the fund level. A fund's budget cannot 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.

Local Economy

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

The City of Falcon Heights is primarily a bedroom, residential, inner ring suburban community situated near the center of the Minneapolis and St. Paul metropolitan area. The economy of the City consists of retail, commerce, agricultural-related businesses, and institutional landowners, such as the St. Paul campus of the University of Minnesota and the Minnesota State Fair. The St. Paul campus of the University of Minnesota has approximately 2,400 full time 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 two 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 60,000 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. The ending unemployment rate for Ramsey County, within which Falcon Heights is located, was 3.9% in 2025. The State of Minnesota's ending unemployment rate for 2025 was 4.3% and the national ending unemployment rate was 4.1%.

The City is at or near full development, with a 7.4% increase in the median market value of property during 2025. The City's economic conditions have remained relatively stable with the University of Minnesota agricultural campus, Blaze 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

The City of Falcon Heights updated its Comprehensive Plan with approval of the plan by the Metropolitan Council and adoption by the City Council in January 2020. 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 high 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

2025 included the reconstruction of all streets in the Falcon Woods neighborhood and the reconstruction of east-west streets in the Northome street neighborhood. It also was the beginning of construction on Community Park improvements. The Community Park project will continue in 2026 and will be completed by fall 2026.

2024 was a pivotal year for the City. The City undertook a major public engagement process that led to a new contract for police services with the City of St. Anthony Village, restoring a previous relationship that was in place from 1994 to 2017. Additionally, the City underwent a major initiative to improve the Larpenteur/Snelling corridor streetscape, including replacing 34 decorative LED streetlights and refreshing historic monument signs. The City also received a grant from the Minnesota Pollution Control Agency to undergo a climate action and resiliency plan to help prepare the city for changing climates.

In 2023, the City underwent the largest capital program in City history with the purchase of Community Park from the University of Minnesota for $1.1 million, resurfacing of 1.4 miles of city streets and the complete reconstruction and reconfiguration of Garden Avenue. As part of the reconstruction, the City constructed a sidewalk on Garden Avenue as part of its trail system. The sidewalk was a necessary improvement to improve the safety of schoolchildren walking to and from school. Garden Avenue was also completely rebuilt to include new sidewalk, new curb and gutter, stormwater improvements, and sanitary sewer improvements.

In 2023, the City received a Critical Corridors grant from Ramsey County to complete a Larpenteur / Snelling corridor study to explore the existing and best future use of properties along the City's primary economic base.

In 2019, 2020, 2021, and 2022, the City completed the relining of additional sections of the sanitary sewer system.

In 2021, the City completed the resurfacing of three miles of city streets.

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

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

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.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2024. This was the 35th 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 ACFR. 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 ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated 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 Annual Comprehensive Financial Report for 2025. 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,

Jack Linehan

Jack Linehan, City Administrator

Alyssa Landberg

Alyssa Landberg, Finance Director

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City of Falcon Heights
Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Falcon Heights
Minnesota

For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill
Executive Director/CEO

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Falcon Heights, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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 City of Falcon Heights, Minnesota, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Falcon Heights, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Falcon Heights' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Falcon Heights' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about City of Falcon Heights' ability to continue as a going concern for a reasonable period of time.

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

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 Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

Supplementary 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
April 28, 2026

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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 the residents and other readers of the City's financial statements this management discussion and analysis (MD&A). The MD&A provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. 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 5-10 of this report. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred inflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $22,798,437. Of this amount, $10,571,476 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $630,711. Unrestricted net position increased by $629,885.
- As of the close of the current fiscal year, the City's combined governmental funds reported ending fund balances of $10,301,599. Debt principal payments of $785,000 and interest payments of $23,312 occurred in 2025. A positive change in fund balance in the general fund of $487,528, along with an increase of $132,239 in the fund balances of other governmental funds resulted in a net increase of $619,767 in total governmental 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 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 $4,171,815 is approximately 41% 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 $4,171,815, or 130%, of total General Fund expenditures at 2025 levels.
- In 2025 there was a 2.8% increase in the property tax levy.
- The City's total debt increased by $1,100,000 during the current fiscal year with the inclusion of the 2025A G.O. Tax Abatement and Improvement Bonds and the payoff of the 2017A G.O. Improvement Bonds and 2023A G.O. Improvement Bonds. The principal of general obligation debt outstanding as of December 31, 2025 is $2,155,000.

Overview of the Financial Statements

The discussion and analysis provided here are 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) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Overview of the Financial Statements (Continued)

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 government-wide financial statements include the government activities, and the business-type activities.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 of Falcon Heights itself (known as the primary government). The City has no component units.

The government-wide financial statements can be found on pages 34-35 of this report.

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

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 assessing 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*.

Overview of the Financial Statements (Continued)

Governmental Funds. (Continued) Any fund experiencing financial change during the year is considered active. The City maintained 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the five major funds. The major funds are the General Fund, G.O. Improvement Bonds - Series 2023A Debt Service Fund, G.O. Tax Abatement and Improvement – Series 2025A Debt Service Fund, Future Improvements Capital Projects Fund, Parks/Public Works Capital Improvement Fund, and Falcon Woods and Northome (2025 Street Project) Capital Project Fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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 G.O. Tax Abatement and Improvement, Series 2025A Debt Service Fund and UMN Les Bolstad Redevelopment Capital Projects Fund did not have adopted budgets for 2025.

The basic governmental fund financial statements can be found on pages 36-42 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 44-46 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The City uses notes to (1) present information in greater detail possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts are determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). The notes to the financial statements can be found on pages 47-69 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*. The City presents budgetary comparison schedules for the General Fund; and the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 73-77.

Overview of the Financial Statements (Continued)

Other Information. (Continued) The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information section on budgetary comparisons, and pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 80-91. Statistical tables can be found on pages 117-149 of this report.

Financial Summary and Detailed Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Falcon Heights, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $22,798,437 at the close of the most recent fiscal year, an increase of $630,711 from the previous year.

Forty-six percent ($10,571,476) 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% ($886,786) of the net position is restricted and represents resources that are subject to external restrictions on how they may be used. The remaining 50% ($11,340,175) 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.

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

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.

Financial Summary and Detailed Analysis (Continued)

City of Falcon Heights' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 11,457,219	$ 10,933,862	$ 2,199,560	$ 2,134,226	$ 13,656,779	$ 13,068,088
Capital assets	9,484,355	8,351,889	2,935,653	2,822,826	12,420,008	11,174,715
Total assets	20,941,574	19,285,751	5,135,213	4,957,052	26,076,787	24,242,803
Deferred outflows of resources - pensions	66,781	63,731	23,367	20,893	90,148	84,624
Total assets and deferred outflows of resources	$ 21,008,355	$ 19,349,482	$ 5,158,580	$ 4,977,945	$ 26,166,935	$ 24,327,427
Liabilities						
Long-term liabilities outstanding	$ 2,447,725	$ 1,018,883	$ 88,846	$ 98,318	$ 2,536,571	$ 1,117,201
Other liabilities	601,739	794,796	34,736	23,269	636,475	818,065
Total liabilities	3,049,464	1,813,679	123,582	121,587	3,173,046	1,935,266
Deferred inflows of resources - pensions	144,789	169,025	50,663	55,410	195,452	224,435
Net Position						
Net investment in capital assets	8,406,603	8,606,889	2,933,572	2,822,826	11,340,175	11,429,715
Restricted	886,786	796,420	-	-	886,786	796,420
Unrestricted	8,520,713	7,963,469	2,050,763	1,978,122	10,571,476	9,941,591
Total net position	17,814,102	17,366,778	4,984,335	4,800,948	22,798,437	22,167,726
Total liabilities, deferred inflows of resources, and net position	$ 21,008,355	$ 19,349,482	$ 5,158,580	$ 4,977,945	$ 26,166,935	$ 24,327,427

Financial Summary and Detailed Analysis (Continued)

City of Falcon Heights' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ 544,739	$ 430,499	$ 1,460,579	$ 1,309,061	$ 2,005,318	$ 1,739,560
Operating grants and contributions	152,638	405,317	-	-	152,638	405,317
Capital grants and contributions	787,605	72,132	-	-	787,605	72,132
General revenues						
Property taxes	2,740,989	2,679,518	-	-	2,740,989	2,679,518
Other	1,162,845	1,667,303	-	-	1,162,845	1,667,303
Investment earnings	403,600	465,815	75,677	75,069	479,277	540,884
Total revenues	5,792,416	5,720,584	1,536,256	1,384,130	7,328,672	7,104,714
Expenses						
General government	1,071,090	1,020,574	-	-	1,071,090	1,020,574
Public safety	1,762,066	2,013,781	-	-	1,762,066	2,013,781
Public works	2,164,544	1,197,562	-	-	2,164,544	1,197,562
Park and recreation	198,808	368,599	-	-	198,808	368,599
Community development	-	1,723	-	-	-	1,723
Interest on long-term debt	148,584	18,980	-	-	148,584	18,980
Sanitary sewer	-	-	1,199,856	1,057,156	1,199,856	1,057,156
Storm drainage	-	-	153,013	158,264	153,013	158,264
Total expenses	5,345,092	4,621,219	1,352,869	1,215,420	6,697,961	5,836,639
Increase in net position	447,324	1,099,365	183,387	168,710	630,711	1,268,075
Transfer	-	1,000,000	-	(1,000,000)	-	-
Changes in net position	447,324	2,099,365	183,387	(831,290)	630,711	1,268,075
Net position – January 1	17,366,778	15,267,413	4,800,948	5,632,238	22,167,726	20,899,651
Net position - December 31	$ 17,814,102	$ 17,366,778	$ 4,984,335	$ 4,800,948	$ 22,798,437	$ 22,167,726

Governmental Activities. Governmental activities increased the City's net position by $447,324.

For 2025, the City Council increased the tax levy by 2.8%. In 2024 the City Council increased the tax levy by 9.12%. The 2025 delinquencies in property tax collections decreased from 2024. The City's tax base continues to be very stable resulting in a low delinquency rate.

Financial Summary and Detailed Analysis (Continued)

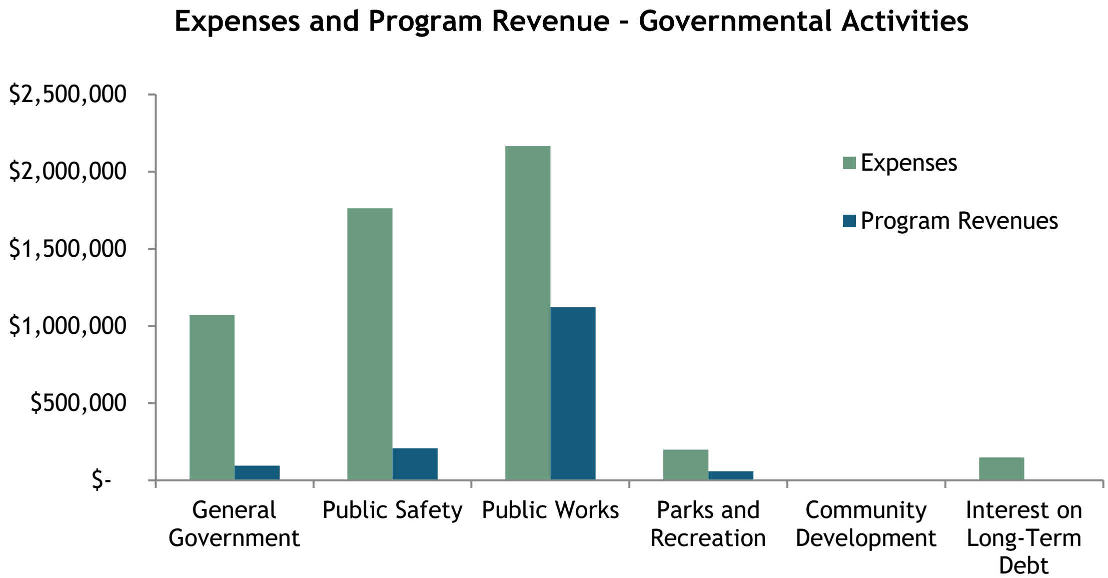
Governmental Activities. In the governmental activities section, overall, charges for services increased $114,240 from 2024. Compared to 2024 levels, licenses and permits increased slightly by $9,153 with minor increases in building, mechanical, and other miscellaneous permits. Likewise, the plan check fees also slightly increased by $1,252 with the increase in building permits. There were minor decreases in business licenses, rental housing licenses, and facility rentals, but this was relatively the same as 2024. Operating Grants and Contributions decreased $252,679 due to the City receiving a $34,400 Larpenteur/Snelling Avenue corridor grant, an MCMA internship grant of $3,500, and MN State Aid for public safety of $34,400 in 2024. In 2025 we received a $10,000 University of MN Good Neighbor Grant, and a $46,075 Climate Action Plan Grant from MPCA, and a Solar Panel Grant for $44,782. Capital Grants and Contributions increased $715,473 primarily due to special assessments and MN State Aid for the 2025 Street Project. Comparing other general revenues in 2025 of $1,162,845 compared to $1,667,303 of 2024 shows a decrease of $504,458 in general revenues. This is primarily due to a decrease of $440,789 in tax increments. In 2024 the council approved to amend the TIF plan for TIF 1-3 to remove the senior housing parcel from the TIF district, and in 2025 the parcel was removed. This lowered the amount received for this TIF district. Also in 2025, TIF 1-4 was reclassified as 4(d) affordable housing which resulted in lower property taxes for that district.

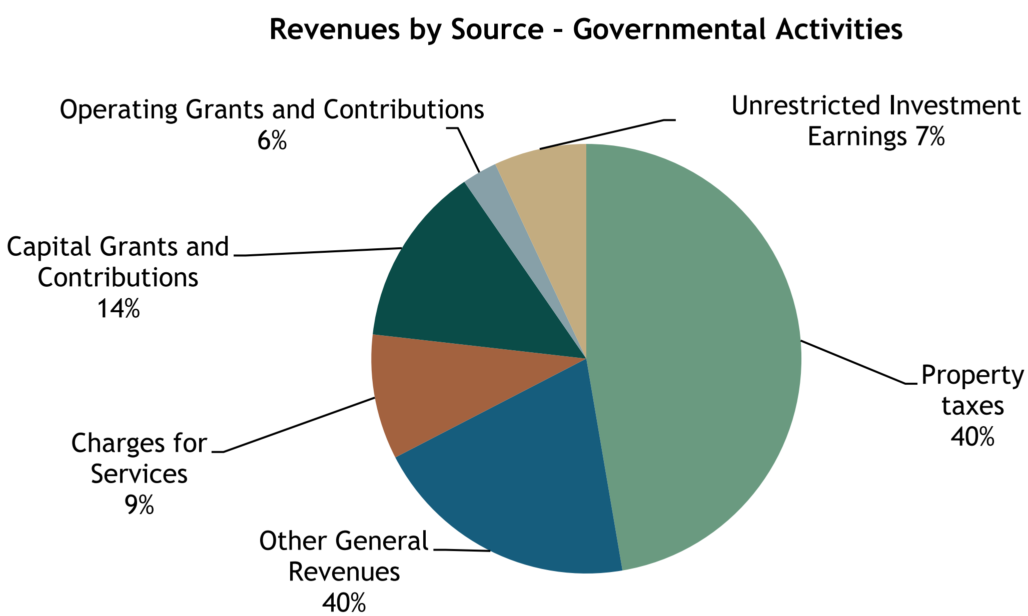
In regard to unrestricted intergovernmental aids and grants, Local Government Aid (LGA) to the City from the State of Minnesota increased slightly by $980 in 2025 to $862,544. The LGA level in 2024 was $861,564. The amount of LGA support from the State of Minnesota typically varies annually. In addition, governmental activities unrestricted investment revenues decreased from $465,815 in 2024 to $403,600 in 2025 due to decreased rates of return, but with an increase in fair market value adjustments in 2025. On the following pages are specific graphs, which provide comparisons of the governmental activities' revenues and expenses.

For expenditure changes in net position, comparing public safety expenses in 2025 to 2024 there was a $251,715 decrease in public safety expenses due to a change in contracted police services. In March 2025, the City began a contract with the City of St. Anthony Police Department to provide police services. As the police services scale up, the contracted expenses will also increase over time until full contracted services are reached. Public works expenses increased $966,982 due to more street projects in 2025 as compared to 2024.

Business-type Activities. Business-type activities increased the City's net position by $183,387 due to the increase in fees. There was a 4.1% increase in sanitary sewer fees and a 0.88% increase in storm drainage fees for 2025. In 2024, there was a 0% increase in sanitary sewer fees and a 2.7% increase in storm drainage fees. 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 for less water consumption to help lower their sanitary sewer charges. The commercial properties increased the same percentage 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.

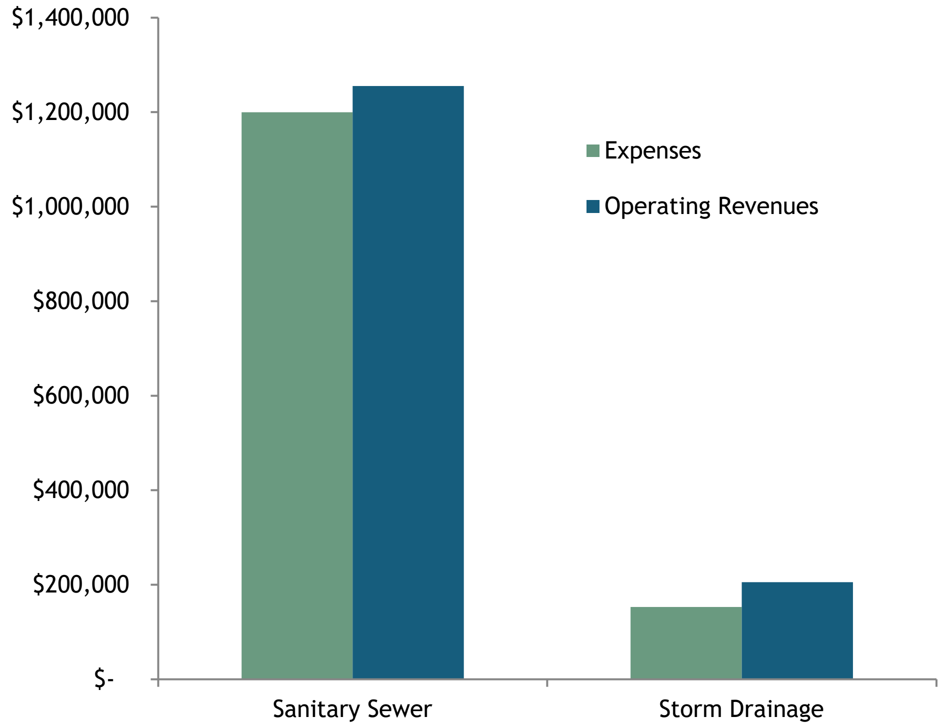
Financial Summary and Detailed Analysis (Continued)



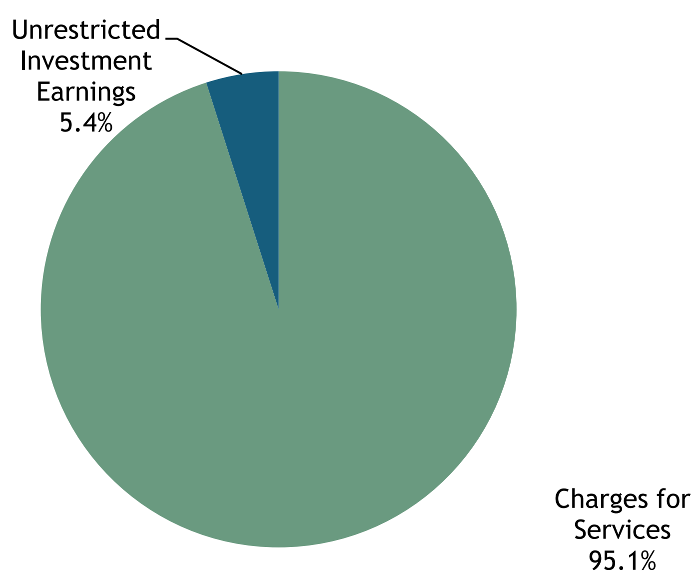


Financial Summary and Detailed Analysis (Continued)

Expenses and Operating Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



Detailed Analysis of Governmental 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 $10,301,599, an increase of $619,767 in comparison with the prior year. Approximately forty-one percent ($4,171,815) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. There is $23,058 of the fund balance being non-spendable, which indicates that it is not available for new spending because it has been disbursed for various prepaid expenditures in the General Fund. Eight percent ($786,624) is restricted fund balance constrained to a specific purpose by outside legislation, external parties, or constitutional provisions. Four percent ($446,108) is committed fund balance constrained by the City Council for specific purposes. Forty-seven percent ($4,873,994) is assigned fund balance intended for specific purposes by management as delegated authority by the City Council.

General Fund. 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 $4,171,815, while total fund balance reached $4,194,873. 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 130% of total General Fund expenditures, while total fund balance represents 131% of that same amount. 2025 saw some change in the City with a street project and a Community Park improvement project. The City maintained its AAA Bond rating in 2025. 2024 was a normal year for the City. 2023 and 2022 showed improvement compared to 2021. 2020 was a very challenging year, but it was fortunate that the City received $412,789 in COVID-19 federal/state funding due to the pandemic. The City locked down because of the pandemic in March of 2020 and suspended all recreational programs, cultural events, and city celebrations. In 2021 the City partially opened up the recreational programs, cultural events, and city celebrations. The City continued to place extra emphasis on conservative spending of the annual budget knowing that revenue shortfalls could occur due to the pandemic. In addition, the City strived to maintain its AAA bond rating by maintaining a large fund balance in the General Fund. In 2022 and 2021 property tax collections were not adversely affected. A bond rating of AAA has the effect of savings of thousands of dollars in interest costs when the City would go out for bonding for upcoming street projects in the next couple of years.

Detailed Analysis of Governmental Funds (Continued)

General Fund. (Continued) In 2025, the fund balance of the City's General Fund increased by $487,528. Revenues were $194,834 over budget. Expenditures were $372,694 under budget. There were transfers out of $156,000 resulting in the $487,528 increase to the fund balance. Key factors for this fund balance change are:

General Fund Revenue Variances

- Property Tax revenue had a variance under budget of $29,938. There was excess tax increment revenue totaling $35,342. Property tax revenues are very stable for the City.
- Revenue from fees associated with licenses and permits was $10,727 over budget. This was a normal year without any large building projects within the City.
- Intergovernmental revenue was $1,238 over budget. The city received a Good Neighbor Grant from the University of Minnesota for trees, and a Climate Action Grant from the Minnesota Pollution Control Agency.
- Fines and forfeits revenue had a positive variance of $9,415. Additional revenue was received from parking and traffic violations.
- Investment income was $144,313 over budget for 2025. This includes a fair market value increase of $13,458.
- Refunds, Reimbursements, and Other revenues were over budget by $23,794 primarily due to receiving a reimbursement from the MN State Fair for police services during the fair, solar refunds from Xcel Energy, and recycling scrap metal.

General Fund Expenditure Variances

- General Government was $77,511 under budget. The city continues to use a conservative approach to spending. The departments within the general government contributing to this are as follows: The Legislative section was $20,763 under budget due to less commissioner compensation than expected which led to less FICA contributions.
- The Administrative section recognized a $33,079 expenditure variance under budget due to contingency expenses that were budgeted for but not needed.
- The Finance section was $12,370 over budget due to the retirement of the Finance Director. This increased compensation and payroll tax expenses, but decreased health insurance expenses for the year.
- Legal was $6,163 under budget as fewer legal services were necessary throughout the year.
- The Communications section was $9,427 under budget. This variance is due to fewer expenses related to special events occurring, and the website redesign project is still in progress.
- The Planning and Inspection section was $19,146 under budget, which is primarily due to not using a consulting planner in 2025.
- The Public Safety section was $208,457 under budget. The police services were contracted with the Ramsey County Sheriff’s Office for January and February and contracted with the City of St. Anthony from March through December. With this transition, the police budget was $205,273 under budget. Prosecution was $1,000 under budget. General public safety was under budget by around $2,000 due to not having part-time emergency management expenses.

Detailed Analysis of Governmental Funds (Continued)

General Fund (Continued)

General Fund Expenditure Variances (Continued)

- Expenditures for the Public Works buildings and grounds section were $7,477 under budget. While city hall maintenance expenditures were $5,457 over budget there was a $13,701 budget savings in insurance and bond coverage costs. Gas utility expenditures were $1,100 under budget while electricity costs were $5,869 over budget. Budgeting utility estimates were difficult to determine for 2025.
- Expenditures for the Streets department were $3,963 under budget. Compensation was over budget by $5,172 due to multiple step adjustments. Repairing equipment was $10,249 over budget due to increased repairs on older trucks. Snow removal costs were $7,282 under budget due to the City having two snowplow trucks so city staff could perform the snow removal. Motor fuel was $3,428 under budget due primarily to less snow plowing. Bituminous Patching was $4,245 under budget due to fewer repairs needed.
- Expenditures for the City's Engineering department were $9,267 under budget. Fewer general engineering costs were needed, and engineering expenses for the 2025 Street Project were expensed in a separate street capital fund.
- City's Tree Program and Environmental funds were $38,948 under budget. The tree program variance was primarily due to less tree trimming, tree removal, and tree planting than budgeted. There was also minimal storm damage in 2025 which led to a decrease in expenditures related to trees. The Climate Action Plan costs were also under budget, and solar electricity costs were lower in 2025.
- A $27,071 expenditure variance under budget in total park and recreation expenditures was due to less maintenance and compensation expenses. Compensation was $8,095 under budget due to less seasonal employment needed. Other park maintenance and utility expenses were lower due to Community Park being closed during construction and the building being demolished.
- A transfer of $26,000 was made from the General Fund to the Parks Program Special Revenue Fund to help support future summer recreational sports programming activities. A transfer of $40,000 was made from the General Fund to the Parks/Public Works Capital Fund for Community Park improvements. A transfer of $10,000 from the General Fund to the Community Inclusion Fund was made to support community inclusion efforts in the City. A transfer of $80,000 was made from the General Fund to open the Les Bolstad Redevelopment Capital Fund to begin planning for that project.

Detailed Analysis of Governmental Funds (Continued)

Other Major Governmental Funds. 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 $64,723 in street aid and $102,573 in local government aid from the state of Minnesota. Also, the City received $137,995 in the form of franchise fees from Xcel Energy during 2025. There was a transfer of $40,000 to the Parking Management Special Revenue Fund to open this special revenue fund, and a $145,000 transfer to the 2025 Street Project Capital Fund, which was reduced from the original budgeted amount of $445,000 because the street project saw reduced costs. This Future Improvement Fund holds $1,643,236 in assigned fund balance for future capital improvement infrastructure projects. This is an increase of fund balance of $137,306 from 2024. The revenue variance of $54,002 was mostly due to increased investment income and an increase in MN state aid. Expenditures were $22,395 under budget, which was mostly due to spending less on city monument sign repair than originally estimated.

The 2025 Falcon Woods and Northome Street Project Fund, a major fund, has an assigned fund balance of $244,472. Revenue for this fund was $289,203 under budget. Special Assessments received less than anticipated due to amounts being recorded in the debt service fund. The Clean Water Grant from the State of MN brought in $10,000, and investment income was $5,214 over budget, but MN street aid was $94,417 less than estimated. Expenditures for this fund were $144,114 under budget, which is due to the street project bidding process coming in under budget.

The Parks/Public Works and Facilities Capital Improvements Fund, a major fund, had significant activity in 2025 because of the Community Park Improvement Project. It has a restricted fund balance of $33,575 and assigned fund balance of $2,387,773, with the Community Park Improvement Project continuing into 2026. The original budget assumed that the project would be completed in 2025, which is the main reason why the expenditures were $1,301,517 under budget. Revenue was over budget by $110,364 mostly due to investment income.

The G.O. Improvement Bonds, Series 2023A Debt Service Fund, a major fund, received an increase in transfer funds in 2025 in anticipation of bonding for the 2025 street project. The 2023 bond was a callable bond that was paid off prior to the 2025 bonding process with available fund transfers from the 2017 G.O. Improvement Bond Debt Service Fund and the related 2023 Street Project Capital Fund. In relation to that, the bond principal and interest payments were over budget to pay off that bond early.

The G.O. Tax Abatement and Improvement, Series 2025A Debt Service Fund, a major fund, received $262,914 in special assessment revenue for debt service and had an ending restricted fund balance of $262,914.

Proprietary fund. 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 $1,662,786 while unrestricted net position for the Storm Drainage Fund amounted to $387,977.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025 was $12,420,008 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and systems, construction in progress, improvements other than buildings, and machinery and equipment.

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. From 2007 to present day, 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. The City’s PCI rating was 85.9 for 2025. The next rating will be in 2028.

In 2025, the City completed a reconstruction of all streets in the Falcon Woods neighborhood and of the east-west streets of the Northome neighborhood. In 2024, the City completed a mill and overlay resurfacing project on a portion of Roselawn Avenue. In 2023, the City conducted a complete street rebuild to Garden Avenue to include sidewalk, new curb and gutter, stormwater basin improvements, and sanitary sewer improvements. In 2021, 2019, and 2017, the City conducted mill and overlay resurfacing. The 2021 resurfacing program included three neighborhood streets of the City. Also, during 2019, 2020, 2021, and 2022 the City relined a portion of the sanitary sewer line in one of the sections of the city.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 1,527,452	$ 1,527,452	$ -	$ -	$ 1,527,452	$ 1,527,452
Construction in progress	1,073,433	-	-	-	1,073,433	-
Building and system	146,547	114,810	2,867,001	2,735,866	3,013,548	2,850,676
Improvements other than buildings	336,555	378,568	-	-	336,555	378,568
Machinery and equipment	650,585	581,276	68,652	86,960	719,237	668,236
Infrastructure	5,749,783	5,749,783	-	-	5,749,783	5,749,783
Total	$ 9,484,355	$ 8,351,889	$ 2,935,653	$ 2,822,826	$ 12,420,008	$ 11,174,715

Additional information on the City's capital assets can be found in Note 3 on pages 57-58 of this report.

Long-term financing. At the end of the current fiscal year, the City had total bonded debt outstanding of $2,155,000. The debt service payments in 2025 were $785,000.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
G.O. Bonds	$ 2,155,000	$ 1,055,000	$ -	$ -	$ 2,155,000	$ 1,055,000

The City earned a "AAA" rating from Standard and Poor's Rating Service on the debt issuance in 2025.

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 $13,317,110, which is an 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 59-61 of this report.

Currently Known Facts, Decisions or Conditions

The City of Falcon Heights is aware of the following items that will impact future finances and were considered in the development of the 2026 fiscal year budget.

- Economic Developments
    - The 2025 year-end unemployment rate for Ramsey County, in which the City resides, was 3.9%, as compared to the rate of 2.4% in the prior year. This local unemployment rate compares favorably to the state's year-end unemployment rate of 4.3% and favorably to the national year-end unemployment rate of 4.1%.
    - 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 $300. This compares favorably to the average US citizen who pays approximately $308 for that same basket.

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 Avenue, City of Falcon Heights, Minnesota 55113.

BASIC FINANCIAL STATEMENTS

City of Falcon Heights
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash eqivalents)	$ 10,456,654	$ 1,927,513	$ 12,384,167
Receivables			
Taxes receivable	38,254	-	38,254
Special assessments	318,940	-	318,940
Accounts receivable	69,217	209,053	278,270
Interest receivable	6,712	1,216	7,928
Due from other governments	544,384	-	544,384
Prepaid items	23,058	61,778	84,836
Capital assets (net of accumulated depreciation)			
Land	1,527,452	-	1,527,452
Construction in progress	1,073,433	-	1,073,433
Infrastructure	5,749,783	-	5,749,783
Buildings and system	146,547	2,867,001	3,013,548
Improvements other than buildings	336,555	-	336,555
Machinery and equipment	650,585	68,652	719,237
Total assets	20,941,574	5,135,213	26,076,787
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	66,781	23,367	90,148
Total assets and deferred outflows of resources	$ 21,008,355	$ 5,158,580	$ 26,166,935
Liabilities			
Accounts payable	$ 181,438	$ 10,981	$ 192,419
Contracts payable	37,233	2,081	39,314
Due to other governments	156,925	-	156,925
Salaries and benefits payable	8,114	2,693	10,807
Interest payable	48,202	-	48,202
Bond principal payable			
Payable within one year	135,000	-	135,000
Payable after one year	2,182,705	-	2,182,705
Compensated absences payable			
Payable within one year	34,827	18,981	53,808
Payable after one year	31,138	7,009	38,147
Net pension liability			
Payable after one year	233,882	81,837	315,719
Total liabilities	3,049,464	123,582	3,173,046
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	144,789	50,663	195,452
Net Position			
Net investment in capital assets	8,406,603	2,933,572	11,340,175
Restricted for			
Debt service	739,893	-	739,893
Tax increment	75,887	-	75,887
Other purposes	71,006	-	71,006
Unrestricted	8,520,713	2,050,763	10,571,476
Total net position	17,814,102	4,984,335	22,798,437
Total liabilities, deferred inflows of resources, and net position	$ 21,008,355	$ 5,158,580	$ 26,166,935

City of Falcon Heights
Statement of Activities
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities							
General government	$ 1,071,090	$ 95,582	$ -	$ -	$ (975,508)	$ -	$ (975,508)
Public safety	1,762,066	185,139	22,301	-	(1,554,626)	-	(1,554,626)
Public works	2,164,544	247,935	85,555	787,605	(1,043,449)	-	(1,043,449)
Park and recreation	198,808	13,991	44,782	-	(140,035)	-	(140,035)
Community development	-	2,092	-	-	2,092	-	2,092
Interest on long-term debt	148,584	-	-	-	(148,584)	-	(148,584)
Total governmental activities	5,345,092	544,739	152,638	787,605	(3,860,110)	-	(3,860,110)
Business-type activities							
Sanitary sewer	1,199,856	1,255,287	-	-	-	55,431	55,431
Storm sewer	153,013	205,292	-	-	-	52,279	52,279
Total business-type activities	1,352,869	1,460,579	-	-	-	107,710	107,710
Total governmental and business-type activities	$ 6,697,961	$ 2,005,318	$ 152,638	$ 787,605	(3,860,110)	107,710	(3,752,400)
General revenues							
Property taxes levied for general purposes					2,592,931	-	2,592,931
Property taxes levied for debt service					148,058	-	148,058
Franchise taxes					137,995	-	137,995
Tax increments					248,851	-	248,851
Unrestricted intergovernmental aids and grants					759,106	-	759,106
Other general revenue					16,893	-	16,893
Unrestricted investment earnings					403,600	75,677	479,277
Total general revenues and transfers					4,307,434	75,677	4,383,111
Change in net position					447,324	183,387	630,711
Net position - beginning					17,366,778	4,800,948	22,167,726
Net position - ending					$ 17,814,102	$ 4,984,335	$ 22,798,437

City of Falcon Heights
Balance Sheet - Governmental Funds
December 31, 2025

		Debt Service		Capital Projects
	General	G.O. Improvement Bonds, Series 2023A	G.O. Tax Abatement and Improvement, Series 2025A	Future Improvements
Assets				
Cash and investments	$ 4,316,571	$ 127,385	$ 262,914	$ 1,615,343
Taxes receivable - delinquent	36,107	-	-	1,877
Special assessment receivable - deferred	-	138,310	143,949	9,581
Accounts receivable	-	-	-	34,189
Interest receivable	3,444	-	-	1,288
Due from other governments	32,649	129	-	414,716
Prepaid items	23,058	-	-	-
Total assets	$ 4,411,829	$ 265,824	$ 406,863	$ 2,076,994
Liabilities				
Accounts payable	$ 25,785	$ -	$ -	$ -
Contracts payable	-	-	-	-
Due to other governments	146,981	-	-	7,584
Salaries and benefits payable	8,083	-	-	-
Total liabilities	180,849	-	-	7,584
Deferred Inflows of Resources				
Unavailable revenue - state shared taxes	-	-	-	414,716
Unavailable revenue - property tax	36,107	-	-	1,877
Unavailable revenue - special assessments	-	138,310	143,949	9,581
Total deferred inflows of resources	36,107	138,310	143,949	426,174
Fund Balances				
Nonspendable	23,058	-	-	-
Restricted	-	127,514	262,914	-
Committed	-	-	-	-
Assigned	-	-	-	1,643,236
Unassigned	4,171,815	-	-	-
Total fund balances	4,194,873	127,514	262,914	1,643,236
Total liabilities, deferred inflows of resources, and fund balances	$ 4,411,829	$ 265,824	$ 406,863	$ 2,076,994

Capital Projects: Parks/PW and Facilities Capital Improvements	Falcon Woods and Northome	Other Governmental Funds	Total Governmental Funds
$ 2,486,635	$ 295,662	$ 1,352,144	$ 10,456,654
-	-	270	38,254
-	-	27,100	318,940
1,000	-	34,028	69,217
1,980	-	-	6,712
44,782	10,000	42,108	544,384
-	-	-	23,058
$ 2,534,397	$ 305,662	$ 1,455,650	$ 11,457,219
$ 86,884	$ 49,406	$ 19,363	$ 181,438
26,165	11,068	-	37,233
-	716	1,644	156,925
-	-	31	8,114
113,049	61,190	21,038	383,710
-	-	-	414,716
-	-	270	38,254
-	-	27,100	318,940
-	-	27,370	771,910
-	-	-	23,058
33,575	-	362,621	786,624
-	-	446,108	446,108
2,387,773	244,472	598,513	4,873,994
-	-	-	4,171,815
2,421,348	244,472	1,407,242	10,301,599
$ 2,534,397	$ 305,662	$ 1,455,650	$ 11,457,219

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City of Falcon Heights
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2025

Total fund balances - governmental funds	$ 10,301,599
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	11,770,451
Less accumulated depreciation	(2,286,096)
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	(2,155,000)
Bond premium	(162,705)
Compensated absences payable	(65,965)
Net pension liability	(233,882)
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	(144,789)
Deferred outflows of resources related to pensions	66,781
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period'sexpenditures and, therefore, are deferred in the funds:	
Property taxes	38,254
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred special assessments	318,940
State shared taxes	414,716
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	(48,202)
Total net position - governmental activities	$ 17,814,102

City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2025

		Debt Service		Capital Projects
	General	G.O. Improvement Bonds, Series 2023A	G.O. Tax Abatement and Improvement, Series 2025A	Future Improvements
Revenues				
Property taxes	$ 2,596,763	$ 66,977	$ -	$ -
Tax increments	35,342	-	-	-
Special assessments	-	38,560	262,914	7,680
Licenses and permits	110,977	-	-	137,995
Intergovernmental	843,284	-	-	172,907
Charges for services	47,423	-	-	-
Fines and forfeitures	24,415	-	-	-
Miscellaneous				
Investment income	159,313	1,255	-	64,969
Refunds and reimbursements	26,477	-	-	-
Other	3,317	-	-	-
Total revenues	3,847,311	106,792	262,914	383,551
Expenditures				
Current				
General government	1,064,691	1,411	-	-
Public safety	1,672,662	-	-	-
Public works	379,551	-	-	19,721
Park and recreation	86,879	-	-	-
Community development	-	-	-	-
Miscellaneous	-	-	-	-
Debt service				
Principal	-	520,000	-	-
Interest and other charges	-	20,078	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	41,524
Park and recreation	-	-	-	-
Total expenditures	3,203,783	541,489	-	61,245
Excess of revenues over (under) expenditures	643,528	(434,697)	262,914	322,306
Other Financing Sources (Uses)				
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	465,640	-	-
Transfers out	(156,000)	-	-	(185,000)
Total other financing sources (uses)	(156,000)	465,640	-	(185,000)
Net change in fund balances	487,528	30,943	262,914	137,306
Fund Balances				
Beginning of year	3,707,345	96,571	-	1,505,930
End of year	$ 4,194,873	$ 127,514	$ 262,914	$ 1,643,236

See notes to basic financial statements.

Capital Projects: Parks/PW and Facilities Capital Improvements	Capital Projects: Falcon Woods and Northome	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 81,081	$ 2,744,821
-	-	213,239	248,581
-	-	30,726	339,880
-	-	-	248,972
44,782	360,583	36,636	1,458,192
-	-	329,515	376,938
-	-	-	24,415
109,364	5,214	63,485	403,600
-	-	-	26,477
1,000	-	13,571	17,888
155,146	365,797	768,253	5,889,764
-	-	4,310	1,070,412
-	-	43,473	1,716,135
-	85,222	210,836	695,330
810	-	38,361	126,050
-	-	1,046	1,046
-	-	21,124	21,124
-	-	265,000	785,000
43,529	41,888	20,731	126,226
-	-	52,078	52,078
-	-	8,103	8,103
-	1,144,626	275,256	1,461,406
1,257,178	-	-	1,257,178
1,301,517	1,271,736	940,318	7,320,088
(1,146,371)	(905,939)	(172,065)	(1,430,324)
960,553	924,447	-	1,885,000
84,127	80,964	-	165,091
40,000	145,000	321,978	972,618
-	-	(631,618)	(972,618)
1,084,680	1,150,411	(309,640)	2,050,091
(61,691)	244,472	(481,705)	619,767
2,483,039	-	1,888,947	9,681,832
$ 2,421,348	$ 244,472	$ 1,407,242	$ 10,301,599

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, 2025

Net change in fund balances - governmental funds	$ 619,767
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	1,268,705
Depreciation expense	(136,239)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	28,719
Governmental funds recognized pension contributions as expenditures at the time of payment in items related to pensions on a full accrual perspective.	50,304
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.	785,000
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.	(33,647)
The issuance of long-term debt is recognized as an other financing source in the governmental funds but as a decrease in net position in the statement of activities:	(1,885,000)
Bonds payable	
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	(165,091)
Amortization of bond premiums	11,289
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Special assessments	80,069
State shared taxes	(174,867)
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.	(1,685)
Change in net position - governmental activities	$ 447,324

City of Falcon Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Property taxes	$ 2,626,701	$ 2,626,701	$ 2,596,763	$ (29,938)
Tax increments	-	-	35,342	35,342
Licenses and permits	100,250	100,250	110,977	10,727
Intergovernmental	842,046	842,046	843,284	1,238
Charges for services	47,480	47,480	47,423	(57)
Fines and forfeitures	15,000	15,000	24,415	9,415
Miscellaneous revenues				
Investment income	15,000	15,000	159,313	144,313
Refunds and reimbursements	5,000	5,000	26,477	21,477
Other	1,000	1,000	3,317	2,317
Total revenues	3,652,477	3,652,477	3,847,311	194,834
Expenditures				
Current				
General government	1,142,202	1,142,202	1,064,691	(77,511)
Public safety	1,881,119	1,881,119	1,672,662	(208,457)
Public works	439,206	439,206	379,551	(59,655)
Park and recreation	113,950	113,950	86,879	(27,071)
Total expenditures	3,576,477	3,576,477	3,203,783	(372,694)
Excess of revenues over (under) expenditures	76,000	76,000	643,528	567,528
Other Financing Sources (Uses)				
Transfers out	(76,000)	(76,000)	(156,000)	(80,000)
Net change in fund balance	$ -	$ -	487,528	$ 487,528
Fund Balance				
Beginning of year			3,707,345	
End of year			$ 4,194,873	

City of Falcon Heights

Statement of Net Position - Proprietary Funds

December 31, 2025

	Sanitary Sewer	Storm Drainage	Total
Assets			
Current assets			
Cash and investments	$ 1,523,070	$ 404,443	$ 1,927,513
Accounts receivable	176,536	32,517	209,053
Interest receivable	1,216	-	1,216
Prepaid items	61,778	-	61,778
Total current assets	1,762,600	436,960	2,199,560
Noncurrent assets			
Capital assets			
Sewer system	2,429,948	-	2,429,948
Storm drain	-	2,493,764	2,493,764
Machinery and equipment	117,506	122,570	240,076
Total capital assets	2,547,454	2,616,334	5,163,788
Less accumulated depreciation	(1,161,501)	(1,066,634)	(2,228,135)
Net capital assets	1,385,953	1,549,700	2,935,653
Total assets	3,148,553	1,986,660	5,135,213
Deferred Outflows of Resouces			
Deferred outflows of resources related to pensions	16,534	6,833	23,367
Total assets and deferred outflows of resources	$ 3,165,087	$ 1,993,493	$ 5,158,580
Liabilities			
Current liabilities			
Accounts payable	$ 2,801	$ 8,180	$ 10,981
Contracts payable	690	1,391	2,081
Salaries and benefits payable	2,674	19	2,693
Amount due within one year	12,225	6,756	18,981
Total current liabilities	18,390	16,346	34,736
Noncurrent liabilities			
Compensated absences	17,121	8,869	25,990
Net pension liability	57,905	23,932	81,837
Less amount due within one year	(12,225)	(6,756)	(18,981)
Total noncurrent liabilities	62,801	26,045	88,846
Total liabilities	81,191	42,391	123,582
Deferred Inflows of Resouces			
Deferred inflows of resources related to pensions	35,847	14,816	50,663
Net Position			
Net investment in capital assets	1,385,263	1,548,309	2,933,572
Unrestricted	1,662,786	387,977	2,050,763
Total net position	3,048,049	1,936,286	4,984,335
Total liabilities, deferred inflows of resources, and net position	$ 3,165,087	$ 1,993,493	$ 5,158,580

See notes to basic financial statements.

City of Falcon Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2025

	Sanitary Sewer	Storm Drainage	Total
Operating Revenues			
Charges for services	$ 1,252,607	$ 205,292	$ 1,457,899
Operating Expenses			
Wages, salaries, and compensation	232,343	88,962	321,305
Materials and supplies	53	2,064	2,117
Professional services	4,612	810	5,422
Maintenance	142,651	5,987	148,638
Repairs	1,964	2,290	4,254
Depreciation	46,621	48,618	95,239
Metro sewer charges	732,665	-	732,665
Billing fees	21,861	970	22,831
Insurance and bonds	5,679	2,540	8,219
Miscellaneous	11,407	772	12,179
Total operating expenses	1,199,856	153,013	1,352,869
Operating income	52,751	52,279	105,030
Nonoperating Revenues			
Investment income	55,791	19,886	75,677
Miscellaneous income	2,680	-	2,680
Total nonoperating revenues	58,471	19,886	78,357
Change in net position	111,222	72,165	183,387
Net Position			
Beginning of year	2,936,827	1,864,121	4,800,948
End of year	$ 3,048,049	$ 1,936,286	$ 4,984,335

City of Falcon Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2025

	Sanitary Sewer	Storm Drainage	Total
Cash Flows - Operating Activities			
Receipts from customers and users	$ 1,290,160	$ 205,085	$ 1,495,245
Payments to suppliers	(915,719)	(8,384)	(924,103)
Payments to employees	(239,909)	(95,067)	(334,976)
Net cash flows - operating activities	134,532	101,634	236,166
Cash Flows - Capital and Related Financing Activities			
Acquisition of capital assets	(69,013)	(139,053)	(208,066)
Cash Flows - Investing Activities			
Investment Income	67,102	19,886	86,988
Net change in cash and cash equivalents	132,621	(17,533)	115,088
Cash and Cash Equivalents			
Beginning of year	1,390,449	421,976	1,812,425
End of year	$ 1,523,070	$ 404,443	$ 1,927,513
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income	$ 52,751	$ 52,279	$ 105,030
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	46,621	48,618	95,239
Accounts receivable	37,553	(207)	37,346
Prepaid items	1,777	2,000	3,777
Pension expense	(4,145)	(5,456)	(9,601)
Accounts payable	2,706	6,571	9,277
Contracts payable	690	1,391	2,081
Due to other governmental units	-	(2,913)	(2,913)
Salaries payable	2,593	(30)	2,563
Compensated absences payable	(6,014)	(619)	(6,633)
Total adjustments	81,781	49,355	131,136
Net cash flows - operating activities	$ 134,532	$ 101,634	$ 236,166

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Bonds, Series 2023A Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

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

Parks/PW and Facilities Capital Improvements Capital Projects Fund - This fund accounts for capital outlay within the departments stated in its name.

Falcon Woods and Northome – Capital Projects Fund – This fund accounts for costs associated with various street improvements around the Falcon Woods and Northome neighborhoods.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

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.

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 assets 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 assets 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 150 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. The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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.

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.

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

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 Balances – These are amounts that cannot be spent because they are not in spendable form.

- Restricted Fund Balances – 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 Balances – 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.

- Assigned Fund Balances – 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 Balances – 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

F. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
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. The G.O. Tax Abatement and Improvement, Series 2025A Debt Service Fund and UMN Les Bolstad Redevelopment Capital Projects Fund did not have adopted budgets for 2025.
5. Expenditures may not legally exceed budgeted appropriations at the fund 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 City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2025, 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, 2025, was $0 for deposits.

As of December 31, 2025, the City had a petty cash balance of $260.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

		Investment Maturity				
Investment Type	Fair Value	Less than 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Rating
Brokered Certificates of Deposit	$ 701,237	$ 455,424	$ 245,813	$ -	$ -	NR
4M Term Series	3,931,569	3,931,569	-	-	-	NR
4M Fund and 4M Fund Plus	6,616,045	-	-	-	-	NR
Brokered Money Markets	1,135,056	-	-	-	-	NR
Total investments	$12,383,907	$ 4,386,993	$ 245,813	$ -	$ -	

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 fair 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.

Custodial Credit Risk – Investments: 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2025:

- $701,237 of investments (all brokered certificates of deposit) are significant other observable inputs (Level 2 inputs) using closing market prices.

Summary of cash deposits and investments as of December 31, 2025, were as follows:

Petty cash	$ 260
Investments (Note 2.B.)	12,383,907
Total deposits and investments	$ 12,384,167

C. Cash and Investments

Deposits and investments are presented in the December 31, 2025, basic financial statements as follows:

Statement of Net Position	
Cash and investments - governmental activities	$ 10,456,654
Cash and investments - business-type activities	1,927,513
Total	$ 12,384,167

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,527,452	$ -	$ -	$ 1,527,452
Infrastructure	5,749,783	-	-	5,749,783
Construction in progress	-	1,073,433	-	1,073,433
Total capital assets not being depreciated	7,277,235	1,073,433	-	8,350,668
Capital assets being depreciated				
Buildings	1,360,310	40,365	261,643	1,139,032
Improvements other than buildings	989,251	-	-	989,251
Machinery and equipment	1,167,453	154,907	30,860	1,291,500
Total capital assets being depreciated	3,517,014	195,272	292,503	3,419,783
Less accumulated depreciation for				
Buildings	1,245,500	8,628	261,643	992,485
Improvements other than buildings	610,683	42,013	-	652,696
Machinery and equipment	586,177	85,598	30,860	640,915
Total accumulated depreciation	2,442,360	136,239	292,503	2,286,096
Total capital assets being depreciated, net	1,074,654	59,033	-	1,133,687
Governmental activities capital assets, net	$ 8,351,889	$ 1,132,466	$ -	$ 9,484,355

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Buildings and system	$ 4,715,646	$ 208,066	$ -	$ 4,923,712
Machinery and equipment	240,076	-	-	240,076
Total capital assets being depreciated	4,955,722	208,066	-	5,163,788
Less accumulated depreciation for				
Buildings and system	1,979,779	76,932	-	2,056,711
Machinery and equipment	153,117	18,307	-	171,424
Total accumulated depreciation	2,132,896	95,239	-	2,228,135
Total capital assets being depreciated, net	2,822,826	112,827	-	2,935,653
Business-type activities capital assets, net	$ 2,822,826	$ 112,827	$ -	$ 2,935,653

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

Governmental activities	
General government	$ 36,207
Public safety	37,863
Public works	48,603
Culture and recreation	13,566
Total depreciation expense - governmental activities	$ 136,239
Business-type activities	
Sanitary sewer	$ 46,621
Storm drainage	48,618
Total depreciation expense - business-type activities	$ 95,239

NOTE 4 – TRANSFERS

Transfers during the year ended December 31, 2025, were as follows:

	Transfers Out			
Transfers In	General Fund	Future Improvements	Other Non-Major	Total
Parks/PW and facilities	$ 40,000	$ -	$ -	$ 40,000
Falcon Woods and Northome	-	145,000	-	145,000
G.O. Improvement 2023A	-	-	465,640	465,640
Other non-major	116,000	40,000	165,978	321,978
Total	$ 156,000	$ 185,000	$ 631,618	$ 972,618

The transfer from the General Fund to the Other Governmental Funds was to assist with park programs, community inclusion and capital expenditures. The transfer from the Future Improvements Fund to the Other Governmental Funds was to assist with creating the Parking Management Fund. The transfers from the Other Governmental Funds to the G.O. Improvement 2023 Fund was to help pay the debt payments. All other transfers were to provide resources for capital expenditures.

NOTE 5 – LONG-TERM DEBT

A. G.O. Debt

The City issues G.O. bonds to provide for financing of street improvements. Debt service is funded by 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. Improvement Bonds, Series 2021A	$ 665,000	2.00%	$ 270,000
G.O. Improvement Bonds, Series 2025A	1,885,000	5.00%	1,885,000

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. Improvement Bonds Principal	G.O. Improvement Bonds Interest
2026	$ 135,000	$ 95,953
2027	220,000	89,375
2028	135,000	82,525
2029	135,000	75,775
2030	145,000	68,775
2031-2035	795,000	199,725
2036-2040	500,000	61,500
2041	90,000	1,800
Total	$ 2,155,000	$ 675,428

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvement Bonds	$ 1,055,000	$ 1,885,000	$ 785,000	$ 2,155,000	$ 135,000
Unamortized Bond Premium	8,903	165,091	11,289	162,705	-
Compensated absences	94,684	-	28,719	65,965	34,827
Total governmental activities	1,158,587	2,050,091	825,008	2,383,670	169,827
Business-type activities					
Compensated absences	32,623	-	6,633	25,990	18,981
Total long-term liabilities	$ 1,191,210	$ 2,050,091	$ 831,641	$ 2,409,660	$ 188,808

The change in the compensated absences liability is presented as a net change.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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.

As of December 31, 2025, the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding as of 12/31/25
Mounds Park Academy	2014	$ 7,707,444	$ 4,375,236
St Paul Academy and Summit School Project Series	2017	7,375,000	5,071,992
Senior Housing and Health Care Revenue Note 2018A	2018	3,000,000	2,475,898
Senior Housing and Health Care Revenue Refunding 2018B	2018	1,523,889	984,350
New Harmoney Project Senior Housing and Healthcare Revenue Note	2021	7,000,000	5,994,669
Total		$ 26,606,333	$ 18,902,145

NOTE 6 – FUND BALANCE DETAIL

At December 31, 2025, fund balance was comprised of the following components:

	General	G.O. Improvement Bonds Series 2023A	G.O. Tax Abatement and Improvement Series 2025A	Future Improvements	Parks/PW and Facilities Capital	Falcon Woods and Northome	Other Governmental Fund	Total
Nonspendable								
Prepaid items	$ 23,058	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,058
Restricted								
Tax increment capital projects	-	-	-	-	-	-	85,374	85,374
Debt service	-	127,514	262,914	-	-	-	206,241	596,669
Grants	-	-	-	-	-	-	61,356	61,356
Park dedication	-	-	-	-	33,575	-	-	33,575
Charitable gambling	-	-	-	-	-	-	9,650	9,650
Committed								
Recreation costs	-	-	-	-	-	-	79,005	79,005
Hydrant and fire truck costs	-	-	-	-	-	-	71,424	71,424
Recycling and environmental			-			-		
activities	-	-	-	-	-	-	113,506	113,506
Activities promoting						-		
economic development	-	-	-	-	-	-	22,207	22,207
Lighting costs	-	-	-	-	-	-	62,925	62,925
Garden costs	-	-	-	-	-	-	7,786	7,786
Parking costs	-	-	-	-	-	-	89,255	89,255
Assigned						-		
Capital projects	-	-	-	1,643,236	2,387,773	244,472	598,513	4,873,994
Unassigned	4,171,815	-	-	-	-	-	-	4,171,815
Total	$ 4,194,873	$ 127,514	$ 262,914	$ 1,643,236	$ 2,421,348	$ 244,472	$ 1,407,242	$ 10,301,599

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 2025 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 7 – RISK MANAGEMENT

At December 31, 2025, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 8 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2025, was $7,461. The components of pension expense is noted in the following plan summary.

The General Fund typically liquidates the liability related to the pensions.

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, 353D, 353E, 353G, and 356. *Minnesota Statutes* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is vested, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Genal Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions
Minnesota Statutes Chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025, and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were $67,544. The City's contributions were equal to the required contributions as set by state statute.

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of $315,719 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. 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 $7,616.

City's proportionate share of the net pension liability	$ 315,719
State of Minnesota's proportionate share of the net pension liability associated with the City	7,616
Total	$ 323,335

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0095% at the end of the measurement period and 0.0092% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of $6,471 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized $(1,168) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2025, 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	$ 29,325	$ -
Changes in actuarial assumptions	7,608	68,688
Net difference between projected and actual investment earnings	-	126,764
Changes in proportion	19,443	-
Contributions paid to PERA subsequent to the measurement date	33,772	-
Total	$ 90,148	$ 195,452

The $33,772 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, 2026. 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
2026	$ (26,652)
2027	(50,332)
2028	(39,650)
2029	(22,442)
Total	$ (139,076)

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service and 6.0% per year thereafter.

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

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions 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.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	$ 766,835	$ 315,719	$ (50,235)

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

I. 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.

NOTE 9 – TAX INCREMENT FINANCING

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

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

During the year ended December 31, 2025, the City generated $213,239 in tax increment revenue and made $197,961 in payments to developers.

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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

Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liablility and the State's Proportionate Share of the Net Pension Liablility Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.0095%	$ 315,719	$ 7,616	$ 323,335	$ 862,853	36.59%	90.78%
2024	0.0092%	341,117	8,821	349,938	780,933	43.68%	89.08%
2023	0.0089%	497,678	13,651	511,329	706,587	70.43%	83.10%
2022	0.0088%	696,962	20,528	717,490	660,880	105.46%	76.67%
2021	0.0087%	371,529	11,389	382,918	625,853	59.36%	87.00%
2020	0.0084%	503,618	15,603	519,221	600,693	83.84%	79.06%
2019	0.0079%	436,773	13,666	450,439	561,133	77.84%	80.23%
2018	0.0086%	477,093	15,681	492,774	580,440	82.20%	79.53%
2017	0.0088%	561,786	7,039	568,825	564,907	99.45%	75.90%
2016	0.0084%	682,038	9,002	691,040	524,187	130.11%	68.91%

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

Fiscal Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 67,544	$ 67,544	$ -	$ 900,587	7.50%
2024	65,232	65,232	-	869,760	7.50%
2023	54,333	54,333	-	724,440	7.50%
2022	52,097	52,097	-	694,627	7.50%
2021	46,939	46,939	-	625,853	7.50%
2020	45,483	45,483	-	606,440	7.50%
2019	44,191	44,191	-	589,213	7.50%
2018	43,247	43,247	-	576,627	7.50%
2017	43,937	43,937	-	585,827	7.50%
2016	40,580	40,580	-	541,067	7.50%

See notes to required supplementary information.

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

NOTE 1 - INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

	2021	2022	2023	2024	2025
Streets and alleys					
Estimated	$ 997,000	$ 60,000	$ 1,227,000	$ 132,000	$ 1,535,000
Actual	1,819,330	38,524	874,473	11,002	1,211,844
Difference	$ (822,330)	$ 21,476	$ 352,527	$ 120,998	$ 323,156

NOTE 2 - CONDITION RATING OF THE CITY'S STREET SYSTEMS

	2019	2022	2025
Streets and alleys	71	69	86

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, 2016, 2019, 2022 and 2025 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 2025, the City's PCI rating was 86. This was the seventh analysis of the City's streets and alleys. The next rating will be completed in 2028.

General Employees Fund

2025 Changes
Changes in Actuarial Assumptions
- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members from 3% to 44% for non-vested members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions
- The post retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ration (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employee contribution is eliminated when the plan reaches 98% funded status (on actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes
Changes in Actuarial Assumptions
- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions
- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions
- An additional one-time direct state aid contribution of $170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

General Employees Fund (Continued)

2022 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions

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

2018 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes
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 annual 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.

Changes in Plan Provisions

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

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.

General Employees Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue			
	Park Programs	Water	Solid Waste	Community Development
Assets				
Cash and investments	$ 79,005	$ 62,974	$ 68,651	$ 22,207
Taxes receivable - delinquent	-	-	-	-
Special assessment receivable deferred	-	-	-	-
Accounts receivable	-	8,450	18,692	-
Due from other governments	-	-	36,636	-
Total assets	$ 79,005	$ 71,424	$ 123,979	$ 22,207
Liabilities				
Accounts payable	$ -	$ -	$ 10,442	$ -
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	31	-
Total liabilities	-	-	10,473	-
Deferred Inflows of Resources				
Unavailable revenue - property tax	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Restricted	-	-	-	-
Committed	79,005	71,424	113,506	22,207
Assigned	-	-	-	-
Total fund balances	79,005	71,424	113,506	22,207
Total liabilities, deferred inflows of resources, and fund balances	$ 79,005	$ 71,424	$ 123,979	$ 22,207

Special Revenue					
Street Lighting	Community Garden	Community Inclusion	Parking Management	Charitable Gambling	Total
$ 60,742	$ 7,786	$ 61,356	$ 89,255	$ 13,800	$ 465,776
-	-	-	-	-	-
-	-	-	-	-	-
5,332	-	-	-	1,554	34,028
-	-	-	-	-	36,636
$ 66,074	$ 7,786	$ 61,356	$ 89,255	$ 15,354	$ 536,440
$ 2,775	$ -	$ -	$ -	$ 5,704	$ 18,921
374	-	-	-	-	374
-	-	-	-	-	31
3,149	-	-	-	5,704	19,326
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	61,356	-	9,650	71,006
62,925	7,786	-	89,255	-	446,108
-	-	-	-	-	-
62,925	7,786	61,356	89,255	9,650	517,114
$ 66,074	$ 7,786	$ 61,356	$ 89,255	$ 15,354	$ 536,440

City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Debt Service			Capital Projects
	G.O. Improvement Bonds, Series 2017A	G.O. Improvement Bonds, Series 2021A	Total	General Capital Improvements
Assets				
Cash and investments	$ -	$ 205,822	$ 205,822	$ 432,326
Taxes receivable - delinquent	-	-	-	-
Special assessment receivable deferred	-	27,100	27,100	-
Accounts receivable	-	-	-	-
Due from other governments	-	419	419	2,142
Total assets	$ -	$ 233,341	$ 233,341	$ 434,468
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenue - property tax	-	-	-	-
Unavailable revenue - special assessments	-	27,100	27,100	-
Total deferred inflows of resources	-	27,100	27,100	-
Fund Balances				
Restricted	-	206,241	206,241	-
Committed	-	-	-	-
Assigned	-	-	-	434,468
Total fund balances	-	206,241	206,241	434,468
Total liabilities, deferred inflows of resources, and fund balances	$ -	$ 233,341	$ 233,341	$ 434,468

Capital Projects					
UMN Les Bolstad Redevelopment	2021 Street Project	Tax Increment No. 1-3	TIF District No. 1-4	Public Safety Capital Improvements	2023 Street Project
$ 80,000	$ 72,038	$ 73,832	$ 10,343	$ 12,007	$ -
-	-	270	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,911	-	-	-
$ 80,000	$ 72,038	$ 77,013	$ 10,343	$ 12,007	$ -
$ -	$ -	$ 221	$ 221	$ -	$ -
-	-	635	635	-	-
-	-	-	-	-	-
-	-	856	856	-	-
-	-	270	-	-	-
-	-	-	-	-	-
-	-	270	-	-	-
-	-	75,887	9,487	-	-
-	-	-	-	-	-
80,000	72,038	-	-	12,007	-
80,000	72,038	75,887	9,487	12,007	-
$ 80,000	$ 72,038	$ 77,013	$ 10,343	$ 12,007	$ -

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City of Falcon Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Capital Projects Total	Total Other Governmental Funds
Assets		
Cash and investments	$ 680,546	$ 1,352,144
Taxes receivable - delinquent	270	270
Special assessment receivable deferred	-	27,100
Accounts receivable	-	34,028
Due from other governments	5,053	42,108
Total assets	$ 685,869	$ 1,455,650
Liabilities		
Accounts payable	$ 442	$ 19,363
Due to other governments	1,270	1,644
Salaries and benefits payable	-	31
Total liabilities	1,712	21,038
Deferred Inflows of Resources		
Unavailable revenue - property tax	270	270
Unavailable revenue - special assessments	-	27,100
Total deferred inflows of resources	270	27,370
Fund Balances		
Restricted	85,374	362,621
Committed	-	446,108
Assigned	598,513	598,513
Total fund balances	683,887	1,407,242
Total liabilities, deferred inflows of resources, and fund balances	$ 685,869	$ 1,455,650

City of Falcon Heights
Ramsey County, Minnesota
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Special Revenue			
	Park Programs	Water	Solid Waste	Community Development
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Tax increments	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	36,636	-
Charges for services	12,001	51,930	125,861	-
Miscellaneous				
Investment income	3,980	2,023	3,578	987
Other	-	-	2,075	2,092
Total revenues	15,981	53,953	168,150	3,079
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	14,961	155,185	-
Park and recreation	37,470	-	-	-
Community development	-	-	-	1,046
Miscellaneous	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Total expenditures	37,470	14,961	155,185	1,046
Excess of revenues over (under) expenditures	(21,489)	38,992	12,965	2,033
Other Financing Sources (Uses)				
Transfers in	26,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	26,000	-	-	-
Net change in fund balances	4,511	38,992	12,965	2,033
Fund Balances				
Beginning of year	74,494	32,432	100,541	20,174
End of year	$ 79,005	$ 71,424	$ 113,506	$ 22,207

Special Revenue					
Street Lighting	Community Garden	Community Inclusion	Parking Management	Charitable Gambling	Total
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	36,636
41,894	990	-	89,025	7,814	329,515
2,553	387	2,771	2,055	861	19,195
325	-	-	-	-	4,492
44,772	1,377	2,771	91,080	8,675	389,838
-	-	-	-	-	-
-	-	839	41,825	-	42,664
35,155	-	-	-	-	205,301
-	891	-	-	-	38,361
-	-	-	-	-	1,046
-	-	-	-	20,313	20,313
-	-	-	-	-	-
-	-	-	-	-	-
					-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
35,155	891	839	41,825	20,313	307,685
9,617	486	1,932	49,255	(11,638)	82,153
-	-	10,000	40,000	-	76,000
-	-	-	-	-	-
-	-	10,000	40,000	-	76,000
9,617	486	11,932	89,255	(11,638)	158,153
53,308	7,300	49,424	-	21,288	358,961
$ 62,925	$ 7,786	$ 61,356	$ 89,255	$ 9,650	$ 517,114

City of Falcon Heights
Ramsey County, Minnesota
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Debt Service			Capital Projects
	G.O. Improvement Bonds, Series 2017A	G.O. Improvement Bonds, Series 2021A	Total	General Capital Improvements
Revenues				
Property taxes	$ -	$ 81,081	$ 81,081	$ -
Tax increments	-	-	-	-
Special assessments	114	30,612	30,726	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous			-	
Investment income	2,300	4,513	6,813	21,370
Other	-	-	-	9,079
Total revenues	2,414	116,206	118,620	30,449
Expenditures				
Current				
General government	-	-	-	4,310
Public safety	-	-	-	-
Public works	800	-	800	-
Park and recreation	-	-	-	-
Community development	-	-	-	-
Miscellaneous	-	811	811	-
Debt service			-	
Principal	130,000	135,000	265,000	-
Interest and other charges	12,790	7,941	20,731	-
Capital outlay			-	
General government	-	-	-	52,078
Public safety	-	-	-	-
Public works	-	-	-	-
Total expenditures	143,590	143,752	287,342	56,388
Excess of revenues over (under) expenditures	(141,176)	(27,546)	(168,722)	(25,939)
Other Financing Sources (Uses)				
Transfers in	-	165,978	165,978	-
Transfers out	(241,978)	-	(241,978)	-
Total other financing sources (uses)	(241,978)	165,978	(76,000)	-
Net change in fund balances	(383,154)	138,432	(244,722)	(25,939)
Fund Balances				
Beginning of year	383,154	67,809	450,963	460,407
End of year	$ -	$ 206,241	$ 206,241	$ 434,468

Capital Projects					
UMN Les Bolstad Redevelopment	2021 Street Project	Tax Increment No. 1-3	TIF District No. 1-4	Public Safety Capital Improvements	2023 Street Project
$ -	$ -	$ -	$ -	$ -	$ -
-	-	165,910	47,329	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7,419	4,675	560	646	2,807
-	-	-	-	-	-
-	7,419	170,585	47,889	646	2,807
-	-	-	-	-	-
-	-	-	-	809	-
-	2,480	810	1,445	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	8,103	-
-	67,219	160,484	47,553	-	-
-	69,699	161,294	48,998	8,912	-
-	(62,280)	9,291	(1,109)	(8,266)	2,807
80,000	-	-	-	-	-
-	(100,000)	-	-	-	(289,640)
80,000	(100,000)	-	-	-	(289,640)
80,000	(162,280)	9,291	(1,109)	(8,266)	(286,833)
-	234,318	66,596	10,596	20,273	286,833
$ 80,000	$ 72,038	$ 75,887	$ 9,487	$ 12,007	$ -

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City of Falcon Heights
Ramsey County, Minnesota
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Capital Projects	
	Total	Total Other Governmental Funds
Revenues		
Property taxes	$ -	$ 81,081
Tax increments	213,239	213,239
Special assessments	-	30,726
Intergovernmental	-	36,636
Charges for services	-	329,515
Miscellaneous		
Investment income	37,477	63,485
Other	9,079	13,571
Total revenues	259,795	768,253
Expenditures		
Current		
General government	4,310	4,310
Public safety	809	43,473
Public works	4,735	210,836
Park and recreation	-	38,361
Community development	-	1,046
Miscellaneous	-	21,124
Debt service		
Principal	-	265,000
Interest and other charges	-	20,731
Capital outlay		
General government	52,078	52,078
Public safety	8,103	8,103
Public works	275,256	275,256
Total expenditures	345,291	940,318
Excess of revenues over (under) expenditures	(85,496)	(172,065)
Other Financing Sources (Uses)		
Transfers in	80,000	321,978
Transfers out	(389,640)	(631,618)
Total other financing sources (uses)	(309,640)	(309,640)
Net change in fund balances	(395,136)	(481,705)
Fund Balances		
Beginning of year	1,079,023	1,888,947
End of year	$ 683,887	$ 1,407,242

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ 2,626,701	$ 2,596,763	$ (29,938)
Tax increments	-	35,342	35,342
Licenses and permits	100,250	110,977	10,727
Intergovernmental revenue			
Local government aid	759,971	759,971	-
Cable television franchise fees	31,000	27,238	(3,762)
Fire aid	5,000	-	(5,000)
Other grants and aids	46,075	56,075	10,000
Total intergovernmental revenue	842,046	843,284	1,238
Charges for services			
Plan check fees	10,000	9,277	(723)
Other	11,450	12,296	846
Snow removal	26,030	25,850	(180)
Total charges for services	47,480	47,423	(57)
Fines and forfeitures	15,000	24,415	9,415
Miscellaneous revenue			
Investment income	15,000	159,313	144,313
Refunds and reimbursements	5,000	26,477	21,477
Other	1,000	3,317	2,317
Total miscellaneous revenue	21,000	189,107	168,107
Total revenues	3,652,477	3,847,311	194,834
Expenditures			
General government			
Legislative			
Wages, salaries, and compensation	44,730	24,948	(19,782)
Materials and supplies	1,500	1,412	(88)
Other	31,890	30,997	(893)
Administration			
Wages, salaries, and compensation	256,150	229,585	(26,565)
Materials and supplies	9,900	6,619	(3,281)
Other	75,800	72,567	(3,233)

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
General government (Continued)			
Finance			
Wages, salaries, and compensation	$ 223,742	$ 243,245	$ 19,503
Materials and supplies	500	7	(493)
Other	31,500	24,860	(6,640)
Legal	27,500	20,902	(6,598)
Elections			
Materials and supplies	1,300	904	(396)
Other	26,975	26,503	(472)
Communications			
Wages, salaries, and compensation	74,070	76,666	2,596
Materials and supplies	13,000	10,349	(2,651)
Other	115,045	105,673	(9,372)
Planning and inspections			
Wages, salaries, and compensation	105,550	107,393	1,843
Materials and supplies	50	-	(50)
Other	103,000	82,061	(20,939)
Total general government	1,142,202	1,064,691	(77,511)
Public safety			
Emergency preparedness			
Wages, salaries, and compensation	7,667	5,763	(1,904)
Materials and supplies	100	-	(100)
Other	600	420	(180)
Police services	1,661,393	1,456,120	(205,273)
Legal	31,000	30,000	(1,000)
Fire fighting			
Other	180,359	180,359	-
Total public safety	1,881,119	1,672,662	(208,457)
Public works			
Buildings and grounds			
Wages, salaries, and compensation	37,235	35,293	(1,942)
Materials and supplies	9,000	8,286	(714)
Other	62,721	57,900	(4,821)

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund - Detailed
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public works (Continued)			
Streets			
Wages, salaries, and compensation	$ 74,125	$ 79,296	$ 5,171
Materials and supplies	28,600	20,562	(8,038)
Other	35,750	34,654	(1,096)
Engineering	12,000	2,733	(9,267)
Tree program			
Wages, salaries and compensation	19,700	18,719	(981)
Materials and supplies	500	163	(337)
Tree maintenance	93,000	66,152	(26,848)
Other	66,575	55,793	(10,782)
Total public works	439,206	379,551	(59,655)
Park and recreation			
Park maintenance			
Wages, salaries, and compensation	80,450	72,354	(8,096)
Materials and supplies	6,500	3,729	(2,771)
Other	27,000	10,796	(16,204)
Total parks and recreation	113,950	86,879	(27,071)
Total expenditures	3,576,477	3,203,783	(372,694)
Excess of revenues over (under) expenditures	76,000	643,528	567,528
Other Financing Sources (Uses)			
Transfers out	(76,000)	(156,000)	(80,000)
Net change in fund balance	$ -	487,528	$ 487,528
Fund Balance			
Beginning of year		3,707,345	
End of year		$ 4,194,873	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services	$ 13,200	$ 12,001	$ (1,199)
Miscellaneous revenues			
Investment income	1,500	3,980	2,480
Total revenues	14,700	15,981	1,281
Expenditures			
Park and recreation			
Current			
Wages, salaries, and compensation	36,851	27,274	(9,577)
Materials and supplies	1,750	-	(1,750)
Other	12,350	10,196	(2,154)
Total expenditures	50,951	37,470	(13,481)
Excess of revenues over (under) expenditures	(36,251)	(21,489)	14,762
Other Financing Sources			
Transfers in	26,000	26,000	-
Net change in fund balance	$ (10,251)	4,511	$ 14,762
Fund Balance			
Beginning of year		74,494	
End of year		$ 79,005	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Over (Under)
Revenues			
Charges for services	$ 38,000	$ 51,930	$ 13,930
Miscellaneous revenues			
Investment income	1,000	2,023	1,023
Total revenues	39,000	53,953	14,953
Expenditures			
Public works			
Wages, salaries, and compensation	12,765	12,143	(622)
Other	2,550	2,818	268
Total expenditures	15,315	14,961	(354)
Excess of revenues over (under) expenditures	$ 23,685	38,992	$ 15,307
Fund Balance			
Beginning of year		32,432	
End of year		$ 71,424	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues			
Recycling grant	$ 16,000	$ 36,636	$ 20,636
Charges for services	125,000	125,861	861
Miscellaneous revenues			
Investment income	2,500	3,578	1,078
Other	-	2,075	2,075
Total miscellaneous revenues	2,500	5,653	3,153
Total revenues	143,500	168,150	24,650
Expenditures			
Public works			
Wages, salaries, and compensation	21,250	22,082	832
Materials and supplies	3,850	418	(3,432)
Recycling contract	126,000	125,428	(572)
Other	4,700	7,257	2,557
Total expenditures	155,800	155,185	(615)
Excess of revenues over (under) expenditures	$ (12,300)	12,965	$ 25,265
Fund Balance			
Beginning of year		100,541	
End of year		$ 113,506	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	$ 600	$ 987	$ 387
Other	2,092	2,092	-
Total revenues	2,692	3,079	387
Expenditures			
Community development			
Other	8,850	1,046	(7,804)
Excess of revenues over (under) expenditures	$ (6,158)	2,033	$ 8,191
Fund Balance			
Beginning of year		20,174	
End of year		$ 22,207	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Over (Under)
Revenues			
Charges for services	$ 42,000	$ 41,894	$ (106)
Miscellaneous revenues			
Investment income	1,000	2,553	1,553
Other	-	325	325
Total miscellaneous	1,000	2,878	1,878
Total revenues	43,000	44,772	1,772
Expenditures			
Public works			
Other	43,850	35,155	(8,695)
Excess of revenues over (under) expenditures	$ (850)	9,617	$ 10,467
Fund Balance			
Beginning of year		53,308	
End of year		$ 62,925	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services			
Park and recreation	$ 950	$ 990	$ 40
Miscellaneous revenues			
Investment income	100	387	287
Total revenues	1,050	1,377	327
Expenditures			
Park and recreation			
Other	1,000	891	(109)
Excess of revenues over (under) expenditures	$ 50	486	$ 436
Fund Balance			
Beginning of year		7,300	
End of year		$ 7,786	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Community Inclusion Fund - Special Revenue Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	$ 1,000	$ 2,771	$ 1,771
Expenditures			
Public safety			
Wages, salaries and compensation	21,250	839	(20,411)
Excess of revenues over (under) expenditures	(20,250)	1,932	22,182
Other Financing Sources			
Transfers in	-	10,000	10,000
Net change in fund balances	$ (20,250)	11,932	$ 32,182
Fund Balance			
Beginning of year		49,424	
End of year		$ 61,356	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Charitable Gambling Fund - Special Revenue Fund
Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Charges for services				
Park and recreation	$ 10,000	$ 10,000	$ 7,814	$ (2,186)
Miscellaneous revenues				
Investment income	-	-	861	861
Total revenues	10,000	10,000	8,675	(1,325)
Expenditures				
Other	7,000	18,000	20,313	(2,313)
Excess of revenues over (under) expenditures	$ 3,000	$ (8,000)	(11,638)	$ (3,638)
Fund Balance				
Beginning of year			21,288	
End of year			$ 9,650	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Parking Management - Special Revenue Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Charges for services	$ 200,000	$ 89,025	$ (110,975)
Miscellaneous revenues			
Investment income	-	2,055	2,055
Total revenues	200,000	91,080	(108,920)
Expenditures			
Public safety			
Other	77,720	41,825	(35,895)
Excess of revenues over (under) expenditures	122,280	49,255	(73,025)
Other financing sources			
Transfers in	40,000	40,000	-
Net change in fund balance	$ 162,280	89,255	$ (73,025)
Fund Balance			
Beginning of year		-	
End of year		$ 89,255	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Improvement Bonds, Series 2023A - Debt Service Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ 67,000	$ 66,977	$ (23)
Special assessments	45,000	38,560	(6,440)
Miscellaneous revenues			
Investment income	1,000	1,255	255
Total revenues	113,000	106,792	(6,208)
Expenditures			
General government			
Other	850	1,411	561
Debt service			
Principal	92,000	520,000	428,000
Interest and other charges	25,904	20,078	(5,826)
Total expenditures	118,754	541,489	422,735
Excess of revenues over (under) expenditures	(5,754)	(434,697)	(428,943)
Other Financing Sources			
Transfers in	545,000	465,640	(79,360)
Net change in fund balance	$ 539,246	30,943	$ (508,303)
Fund Balance			
Beginning of year		96,571	
End of year		$ 127,514	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ -	$ -	$ -
Special assessments	-	114	114
Miscellaneous revenues			
Investment income	5,000	2,300	(2,700)
Total revenues	5,000	2,414	(2,586)
Expenditures			
Public works			
Wages, salaries and compensation	850	800	(50)
Debt service			
Principal	130,000	130,000	-
Interest and other charges	6,950	12,790	5,840
Total expenditures	137,800	143,590	5,790
Excess of revenues over (under) expenditures	(132,800)	(141,176)	(8,376)
Other Financing Sources			
Transfers out	(320,000)	(241,978)	78,022
Net change in fund balance	$ (452,800)	(383,154)	$ 69,646
Fund Balance			
Beginning of year		383,154	
End of year		$ -	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
G.O. Improvement Bonds, Series 2021A - Debt Service Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ 81,081	$ 81,081	$ -
Special assessments	22,000	30,612	8,612
Miscellaneous revenues			
Investment income	1,000	4,513	3,513
Total revenues	104,081	116,206	12,125
Expenditures			
Other	850	811	(39)
Debt service			
Principal	135,000	135,000	-
Interest and other charges	11,750	7,941	(3,809)
Total expenditures	147,600	143,752	(3,848)
Excess of revenues over (under) expenditures	$ (43,519)	(27,546)	$ 15,973
Fund Balance			
Beginning of year		67,809	
End of year		$ 206,241	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	$ 5,000	$ 21,370	$ 16,370
Other	11,000	9,079	(1,921)
Total revenues	16,000	30,449	14,449
Expenditures			
General government			
Current			
Other	850	4,310	3,460
Capital outlay	40,000	52,078	12,078
Total expenditures	40,850	56,388	15,538
Excess of revenues over (under) expenditures	$ (24,850)	(25,939)	$ (1,089)
Fund Balance			
Beginning of year		460,407	
End of year		$ 434,468	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
2023 Street Project - Capital Projects Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	$ 11,000	$ 2,807	$ (8,193)
Expenditures			
Public works			
Current	5,850	-	(5,850)
Excess of revenues over (under) expenditures	5,150	2,807	(2,343)
Transfers out	(295,000)	(289,640)	5,360
Net change in fund balance	$ (289,850)	(286,833)	$ 3,017
Fund Balance			
Beginning of year		286,833	
End of year		$ -	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
2021 Street Project - Capital Projects Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	$ 1,000	$ 7,419	$ 6,419
Total miscellaneous	1,000	7,419	6,419
Expenditures			
Public works			
Current			
Other	850	2,480	1,630
Capital outlay	120,000	67,219	(52,781)
Total expenditures	120,850	69,699	(51,151)
Excess of revenues over (under) expenditures	(119,850)	(62,280)	57,570
Other Financing Sources			
Transfers out	(100,000)	(100,000)	-
Net change in fund balance	$ (219,850)	(162,280)	$ 57,570
Fund Balance			
Beginning of year		234,318	
End of year		$ 72,038	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Tax increments	$ 400,000	$ 165,910	$ (234,090)
Miscellaneous revenue			
Investment income	200	4,675	4,475
Total revenues	400,200	170,585	(229,615)
Expenditures			
Public works			
Current			
Other	850	810	(40)
Capital outlay	407,500	160,484	(247,016)
Total expenditures	408,350	161,294	(247,056)
Excess of revenues over (under) expenditures	$ (8,150)	9,291	$ 17,441
Fund Balance			
Beginning of year		66,596	
End of year		$ 75,887	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Tax Increment No. 1-4 - Capital Projects Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Tax increments	$ 275,000	$ 47,329	$ (227,671)
Miscellaneous revenue			
Investment income	100	560	460
Total revenues	275,100	47,889	(227,211)
Expenditures			
Public works			
Current			
Other	850	1,445	595
Capital outlay	261,500	47,553	(213,947)
Total expenditures	262,350	48,998	(213,352)
Excess of revenues over (under) expenditures	$ 12,750	(1,109)	$ (13,859)
Fund Balance			
Beginning of year		10,596	
End of year		$ 9,487	

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Miscellaneous revenues				
Investment income	$ 300	$ 300	$ 646	$ 346
Expenditures				
Public safety				
Current				
Other	850	850	809	(41)
Capital outlay	-	10,000	8,103	(1,897)
Total expenditures	850	10,850	8,912	(1,938)
Excess of revenues over (under) expenditures	$ (550)	$ (10,550)	(8,266)	$ 2,284
Fund Balance				
Beginning of year			20,273	
End of year			$ 12,007	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Falcon Woods and Northome - Capital Projects Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Special assessments	$ 210,000	$ -	$ (210,000)
Intergovernmental			
Local government aid	445,000	350,583	(94,417)
Other grants and aids	-	10,000	10,000
Miscellaneous revenue			
Investment income	-	5,214	5,214
Total revenues	655,000	365,797	(289,203)
Expenditures			
Public works			
Current			
Other	850	85,222	84,372
Capital outlay	1,415,000	1,144,626	(270,374)
Total public works	1,415,850	1,229,848	(186,002)
Debt service			
Interest and other charges	-	41,888	41,888
Total expenditures	1,415,850	1,271,736	(144,114)
Excess of revenues over (under) expenditures	(760,850)	(905,939)	(145,089)
Other Financing Uses			
Bond issuance	875,000	924,447	49,447
Bond premium	-	80,964	80,964
Transfers in	145,000	145,000	-
Total other financing Sources (uses)	1,020,000	1,150,411	130,411
Net change in fund balance	$ 259,150	244,472	$ (14,678)
Fund Balance			
Beginning of year		-	
End of year		$ 244,472	

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, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Special assessments	$ -	$ 7,680	$ 7,680
Licenses and permits	135,000	137,995	2,995
Intergovernmental			
Other grants and aids	164,549	172,907	8,358
Miscellaneous revenues			
Investment income	30,000	64,969	34,969
Total revenues	329,549	383,551	54,002
Expenditures			
Public works			
Current			
Other	850	19,721	18,871
Capital outlay	38,000	41,524	3,524
Total expenditures	38,850	61,245	22,395
Excess of revenues over (under) expenditures	290,699	322,306	31,607
Other Financing Sources (Uses)			
Transfers out	(185,000)	(185,000)	-
Net change in fund balance	$ 105,699	137,306	$ 31,607
Fund Balance			
Beginning of year		1,505,930	
End of year		$ 1,643,236	

City of Falcon Heights
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
Parts/PW and Facilities Capital Improvements - Capital Projects Fund
Year Ended December 31, 2025

	Original Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Miscellaneous revenues			
Investment income	$ 30,000	$ 109,364	$ 109,364
Other	-	1,000	1,000
Total miscellaneous	30,000	110,364	110,364
Expenditures			
Parks and recreation			
Current			
Other	850	810	810
Capital outlay	3,076,100	1,257,178	1,257,178
Total expenditures	3,076,950	1,301,517	1,301,517
Excess of revenues over (under) expenditures	(3,046,950)	(1,146,371)	(1,146,371)
Other Financing Sources			
Bond issuance	1,500,000	960,553	960,553
Bond premium	-	84,127	84,127
Transfers in	40,000	40,000	40,000
Total other financing sources	1,540,000	1,084,680	1,084,680
Net change in fund balance	$ (1,506,950)	(61,691)	$ (61,691)
Fund Balance			
Beginning of year		2,483,039	
End of year		$ 2,421,348	

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STATISTICAL SECTION

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City of Falcon Heights
Statistical Section

This part of the City's annual comprehensive 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

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

	Fiscal Year			
	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	$ 7,139,185	$ 7,073,360	$ 7,136,755	$ 7,256,270
Restricted	484,867	613,084	528,460	913,108
Unrestricted	2,421,877	2,534,275	2,754,612	3,135,756
Total Governmental Activities	$ 10,045,929	$ 10,220,719	$ 10,419,827	$ 11,305,134
Business-Type Activities				
Net investment in capital assets	$ 1,487,989	$ 1,675,687	$ 1,620,358	$ 1,727,018
Unrestricted	2,524,097	2,139,335	2,252,575	2,389,482
Total Business-Type Activities	$ 4,012,086	$ 3,815,022	$ 3,872,933	$ 4,116,500
Primary Government				
Net investment in capital assets	$ 8,627,174	$ 8,749,047	$ 8,757,113	$ 8,983,288
Restricted	484,867	613,084	528,460	913,108
Unrestricted	4,945,974	4,673,610	5,007,187	5,525,238
Total Primary Government Net Position	$ 14,058,015	$ 14,035,741	$ 14,292,760	$ 15,421,634

Source: City of Falcon Heights Financial Records

Table 1

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 7,390,580	$ 7,006,594	$ 7,114,386	$ 8,073,418	$ 8,606,889	$ 8,406,603
866,475	778,435	1,503,171	1,149,698	796,420	886,786
4,380,322	5,695,480	5,837,757	6,044,297	7,963,469	8,520,713
$ 12,637,377	$ 13,480,509	$ 14,455,314	$ 15,267,413	$ 17,366,778	$ 17,814,102
$ 1,939,341	$ 2,201,504	$ 2,312,482	$ 2,559,166	$ 2,822,826	$ 2,933,572
2,232,118	2,323,793	2,413,071	3,073,072	1,978,122	2,050,763
$ 4,171,459	$ 4,525,297	$ 4,725,553	$ 5,632,238	$ 4,800,948	$ 4,984,335
$ 9,329,921	$ 9,208,098	$ 9,426,868	$ 10,632,584	$ 11,429,715	$ 11,340,175
866,475	778,435	1,503,171	1,149,698	796,420	886,786
6,612,440	8,019,273	8,250,828	9,117,369	9,941,591	10,571,476
$ 16,808,836	$ 18,005,806	$ 19,180,867	$ 20,899,651	$ 22,167,726	$ 22,798,437

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

	Fiscal Year 2016	2017	2018	2019
EXPENSES				
Governmental Activities				
General Government	$ 696,194	$ 752,640	$ 743,238	$ 777,949
Public Safety	1,073,268	1,072,905	1,473,021	1,528,097
Public Works	648,892	1,775,574	897,796	614,411
Park and Recreation	162,958	174,392	139,967	145,442
Community Development	1,789	3,726	33,944	8,080
Interest on Long-Term Debt	18,363	28,612	35,301	32,222
Total Governmental Activities Expenses	2,601,464	3,807,849	3,323,267	3,106,201
Business-Type Activities				
Sanitary Sewer	760,415	723,236	708,321	901,784
Storm Sewer	122,303	142,494	156,170	155,634
Total Business-Type Activities Expenses	882,718	865,730	864,491	1,057,418
Total Primary Government Expenses	$ 3,484,182	$ 4,673,579	$ 4,187,758	$ 4,163,619
PROGRAM REVENUES				
Governmental Activities				
Charges for Services:				
General Government	$ 167,214	$ 145,060	$ 118,265	$ 188,726
Public Safety	125,161	127,160	107,026	155,035
Public Works	152,128	151,229	160,774	146,301
Park and Recreation	15,170	11,476	11,047	8,986
Community Development	1,716	1,895	-	3,790
Operating Grants and Contributions	151,536	154,211	226,881	381,001
Capital Grants and Contributions	11,490	953,653	35,938	10,163
Total Governmental Activities Program Revenues	624,415	1,544,684	659,931	894,002
Business-Type Activities				
Charges for Services:				
Sanitary Sewer	829,339	879,391	945,893	1,070,459
Storm Sewer	157,067	169,957	169,172	174,608
Operating Grants and Contributions	701	-	-	-
Total Business-Type Activities Program Revenues	987,107	1,049,348	1,115,065	1,245,067
Total Primary Government Program Revenues	$ 1,611,522	$ 2,594,032	$ 1,774,996	$ 2,139,069

Table 2

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 765,683	$ 834,064	$ 821,349	$ 1,010,706	$ 1,020,574	$ 1,071,090
1,604,140	1,596,239	1,374,452	1,581,505	2,013,781	1,762,066
680,429	2,006,502	2,978,204	2,176,211	1,197,562	2,164,544
131,580	114,604	243,927	255,689	368,599	198,808
747	723	758	5,670	1,723	-
25,644	48,811	18,916	45,328	18,980	148,584
3,208,223	4,600,943	5,437,606	5,075,109	4,621,219	5,345,092
867,393	960,715	852,016	933,620	1,057,156	1,199,856
145,903	158,873	171,265	152,756	158,264	153,013
1,013,296	1,119,588	1,023,281	1,086,376	1,215,420	1,352,869
$ 4,221,519	$ 5,720,531	$ 6,460,887	$ 6,161,485	$ 5,836,639	$ 6,697,961
$ 129,162	$ 235,187	$ 109,321	$ 150,729	$ 99,600	$ 95,582
76,079	190,431	147,861	187,682	86,384	185,139
154,959	164,379	178,430	213,677	228,974	247,935
1,500	6,374	11,244	18,502	13,449	13,991
-	3,790	-	4,275	2,092	2,092
807,921	730,258	1,344,686	593,800	405,317	152,638
55,253	388,902	1,140,158	656,320	72,132	787,605
1,224,874	1,719,321	2,931,700	1,824,985	907,948	1,484,982
852,185	1,153,186	1,038,379	1,056,397	1,105,796	1,255,287
179,662	188,125	191,637	198,707	203,265	205,292
-	129,239	-	-	-	-
1,031,847	1,470,550	1,230,016	1,255,104	1,309,061	1,460,579
$ 2,256,721	$ 3,189,871	$ 4,161,716	$ 3,080,089	$ 2,217,009	$ 2,945,561

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

	Fiscal Year			
	2016	2017	2018	2019
Net (Expense)/Revenue				
Governmental Activities	$ (1,977,049)	$ (2,263,165)	$ (2,663,336)	$ (2,212,199)
Business-Type Activities	104,389	183,618	250,574	187,649
Total Primary Government Net (Expense)/Revenue	$ (1,872,660)	$ (2,079,547)	$ (2,412,762)	$ (2,024,550)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes	$ 1,181,336	$ 1,271,602	$ 1,600,552	$ 1,997,743
Franchise Fees	-	-	22,179	131,659
Tax Increments	251,476	172,018	294,506	229,181
Unrestricted State Aids	542,320	546,524	604,943	605,967
Other General Revenue	-	18,437	31,975	11,333
Unrestricted Investment Income	22,163	29,149	78,289	121,623
Gain on Sale of Assets	61	225	-	-
Transfers	40,000	400,000	230,000	-
Total Governmental Activities	2,037,356	2,437,955	2,862,444	3,097,506
Business-Type Activities:				
Other General Revenue	-	-	-	-
Unrestricted Intergovernmental aids and grants	-	-	-	-
Unrestricted Investment Income	13,844	19,318	37,337	55,918
Proceeds Sale of Assets	-	-	-	-
Transfers	(40,000)	(400,000)	(230,000)	-
Total Business-Type Activities	(26,156)	(380,682)	(192,663)	55,918
Total Primary Government	$ 2,011,200	$ 2,057,273	$ 2,669,781	$ 3,153,424
Changes in Net Position				
Governmental Activities	$ 60,307	$ 174,790	$ 199,108	$ 885,307
Business-Type Activities	78,233	(197,064)	57,911	243,567
Total Primary Government	$ 138,540	$ (22,274)	$ 257,019	$ 1,128,874

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

Source: City of Falcon Heights Financial Records

Table 2 (Cont)

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ (1,983,349)	$ (2,881,622)	$ (2,505,906)	$ (3,250,124)	$ (3,713,271)	$ (3,860,110)
18,551	350,962	206,735	168,728	93,641	107,710
$ (1,964,798)	$ (2,530,660)	$ (2,299,171)	$ (3,081,396)	$ (3,619,630)	$ (3,752,400)
$ 2,159,635	$ 2,251,745	$ 2,353,403	$ 2,500,294	$ 2,679,518	$ 2,740,989
138,243	132,896	136,421	137,132	137,354	137,995
271,247	333,729	371,807	389,504	689,640	248,851
604,477	892,919	611,055	624,431	809,868	759,106
52,308	103,564	25,877	21,584	30,441	16,893
89,682	9,901	(17,852)	389,278	465,815	403,600
-	-	-	-	-	-
-	-	-	-	1,000,000	-
3,315,592	3,724,754	3,480,711	4,062,223	5,812,636	4,307,434
-	-	-	-	-	-
-	-	-	604,112	-	-
36,408	2,876	(6,479)	133,845	75,069	75,677
-	-	-	-	-	-
-	-	-	-	(1,000,000)	-
36,408	2,876	(6,479)	737,957	(924,931)	75,677
$ 3,352,000	$ 3,727,630	$ 3,474,232	4,800,180	4,887,705	4,383,111
$ 1,332,243	$ 843,132	$ 974,805	$ 812,099	$ 2,099,365	$ 447,324
54,959	353,838	200,256	906,685	(831,290)	183,387
$ 1,387,202	$ 1,196,970	$ 1,175,061	$ 1,718,784	$ 1,268,075	$ 630,711

City of Falcon Heights

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
2016	$ 1,181,336	$ 251,476	$ -	$ 1,432,812
2017	1,271,602	172,018	-	1,443,620
2018	1,600,552	294,506	22,179	1,917,237
2019	1,997,743	229,181	131,659	2,358,583
2020	2,159,635	271,247	138,243	2,569,125
2021	2,251,745	333,729	132,896	2,718,370
2022	2,353,403	371,807	136,421	2,861,631
2023	2,500,294	389,504	137,132	3,026,930
2024	2,679,518	689,640	137,354	3,506,512
2025	2,740,989	248,851	137,995	3,127,835

Source: City of Falcon Heights Financial Records

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

	Fiscal Year			
	2016	2017	2018	2019
General Fund				
Nonspendable	$ 71,138	$ 37,201	$ 40,800	$ 17,737
Restricted	-	-	-	-
Unassigned	1,504,383	1,676,621	1,828,155	2,007,462
Total General Fund	$ 1,575,521	$ 1,713,822	$ 1,868,955	$ 2,025,199
All Other Governmental Funds				
Restricted	$ 337,506	$ 498,308	$ 450,561	$ 868,901
Committed	308,915	321,089	333,318	377,003
Assigned	799,450	1,642,422	1,659,242	1,404,348
Unassigned	(43,120)	-	-	-
Total All Other Governmental Funds	$ 1,402,751	$ 2,461,819	$ 2,443,121	$ 2,650,252

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

Source: City of Falcon Heights Financial Records

Table 4

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 53,084	$ -	$ 35,967	$ 8,840	$ 35,687	$ 23,058
-	-	-	224,272	-	-
2,515,136	3,245,298	3,118,111	3,194,708	3,671,658	4,171,815
$ 2,568,220	$ 3,245,298	$ 3,154,078	$ 3,427,820	$ 3,707,345	$ 4,194,873
$ 857,959	$ 649,927	$ 732,661	$ 689,001	$ 729,013	$ 786,624
426,849	471,616	502,097	540,205	288,249	446,108
1,775,983	3,109,890	3,853,008	3,605,386	4,957,225	4,873,994
-	-	-	(1,506)	-	-
$ 3,060,791	$ 4,231,433	$ 5,087,766	$ 4,833,086	$ 5,974,487	$ 6,106,726

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

	Fiscal Year			
	2016	2017	2018	2019
REVENUES				
Taxes	$ 1,435,717	$ 1,443,823	$ 1,897,392	$ 2,223,631
Special Assessments	54,579	210,956	51,510	45,029
Licenses and Permits	73,339	93,344	94,519	290,690
Intergovernmental	792,070	1,478,994	843,652	1,025,523
Charges for Services	225,347	235,928	237,908	265,620
Fines and Forfeitures	73,901	45,806	35,719	28,191
Investment Income	22,163	29,149	78,289	121,623
Miscellaneous	35,435	46,047	95,207	24,274
Total Revenues	2,712,551	3,584,047	3,334,196	4,024,581
EXPENDITURES				
General Government	$ 593,485	$ 662,544	$ 661,557	$ 672,880
Public Safety	939,029	957,329	1,321,072	1,432,158
Public Works	322,322	351,470	380,343	366,734
Park and Recreation	110,393	124,396	112,641	111,737
Community Development	1,789	3,726	33,944	8,080
Miscellaneous	-	-	-	-
Capital Outlay	364,916	1,477,627	693,758	437,505
Debt Service:				
Principal	140,000	150,000	150,000	265,000
Interest and Other Charges	18,813	20,980	46,673	38,746
Total Expenditures	2,490,747	3,748,072	3,399,988	3,332,840
Excess of Revenues Over (Under) Expenditures	221,804	(164,025)	(65,792)	691,741

Table 5

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 2,435,870	$ 2,576,318	$ 2,739,439	$ 2,843,641	$ 3,384,446	$ 2,993,402
45,900	184,268	57,233	213,191	107,191	339,880
214,568	385,304	292,942	389,617	239,819	248,972
1,485,632	1,267,770	2,953,789	1,698,111	1,078,103	1,458,192
215,778	345,082	208,593	261,632	285,460	376,938
15,109	19,511	18,385	17,962	18,168	24,415
89,682	9,901	(17,852)	389,278	465,815	403,600
80,280	51,209	56,351	51,647	29,047	44,365
4,582,819	4,839,363	6,308,880	5,865,079	5,608,049	5,889,764
$ 672,321	$ 748,953	$ 808,935	$ 919,283	$ 975,136	$ 1,070,412
1,509,034	1,541,474	1,391,181	1,568,320	2,016,431	1,716,135
393,428	638,436	1,570,165	626,035	560,151	695,330
89,144	96,937	116,430	112,012	137,065	126,050
747	723	758	5,670	2,444	1,046
1,414	592	758	2,430	747	21,124
497,043	1,369,067	1,534,594	2,839,027	1,321,884	2,778,765
265,000	445,000	120,000	255,000	255,000	785,000
35,249	56,875	36,422	42,240	42,859	126,226
3,463,380	4,898,057	5,579,243	6,370,017	5,311,717	7,320,088
1,119,439	(58,694)	729,637	(504,938)	296,332	(1,430,324)

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

	Fiscal Year			
	2016	2017	2018	2019
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 62,000	$ 442,000	$ 291,770	$ 479,912
Transfers Out	(22,000)	(42,000)	(61,770)	(479,912)
Proceeds Sale of Capital Assets	61	225	-	-
Insurance Recoveries	-	-	-	-
Bonds Issued	-	845,000	-	-
Bond premium	-	-	-	-
Total Other Financing Sources (Uses)	40,061	1,245,225	230,000	-
Net Change in Fund Balances	$ 261,865	$ 1,081,200	$ 164,208	$ 691,741
Debt Service as a Percentage of Noncapital Expenditures	6.63%	4.59%	5.87%	9.41%

Source: City of Falcon Heights Financial Records

Table 5 (Cont.)

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 158,000	$ 650,120	$ 720,000	$ 1,034,000	$ 1,724,543	$ 972,618
(158,000)	(650,120)	(720,000)	(1,034,000)	(724,543)	(972,618)
-	537,349	35,476	4,000	25,000	-
-	-	-	-	99,594	-
-	665,000	-	520,000	-	1,885,000
-	30,512	-	-	-	165,091
-	1,202,349	35,476	524,000	1,124,594	2,050,091
$ 1,119,439	$ 1,143,655	$ 765,113	$ 19,062	$ 1,420,926	$ 619,767
9.13%	10.63%	2.82%	4.73%	7.23%	15.06%

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
2016	$ 1,184,241	$ 251,476	$ -	$ 1,435,717
2017	1,271,805	172,018	-	1,443,823
2018	1,602,886	294,506	22,179	1,919,571
2019	1,994,450	229,181	131,659	2,355,290
2020	2,164,623	271,247	138,243	2,574,113
2021	2,242,589	333,729	132,896	2,709,214
2022	2,367,632	371,807	136,421	2,875,860
2023	2,454,137	389,504	137,132	2,980,773
2024	2,694,806	689,640	137,354	3,521,800
2025	2,744,821	248,851	137,995	3,131,667

Source: City of Falcon Heights Financial Records

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) Residential Property	Real Property (1) Commercial Property	Personal Property (1) Motor Vehicles	Personal Property (1) Other	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
2016	$ 4,100,084	NA	NA	$ 64,788	NA	$ 4,164,872	$ 26	$ 384,679,900	1.08%
2017	4,327,797	NA	NA	68,082	NA	4,395,879	26.342	403,438,700	1.09%
2018	4,602,900	NA	NA	72,140	NA	4,675,040	31.780	426,967,700	1.09%
2019	4,821,090	NA	NA	68,604	NA	4,889,694	37.356	464,013,600	1.05%
2020	5,290,593	NA	NA	70,696	NA	5,361,289	36.635	502,720,300	1.07%
2021	5,596,770	NA	NA	78,544	NA	5,675,314	36.348	527,577,000	1.08%
2022	5,519,656	NA	NA	31,868	NA	5,551,524	38.783	520,933,700	1.07%
2023	5,881,851	NA	NA	33,096	NA	5,914,947	35.174	596,939,400	0.99%
2024	6,162,607	NA	NA	35,080	NA	6,197,687	36.978	646,178,800	0.96%
2025	6,307,645	NA	NA	35,356	NA	6,343,001	35.795	665,855,500	0.95%

(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.

Source: Ramsey County Property Tax and Records

City of Falcon Heights
Property Tax Rates
Direct and Overlapping[1] Governments
Last 10 Fiscal Years

Table 8

NET TAX CAPACITY RATES (2)

	City of Falcon Heights			Overlapping Rates				
Fiscal Year	Operating Rate (3)	Debt Service Rate	Total City Rate	Technical College Rate	Ramsey County Rate	School District No. 623 Rate	Special Districts Rate	Total Direct and Overlapping Rates
2016	25.855	0.000	25.855	0.000	58.885	20.958	9.052	114.750
2017	26.342	0.000	26.342	0.000	55.850	18.894	8.669	109.755
2018	31.780	0.000	31.780	0.000	53.962	34.396	9.086	129.223
2019	37.356	0.000	37.356	0.000	52.879	31.687	8.891	130.903
2020	35.635	0.000	35.635	0.000	52.302	30.668	9.270	127.875
2021	36.348	0.000	36.348	0.000	47.760	31.25	8.588	123.947
2022	38.783	0.000	38.783	0.000	48.034	26.776	10.924	124.517
2023	35.174	0.000	35.174	0.000	44.901	25.533	9.767	115.375
2024	36.978	0.000	36.978	0.000	45.454	25.030	10.046	117.509
2025	35.795	0.000	35.795	0.000	47.476	27.774	10.571	121.616

(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.

Source: Ramsey County Property Tax and Records

City of Falcon Heights
Principal Property Taxpayers
December 31, 2025

Table 9

Taxpayer	2025 Taxable Assessed Value (1)	2025 Rank	2025 Percentage of Total Taxable Assessed Value	2016 Taxable Assessed Value	2016 Rank	2016 Percentage of Total Taxable Assessed Value
Tilden FP Falcon Heights Sr Apts	$ 309,933	1	4.89 %	$ 79,223	4	1.90 %
Larpenteur Manor LLC	199,025	2	3.14 %	104,288	3	2.50 %
Twin Cities CO Ops Fed Cr Union	150,250	3	2.37 %	137,250	2	3.30 %
PC Hendrikson LLC	167,760	4	2.64 %	-	-	- %
Falcon Crossing, LLC	81,358	5	1.28 %	49,044	6	1.18 %
Warner Properties of MN, LLP	77,670	6	1.22 %	39,654	7	0.95 %
Anna Spiegler	65,281	7	1.03 %	38,685	8	0.93 %
Xerxes Ave LLC	55,602	8	0.88 %	-	-	- %
Buhl GTA LP	47,500	9	0.75 %	-	-	- %
Midtown 2500 LLC	44,753	10	0.71 %	23,131	12	0.53 %
Total	$ 1,199,132		18.20 %	$ 471,275		10.76 %

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

Source: Ramsey County Property Tax and Records

City of Falcon Heights
Ramsey County, Minnesota
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
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%	6,448	1,278,253	100.00%
2018	1,487,059	1,480,385	99.6%	6,674	1,487,059	100.00%
2019	1,980,918	1,975,542	99.7%	5,376	1,980,918	100.00%
2020	2,137,524	2,131,339	99.7%	5,640	2,136,979	99.97%
2021	2,249,275	2,242,589	99.7%	447	2,245,625	99.84%
2022	2,360,444	2,358,279	99.9%	1,077	2,359,356	99.95%
2023	2,474,298	2,454,137	99.2%	20,162	2,474,299	100.00%
2024	2,700,072	2,694,806	99.8%	1,052	2,695,858	99.84%
2025	2,774,759	2,744,821	98.9%		2,744,821	98.92%

Source: City of Falcon Heights Financial Records

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

Table 11

	Governmental Activities			
Fiscal Year	G.O. Bonds	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2016	$ 930,000	$ 930,000	0.54%	170
2017	1,625,000	1,625,000	0.82%	298
2018	1,475,000	1,475,000	0.87%	271
2019	1,210,000	1,210,000	0.61%	220
2020	973,499	973,499	0.50%	174
2021	1,211,484	1,211,484	0.59%	216
2022	1,078,957	1,078,957	0.48%	200
2023	1,331,430	1,331,430	0.52%	248
2024	1,055,000	1,055,000	0.37%	187
2025	2,155,000	2,155,000	0.81%	386

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

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

Source: City of Falcon Heights Financial Records

City of Falcon Heights

City of Falcon Heights
Ratio 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]
2016	$ 930,000	$ 247,198	$ 682,802	0.18%	125
2017	-	404,754	(404,754)	-0.10%	(74)
2018	1,475,000	351,141	1,123,859	0.26%	206
2019	1,210,000	729,333	480,667	0.10%	87
2020	973,499	704,542	268,957	0.05%	48
2021	1,211,484	486,550	724,934	0.14%	129
2022	1,078,957	576,359	502,598	0.10%	93
2023	1,331,430	545,946	785,484	0.13%	146
2024	1,055,000	547,534	507,466	0.08%	94
2025	2,155,000	596,669	1,558,331	0.23%	276

Note: Details regarding the City's outstanding debt can be found in the Notes to the Basic 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)

Source: City of Falcon Heights Financial Records

City of Falcon Heights
Direct and Overlapping Governmental Actvities Debt
December 31, 2025

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes: County	$ 1,962,042,118	0.7%	$ 14,712,835
Subtotal, Overlapping Debt			14,712,835
City of Falcon Heights Direct Debt			2,155,000
Unamoritzed bond premium direct debt			162,705
Subtotal Direct Debt			2,317,705
Total Direct and Overlapping Debt			$ 17,030,540

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

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

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

City of Falcon Heights
Computation of Direct and Overlapping Bonded Debt
December 31, 2025

Table 13 (Cont.)

Governmental Unit	Gross Debt [1]	Sinking Funds	Net Debt	City's Share Percent	City's Share Amount
Direct					
City of Falcon Heights	$ 2,155,000	$ 333,207	$ 1,821,793	100.00 %	$ 1,821,793
Overlapping					
School Districts:					
ISD No. 623	154,390,000	622,606	153,767,394	7.46	11,469,408
Ramsey County:					
Ramsey County	220,617,000	84,512,922	136,104,078	0.88	1,200,215
County Library	12,610,000	2,641,421	9,968,579	1.72	171,710
Metro Watershed (Capital Region)	8,025,000	-	8,025,000	2.05	164,353
Metropolitan Agencies					
Metro Council	1,564,245,118	161,810,602	1,402,434,516	0.12	1,707,149
Metro Airports:					
Commission	-	-	-		-
Total:					
Overlapping:					
Debt	1,959,887,118	249,587,551	1,710,299,567		14,712,835
Total Direct and Overlapping Debt	$ 1,962,042,118	$ 249,920,758	$ 1,712,121,360		$ 16,534,628

[1] Gross debt totals include bonds which are financed by ad valorem tax levy, G.O. revenue financing and special assessments.

Source: Department of Property Records and Revenue - Ramsey County

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

	Fiscal Year			
	2016	2017	2018	2019
Debt Limit	$ 7,693,598	$ 8,068,774	$ 8,539,354	$ 9,280,272
Total Net Debt Applicable to Limit	-	-	-	-
Legal Debt Margin	$ 7,693,598	$ 8,068,774	$ 8,539,354	$ 9,280,272
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

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

Source: City of Falcon Heights Financial Records

Table 14

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 10,054,406	$ 10,551,540	$ 10,418,674	$ 11,938,788	$ 12,923,576	$ 13,317,110
-	-	-	-	-	-
$ 10,054,406	$ 10,551,540	$ 10,418,674	$ 11,938,788	$ 12,923,576	$ 13,317,110
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	Legal Debt Margin Calculation for Fiscal Year 2025
Assessed Value	$ 665,855,500
Add Back Exempt Real Property	-
Total Assessed Value	665,855,500
Debt Limit (2% of Total Assessed Value)	13,317,110
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	$ 13,317,110

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

Table 15

Fiscal Year	Special Assessment Bonds: Special Assessment Collections	Debt Service: Principal	Debt Service: Interest	Coverage
2016	$ 45,371	$ 60,000	$ 6,345	68.4%
2017	39,328	65,000	5,606	55.7%
2018	43,579	65,000	30,772	45.5%
2019	41,048	180,000	27,151	19.8%
2020	41,393	180,000	22,418	20.4%
2021	8,847	180,000	21,110	4.4%
2022	53,585	120,000	30,674	35.6%
2023	41,803	255,000	21,525	15.1%
2024	92,299	255,000	37,088	31.6%
2025	69,286	785,000	23,312	8.6%

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

Source: City of Falcon Heights Financial Records

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]
2016	5,460	170,657,760	31,256	NA	14.8	7,590	4.1
2017	5,450	197,050,200	36,156	NA	14.8	7,592	3.2
2018	5,450	170,345,200	36,245	NA	14.8	7,519	2.9
2019	5,500	199,347,500	36,245	NA	14.8	7,329	3.2
2020	5,600	196,072,800	35,013	NA	14.8	7,294	4.7
2021	5,600	204,948,800	36,598	NA	14.8	7,192	2.7
2022	5,400	226,249,200	41,898	NA	14.8	7,379	2.6
2023	5,379	255,099,075	47,425	NA	14.8	7,210	2.3
2024	5,640	286,895,520	50,868	NA	14.8	7,234	2.6
2025	5,581	266,693,666	47,786	NA	14.8	7,256	3.9

Data sources
[1] Bureau of the Census/Metropolitan Council
[2] State of Minnesota Demography Department - Ramsey County data and US Census data
[3] Census Data for 2020
[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

	2025			2016		
Taxpayer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Minnesota (1)	2,098	1	40.35 %	2,450	1	69.01 %
Blaze Credit Union	167	2	3.21 %	90	4	2.54 %
Minnesota State Fair (2)	89	3	1.71 %	74	5	2.08 %
Twin Cities Laboratories	60	4	1.15 %	125	2	3.52 %
Falcon Heights Elementary	60	5	1.15 %	-	-	
Estimated Total City Employees All Businesses:	5,200		47.58 %	3,550		81.57 %

(1) The University of Minnesota Saint Paul Campus has an additional 400 part-time employees during the year.
(2) During the Minnesota State Fair held each fall, there are an additional 2,600 people contingently employed.

Source: City of Falcon Heights Administrative office and Ramsey County.

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

Table 18

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government	4.26	4.61	5.21	5.21	5.21	5.18	5.41	5.36	5.36	5.56
Public Safety										
Police (1):										
Officers	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Fire:										
Firefighters and Officers	3.02	2.77	2.77	2.77	2.77	0.35	0	0	0	0
Highways and Streets										
Engineering (2)										
Maintenance	1.13	1.10	1.11	1.11	1.11	1.11	1.13	1.06	1.06	1.06
Park and Recreation	2.49	2.44	2.49	2.49	2.49	1.64	2.49	2.05	2.05	2.05
Sewer	2.19	2.32	2.32	2.32	2.32	2.33	2.19	2.58	2.58	2.88
Total	13.09	13.24	13.90	13.90	13.90	10.61	11.22	11.05	11.05	11.55

(1) The City contracted with the Ramsey County Sheriff's Office for January and February, and the City of St. Anthony Police Department for March - December 2025 for police services.
(2) The City contracts with outside entities for engineering services.

Source: City of Falcon Heights administrative Office.

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

Table 19

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Physical Arrests	539	311	59	37	30	67	30	52	40	78
Parking Violations	303	155	304	410	88	135	274	363	418	348
Traffic Violations	1,344	1,653	270	299	73	207	288	169	33	1,160
Fire										
Number of Calls Answered	120	119	143	200	106	171	190	206	224	355
Inspections	77	105	146	99	70	2	98	93	84	98
Highways and Streets										
Streets Resurfacing (Miles)	-	-	1	-	-	3	-	-	-	2
Potholes Repaired	70	68	29	55	100	20	30	35	42	25
Sanitation										
Refuse Collected (Tons/Day) (1)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Recyclables Collected (Tons/Week) (2)	9.0	8.9	8.6	8.0	9.3	9.3	8.4	8.3	8.3	7.7
Park and Recreation										
Athletic Field Permits Issued	3	83	87	93	-	-	-	3	-	45
Community Centers Admissions (3)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Water										
New Connections	-	3	2	-	-	-	-	-	-	-
Water Mains Breaks	-	1	1	1	7	3	2	3	4	3
Average Daily Consumption (Thousands of Gallons per Day)	716	723	769	742	574	708	820	823	761	1015
Wastewater										
Average Daily Sewage Treatment (Thousands of Gallons per Day)	574	538	629	638	500	572	602	577	602	575

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. Updated metrics to tons per week in 2025.
(3) The City of Falcon Heights does not have a community center, but does have park buildings or shelters to use when parks are rented.

Sources: Various government departments

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

Table 20

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety										
Police (1):										
Stations	-	-	-	-	-	-	-	-	-	-
Patrol Units	-	-	-	-	-	-	-	-	-	-
Fire Stations (2)	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 (3) (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 Police Department for 24-hour police coverage.
(2) The fire service was disbanded in January 2021 and the City contracts for fire services with City of St Paul.
(3) 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.

Sources: Various city departments, St Paul Water Utility, Metropolitan Council Environmental Services.