

CITY OF INVER GROVE HEIGHTS

A G E N D A

CITY COUNCIL WORK SESSION

MAY 6, 2019 6:00 PM

**INVER GROVE HEIGHTS CITY HALL
COUNCIL CHAMBERS**

A. CALL TO ORDER – MAYOR TOURVILLE

- 1. REVIEW DRAFT OF 2018 CAFR**
- 2. DISCUSS FINANCING FOR HERITAGE VILLAGE PARK**
- 3. UPDATE ON EMERALD ASH BORER INFESTATION**
- 4. FEE UPDATES FOR NEW ORDINANCES**
- 5. SAFETY SURVEY PRESENTATION**

B. ADJOURN

CITY OF INVER GROVE HEIGHTS

REQUEST FOR COUNCIL ACTION

Review draft copies of the Comprehensive Annual Financial Report for the Year Ended December 31, 2018 and the Auditor's Management Letter and Other Required Report

Meeting Date: May 6, 2019
 Item Type: Work Session
 Contact: Shannon Battles, 651-450-2488
 Prepared by: Shannon Battles, Interim Finance Director
 Reviewed by: N/A

Fiscal/FTE Impact:

☒	None
☐	Amount included in current budget
☐	Budget amendment requested
☐	FTE included in current complement
☐	New FTE requested – N/A
☐	Other

PURPOSE/ACTION REQUESTED

To review draft copies of the Comprehensive Annual Financial Report (CAFR), the Auditor's Management Letter and Other Required Report for the year ended December 31, 2018.

SUMMARY

Each year the City contracts with an independent Certified Public Accounting firm to audit the City's Comprehensive Annual Financial Report. Abdo, Eick & Meyers, LLP performed the audit for the 2018 CAFR. They have issued an unqualified (clean) opinion on the City's financial statements. This is the highest form of assurance a Certified Public Accounting Firm can issue. Draft copies of the CAFR, Management Letter and Other Report are enclosed with this memo.

In reviewing the CAFR, I suggest reading the Letter of Transmittal which begins on page 11 in the Introductory Section of the report, Management's Discussion and Analysis (MD&A) which begins on page 27 in the Financial Section of the report, and the Notes to the Financial Statements which begin on page 61 in the Financial Section in the report.

Brad Falteysek from Abdo, Eick & Meyers, LLP. will be present at the work session to discuss these reports.

We will be submitting the CAFR to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting. This will be the 32st year that we have participated in this program. We will also put the CAFR on the City's website.



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018**

**CITY OF INVER GROVE HEIGHTS,
MINNESOTA**

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CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

REPORT PREPARED BY:
FINANCE DEPARTMENT

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City of Inver Grove Heights, Minnesota
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INTRODUCTORY SECTION

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Inver Grove Heights

www.ci.inver-grove-heights.mn.us

NEED DATE

To the City Council and Citizens of the City of Inver Grove Heights:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with audit standards generally accepted in the United States of America by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Inver Grove Heights for the fiscal year ended December 31, 2018.

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

The City of Inver Grove Heights' financial statements have been audited by Abdo, Eick & Meyers, LLP a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Inver Grove Heights for the fiscal year ended December 31, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Inver Grove Heights' financial statements for the fiscal year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Inver Grove Heights, incorporated in 1965, is a suburban community located about 12 miles south of the City of St. Paul, Minnesota in the eastern part of the state. This area is considered to be a major population and economic growth area in the state, and among one of the highly ranked economic growth areas in the country. The City of Inver Grove Heights currently occupies a land area of approximately 30 square miles and serves a population of 35,372. The City of Inver Grove Heights is empowered to levy a property tax on both real and personal properties located within its boundaries. While it is empowered by state statute to extend its corporate limits by annexation, Inver Grove Heights is still developing within its corporate limits and is bordered on all sides by other incorporated communities.

The City of Inver Grove Heights became a statutory city in 1974. The City operates under a statutory form of government consisting of a four-member city council and the mayor who is a voting member. Council members serve four-year staggered terms, with two council members elected every four years and the Mayor serves a two-year term. Among its primary duties, the city council makes laws, sets policies, adopts budgets and oversees a wide-ranging agenda for the community. The city administrator is appointed by the city council. The city administrator heads the administrative branch of city government and directs all city operations, projects and programs.

8150 Barbara Ave. Inver Grove Heights, MN 55077-3412

Telephone: 651-450-2500 • Fax: 651-450-2502

The City of Inver Grove Heights provides a full range of services, including police and fire protection, the construction and maintenance of highways, streets and other infrastructure; water and sewer services and recreational activities and cultural events.

The annual budget serves as a foundation for the City of Inver Grove Heights' financial planning and control. All departments of the City of Inver Grove Heights submit requests for appropriation for the following year to the city administrator, who uses this information to develop a proposed budget. This is presented to the city council for their review. The city council is required to adopt a proposed budget and tax levy by September 30. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 28.

Factors Affecting Financial Condition

The information 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 Inver Grove Heights operates.

Local Economy. The City of Inver Grove Heights continues to experience growth in population and development. State Highway 52, which traverses north and south through the City, allows City residents and businesses a rapid and direct access directly north into downtown St. Paul and to Interstate Highway 94 which connects St. Paul with Minneapolis. This roadway has enhanced transportation throughout the metropolitan area for City residents and increased opportunity for further industrial, commercial and residential development. Interstate Highway 494 traverses east and west through the City and connects with Interstate Highway 694 to form a freeway loop around the entire Twin Cities Metropolitan area. The highway system provides Inver Grove Heights ready access to the downtowns of Minneapolis and St. Paul as well as the international airport.

Inver Grove Heights has several large industries which account for a significant portion of the City's commercial tax capacity. Some of the industries are highly automated and consequently are major taxpayers but not major employers.

Relevant Financial Policies. In 2018, the City implemented GASB #75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Implementation required a restatement of beginning net position of a decrease of \$436,513.

The primary financial goal of the City's investment policy is to ensure the safety of principal invested by the City. Cash temporarily idle during the year is invested in instruments authorized under *Minnesota Statute No. 118A*. Instruments authorized include certificates of deposit, commercial paper, and obligations of U.S. Treasury and government agencies. In order to achieve diversification, the policy provides that, with the exception of U.S. Treasury securities, no more than 50% of the City's total investment portfolio will be invested with a single institution or in a single security type. A report summarizing investment activity and demonstrating compliance with this policy is prepared on a quarterly basis for City Council review. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of each quarter.

Capital financing for major municipal improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending upon the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time and are used to help satisfy the improvement bond debt. Internal financing of improvement projects is usually minimal and only for short periods of time.

The City has adopted a comprehensive set of internal control procedures. The City's accounting system was developed and is continually evaluated to assure the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance in the areas of: safeguarding assets against loss from unauthorized use or disposition, reliability of financial records, and convenience of access for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the evaluation of cost and benefits requires estimates and judgments by management, and the cost of a control should not exceed the benefits likely to be derived. All internal controls are evaluated against the above criteria. It is our belief that the City's internal accounting controls adequately safeguard the City's assets and provides reasonable assurance of properly recording financial transactions.

Major Initiatives.

Community Development

In 2018, the Community Development Department experienced a continued busy year of construction and development activity. There was continued work on planning, zoning, housing, environmental, and economic development issues.

Inver Grove Heights had \$81 million of new construction in 2018 compared to \$79.9 million in 2017 and \$57.6 million in 2016. Total residential construction was 143 dwelling units, including 82 single-family units and 61 townhome units. In comparison, 69 single-family homes were built in 2017 and 51 in 2016. Residential additions and remodeling continued as homeowners reinvested in their homes. The City issued more than 2,400 building permits for residential additions and remodeling with a valuation of \$29.3 million. Inver Grove Heights had \$32.9 million of commercial and industrial construction in 2018, compared to \$11.1 million in 2017 and \$15.6 million in 2016.

New commercial/industrial development approved in 2018 consisted of a 95,000 square foot office/industrial building, a new gas station convenience store and a complete rebuild of an existing gas station convenience store. City Fire Station #2 was also approved.

The City processed 84 zoning applications in 2018 compared to 71 applications in 2017 and 77 applications in 2016. Final approvals were granted for 68 new single-family lots and a 32-bed senior care facility. These residential developments lay the groundwork for continued residential construction in the next few years. The City continued construction of sanitary sewer, municipal water, and, with the cooperation of other governmental jurisdictions, transportation infrastructure to serve this growth.

The City continued work on the long range 2040 Comprehensive Plan, a major undertaking. Numerous meetings were conducted with the City Council, Planning Commission, Economic Development Authority, and Housing Committee and land use alternatives were explored. Work continued in 2018 with text revisions, further public input, public hearings, and adoption. The plan was submitted to the Metropolitan Council for their review and the plan is expected to be adopted by the City Council in spring 2019.

In economic development activities, the Inver Grove Heights Economic Development Authority (EDA) developed its first economic development strategic plan. This plan will be incorporated into the Comprehensive Plan Update. The EDA also approved a contract for another year of the 'Open to Business' program. This service provides technical and financial assistance to small businesses.

Police Department

The Police Department utilizes a team-based approach to its community-oriented policing activity. The department has redoubled its efforts to become more deeply engaged with the community. After several years of scheduling patrol personnel on 12-hour shifts, this has proved to be an effective means of deploying department personnel. The change to patrol shift scheduling has resulted in increased patrol coverage and the ability to focus personnel on targeted problem-solving efforts. Officers participate in child safety fairs, children's safety camps, youth police academy, Town Hall meetings, Crime Free Multi-Housing, Neighborhood Watch Groups and many other events culminating in Minnesota Night to Unite in August, Inver Grove Heights Days in September, and a nine-week Citizen's Academy that starts in late September with the graduation in early November.

The Police Department remains active in a variety of programs, including: Alcohol and Tobacco Compliance Checks, Assault Response Team, Business Check Program, Intensive Supervision Program (ISP), and Critical Incident Stress Management (CISM) team. In addition, the department has an active Police Reserve Unit and Chaplain Corps that provides hundreds of hours of volunteer service in carrying out departmental objectives.

The Police Department maintains many strong connections with neighboring law enforcement agencies and public safety providers in and around Dakota County, including: the Dakota Communications Center (DCC), the Special Operations Team (SOT), the Incident Management Team (IMT), the regional Drug Task Force, MAAG (SWAT), Dakota County Electronic Crime Unit (ECU), and countywide Traffic Safety Initiative. The Police Department also partners with Independent School District No. 199 to co-fund a School Resource Officer (SRO) position.

In December of 2018, the police department took delivery of its first K-9. The dog and handler will attend St. Paul K-9's training program in the spring of 2019 and by summer will be out on patrol in the community. The department also rolled out its body worn cameras in late 2018 and as of early 2019, the department has equipped all officers and squad cars with new Axon cameras.

Fire Department

The number of emergency calls went down just slightly from 1,601 in 2017 to 1,577, only a 1% drop. This is still approximately 33% more calls than before we started the duty crew in January 2016. Of those total calls, 62%, were for Emergency Medical Services (EMS), up from 61% in 2017. The rest involved a combination of many other classifications such as: fires, vehicle crashes, alarms (fire/carbon monoxide), etc. Of those 1,577 calls, 8.5% were concurrent calls where we had at least two calls at the same time. This was down slightly from 11% the year before.

Recruitment and retention issues of non-career personnel continued to affect Inver Grove Heights, as well as other departments throughout the nation. Regarding recruitment; for the 9 years before 2017, we had averaged losing 5 firefighters per year, but were able to recruit enough people to replace 100% of those who left. However, in 2017, we had 9 firefighters resign or retire and were only able to recruit 3 replacements that started in January 2018. We lost another 8 more personnel in 2018. In August 2018, we made conditional job offers to 9 potential recruits, however 6 dropped out before the fire training even started, leaving us with only 3. The retention issues also became evident as more senior fire personnel retired from the department. Each duty crew has 3 personnel which includes an officer, driver and firefighter. The officer position is filled by the most senior firefighters. With so many of our senior personnel retiring, we had a significant number of holes to fill for duty crew officer shifts throughout the year. As a result, we increased minimum hours from 24 hours a month to 28 hours a month and even that was not enough to fill all of the open shifts. Because these are paid-on-call positions and we have to train everyone from within, we cannot hire these positions off the street. We have to wait until our present firefighters get the years of service and training needed to become duty crew officers, which takes 8 or more years, depending on the individual. Because we have a very young department, there are not enough firefighters who will have the years and training needed for approximately 4 or more years, and that is only if they decide to stay with the department.

The department took delivery of its new engine/tender truck that replaced the tender truck that had been totaled in 2016. In addition, work continued on the new fire station; Five Bugles Design completed the final design, Cost, Planning, Management International was hired as the Owner's Representative, Jorgenson Construction was hired as the builder, and utilities and fiber optic cables were run underneath Highway 52 to accommodate the new fire station and any future tenant(s). Construction began in the fall of 2018 with anticipated completion in the fall of 2019.

From this new station, response times to the southern part of the city will be reduced. By reducing response times, the Fire Department will be able to improve its quality of care and safety and could also provide a benefit for both residences and businesses in the south by helping them achieve significant reductions in insurance rates.

The Fire Explorer program for youth between the ages of 14 and 20 continues to be successful. This program has always served as an excellent feeder program for the Fire Department, providing 12 out of our 58 firefighters. Advisors for the program include previous Explorers and active Firefighters who have children in the program.

The Fire Department continues to be very involved in community activities and public education. Inver Grove Heights Beyond the Yellow Ribbon Program, state-wide Veteran's Day celebration, various career fairs, Fire Prevention Week Open House, teaching at safety camps, staffing Inver Grove Heights Days displays and presentations, and attending Night to Unite and safety fairs are some of the bigger events.

Public Works

Public Works continues to oversee the street reconstruction program, a street mill and overlay program and a street crack seal and seal coating program. These programs will ensure a well-maintained roadway infrastructure. The 2018 urban street reconstruction project rebuilt 1.81 miles of street. The crack seal and seal coat projects covered 10.2 and 12.06 miles of street, respectively. The street system was expanded by 0.13 mile in 2018 with the construction of streets in new residential developments. A 0.40 mile segment of Trunk Highway 3 was lowered to construct an intersection for the new 65th Street.

In 2018, an additional quarter mile of trunk water main utility extension was completed, and utilities were extended to the site for Fire Station No. 2. As part of the implementation of the ADA Transition Plan, pedestrian ramp improvements were completed at a number of locations throughout the City.

Parks & Recreation

A great deal of effort in 2018 was centered around the construction of an off-leash dog park in Heritage Village Park and acquisition of three (3) pieces of property that will be a part of the future Heritage Village Park. The City is also actively pursuing the purchase of 5-10 acres of land for the first public park in the NW area and hopes to make acquisition and begin development in 2019. The City and County continue to work cooperatively on the Mendota Lebanon Regional Trail and the Rich Valley Greenway. North Valley Park will become home to six (6) outdoor pickleball courts in 2019 and enthusiasts are thrilled to get these courts open for use.

At the VMCC/Grove, our partnership on the West Rink project with the City of Rosemount has proven positive allowing for increased ice sales and capital funding for the improvements from the City of Rosemount. In 2019, we will be resurfacing the lap and dive pool shells and adding basketball hoops to the National Guard Gymnasium. Staff will also be investigating our options on how best to repurpose the gymnastic space to help improve our programming capabilities all while increasing our revenue potential.

Recreation will see new leadership in 2019 and we will look to evaluate our program offerings to make sure we are providing what the community needs and expects.

Inver Wood continues to perform well financially as a positive recreational asset in the community attracting many people to visit the City and patronize local business after their round of golf. In 2018 we sold 4,300 anniversary memberships which helped us produce nearly 60,000 rounds of golf. We expect the membership patrons to continue to utilize the course in 2019 and 2020 helping improve our tee time utilization and the revenue we generate in greens fees, driving range, pro shop, and food & beverage operations. Golfers will be greeted by a new fleet of golf cars in 2019 and our maintenance staff will improve our putting surfaces with new greens rollers.

Administration

2018 was a year of change for the City of Inver Grove Heights. The City hired a new Police Chief, a new Community Development Director, and started a K-9 Police Officer position. The City also held Primary and General elections and elected a new City Council Member.

The City, to identify some baseline information, conducted a community survey to get information and feedback about the experience customers have had with the City, as well as how those taking the survey felt about the identification of priority issues for the City and the funding tied to those priorities. The City will continue to collect this information on an annual basis to compare it year over year to determine the change and direction of priority spending, according to those surveyed.

We have continued to enjoy the benefit of a large pool of volunteers who assist the City in everything from removal of invasive species, like buckthorn, to scanning thousands of pages of records, plans, and other information to be stored electronically rather than take up space with hard copies.

The City began offering online training/education for staff on topics ranging from dealing with conflict to supervision and conducting performance evaluations. All employees are expected to complete online courses as identified by their supervisors over the year and to have that information recorded in their personnel file to ensure that the training has been completed.

Technology continues to be at the core of the operations for the City. A much-needed upgrade to the phone system was completed, allowing better productivity and efficiency for employees. The system will now allow calls to follow the recipient whether in or out of the office and for them to return phone calls from their cell phones while indicating that the call is coming from their landline.

For the Future. The City's Comprehensive Plan sets forth goals, policies, and plans for the City's future growth and development over the next 20 years. The City has undertaken an update of the Comprehensive Plan, last revised in 2008. The comprehensive plan update will address land use, transportation, utilities, parks, housing, environmental, and economic development issues. The plan will be adopted in 2019 and implementation will be ongoing over the next few years.

A major focus of the Comprehensive Plan is the continued expansion of infrastructure and subsequent development of the northwest part of the City, an area of approximately five square miles. Construction of the first segment of sanitary sewer and municipal water occurred in 2009 with further extensions in 2016, 2017, and 2018. Major transportation improvements include the construction of Highway 3/County Road 26 roundabout and 65th Street in 2019. These public improvements will serve the several residential developments that the City approved in recent years, as well as future residential, commercial and office development.

The City is also concentrating on redevelopment in the Concord Boulevard Neighborhood, an area adjacent to the Mississippi River. The City's goals are to improve the existing residential neighborhood, strengthen and increase commercial activities, increase property values, and provide additional employment opportunities. In the last few years, the City has been acquiring properties and undertaking environmental investigations and remediation. The City has also successfully obtained State and County grants to financially support these redevelopment efforts. In addition to the Concord Neighborhood, the City continues to work on the acquisition and environmental investigation of a property, currently owned by the Minnesota Department of Transportation, for future office development.

The Inver Grove Heights Economic Development Authority continues to work with Progress Plus, a public-private non-profit foundation, the Metropolitan Consortium of Community Developers, a regional economic development organization, and the Dakota County Community Development Authority to undertake various economic development activities. This work includes marketing, business retention, business recruitment, research, and technical and financial assistance to small businesses.

The Police Department's 2019 initiatives include: continuation of the department's social media presence and expansion of outreach efforts in high call volume locations. Due to the success of the 2018 Community Safety Survey to help guide assessment of annual policing priorities, the department is conducting the second annual Community Safety Survey in 2019 to see if priorities have changed based on outcomes from 2018's survey directed activities.

The Fire Department continues to move forward with the third fire station.

In 2019, it is anticipated that another trunk watermain project will start construction in the Northwest Area. The proposed Pavement Management Program will involve work on 19.68 miles of streets. The program will include reconstruction, crack seal and seal coat projects. The City will partner with Dakota County on a road intersection improvement project that will construct a roundabout at TH 3 and 70th Street. The City will also construct 65th Street between TH 3 and future Argenta Trail.

At North/South Valley Park, we will prepare preliminary plans to replace the playground equipment and picnic shelter along with adding an archery range, community gardens, natural trails, and additional parking. This work is being done to prepare ourselves for a MN DNR Outdoor Recreation Grant application in 2020 and responds to a 2017/18 master planning process approved by the Council in 2018.

There is an interest among the community to build in inclusive playground that would provide for a barrier free play experience for all ages. These facilities require significant investments and we are working with volunteers to help fundraise for the capital investment that will be required.

The Parks and Recreation Commission will be reviewing the investments we make in our winter skating sites to determine what the future holds for outdoor skating. We will look to engage the community in the process, so our services are balanced with the investments needed to serve those that use these facilities.

At the VMCC/Grove planning will be done to replace the HVAC unit that serves the lap and dive pool in 2020 and replacement of the all four (4) pool filtration systems is needed soon as replacement parts for the existing system are becoming hard to find.

Awards and Acknowledgements

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

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

The preparation of this report would not have been possible without the dedicated services of the Finance Department staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Inver Grove Heights' finances.

Respectfully submitted,

Joe Lynch
City Administrator

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Government Finance Officers Association

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

Presented to

**City of Inver Grove Heights
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

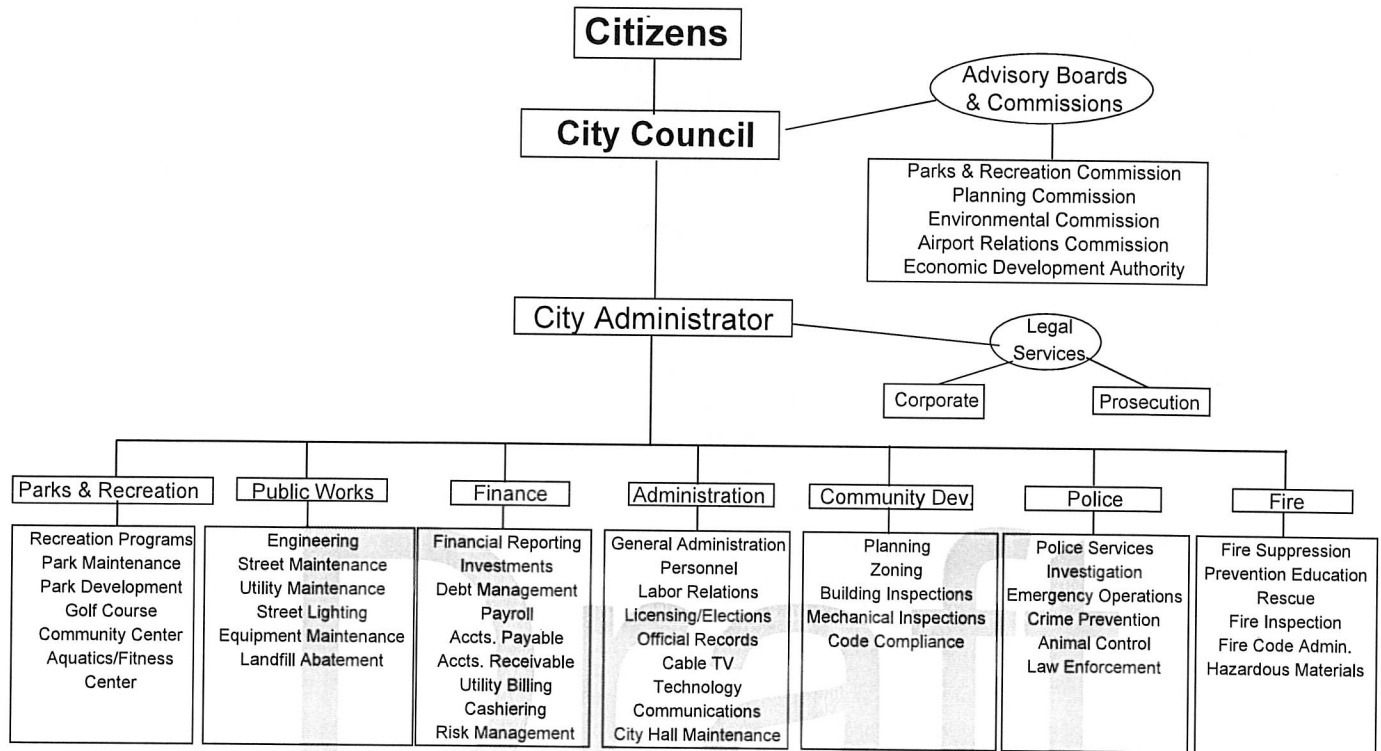
December 31, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF INVER GROVE HEIGHTS, MINNESOTA

ORGANIZATION CHART



City of Inver Grove Heights, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
George Tourville	Mayor	12/31/20
Tom Bartholomew	Council Member	12/31/20
Rosemary Piekarski Krech	Council Member	12/31/18
Kara Perry	Council Member	12/31/20
Paul Hark	Council Member	12/31/18

APPOINTED

<u>Name</u>	<u>Title</u>
Joe Lynch	City Administrator
Kristi Smith	Finance Director
Paul Schnell	Police Chief
Judy Smith-Thill	Fire Chief
Scott Thureen	Director of Public Works
Janice Gundlach	Community Development Director
Allan Hunting	City Planner
Eric Carlson	Director of Parks and Recreation

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FINANCIAL SECTION
CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Inver Grove Heights, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and Community Center special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 27 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related notes disclosures, Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in the City's OPEB Liability and Related Ratios, starting on page 100, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated NEED DATE, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

People
+ Process.
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the City of Inver Grove Heights, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 11 - 17 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$210,762,139 (net position). Of this amount, \$49,708,676 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position for governmental activities increased \$14,908,115 and business-type activities increased \$789,126, resulting in a total increase of \$15,697,241, mainly as a result of current year decrease in expenditures for both governmental and business-type activities and increase in capital grants and contributions for public works, MSA Construction funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,210,897, a decrease of \$328,951 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$10,520,461, or 43.0 percent of next year's budgeted expenses.
- The City's total debt decreased \$2,569,180, (4.44% percent) during the current fiscal year. The decrease was due to scheduled debt payments.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, community development, and interest on long-term debt. The business-type activities of the City include water and sewer utilities and the golf course.

The government-wide financial statements start on page 39 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Improvement Bonds, Community Center, Closed Bond, Local Improvement Construction, Pavement Management and the Host Community funds, which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and Community Center special revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with its budget.

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

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all the water, sewer, and golf course funds, which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer and golf operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for compensated absences, risk management, central equipment maintenance, office supplies and equipment, city facilities, and technology. Because these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements start on page 54 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 60 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 61 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pensions and other postemployment benefits to its employees.

Required supplementary information can be found starting on page 100 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information.

Combining and individual fund financial statements and schedules start on page 110 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$210,762,139 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (71.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Inver Grove Heights' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2018	Restated 2017	Increase (Decrease)	2018	Restated 2017	Increase (Decrease)
Assets						
Current and other assets	\$ 74,813,209	\$ 70,789,760	\$ 4,023,449	\$ 18,071,992	\$ 18,971,134	\$ (899,142)
Capital assets, net of depreciation	128,656,587	115,471,586	13,185,001	66,691,793	66,341,867	349,926
Total Assets	203,469,796	186,261,346	17,208,450	84,763,785	85,313,001	(549,216)
Deferred Outflows of Resources						
Deferred charge on refunding	21,532	41,407	(19,875)	193,371	212,549	(19,178)
Deferred other postemployment benefits resources	49,227	-	49,227	6,474	-	6,474
Deferred pension resources	6,862,683	8,904,871	(2,042,188)	198,559	270,061	(71,502)
Total Deferred Outflows or Resources	6,933,442	8,946,278	(2,012,836)	398,404	482,610	(84,206)
Liabilities						
Noncurrent liabilities outstanding	45,411,593	47,308,703	(1,897,110)	22,800,580	24,564,336	(1,763,756)
Other liabilities	6,032,693	2,949,036	3,083,657	1,512,796	1,148,260	364,536
Total Liabilities	51,444,286	50,257,739	1,186,547	24,313,376	25,712,596	(1,399,220)
Deferred Inflows of Resources						
Deferred pension resources	8,809,799	9,708,847	(899,048)	235,827	259,155	(23,328)
Net Position						
Net investment in capital assets	99,694,042	93,604,421	6,089,621	51,148,138	49,136,855	2,011,283
Restricted	10,211,283	10,112,971	98,312	-	-	-
Unrestricted	40,243,828	31,523,646	8,720,182	9,464,848	10,687,005	(1,222,157)
Total Net Position	\$ 150,149,153	\$ 135,241,038	\$ 14,908,115	\$ 60,612,986	\$ 59,823,860	\$ 789,126

An additional portion of the City's net position (1.00 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$49,708,676) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all 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 held true for the prior fiscal year.

Significant changes from the prior year are noted below:

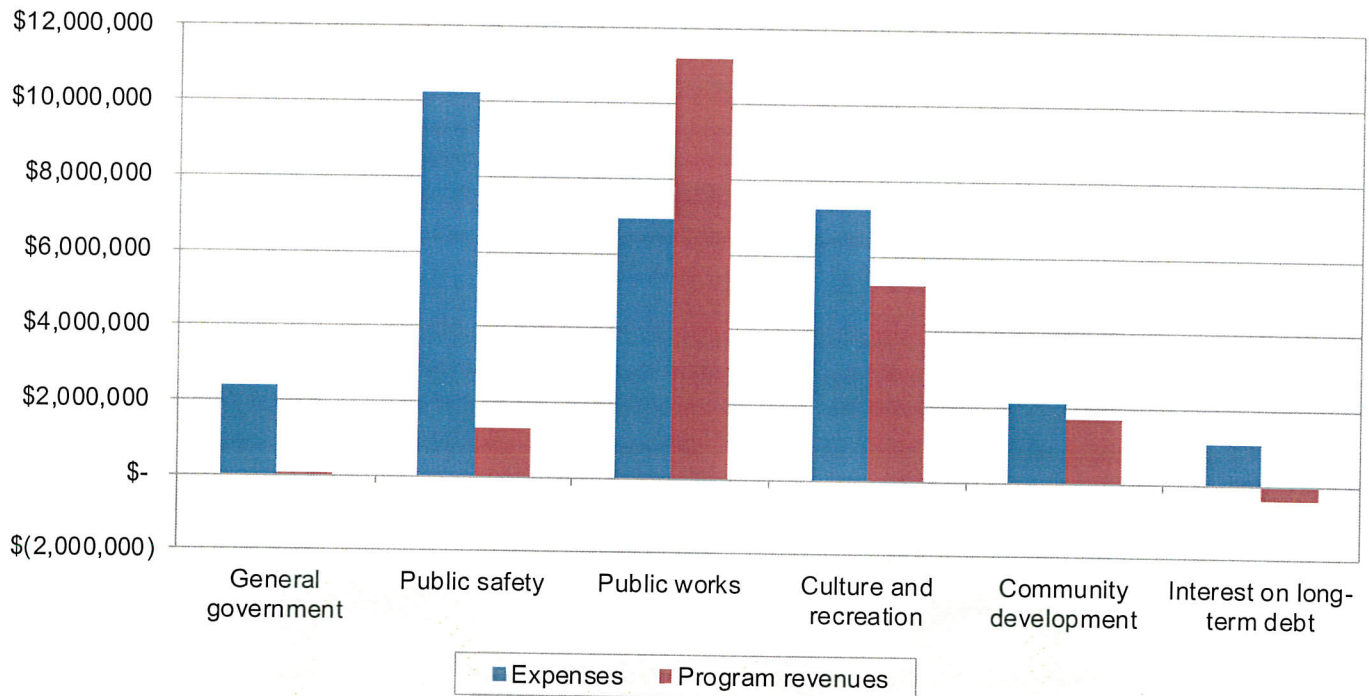
City of Inver Grove Heights' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 8,728,312	\$ 7,873,673	\$ 854,639	\$ 8,705,346	\$ 7,979,597	\$ 725,749
Operating grants and contributions	2,567,895	1,219,181	1,348,714	10,087	8,283	1,804
Capital grants and contributions	7,803,984	2,125,371	5,678,613	1,717,863	1,392,096	325,767
General Revenues						
Taxes						
Property taxes	21,043,742	19,395,888	1,647,854	-	-	-
Tax increment	1,655,941	1,578,646	77,295	-	-	-
Other taxes	1,269,287	241,420	1,027,867	-	-	-
Grants and contributions not restricted to specific programs	161,095	146,791	14,304	-	-	-
Unrestricted investment earnings	761,542	545,279	216,263	354,181	205,234	148,947
Gain on sale of capital assets	21,486	89,116	(67,630)	-	-	-
Total Revenues	44,013,284	33,215,365	10,797,919	10,787,477	9,585,210	1,202,267
Expenses						
General government	2,395,582	2,481,001	(85,419)	-	-	-
Public safety	10,236,391	12,087,235	(1,850,844)	-	-	-
Public works	6,951,713	7,690,391	(738,678)	-	-	-
Culture and recreation	7,244,591	7,919,434	(674,843)	-	-	-
Community development	2,124,968	2,540,933	(415,965)	-	-	-
Interest on long-term debt	1,091,471	1,007,774	83,697	-	-	-
Water	-	-	-	3,003,465	2,705,498	297,967
Sewer	-	-	-	4,123,098	4,265,285	(142,187)
Golf course	-	-	-	1,932,241	3,901,573	(1,969,332)
Total Expenses	30,044,716	33,726,768	(3,682,052)	9,058,804	10,872,356	(1,813,552)
Change in Net Position before Transfers	13,968,568	(511,403)	14,479,971	1,728,673	(1,287,146)	3,015,819
Transfers (Net)	939,547	458,029	481,518	(939,547)	(458,029)	(481,518)
Change in Net Position Net Position, January 1 (restated)	14,908,115	(53,374)	14,961,489	789,126	(1,745,175)	2,534,301
	135,241,038	135,294,412	(53,374)	59,823,860	61,569,035	(1,745,175)
Net Position, December 31	\$150,149,153	\$135,241,038	\$ 14,908,115	\$ 60,612,986	\$ 59,823,860	\$ 789,126

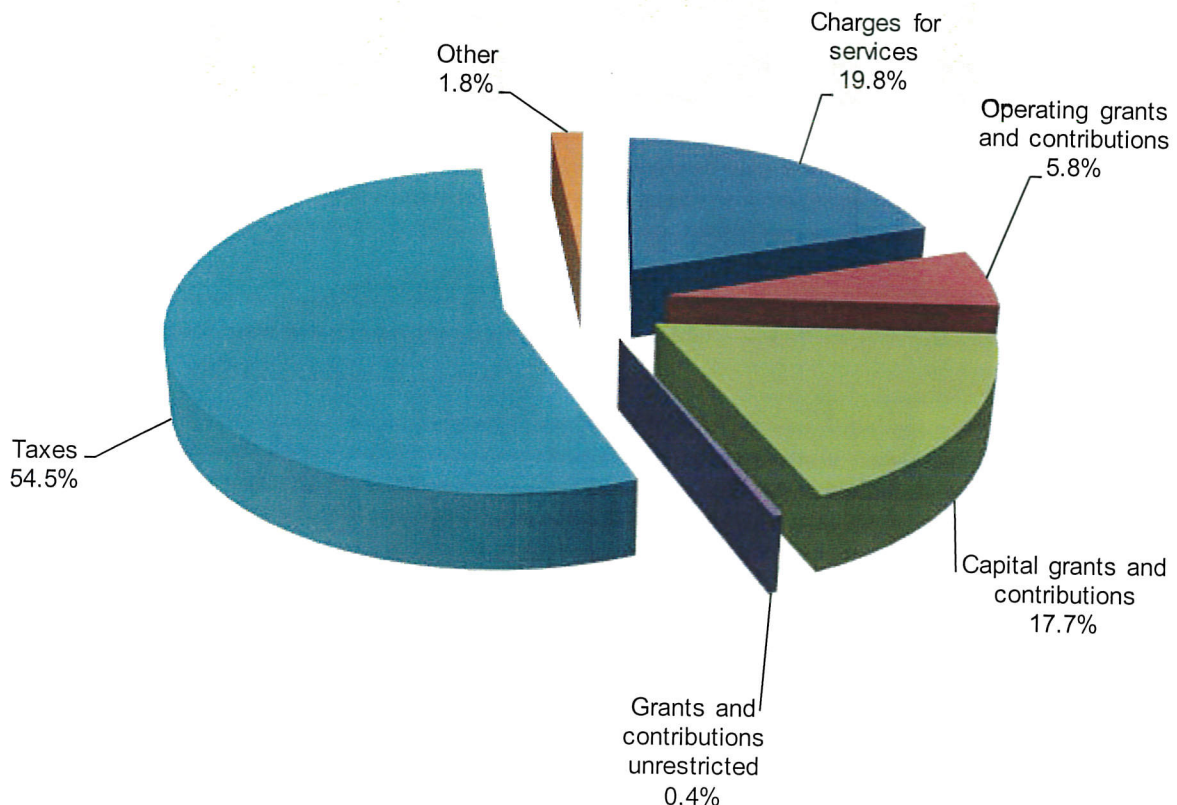
- The increase in capital grants and contributions from 2017 was due to the MSA funds recorded (approximately \$5 million) from the State of Minnesota for street construction.

Governmental Activities. Governmental activities increased the City's net position by \$14,908,115. This increase was primarily the result of current year decrease in expenses as well as an increase in current year in public works capital grants and contributions relating to MSA Construction funds. The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



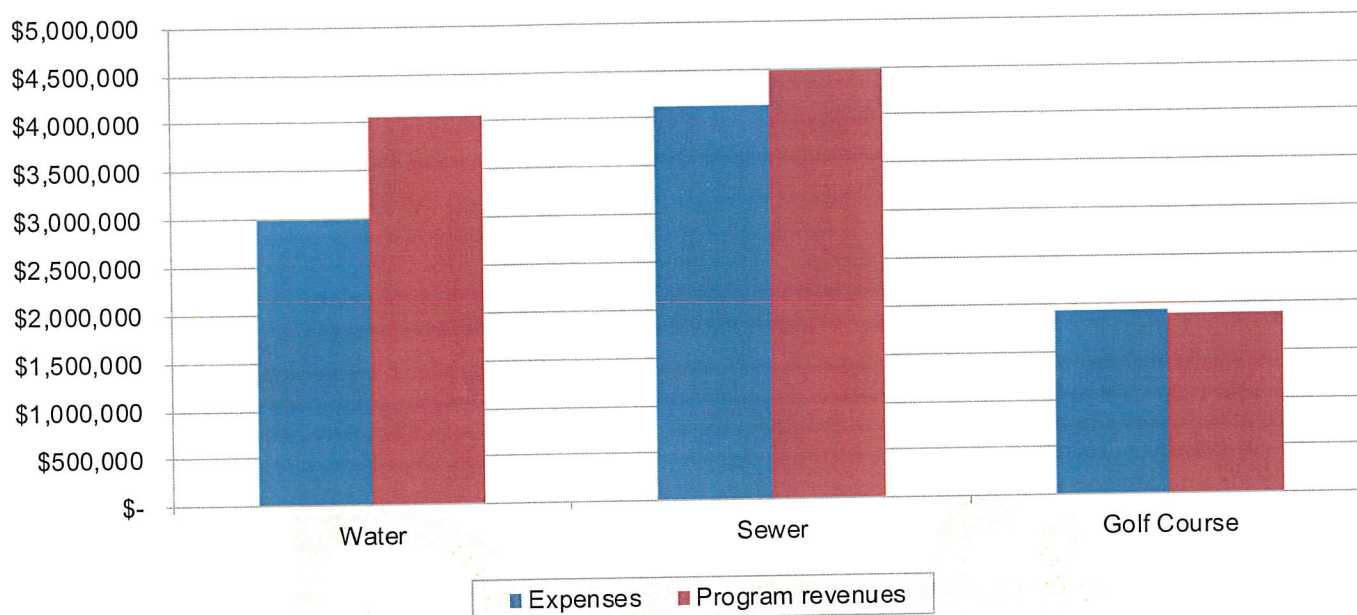
Revenues by Source - Governmental Activities



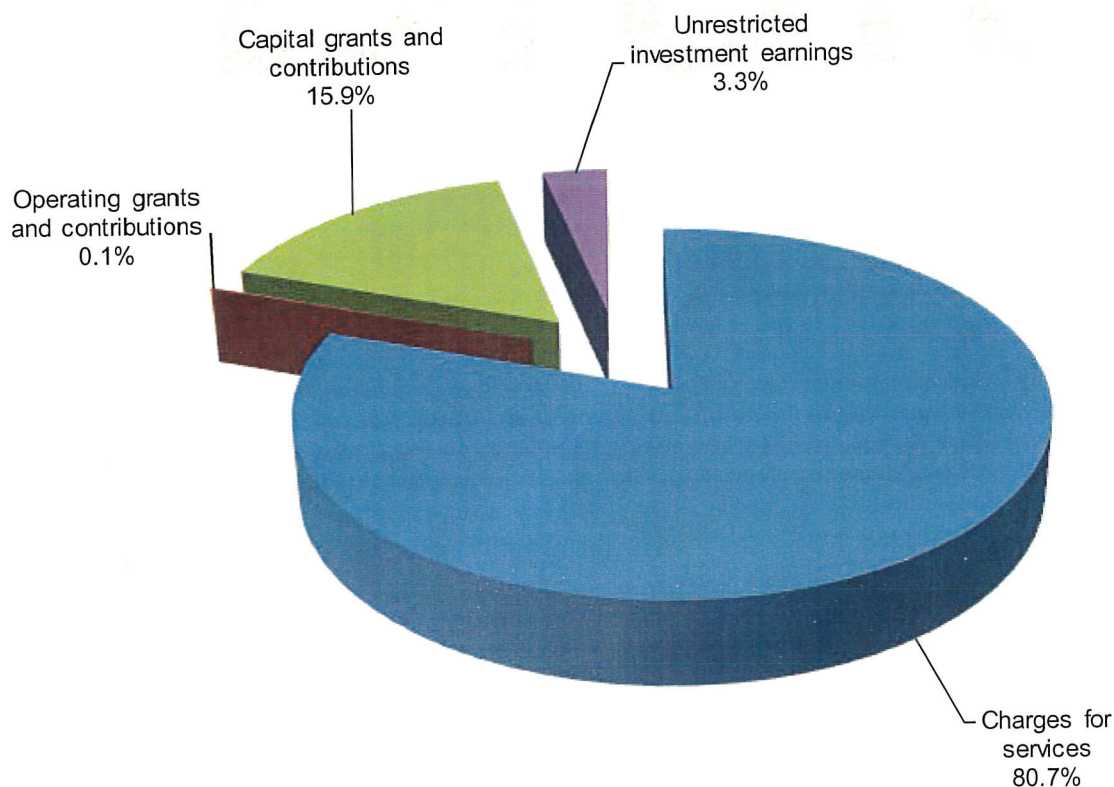
Business-type Activities. The net position of business-type activities increased by \$789,126. This increase was primarily the result of a decrease in expenditures and an increase in water and sewer capital grants and contributions in the current year. Further, a net transfer from internal activities to governmental activities of \$939,547 was necessary due to current year capital improvement projects.

Below are graphs showing the business-type activities revenue and expense comparisons.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds had combined ending fund balances of \$44,210,897, a decrease of \$328,951 in comparison with the prior year. Approximately 6.8 percent of this total amount, \$3,946,756, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is either 1) nonspendable \$117,966, 2) restricted \$16,286,001, 3) committed \$1,790,562, or 4) assigned \$22,069,612. For further classification refer to Note 3E starting on page 81 of this report.

Activity in the City's major funds is discussed below:

Major Fund	Fund Balances December 31,		Increase (Decrease)
	2018	2017	
General	\$ 10,533,140	\$ 10,179,745	\$ 353,395
The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to the following year's budget. The fund balance is 43.0 percent of next year's budgeted expenses. The General fund continues to receive an annual transfer from the Host Community fund, which allowed for an increase in fund balance.			
Improvement Bonds	\$ 3,917,211	\$ 12,425,517	\$ (8,508,306)
The Improvement Bonds fund has a total fund balance of \$3,917,211, all of which is restricted for the payment of debt service. The net decrease in fund balance was due to the payment on the 2009A bond from escrow funds.			
Community Center	\$ (1,855,758)	\$ (1,786,819)	\$ (68,939)
Charges for services for 2018 totaled \$2,429,010. The fund also received transfers of \$723,206 to assist with operating and capital costs.			
Closed Bond	\$ 1,710,725	\$ 2,061,223	\$ (350,498)
The Closed Bond fund has a total fund balance of \$1,710,725, of which all is assigned for capital improvements. The net decrease in fund balance of \$350,498 was due to an anticipated transfer out to spend down available reserves.			
Local Improvement Construction	\$ 2,304,993	\$ 761,682	\$ 1,543,311
The Local Improvement Construction fund was established to account for the governmental portion of improvement projects. The increase was primarily the result receiving MSA construction funds as well as transfers to support projects.			
Pavement Management	\$ 5,619,860	\$ 5,538,455	\$ 81,405
The Pavement Management fund was established to account for the governmental portion of capital projects. The ending fund balance is assigned for capital improvements. The increase is due to a transfers in from other funds and for reimbursement of prior and current year project costs.			
Host Community	\$ 5,050,724	\$ 4,194,911	\$ 855,813
Charges for services for 2018 totaled \$2,368,424. These were offset with transfers out of \$1,383,541 to other funds for various needs of the funds including operations and capital projects. The balance of \$5,050,724 is assigned for capital improvements.			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, unrestricted net position of the enterprise funds amounted to \$9,464,848. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year. The original budget called for a \$25,600 decrease in fund balance and the final budget anticipated use of \$295,500 of fund balance due to carryover requests from the 2017 budget. Revenues were more than budget by \$700,663, primarily due to licenses and permits and charges for services coming over budget by \$381,451 and \$106,823 respectively. Expenditures were \$59,042 more than budgeted amounts, primarily due to expenditures for public safety and general government coming over budget by \$164,147 and \$137,261 respectively. All other departments had expenditures lower than budgeted amounts.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$195,348,380 (net of accumulated depreciation). This investment in capital assets includes land (tangible and intangible), buildings, improvements, machinery and equipment, park facilities, roads and bridges, and other infrastructure.

Major capital asset events during the current fiscal year included the following:

- Purchases of \$101,337 were made by the Public Works Department to acquire machinery and equipment. This includes \$33,560 for an Oil Distributor Trailer and \$67,777 for a 2019 Mack Truck. Equipment was purchased on behalf of the City's Public Safety Department for \$893,670, which includes \$665,949 for a 2017 Pierce Tender Truck, along with \$227,721 for 6 new Squads. \$502,370 in purchases were made for the Community and Development Department. This includes \$448,605 purchase of land for future developments, \$25,520 for a 2018 Ford F150, and \$28,245 related to new Computer Software. The Culture and Recreation Department assets activity totaled \$763,898. This included \$460,924 of construction in progress assets completed in 2018 for the MRRT trailhead Phase II, along with \$138,510 for a 2018 Zamboni Ice Resurfacer, and \$164,464 was spent to acquire three new Utility Vehicles and two Mowers. Lastly, the City purchased two Nimble Storage Servers for \$74,860 each.
- Donated infrastructure and systems included \$1,309,809 to the Public Works Department and \$314,970 and \$282,050 to the Water and Sewer Departments respectively. All donated assets were for the Windwood 2nd addition and Robert Curve projects. Additionally, the City received \$19,072 of donated land for future developments.
- The City has construction commitments relating to Street, Water, and Storm Water construction projects. The remaining commitment at year-end for these projects total \$9,290,301. In addition, constructions in progress at year-end for both governmental and business-type activities total \$34,375,453.

City of Inver Grove Heights' Capital Assets (Net of Depreciation)

Additional information on the City's capital assets can be found in Note 3B starting on page 74 of this report.

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 31,784,723	\$ 30,721,187	\$ 1,063,536	\$ 2,880,405	\$ 2,880,405	\$ -
Construction in Progress	23,165,772	8,412,622	14,753,150	11,209,681	9,685,760	1,523,921
Infrastructure	49,373,333	50,596,832	(1,223,499)	-	-	-
Buildings and Systems	16,165,552	17,606,641	(1,441,089)	51,440,013	52,519,578	(1,079,565)
Improvements other than Buildings	3,511,530	3,843,325	(331,795)	834,266	979,858	(145,592)
Machinery and Equipment	4,655,677	4,290,979	364,698	327,428	276,266	51,162
Total	<u>\$ 128,656,587</u>	<u>\$ 115,471,586</u>	<u>\$ 13,185,001</u>	<u>\$ 66,691,793</u>	<u>\$ 66,341,867</u>	<u>\$ 349,926</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$53,910,000. All of the City's bonds are backed by the full faith and credit of the City. During the year, the City issued \$9,785,000 in G.O. Capital Improvement Plan Bonds, Series 2018A.

State statutes limit the amount of G.O. debt a Minnesota city may issue to 3 percent of total estimated market value. The current debt limitation for the City is \$106,806,191. Only the \$25,175,000 in G.O. bonds is counted within the statutory limitation. The other debt of the City is either wholly or partially financed by revenues other than a general tax levy.

City of Inver Grove Heights' Outstanding Debt

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
G.O. Bonds	\$ 25,175,000	\$ 24,585,000	\$ 590,000	\$ -	\$ -	\$ -
G.O. Special Assessments Bonds	7,090,000	8,355,000	(1,265,000)	-	-	-
G.O. Tax Increment Bonds	560,000	1,115,000	(555,000)	-	-	-
G.O. Revenue Bonds	-	-	-	21,085,000	22,725,000	(1,640,000)
Bond Premium	948,490	602,164	346,326	426,921	472,427	(45,506)
Total	<u>\$ 33,773,490</u>	<u>\$ 34,657,164</u>	<u>\$ (883,674)</u>	<u>\$ 21,511,921</u>	<u>\$ 23,197,427</u>	<u>\$ (1,685,506)</u>

Additional information on the City's long-term debt can be found in Note 3D starting on page 76 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's net tax capacity increased by 6.04 percent for taxes payable 2019 which was less than the 8.40 percent increase for taxes payable 2018. Residential property increased 8.43 percent, commercial property decreased 11.03 percent, and industrial property increased 40.03 percent. Without new construction the increase in tax capacity would have been 5.07 percent. The City's net levy increased \$2,268,897 for taxes payable 2019 and the tax capacity rate increased 4.74 percent.
- \$500,000 of funding for the Pavement Management Program was reinstated in the 2015 budget after having been removed from the 2014 and 2013 budgets and an additional \$165,000 of funding was reinstated in the 2016 budget after having been removed from the 2015, 2014 and 2013 budgets. In 2018 \$500,000 of funding was shifted from the Host Community fund to the General fund. An additional \$85,000 in new funding was added from the General fund.
- Water and sewer fees were increased 2.0 percent and 3.5 percent respectively for 2019, based on our long-range financial plan.
- Storm water utility fees were implemented on July 1, 2012 and were increased 5% for 2019.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Director, City of Inver Grove Heights, 8150 Barbara Avenue, Inver Grove Heights, MN 55077-3412.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Inver Grove Heights, Minnesota
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 60,195,197	\$ 13,076,380	\$ 73,271,577
Cash held with fiscal agent	-	5,538,348	5,538,348
Receivables			
Accrued interest	187,182	83,172	270,354
Taxes	1,512,355	-	1,512,355
Accounts	690,917	1,371,975	2,062,892
Special assessments	4,165,768	34,684	4,200,452
Due from other governments	1,763,925	-	1,763,925
Internal balances	2,041,160	(2,041,160)	-
Inventories	59,833	3,293	63,126
Prepaid items	249,277	5,300	254,577
Land held for resale	2,189,398	-	2,189,398
Pension asset	1,758,197	-	1,758,197
Capital assets			
Land and construction in progress	54,950,495	14,090,086	69,040,581
Depreciable assets (net of accumulated depreciation)	73,706,092	52,601,707	126,307,799
Total Assets	203,469,796	84,763,785	288,233,581
Deferred Outflows of Resources			
Deferred charge on refunding	21,532	193,371	214,903
Deferred other postemployment benefits resources	49,227	6,474	55,701
Deferred pension resources	6,862,683	198,559	7,061,242
Total Deferred Outflows of Resources	6,933,442	398,404	7,331,846
Liabilities			
Accounts and contracts payable	3,717,889	64,023	3,781,912
Accrued salaries payable	600,076	56,328	656,404
Due to other governments	25,558	317,253	342,811
Accrued interest payable	268,690	261,505	530,195
Deposits payable	23,152	28,403	51,555
Unearned revenue	1,397,328	785,284	2,182,612
Noncurrent liabilities			
Due within one year	3,325,221	6,784,272	10,109,493
Due in more than one year	42,086,372	16,016,308	58,102,680
Total Liabilities	51,444,286	24,313,376	75,757,662
Deferred Inflows of Resources			
Deferred pension resources	8,809,799	235,827	9,045,626
Net Position			
Net investment in capital assets	99,694,042	51,148,138	150,842,180
Restricted for			
Debt service	4,761,334	-	4,761,334
Equipment acquisition	-	-	-
Community development	3,118,725	-	3,118,725
Park improvements	2,331,224	-	2,331,224
Unrestricted	40,243,828	9,464,848	49,708,676
Total Net Position	\$ 150,149,153	\$ 60,612,986	\$ 210,762,139

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

City of Inver Grove Heights, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 2,395,582	\$ 12,049	\$ -	\$ 11,955
Public safety	10,236,391	635,233	647,779	6,103
Public works	6,951,713	3,469,315	758,395	7,012,133
Culture and recreation	7,244,591	3,210,032	1,089,472	920,983
Community development	2,124,968	1,401,683	72,249	260,289
Interest on long-term debt	1,091,471	-	-	(407,479)
Total Governmental Activities	<u>30,044,716</u>	<u>8,728,312</u>	<u>2,567,895</u>	<u>7,803,984</u>
Business-type Activities				
Water	3,003,465	3,132,068	5,495	930,583
Sewer	4,123,098	3,693,679	1,620	787,280
Golf course	1,932,241	1,879,599	2,972	-
Total Business-type Activities	<u>9,058,804</u>	<u>8,705,346</u>	<u>10,087</u>	<u>1,717,863</u>
Total	<u>\$ 39,103,520</u>	<u>\$ 17,433,658</u>	<u>\$ 2,577,982</u>	<u>\$ 9,521,847</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Lodging taxes

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net position, January 1 as restated (Note 10)

Net Position, December 31

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,371,578)	\$ -	\$ (2,371,578)
(8,947,276)	-	(8,947,276)
4,288,130	-	4,288,130
(2,024,104)	-	(2,024,104)
(390,747)	-	(390,747)
(1,498,950)	-	(1,498,950)
<u>(10,944,525)</u>	<u>-</u>	<u>(10,944,525)</u>
-	1,064,681	1,064,681
-	359,481	359,481
-	<u>(49,670)</u>	<u>(49,670)</u>
-	<u>1,374,492</u>	<u>1,374,492</u>
<u>(10,944,525)</u>	<u>1,374,492</u>	<u>(9,570,033)</u>
19,238,865	-	19,238,865
1,804,877	-	1,804,877
1,655,941	-	1,655,941
133,872	-	133,872
1,135,415	-	1,135,415
161,095	-	161,095
761,542	354,181	1,115,723
21,486	-	21,486
939,547	<u>(939,547)</u>	-
<u>25,852,640</u>	<u>(585,366)</u>	<u>25,267,274</u>
14,908,115	789,126	15,697,241
<u>135,241,038</u>	<u>59,823,860</u>	<u>195,064,898</u>
<u>\$ 150,149,153</u>	<u>\$ 60,612,986</u>	<u>\$ 210,762,139</u>

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

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FUND FINANCIAL STATEMENTS
CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

City of Inver Grove Heights, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

		<u>Debt Service</u>	<u>Special Revenue</u>
	<u>General</u>	<u>Improvement Bonds</u>	<u>Community Center</u>
Assets			
Cash and temporary investments	\$ 9,979,901	\$ 3,778,669	\$ 865,141
Receivables			
Accrued interest	25,327	7,696	276
Taxes	1,331,126	121,395	-
Accounts	5,509	-	76,745
Special assessments	5,051	1,117,014	-
Due from other governments	13,233	-	548,556
Due from other funds	-	-	-
Prepaid items	12,679	-	101,120
Land held for resale	-	-	-
	<u>\$ 11,372,826</u>	<u>\$ 5,024,774</u>	<u>\$ 1,591,838</u>
Total Assets			
Liabilities			
Accounts and contracts payable	\$ 187,798	\$ -	\$ 111,295
Accrued salaries payable	486,468	-	67,947
Due to other governments	11,823	-	7,322
Due to other funds	-	-	2,642,074
Deposits payable	-	-	3,766
Unearned revenue	29,352	-	66,636
Total Liabilities	<u>715,441</u>	<u>-</u>	<u>2,899,040</u>
Deferred Inflows of Resources			
Unavailable revenues - delinquent taxes	119,194	12,957	-
Unavailable revenues - special assessments	5,051	1,094,606	-
Unavailable revenues - intergovernmental	-	-	548,556
Total Deferred Inflows of Resources	<u>124,245</u>	<u>1,107,563</u>	<u>548,556</u>
Fund Balances			
Nonspendable	12,679	-	101,120
Restricted	-	3,917,211	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	10,520,461	-	(1,956,878)
Total Fund Balances	<u>10,533,140</u>	<u>3,917,211</u>	<u>(1,855,758)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,372,826</u>	<u>\$ 5,024,774</u>	<u>\$ 1,591,838</u>

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

Capital Projects Funds					
Closed Bond	Local Improvement Construction	Pavement Management	Host Community	Other Governmental Funds	Total Governmental Funds
\$ 1,690,002	\$ 2,758,914	\$ 5,939,235	\$ 3,888,962	\$ 17,648,477	\$ 46,549,301
20,715	2,926	19,895	14,090	45,780	136,705
8	6,695	7,500	-	45,628	1,512,352
-	-	-	150,791	457,872	690,917
881,163	1,027,560	1,093,596	-	41,384	4,165,768
-	1,035,830	-	-	166,289	1,763,908
-	-	-	1,000,000	-	1,000,000
-	-	-	-	4,167	117,966
-	1,050,898	-	-	1,138,500	2,189,398
<u>\$ 2,591,888</u>	<u>\$ 5,882,823</u>	<u>\$ 7,060,226</u>	<u>\$ 5,053,843</u>	<u>\$ 19,548,097</u>	<u>\$ 58,126,315</u>
\$ -	\$ 2,550,570	\$ 372,599	\$ 2,186	\$ 234,002	\$ 3,458,450
-	-	-	933	14,132	569,480
-	-	1,383	-	4,837	25,365
-	-	-	-	1,000,000	3,642,074
-	-	-	-	19,386	23,152
-	-	-	-	1,301,340	1,397,328
-	2,550,570	373,982	3,119	2,573,697	9,115,849
-	498	751	-	3,014	136,414
881,163	1,026,762	1,065,633	-	41,384	4,114,599
-	-	-	-	-	548,556
881,163	1,027,260	1,066,384	-	44,398	4,799,569
-	-	-	-	4,167	117,966
-	6,921,820	-	-	5,446,970	16,286,001
-	-	-	-	1,790,562	1,790,562
1,710,725	-	5,619,860	5,050,724	9,688,303	22,069,612
-	(4,616,827)	-	-	-	3,946,756
1,710,725	2,304,993	5,619,860	5,050,724	16,930,002	44,210,897
<u>\$ 2,591,888</u>	<u>\$ 5,882,823</u>	<u>\$ 7,060,226</u>	<u>\$ 5,053,843</u>	<u>\$ 19,548,097</u>	<u>\$ 58,126,315</u>

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

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City of Inver Grove Heights, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2018

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

Total Fund Balances - Governmental Funds	\$ 44,210,897
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	1,758,197
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	189,239,430
Less: accumulated depreciation	(79,154,857)
Internal service funds are used by the City to charge the cost of compensated absences, liability, property, and workers compensation insurance, vehicles and equipment, centralized purchase of consumable office supplies, maintaining facilities, and maintenance of computer systems. These balances are reported with governmental activities on the statement of net position.	34,231,313
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Bonds payable	(32,825,000)
Plus premium on bonds issued	(948,490)
Deferred charge on refunding	21,532
Other postemployment benefits payable	(606,696)
Pension liability	(8,431,147)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	136,414
Special assessments	4,114,599
Intergovernmental	548,556
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows other postemployment benefit resources	49,227
Deferred outflows of pension resources	6,750,875
Deferred inflows of pension resources	(8,677,007)
Governmental funds do not report a liability for accrued interest until due and payable.	(268,690)
Total Net Position - Governmental Activities	<u>\$ 150,149,153</u>

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

City of Inver Grove Heights, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

		Debt Service	Special Revenue
	General	Improvement Bonds	Community Center
Revenues			
Taxes	\$ 19,194,085	\$ 1,804,879	\$ -
Licenses and permits	1,511,951	-	-
Intergovernmental	738,829	3,251	-
Charges for services	676,423	-	2,429,010
Fines and forfeitures	185,181	-	-
Special assessments	11,955	536,188	-
Donations	-	-	-
Investment earnings (charges)	123,461	44,265	(53)
Miscellaneous	23,078	-	352,982
Total Revenues	<u>22,464,963</u>	<u>2,388,583</u>	<u>2,781,939</u>
Expenditures			
Current			
General government	2,132,161	-	-
Public safety	10,753,947	-	-
Public works	4,161,550	-	-
Culture and recreation	1,968,623	-	3,178,208
Community development	1,661,858	-	-
Capital outlay			
Public safety	28,203	-	-
Public works	-	-	-
Culture and recreation	-	-	385,521
Community development	-	-	-
Debt service			
Principal	-	10,420,000	-
Interest and other charges	-	790,679	-
Bond issuance costs	-	1,000	-
Total Expenditures	<u>20,706,342</u>	<u>11,211,679</u>	<u>3,563,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,758,621</u>	<u>(8,823,096)</u>	<u>(781,790)</u>
Other Financing Sources (Uses)			
Transfers in	639,994	346,142	723,206
Transfers out	(2,045,220)	(31,352)	(10,355)
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	<u>(1,405,226)</u>	<u>314,790</u>	<u>712,851</u>
Net Change in Fund Balances	353,395	(8,508,306)	(68,939)
Fund Balances, January 1	<u>10,179,745</u>	<u>12,425,517</u>	<u>(1,786,819)</u>
Fund Balances, December 31	<u>\$ 10,533,140</u>	<u>\$ 3,917,211</u>	<u>\$ (1,855,758)</u>

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

Capital Projects Funds					
Closed Bond	Local Improvement Construction	Pavement Management	Host Community	Other Governmental Funds	Total Governmental Funds
\$ (143)	\$ 104,990	\$ 112,359	\$ -	\$ 2,813,586	\$ 24,029,756
-	-	-	-	-	1,511,951
-	1,395,834	2,939,748	-	3,365,923	8,443,585
-	-	225	2,368,424	1,139,609	6,613,691
-	-	-	-	-	185,181
42,867	232,144	378,035	-	34,190	1,235,379
-	88,317	-	-	-	88,317
66,405	58,282	43,406	62,291	167,510	565,567
-	241,378	99,920	25,000	59,034	801,392
<u>109,129</u>	<u>2,120,945</u>	<u>3,573,693</u>	<u>2,455,715</u>	<u>7,579,852</u>	<u>43,474,819</u>
4,180	-	-	-	10,700	2,147,041
-	-	-	-	-	10,753,947
6,514	56,813	76,564	200,899	166,099	4,668,439
-	-	-	-	911,538	6,058,369
-	1,275	-	15,462	237,107	1,915,702
-	1,804,264	-	-	-	1,832,467
-	6,083,623	5,035,019	-	-	11,118,642
-	4,085,098	-	-	8,874	4,479,493
-	17,500	-	-	655,305	672,805
-	-	-	-	595,000	11,015,000
-	-	-	-	342,798	1,133,477
-	124,608	-	-	-	125,608
<u>10,694</u>	<u>12,173,181</u>	<u>5,111,583</u>	<u>216,361</u>	<u>2,927,421</u>	<u>55,920,990</u>
<u>98,435</u>	<u>(10,052,236)</u>	<u>(1,537,890)</u>	<u>2,239,354</u>	<u>4,652,431</u>	<u>(12,446,171)</u>
31,352	2,649,655	2,692,346	-	2,142,068	9,224,763
(480,285)	(1,246,587)	(1,073,051)	(1,383,541)	(1,029,631)	(7,300,022)
-	9,785,000	-	-	-	9,785,000
-	407,479	-	-	-	407,479
<u>(448,933)</u>	<u>11,595,547</u>	<u>1,619,295</u>	<u>(1,383,541)</u>	<u>1,112,437</u>	<u>12,117,220</u>
(350,498)	1,543,311	81,405	855,813	5,764,868	(328,951)
<u>2,061,223</u>	<u>761,682</u>	<u>5,538,455</u>	<u>4,194,911</u>	<u>11,165,134</u>	<u>44,539,848</u>
<u>\$ 1,710,725</u>	<u>\$ 2,304,993</u>	<u>\$ 5,619,860</u>	<u>\$ 5,050,724</u>	<u>\$ 16,930,002</u>	<u>\$ 44,210,897</u>

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

City of Inver Grove Heights, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2018

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

Total Net Change in Fund Balances - Governmental Funds	\$ (328,951)
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	17,130,070
Depreciation expense	(3,535,029)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	11,015,000
Bonds issued	(9,785,000)
Current year amortization of deferred charges	(19,875)
Premium on bonds issued	(407,479)
Current year amortization of bond premium	61,153
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	126,336
Internal service funds are used by the City to charge the cost of compensated absences, liability, property, and workers compensation insurance, vehicles and equipment, centralized purchase of consumable office supplies, maintaining facilities, and maintenance of computer systems. These balances are reported with governmental activities in the statement of activities.	(548,165)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(327,985)
Property taxes	(60,786)
Intergovernmental	548,556
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Other postemployment benefits	77,075
Long-term pension activity is not reported in governmental funds.	
Pension expense	895,765
Pension revenue from State contributions	67,430
Change in Net Position - Governmental Activities	<u>\$ 14,908,115</u>

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

City of Inver Grove Heights, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 19,143,600	\$ 19,143,600	\$ 19,194,085	\$ 50,485
Licenses and permits	1,130,500	1,130,500	1,511,951	381,451
Intergovernmental	665,700	665,700	738,829	73,129
Charges for services	569,600	569,600	676,423	106,823
Fines and forfeitures	140,000	140,000	185,181	45,181
Special assessments	1,000	1,000	11,955	10,955
Investment earnings	108,900	108,900	123,461	14,561
Miscellaneous	5,000	5,000	23,078	18,078
Total Revenues	<u>21,764,300</u>	<u>21,764,300</u>	<u>22,464,963</u>	<u>700,663</u>
Expenditures				
Current				
General government	1,994,900	1,994,900	2,132,161	(137,261)
Public safety	10,508,500	10,589,800	10,753,947	(164,147)
Public works	4,242,000	4,251,300	4,161,550	89,750
Culture and recreation	2,016,900	2,065,900	1,968,623	97,277
Community development	1,654,600	1,744,900	1,661,858	83,042
Capital outlay				
Public safety	-	-	28,203	(28,203)
Public works	500	500	-	500
Total Expenditures	<u>20,417,400</u>	<u>20,647,300</u>	<u>20,706,342</u>	<u>(59,042)</u>
Excess of Revenues Over Expenditures	<u>1,346,900</u>	<u>1,117,000</u>	<u>1,758,621</u>	<u>641,621</u>
Other Financing Sources (Uses)				
Transfers in	578,000	578,000	639,994	61,994
Transfers out	(1,950,500)	(1,990,500)	(2,045,220)	(54,720)
Total Financing Sources (Uses)	<u>(1,372,500)</u>	<u>(1,412,500)</u>	<u>(1,405,226)</u>	<u>7,274</u>
Net Change in Fund Balances	(25,600)	(295,500)	353,395	648,895
Fund Balances, January 1	<u>10,179,745</u>	<u>10,179,745</u>	<u>10,179,745</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 10,154,145</u>	<u>\$ 9,884,245</u>	<u>\$ 10,533,140</u>	<u>\$ 648,895</u>

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

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City of Inver Grove Heights, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Community Center Special Revenue Fund
For the Year Ended December 31, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for services	\$ 2,355,900	\$ 2,355,900	\$ 2,429,010	\$ 73,110
Investment earnings	-	-	(53)	(53)
Miscellaneous	315,700	315,700	352,982	37,282
Total Revenues	2,671,600	2,671,600	2,781,939	110,339
Expenditures				
Current				
Culture and recreation	3,091,300	3,091,300	3,178,208	(86,908)
Capital outlay				
Culture and recreation	1,219,500	1,382,500	385,521	996,979
Total Expenditures	4,310,800	4,473,800	3,563,729	910,071
Deficiency of Revenues Under Expenditures	(1,639,200)	(1,802,200)	(781,790)	1,020,410
Other Financing Sources (Uses)				
Transfers in	1,639,200	1,802,200	723,206	(1,078,994)
Transfers out	-	-	(10,355)	(10,355)
Total Financing Sources (Uses)	1,639,200	1,802,200	712,851	(1,089,349)
Net Change in Fund Balances	-	-	(68,939)	(68,939)
Fund Balances, January 1	(1,786,819)	(1,786,819)	(1,786,819)	-
Fund Balances, December 31	\$ (1,786,819)	\$ (1,786,819)	\$ (1,855,758)	\$ (68,939)

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

City of Inver Grove Heights, Minnesota
Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Assets					
Current Assets					
Cash and temporary investments	\$ 7,739,426	\$ 4,571,426	\$ 765,528	\$ 13,076,380	\$ 13,645,896
Cash held with fiscal agent	-	5,538,348	-	5,538,348	-
Receivables					
Accrued interest	30,423	49,991	2,758	83,172	50,477
Accounts	736,255	634,917	803	1,371,975	-
Special assessments	34,290	394	-	34,684	-
Due from other governments	-	-	-	-	20
Due from other funds	-	-	-	-	4,683,234
Inventories	-	-	3,293	3,293	59,833
Prepaid items	-	-	5,300	5,300	131,311
Total Current Assets	<u>8,540,394</u>	<u>10,795,076</u>	<u>777,682</u>	<u>20,113,152</u>	<u>18,570,771</u>
Noncurrent Assets					
Capital assets					
Land	461,598	556,452	1,862,355	2,880,405	209,122
Construction in progress	4,431,880	6,777,801	-	11,209,681	-
Buildings and systems	48,348,798	35,303,557	920,412	84,572,767	17,409,502
Improvements other than buildings	98,108	39,924	4,501,427	4,639,459	240,717
Machinery and equipment	335,497	26,519	1,042,284	1,404,300	11,527,131
Total Capital Assets	53,675,881	42,704,253	8,326,478	104,706,612	29,386,472
Less accumulated depreciation	(19,786,054)	(12,991,819)	(5,236,946)	(38,014,819)	(10,814,458)
Net Capital Assets	<u>33,889,827</u>	<u>29,712,434</u>	<u>3,089,532</u>	<u>66,691,793</u>	<u>18,572,014</u>
Total Noncurrent Assets	<u>33,889,827</u>	<u>29,712,434</u>	<u>3,089,532</u>	<u>66,691,793</u>	<u>18,572,014</u>
Total Assets	<u>42,430,221</u>	<u>40,507,510</u>	<u>3,867,214</u>	<u>86,804,945</u>	<u>37,142,785</u>
Deferred Outflows of Resources					
Deferred charge on refunding	-	193,371	-	193,371	-
Deferred other postemployment benefits resources	2,325	1,303	2,846	6,474	-
Deferred pension resources	72,428	44,492	81,639	198,559	111,808
Total Deferred Outflows of Resources	<u>74,753</u>	<u>239,166</u>	<u>84,485</u>	<u>398,404</u>	<u>111,808</u>

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

City of Inver Grove Heights, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Liabilities					
Current Liabilities					
Accounts and contracts payable	\$ 40,805	\$ 1,540	\$ 21,678	\$ 64,023	\$ 259,430
Accrued salaries payable	24,036	12,867	19,425	56,328	30,605
Due to other governments	95,773	221,058	422	317,253	193
Due to other funds	-	-	2,041,160	2,041,160	-
Accrued interest payable	13,083	248,422	-	261,505	-
Deposits payable	-	-	28,403	28,403	-
Unearned revenue	152,430	240,840	392,014	785,284	-
Compensated absences payable - current portion	35,486	23,608	45,178	104,272	940,221
Bonds payable - current portion	370,000	6,310,000	-	6,680,000	-
Total Current Liabilities	731,613	7,058,335	2,548,280	10,338,228	1,230,449
Noncurrent Liabilities					
Compensated absences payable	89,490	46,970	23,371	159,831	1,128,042
Bonds payable	1,224,002	13,607,919	-	14,831,921	-
Pension liability	344,622	211,701	388,451	944,774	531,997
Other postemployment benefits payable	28,648	16,055	35,079	79,782	-
Total Noncurrent Liabilities	1,686,762	13,882,645	446,901	16,016,308	1,660,039
Total Liabilities	2,418,375	20,940,980	2,995,181	26,354,536	2,890,488
Deferred Inflows of Resources					
Deferred pension resources	86,022	52,843	96,962	235,827	132,792
Net Position					
Net investment in capital assets	32,295,825	15,762,781	3,089,532	51,148,138	18,572,014
Unrestricted	7,704,752	3,990,072	(2,229,976)	9,464,848	15,659,299
Total Net Position	\$ 40,000,577	\$ 19,752,853	\$ 859,556	\$ 60,612,986	\$ 34,231,313

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

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City of Inver Grove Heights, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Operating Revenues					
Charges for services					
Water sales	\$ 3,035,520	\$ -	\$ -	\$ 3,035,520	\$ -
Sewer charges	-	3,649,351	-	3,649,351	-
Late fees	73,592	44,328	-	117,920	-
Water meter sales	22,956	-	-	22,956	-
Foot golf	-	-	1,744	1,744	-
Green fees	-	-	635,313	635,313	-
Golf cart rentals	-	-	472,557	472,557	-
Practice center	-	-	134,207	134,207	-
Golf shop	-	-	67,016	67,016	-
Food and beverage	-	-	214,676	214,676	-
Other	-	-	353,134	353,134	5,753,220
Total Operating Revenues	3,132,068	3,693,679	1,878,647	8,704,394	5,753,220
Operating Expenses					
Personnel services	647,451	380,047	953,201	1,980,699	1,198,837
Other current expenses	1,357,660	2,399,843	763,437	4,520,940	2,798,038
Depreciation	981,213	685,662	215,603	1,882,478	1,630,566
Total Operating Expenses	2,986,324	3,465,552	1,932,241	8,384,117	5,627,441
Operating Income (Loss)	145,744	228,127	(53,594)	320,277	125,779
Nonoperating Revenues (Expenses)					
Investment earnings	157,063	188,615	8,503	354,181	195,975
Miscellaneous revenues	5,495	1,620	3,924	11,039	93,789
Gain on sale of capital assets	-	-	-	-	21,486
Interest and amortization expense	(17,141)	(590,274)	-	(607,415)	-
Total Nonoperating Revenues (Expenses)	145,417	(400,039)	12,427	(242,195)	311,250
Income (Loss) Before Contributions and Transfers	291,161	(171,912)	(41,167)	78,082	437,029
Capital Contributions	930,583	787,280	-	1,717,863	-
Donated capital assets	-	(67,272)	-	(67,272)	-
Transfers In	-	539,264	-	539,264	15,170
Transfers Out	(1,107,490)	(340,255)	(31,066)	(1,478,811)	(1,000,364)
Total Transfers and Contributions	(176,907)	919,017	(31,066)	711,044	
Change in Net Position	114,254	747,105	(72,233)	789,126	(548,165)
Net Position - January 1 as restated (Note 10)	39,886,323	19,005,748	931,789	59,823,860	34,779,478
Net Position, December 31	\$ 40,000,577	\$ 19,752,853	\$ 859,556	\$ 60,612,986	\$ 34,231,313

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

City of Inver Grove Heights, Minnesota
Statement of Cash Flows (Continued on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,069,212	\$ 3,708,246	\$ 2,238,680	\$ 9,016,138	\$ 5,770,214
Other operating receipts	2,858	-	952	3,810	89,718
Payments to suppliers	(1,357,467)	(2,417,945)	(665,489)	(4,440,901)	(1,917,326)
Payments to employees	(638,842)	(394,257)	(989,179)	(2,022,278)	(1,092,048)
Net Cash Provided (Used) by Operating Activities	<u>1,075,761</u>	<u>896,044</u>	<u>584,964</u>	<u>2,556,769</u>	<u>2,850,558</u>
Cash Flows from Noncapital Financing Activities					
Receipts on interfund balances	-	-	113,052	113,052	-
Payments on interfund balances	-	-	(119,592)	(119,592)	(737,650)
Transfers from other funds	-	539,264	-	539,264	15,170
Transfers to other funds	(1,107,490)	(340,255)	(31,066)	(1,478,811)	(1,000,364)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,107,490)</u>	<u>199,009</u>	<u>(37,606)</u>	<u>(946,087)</u>	<u>(1,722,844)</u>
Cash Flows from Capital and Related Financing Activities					
Connection fees received	613,957	503,397	-	1,117,354	-
Special assessments received	21,766	52,250	-	74,016	-
Acquisition of capital assets	(355,493)	(1,235,701)	(212,102)	(1,803,296)	(1,249,906)
Proceeds from sale of capital assets	-	-	-	-	21,486
Interest paid on debt	(40,426)	(609,351)	-	(649,777)	-
Principal paid on bonds	(850,000)	(790,000)	-	(1,640,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(610,196)</u>	<u>(2,079,405)</u>	<u>(212,102)</u>	<u>(2,901,703)</u>	<u>(1,228,420)</u>
Cash Flows from Investing Activities					
Investment earnings	<u>174,282</u>	<u>193,601</u>	<u>7,981</u>	<u>375,864</u>	<u>202,378</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(467,643)	(790,751)	343,237	(915,157)	101,672
Cash and Cash Equivalents, January 1	<u>8,207,069</u>	<u>10,900,525</u>	<u>422,291</u>	<u>19,529,885</u>	<u>13,544,224</u>
Cash and Cash Equivalents, December 31	<u>\$ 7,739,426</u>	<u>\$ 10,109,774</u>	<u>\$ 765,528</u>	<u>\$ 18,614,728</u>	<u>\$ 13,645,896</u>
Reconciliation to the Proprietary Funds Statement of Net Position					
Cash and temporary investments	\$ 7,739,426	\$ 4,571,426	\$ 765,528	\$ 13,076,380	\$ 13,645,896
Cash held with fiscal agent	-	5,538,348	-	5,538,348	-
Total Cash and Cash Equivalents	<u>\$ 7,739,426</u>	<u>\$ 10,109,774</u>	<u>\$ 765,528</u>	<u>\$ 18,614,728</u>	<u>\$ 13,645,896</u>

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

City of Inver Grove Heights, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 145,744	\$ 228,127	\$ (53,594)	\$ 320,277	\$ 125,779
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	981,213	685,662	215,603	1,882,478	1,630,566
Loss on disposal of capital assets	-	-	100,640	100,640	29,380
Other income related to operations	5,495	1,620	3,924	11,039	93,789
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(81,696)	(16,347)	(278)	(98,321)	17,014
Due from other governments	-	-	-	-	(20)
Inventories	-	-	(1,942)	(1,942)	(3,660)
Prepaid items	-	23	(1,443)	(1,420)	645,895
Deferred OPEB resources	(2,325)	(1,303)	(2,846)	(6,474)	-
Deferred pension resources	22,555	17,056	31,891	71,502	34,078
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	(35,922)	1,540	749	(33,633)	209,450
Accrued salaries payable	2,965	2,161	2,885	8,011	1,612
Due to other governments	36,115	(19,665)	(56)	16,394	(353)
Deposits payable	-	-	(31,703)	(31,703)	-
Unearned revenue	18,840	30,914	392,014	441,768	-
Compensated absences payable	18,634	5,477	(33,694)	(9,583)	118,538
Pension liability	(30,597)	(31,436)	(60,038)	(122,071)	(44,307)
Other postemployment benefits payable	(135)	(1,566)	34,836	33,135	-
Deferred pension resources	(5,125)	(6,219)	(11,984)	(23,328)	(7,203)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,075,761</u>	<u>\$ 896,044</u>	<u>\$ 584,964</u>	<u>\$ 2,556,769</u>	<u>\$ 2,850,558</u>
Schedule of Noncash Capital and Related Financing Activities					
Capital assets contributed from other funds	\$ 314,970	\$ 282,050	\$ -	\$ 597,020	\$ -
Capital assets donated to governmental activities	-	67,272	-	67,272	-
Amortization of bond premium	16,200	29,306	-	45,506	-
Amortization of deferred charges on refunding	-	19,178	-	19,178	-
Net disposal of capital assets	-	-	100,640	100,640	29,380

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

City of Inver Grove Heights, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	<u>Agency</u>
Assets	
Cash and temporary investments	<u>\$ 1,710,854</u>
Liabilities	
Accounts payable	\$ 14,927
Deposits payable	<u>1,695,927</u>
Total Liabilities	<u>\$ 1,710,854</u>

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

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Inver Grove Heights (the City) was incorporated in 1965 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consists of a five-member City Council elected by voters of the City. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of their operational or financial relationships with the City. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Included in the City's reporting entity, based upon the application of these criteria, is the following blended component unit.

Blended Component Unit

The Inver Grove Heights Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the EDA is reported as if it were part of the primary government because the Board of Commissioners is made up of the Mayor and the four City Council members and the City has operational responsibility over the EDA. It is this criterion that results in the EDA being reported as a blended component unit and reported as a special revenue fund. Separate financial statements are not prepared for the EDA.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The *Improvement Bonds fund* is a debt service fund that accounts for resources accumulated and payments for principal and interest on long term general obligation debt.

The *Closed Bond, Local Improvement Construction, Pavement Management, and Host Community funds* are capital project funds that account for improvement revenues and expenditures from replacement funds set aside for capital improvements.

The *Community Center fund* accounts for the activities at the Veterans Memorial and the Grove Community Center. Charges for services within the fund are committed to Community Center activity.

The City reports the following major proprietary funds:

The *Water fund* and the *Sewer fund* account for activities related to the operation of a water distribution system and a sanitary sewer distribution system, respectively.

The *Golf Course fund* accounts for resources and payments related to the operation and maintenance of a municipal golf course.

Additionally, the City reports the following fund types:

Internal service funds account for compensated absences, risk management, central equipment, central stores, city facilities and technology services provided to other departments or agencies of the City. Internal service funds operate in a manner similar to enterprise funds; however, they provide services primarily to other departments within the City.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, this fund is not incorporated into the government-wide statements. The City accounts for the following agency activity: escrow activity. The escrow agency fund accounts for various deposits, collections and remittances of expenses on behalf of developers and homeowners.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments in-lieu of taxes, payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer function 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 *non-operating* 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 enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

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

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

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

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

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

- Government agency and treasury securities of \$22,337,948 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits, mortgage backed securities, and municipal bonds of \$27,121,198 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

Property taxes are submitted to the County Auditor by December 28 of each year, to be levied on January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15.

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

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

Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported as cash held with fiscal agent.

Accounts Receivable

Accounts receivable include amounts billed for services, such as water, sewer, storm water and nuisance charges, provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. The City annually certifies delinquent water, sewer, storm water and nuisance accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

All trade (utility) and property tax receivables are shown at gross amount, since both taxes and trade (utility) receivables are assessable to the property taxes and are collectible upon the sale of the assessed property.

Due From Other Governments

The amounts due from other government primarily include amounts for project cost in which the City is receiving grants to support the projects.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements. At December 31, 2018, the total delinquent special assessment receivable balance is \$18,275.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items

All inventories are 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.

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.

Land Held for Resale

Land was acquired by the City and EDA for subsequent resale for redevelopment purposes. Land held for resale is an asset recorded at the lower of cost or realizable value in the fund that acquired it.

Capital Assets

A capital asset is defined as a financial resource that is tangible or intangible in nature, complete in and of itself, and is not a component of another. Capital assets, which include property, easements, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 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 on the date of acquisition. Infrastructure assets acquired prior to the fiscal year ended December 31, 1979 are not reported.

Intangible assets prior to 2010 were capitalized and bundled with the infrastructure/land purchases and have been determined to have an indefinite life and therefore have not been broken out from the assets.

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

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

Assets	Useful Life in Years
Buildings and Structures	20 to 50
Equipment and Machinery	3 to 20
Distribution and Collection Systems	50
Streets and Infrastructure	25

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items which qualify for reporting in this category. Accordingly, the items, deferred pension resources, and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates. The third item, deferred charge on refunding results in the loss on a bond refunding recognized over shorter of the life of the refunded bond or the refunding bond.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and personal leave benefits. There is an estimated liability for unpaid accumulated sick and personal leave that will be taken as severance upon retirement. All vacation and estimated retirement severance are accrued when incurred in government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

Other Postemployment Benefits

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2018. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types 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.

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. For the most part, the General fund is typically used to liquidate governmental pension liabilities.

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

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The City participates in various pension plans, total pension expense for the year ended December 31, 2018 as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERF	PEPFF	PEDCP		
Pension Expense	\$ 247,853	\$ 192,440	\$ 1,800	\$ 83,959	\$ 526,052

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Net Position

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

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

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

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

Assigned - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Pursuant to the Fund Balance Policy approved by City Council, the City Administrator has been delegated the authority to assign and remove assignments of fund balance amounts for specific purposes.

Unassigned - 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.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City will strive to maintain a minimum General fund unassigned fund balance of 40 to 45 percent of next year's budgeted expenditures.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles), as applied to governmental units by the Government Accounting Standards Board (GASB). An annual appropriated budget is adopted for the General fund as well as for the Convention and Visitors Bureau, Recreation, Community Center and Economic Development Authority special revenue funds.

Budgeted amounts are reported as originally adopted, as well as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adjusted. Budgeted expenditure appropriations lapse at year-end. Any unencumbered appropriations that need to be carried forward to the next year must be reappropriated by the City Council from the fund balance.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General fund. Encumbrances outstanding at year-end expire and outstanding purchase orders are cancelled and not reported in the financial statements. Therefore there are no outstanding encumbrances at year end.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability (Continued)

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

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public meetings are conducted to obtain taxpayer comments.
3. The General fund budget is legally enacted through passage of a resolution on a departmental basis and can be expended by each department based upon detailed budget estimates for that department. The Convention and Visitors Bureau, Recreation, Community Center and Economic Development Authority special revenue fund budgets are legally enacted through passage of resolutions for each fund as a whole.
4. The City Administrator is authorized to transfer appropriations within a fund's budget. Additional fund appropriations and deletions are or may be authorized by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General fund.
6. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service funds. Supplementary budgets are adopted for the Proprietary funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance and are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the Capital Project funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.
8. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personnel services; other current; capital outlay) within each activity.
9. The City Council may authorize transfers of budgeted amounts between City funds.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General Fund	\$ 20,647,300	\$ 20,706,342	\$ 59,042
Nonmajor			
Recreation	632,400	650,307	17,907
Economic Development Authority	120,600	668,254	547,654
Convention and Visitors Bureau	121,000	161,581	40,581

The excess of expenditures over appropriations for the Economic Development Authority and the Recreation funds were funded by transfers in. The Convention and Visitors Bureau fund was funded by excess revenues and fund balance. The General fund was funded through revenues in excess of budget.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

The following fund had a fund equity deficit at December 31, 2018:

Fund	Amount
Major	
Community Center	\$ 1,855,758

The fund deficit is expected to be eliminated with future fund revenues or transfers from other funds.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits was \$9,973,988 and the bank balance was \$10,613,136. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining bank balance was covered by collateral held by the City's agent in the City's name.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Broker Money Market Funds	N/A	less than 6 months	\$ 21,070,095			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposits	N/A	less than 6 months	1,600,810	\$ -	\$ 1,600,810	\$ -
Negotiable Certificates of Deposits	N/A	6 months to 1 year	833,716	-	833,716	-
Negotiable Certificates of Deposits	N/A	1 to 3 years	2,255,955	-	2,255,955	-
Negotiable Certificates of Deposits	N/A	more than 3 years	1,178,974	-	1,178,974	-
Government Agency Securities	AA+	6 months to 1 year	4,266,906	4,266,906	-	-
Government Agency Securities	AA+	1 to 3 years	3,630,275	3,630,275	-	-
Government Agency Securities	AA+	more than 3 years	9,038,053	9,038,053	-	-
Municipal Bonds	AA+	less than 6 months	2,368,504	-	2,368,504	-
Municipal Bonds	AA+	6 months to 1 year	742,365	-	742,365	-
Municipal Bonds	AA+	1 to 3 years	2,107,283	-	2,107,283	-
Municipal Bonds	AA	less than 6 months	2,340,741	-	2,340,741	-
Municipal Bonds	AA	6 months to 1 year	498,815	-	498,815	-
Municipal Bonds	AA	more than 3 years	5,306,182	-	5,306,182	-
Municipal Bonds	AAA	1 to 3 years	1,983,460	-	1,983,460	-
Municipal Bonds	AAA	more than 3 years	3,327,429	-	3,327,429	-
Municipal Bonds	AAA	less than 6 months	100,149	-	100,149	-
Municipal Bonds	A	6 months to 1 year	989,300	-	989,300	-
Municipal Bonds	AA-	6 months to 1 year	1,487,515	-	1,487,515	-
Treasury Securities	N/A	less than 6 months	5,402,714	5,402,714	-	-
Total Investments			\$ 70,529,241	\$ 22,337,948	\$ 27,121,198	\$ -

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

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

N/A Indicates not applicable or available.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the City's investment policy, the City will not directly invest more than five percent (5 percent) of the total portfolio in securities maturing more than five (5) years from the date of purchase, unless matched to a specific cash flow. The City was not exposed to interest rate risks due to the fact that their investments are not exposed to highly sensitive changes in interest rates.
- *Credit Risk*. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 64 of the notes to the financial statements. In accordance with its investment policy, the City will minimize credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
- *Concentration of Credit Risk*. Concentration of credit risk is defined as positions of five percent (5 percent) or more in the securities of a single issuer. The City's investment policy does not allow for an investment in any issuer or security type (except U.S. Treasury Bonds) that is in excess of fifty percent (50 percent) of the City's total investments. As of December 31, 2018, the following issuer exceeded 5 percent of the City's total investments: FNMA (9.55 percent).
- *Custodial Credit Risk- Deposits*. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Minnesota statutes and the City's investment policy states that in order to provide a level of security for all funds, the collateralization level will be 110 percent of market value not covered by insurance. As of December 31, 2018, all of the City's bank balance was covered by federal depository insurance or by perfected collateral held by the City's agent in the City's name.
- *Custodial Credit Risk - Investments*. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of December 31, 2018, all securities were held by the City or its agent in the City's name. The City does not have an investment policy for custodial credit risk.

The City's investments held by a broker-dealer were insured by SIPC or other supplemental insurance as of December 31, 2018. However, each investment brokerage firm may have a limit to their supplemental insurance coverage and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits; the portion of the supplemental policy applicable to the City's portfolio is unknown. The City accepts the risk due to the controls in place at the broker-dealer.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 9,973,988
Investments	70,529,241
Petty Cash	17,550
	<u>\$ 80,520,779</u>
Total	<u><u>\$ 80,520,779</u></u>
As Reported on the Financial Statements	
Statement of net position	
Cash and temporary investments	\$ 73,271,577
Cash held with fiscal agent	5,538,348
Fiduciary statement of net position	
Cash and temporary investments	1,710,854
	<u>1,710,854</u>
Total	<u><u>\$ 80,520,779</u></u>

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 30,721,187	\$ 1,063,536	\$ -	\$ 31,784,723
Construction in progress	8,412,622	15,466,799	(713,649)	23,165,772
Total Capital Assets not being Depreciated	<u>39,133,809</u>	<u>16,530,335</u>	<u>(713,649)</u>	<u>54,950,495</u>
Capital Assets, being Depreciated				
Infrastructure	104,314,641	1,174,874	-	105,489,515
Buildings and systems	36,982,643	-	(63,825)	36,918,818
Improvements other than buildings	8,705,048	-	-	8,705,048
Machinery and equipment	11,582,998	1,388,415	(409,387)	12,562,026
Total Capital Assets being Depreciated	<u>161,585,330</u>	<u>2,563,289</u>	<u>(473,212)</u>	<u>163,675,407</u>
Less Accumulated Depreciation for				
Infrastructure	(53,717,809)	(2,398,373)	-	(56,116,182)
Buildings and systems	(19,376,002)	(1,441,089)	63,825	(20,753,266)
Improvements other than buildings	(4,861,723)	(331,795)	-	(5,193,518)
Machinery and equipment	(7,292,019)	(994,338)	380,008	(7,906,349)
Total Accumulated Depreciation	<u>(85,247,553)</u>	<u>(5,165,595)</u>	<u>443,833</u>	<u>(89,969,315)</u>
 Total Capital Assets being Depreciated, Net	 <u>76,337,777</u>	 <u>(2,602,306)</u>	 <u>(29,379)</u>	 <u>73,706,092</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 115,471,586</u>	 <u>\$ 13,928,029</u>	 <u>\$ (743,028)</u>	 <u>\$ 128,656,587</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General Government	\$ 692,272
Public Safety	305,381
Public Works	2,898,969
Culture and Recreation	1,198,265
Community development	<u>70,708</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 5,165,595</u></u>
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 2,880,405	\$ -	\$ -	\$ 2,880,405
Construction in progress	9,685,760	1,901,611	(377,690) *	11,209,681
Total Capital Assets not being Depreciated	<u>12,566,165</u>	<u>1,901,611</u>	<u>(377,690)</u>	<u>14,090,086</u>
Capital Assets being Depreciated				
Buildings and systems	83,975,747	597,020	-	84,572,767
Improvements other than buildings	4,645,786	(6,327)	-	4,639,459
Machinery and equipment	1,386,533	119,379	(101,612)	1,404,300
Total Capital Assets being Depreciated	<u>90,008,066</u>	<u>710,072</u>	<u>(101,612)</u>	<u>90,616,526</u>
Less Accumulated Depreciation for				
Buildings and systems	(31,456,169)	(1,676,585)	-	(33,132,754)
Improvements other than buildings	(3,665,928)	(139,265)	-	(3,805,193)
Machinery and equipment	(1,110,267)	(66,628)	100,023	(1,076,872)
Total Accumulated Depreciation	<u>(36,232,364)</u>	<u>(1,882,478)</u>	<u>100,023</u>	<u>(38,014,819)</u>
Total Capital Assets being Depreciated, Net	<u>53,775,702</u>	<u>(1,172,406)</u>	<u>(1,589)</u>	<u>52,601,707</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 66,341,867</u></u>	<u><u>\$ 729,205</u></u>	<u><u>\$ (379,279)</u></u>	<u><u>\$ 66,691,793</u></u>

* The decrease in construction in progress is greater than the increase in capital assets due to reclassification of construction in progress as repairs and maintenance.

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

Business-type Activities

Water	\$ 981,213
Sewer	685,662
Golf Course	<u>215,603</u>

Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,882,478</u></u>
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City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Construction Commitments

The City has the following construction commitments at December 31, 2018 as follows:

Project	Spent to Date	Remaining Commitment
93rd Street - Abigail Court Area Reconstruction (Project 1709E)	\$ 593,383	\$ 136,439
60th Street Area Reconstruction (Project 1609D)	1,499,784	82,307
60th Street Area Utility Improvements (Project 1610)	179,952	18,868
NWA Trunk Watermain Improvement 65th Street (Project 1512)	148,243	8,123
Bancroft Way Area Reconstruction (Project 1609E)	1,175,685	152,594
Broderick Boulevard Reconstruction (Project 1509D)	3,259,137	152,676
VMCC/Golf Course Parking Lots (Project 1721)	810,266	(43,690)
Fire Station #2 - Sewer & Water Improvement (Project 1808)	781,503	64,250
Fire Station Fiber Optic Improvement (Project 1811)	23,432	3,644
Fire Station #2 (Project 1410)	1,420,500	7,244,500
2010 State Bonding Grant - Heritage Village Park (Project 1622)	708,426	189,124
Intersection Improvement at T.H. 3 & Diffley Ct (Project 1805)	-	174,317
Public Works Maintenance Facility HVAC System Replacement (Project 1813)	32,000	132,878
NWA Trunk Watermain Improvement 65th Street Loop Phase 3 (Project 1703)	268,814	35,057
TH 3 Intersection Improvements (Project 1724)	2,837,672	680,669
NWA Trunk Utility Improvement - Argenta District (Project 1513)	3,031,004	95,452
NWA Trunk Utility Improvement - Argenta District (Project 1516)	3,483,193	56,709
NWA Trunk Watermain Improvement - 65th St (Phase II) (Project 1702)	1,429,630	106,384

D. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. and revenue bonds to provide funds for the acquisition and construction of major capital facilities and equipment. Debt service is covered by tax increments, special assessments, property tax levies and revenues. In addition, bonds have been issued to refund G.O., G.O. tax increment, G.O. special assessment, and G.O. revenue bonds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds, Series 2015A	\$ 7,745,000	2.00 - 3.00 %	09/17/15	02/01/31	\$ 6,875,000
G.O. Refunding Capital Bonds, Series 2016A	8,515,000	2.75 - 3.00	12/29/16	02/01/34	8,515,000
G.O. Capital Improvement Plan Bonds, Series 2018A	9,785,000	3.35 - 5.00	12/27/18	02/01/39	9,785,000
Total G.O. Bonds					<u>\$ 25,175,000</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 805,000	\$ 647,617	\$ 1,452,617
2020	950,000	774,348	1,724,348
2021	1,215,000	742,223	1,957,223
2022	1,270,000	700,473	1,970,473
2023	1,350,000	653,873	2,003,873
2024 - 2028	7,510,000	2,504,150	10,014,150
2029 - 2033	7,555,000	1,282,419	8,837,419
2034 - 2038	3,835,000	393,621	4,228,621
2039	685,000	11,472	696,472
Total	<u>\$ 25,175,000</u>	<u>\$ 7,710,196</u>	<u>\$ 32,885,196</u>

G.O. Improvement (Special Assessment) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partially financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2010B	\$ 4,885,000	2.00 - 3.13 %	10/06/10	02/01/27	\$ 2,715,000
G.O. Improvement Refunding Bonds, Series 2014B	2,415,000	2.00	12/30/14	02/01/20	870,000
G.O. Improvement Bonds, Series 2017B	3,505,000	2.00 - 3.00	12/11/17	02/01/33	3,505,000
Total G.O. Special Assessment Bonds					<u>\$ 7,090,000</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 1,020,000	\$ 184,306	\$ 1,204,306
2020	840,000	160,069	1,000,069
2021	615,000	139,419	754,419
2022	625,000	120,819	745,819
2023	490,000	104,094	594,094
2024 - 2028	2,335,000	293,703	2,628,703
2029 - 2033	1,165,000	73,481	1,238,481
Total	<u>\$ 7,090,000</u>	<u>\$ 1,075,891</u>	<u>\$ 8,165,891</u>

G.O. Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Refunding Bonds, Series 2011A	\$ 3,430,000	2.00 - 2.25 %	08/08/11	02/01/19	<u>\$ 560,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	<u>\$ 560,000</u>	<u>\$ 6,300</u>	<u>\$ 566,300</u>

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water and Sewer enterprise funds and are backed by the taxing power of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer
Net Operating Revenues	\$ 3,132,068	\$ 3,693,679
Principal and Interest	890,426	1,399,351
Percentage of Revenues	28.43 %	37.89 %

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds, Series 2010A	\$ 6,865,000	2.00 - 4.00 %	10/06/10	02/01/36	\$ 5,735,000
G.O. Utility Revenue Refunding Bonds, Series 2012A	5,315,000	2.00 - 2.15	04/24/12	02/01/22	1,540,000
G.O. Sewer Revenue Refunding Bonds, Series 2014B	5,015,000	2.00 - 3.00	12/30/14	02/01/20	4,325,000
G.O. Sewer Revenue Bonds, Series 2015B	4,185,000	3.00 - 4.00	09/17/15	02/01/31	3,800,000
G.O. Sewer Refunding Revenue Bonds, Series 2017A	5,685,000	1.50 - 3.00	01/12/17	02/01/36	5,685,000
Total G.O. Revenue Bonds					<u>\$ 21,085,000</u>

The annual debt service requirements to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 6,680,000	\$ 515,663	\$ 7,195,663
2020	1,230,000	387,713	1,617,713
2021	1,270,000	355,163	1,625,163
2022	1,305,000	321,288	1,626,288
2023	935,000	290,463	1,225,463
2024 - 2028	5,155,000	1,020,581	6,175,581
2029 - 2033	3,295,000	348,181	3,643,181
2034 - 2036	1,215,000	50,667	1,265,667
Total	<u>\$ 21,085,000</u>	<u>\$ 3,289,719</u>	<u>\$ 24,374,719</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 24,585,000	\$ 9,785,000	\$ (9,195,000)	\$ 25,175,000	\$ 805,000
G.O. special					
assessment bonds	8,355,000	-	(1,265,000)	7,090,000	1,020,000
G.O. tax increment bonds	1,115,000	-	(555,000)	560,000	560,000
Bond premium	602,164	407,479	(61,153)	948,490	-
Total Bonds Payable	34,657,164	10,192,479	(11,076,153)	33,773,490	2,385,000
Compensated Absences Payable	1,949,725	1,058,759	(940,221)	2,068,263	940,221
Pension Liability					
GERF	5,866,107	28,383	(620,416)	5,274,074	-
PEPFF	4,617,407	-	(928,337)	3,689,070	-
Other Postemployment Benefits Payable	634,544	54,202	(82,050)	606,696	-
Governmental Activity Long-term Liabilities	<u>\$ 47,724,947</u>	<u>\$ 11,333,823</u>	<u>\$ (13,647,177)</u>	<u>\$ 45,411,593</u>	<u>\$ 3,325,221</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 22,725,000	\$ -	\$ (1,640,000)	\$ 21,085,000	\$ 6,680,000
Bond premium	472,427	-	(45,506)	426,921	-
Total Bonds Payable	23,197,427	-	(1,685,506)	21,511,921	6,680,000
Compensated Absences Payable	273,686	94,689	(104,272)	264,103	104,272
Pension Liability					
GERF	1,066,845	25,274	(147,345)	944,774	-
Other Postemployment Benefits Payable	46,647	7,128	26,007	79,782	-
Business-type Activity Long-term Liabilities	<u>\$ 24,584,605</u>	<u>\$ 127,091</u>	<u>\$ (1,911,116)</u>	<u>\$ 22,800,580</u>	<u>\$ 6,784,272</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

Fund equity balances are classified below to reflect the limitations and restrictions of the respective funds.

	General	Improvement Bonds	Community Center	Closed Bond
Nonspendable				
Prepaid items	\$ 12,679	\$ -	\$ 101,120	\$ -
Restricted for				
Debt service	-	3,917,211	-	-
Equipment acquisition	-	-	-	-
Community development	-	-	-	-
Park improvements	-	-	-	-
Capital improvements	-	-	-	-
Total Restricted	-	3,917,211	-	-
Committed to				
Convention and				
Visitors Bureau	-	-	-	-
Recreation	-	-	-	-
Economic development	-	-	-	-
Pavement management	-	-	-	-
Total Committed	-	-	-	-
Assigned to				
Capital improvements	-	-	-	1,710,725
Unassigned	10,520,461	-	(1,956,878)	-
Total	<u>\$ 10,533,140</u>	<u>\$ 3,917,211</u>	<u>\$ (1,855,758)</u>	<u>\$ 1,710,725</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Improvement Construction	Pavement Management	Host Community	Other Governmental	Total
Nonspendable					
Prepaid items	\$ -	\$ -	\$ -	\$ 4,167	\$ 117,966
Restricted for					
Debt service	-	-	-	-	3,917,211
Equipment acquisition	-	-	-	-	-
Community development	-	-	-	3,115,746	3,115,746
Park improvements	-	-	-	2,331,224	2,331,224
Capital improvements	6,921,820	-	-	-	6,921,820
Total Restricted	6,921,820	-	-	5,446,970	16,286,001
Committed to					
Convention and Visitors Bureau	-	-	-	126,820	126,820
Recreation	-	-	-	303,881	303,881
Economic development	-	-	-	334,611	334,611
Pavement management	-	-	-	1,025,250	1,025,250
Total Committed	-	-	-	1,790,562	1,790,562
Assigned to					
Capital improvements	-	5,619,860	5,050,724	9,688,303	22,069,612
Unassigned	(4,616,827)	-	-	-	3,946,756
Total	\$ 2,304,993	\$ 5,619,860	\$ 5,050,724	\$ 16,930,002	\$ 44,210,897

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Internal Service	Golf Course	To loan funds for repairs and maintenance	\$ 2,041,160
Internal Service	Community Center	To loan funds for capital improvements	2,642,074
Host Community	Nonmajor governmental	To loan funds for land purchase	1,000,000
Total			<u>\$ 5,683,234</u>

The Internal Service Central Equipment fund made advances to the Golf Course and Community Center funds which will be paid back in annual installments. The Host Community fund made advances to the nonmajor governmental EDA fund, which will be paid back when the land for resale has sold. All other interfund loans are expected to be repaid within one year.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

The composition of interfund transfers for the year ended December 31, 2018 is as follows:

Fund	Transfer In				
	General	Improvement Bonds	Closed Bond	Local Improvement Construction	Pavement Management
Transfer Out					
General	\$ -	\$ -	\$ -	\$ 54,720	\$ 1,250,000
Improvement Bonds	-	-	31,352	-	-
Closed Bond	-	200,692	-	54,590	-
Local Improvement Construction	-	-	-	89	1,211,481
Pavement Management	-	145,450	-	927,601	-
Host Community	100,000	-	-	9,067	-
Community Center	-	-	-	10,355	-
Nonmajor Governmental	67,994	-	-	388,487	-
Water	236,000	-	-	130,562	201,664
Sewer	236,000	-	-	75,054	29,201
Golf Course	-	-	-	31,066	-
Internal Service Funds	-	-	-	968,064	-
Total	<u>\$ 639,994</u>	<u>\$ 346,142</u>	<u>\$ 31,352</u>	<u>\$ 2,649,655</u>	<u>\$ 2,692,346</u>

Fund	Transfer In				Total
	Community Center	Nonmajor Governmental	Sewer	Internal Service Funds	
Transfer Out					
General	\$ -	\$ 740,500	\$ -	\$ -	\$ 2,045,220
Improvement Bonds	-	-	-	-	31,352
Closed Bond	-	225,003	-	-	480,285
Local Improvement Construction	-	19,847	-	15,170	1,246,587
Pavement Management	-	-	-	-	1,073,051
Host Community	723,206	551,268	-	-	1,383,541
Community Center	-	-	-	-	10,355
Nonmajor Governmental	-	573,150	-	-	1,029,631
Water	-	-	539,264	-	1,107,490
Sewer	-	-	-	-	340,255
Golf Course	-	-	-	-	31,066
Internal Service Funds	-	32,300	-	-	1,000,364
Total	<u>\$ 723,206</u>	<u>\$ 2,142,068</u>	<u>\$ 539,264</u>	<u>\$ 15,170</u>	<u>\$ 9,779,197</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

The City annually budgets transfers for specific purposes and includes transfers to cover funds annual operations, transfers for debt service payments, transfers made as part of capital improvement plans and other transfers made for various reasons. The City made the following one-time non-budgeted transfers for the year ended December 31, 2018:

- A transfer from the General fund to the Pavement Management fund was adopted by resolution. The transfer was for construction projects.
- A transfer from the Closed Bond fund to the nonmajor governmental fund was adopted by resolution. The transfer was to close a fund.
- Transfers from the Pavement Management fund to the Local Improvement fund were adopted by resolution. The transfers were for construction projects.
- A transfer from the Host Community fund to the Pavement Management fund was adopted by resolution. The transfer was for construction projects.
- Transfers from the Host Community fund to the Community Center fund were budgeted and adopted by resolution. The transfers were to support operations and capital needs.
- Transfers from the Host Community fund to the nonmajor governmental funds were adopted by resolution. The transfers were for construction projects.
- Transfers from the nonmajor governmental funds to the Local Improvement Construction fund and other nonmajor governmental funds were adopted by resolution. The transfers were for construction projects.
- Transfers from the Water fund to the Local Improvement and Sewer fund were adopted by resolution. The transfers were for construction projects.
- Transfers from the Internal Service fund to the Local Improvement fund were adopted by resolution. The transfers were for construction projects.
- Transfers from the Sewer fund to the Local Improvement fund were adopted by resolution. The transfers were for construction projects.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

GERF Benefits

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

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

PEPFF Benefits

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

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

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

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

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

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$593,314, \$544,197 and \$488,967, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were \$618,063, \$581,071 and \$499,560, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$6,218,848 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$204,030. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1121 percent which was an increase of 0.0035 from its proportion measured as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$ 6,218,848
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>204,030</u>
	<u>\$ 6,422,878</u>

For the year ended December 31, 2018, the City recognized pension expense of \$200,274 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$47,579 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 164,779	\$ 209,504
Changes in Actuarial Assumptions	601,423	698,754
Net Difference between Projected and Actual Earnings on Plan Investments	-	617,745
Changes in Proportion	236,132	26,292
Contributions to GERF Subsequent to the Measurement Date	304,652	-
Total	<u>\$ 1,306,986</u>	<u>\$ 1,552,295</u>

Deferred outflows of resources totaling \$304,652 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	\$ 258,935
2020	(246,580)
2021	(432,517)
2022	(129,799)

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$3,689,070 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.3461 percent which was an increase of 0.0041 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$911,492 for its proportionate share of PEPFF's pension expense. The City also recognized \$30,780 for the year ended December 31, 2018 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 149,765	\$ 903,426
Changes in Actuarial Assumptions	4,782,891	5,430,791
Net Difference between Projected and Actual Earnings on Plan Investments	-	789,408
Changes in Proportion	195,270	-
Contributions to PEPFF Subsequent to the Measurement Date	<u>315,004</u>	<u>-</u>
Total	<u>\$ 5,442,930</u>	<u>\$ 7,123,625</u>

Deferred outflows of resources totaling \$315,004 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2019	\$ 128,555
2020	(215,009)
2021	(486,025)
2022	(1,423,598)
2023	378

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for GFRF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GFRF plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

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

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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 Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent		1 Percent
	Decrease (6.50%)	Current (7.50%)	Increase (8.50%)
GERF	\$ 10,106,425	\$ 6,218,848	\$ 3,009,765
PEPFF	7,909,596	3,689,070	198,869

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Contribution Plan

There are four City Council members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353D.03, specify the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees' contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2018 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,800	\$ 1,800	5.00%	5.00%	5.00%

The City's contributions to the PEDCP for the years ended December 31, 2018, 2017 and 2016 were \$1,800, \$1,800 and \$1,768, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Inver Grove Heights Fire Department (the Department) are covered by a defined benefit plan administered by the Inver Grove Heights Firefighters Relief Association (the Association). As of December 31, 2017, the plan covered 63 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full-service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$195,016 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2017, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. In addition, the City made voluntary contributions of \$25,000 to the plan.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2018, the City reported a net pension liability (asset) of (\$1,758,197) for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2017	\$ 3,876,103	\$ 5,030,903	\$ (1,154,800)
Changes for the Year			
Service cost	192,915	-	192,915
Interest on pension liability (asset)	224,791	-	224,791
Projected investment return	-	25,000	(25,000)
Nonemployer contributions	-	198,234	(198,234)
Projected Investment Return	-	286,264	(286,264)
(Gain)/loss	-	520,427	(520,427)
Benefit payments	(319,214)	(319,214)	-
Administrative expenses	-	(8,822)	8,822
Total Net Changes	98,492	701,889	(603,397)
Ending Balance December 31, 2017	\$ 3,974,595	\$ 5,732,792	\$ (1,758,197)

For the year ended December 31, 2018, the City recognized pension expense of \$83,959.

At December 31, 2018, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 27,543	\$ -
Net Difference between Projected and Actual Earnings on Plan Investments	-	86,013
Investment Gains	-	283,693
Contributions to Plan Subsequent to the Measurement Date	283,783	-
Total	\$ 311,326	\$ 369,706

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Deferred outflows of resources totaling \$283,783 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2019	\$ (28,326)
2020	(35,643)
2021	(135,132)
2022	(110,580)
2023	(6,497)
Thereafter	(25,985)

E. Actuarial Assumptions

The total pension asset at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 100 Percent at Age 50	
Salary Increases	2.50% per year
Cost of Living Increases	0.00% per year
Investment Rate of Return	5.75%
20 Year Municipal Bond Yield	3.50%

There were no changes in actuarial assumptions in 2018.

The long-term expected rate of return on pension plan investments was based on the plan's target investment allocation along with long-term expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

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
Cash	10.00 %	2.25 %
Fixed Income	27.00	3.30
Equities	61.00	7.50
Other	2.00	6.00
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

G. Pension Asset Sensitivity

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	City Proportionate Share of NPA		
	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined Benefit Plan	\$ (1,625,804)	\$ (1,758,197)	\$ (1,884,141)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Inver Grove Heights Firefighters Relief Association, 8150 Barbara Ave, Inver Grove Heights, MN 55077.

Note 7: Postemployment Benefits Other Than Pensions

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage and is administered by HealthPartners, Inc. It is the City's policy for Council to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. The City does not issue a publicly available report.

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	8
Active Plan Members	137
Total Plan Members	145

B. Funding Policy

Retirees receiving benefits contribute 100 percent of their premium costs. Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners, Inc. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2018, the City's average contribution rate was .5 percent of covered-employee payroll. For fiscal year 2018, the City contributed \$55,071 to the plan. As of January 1, 2018, there were eight retirees receiving health benefits from the City's health plan.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$686,478 was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2018. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	3.30%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.5% in 2016 grading to 5% over 6 years

The discount rate used to measure the total OPEB liability was 3.30 percent. Mortality rates were based on the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	\$ 681,191
Changes for the Year:	
Service cost	38,497
Interest	22,833
Benefit payments	(56,043)
Net Changes	5,287
Balances at December 31, 2018	\$ 686,478

Since the prior measurement date, the following assumptions changed:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017 (Blue Collar Tables for Police and Fire Personnel).
- The discount rate was changed from 4.00% to 3.30%.
- The withdrawal and retirement tables for all employees were updated.
- The subsidized benefits for the officers injured in the line of duty are assumed to end after five years for the two individuals under age 40 as of the valuation date and at age 65 for the one individual over age 55 as of the valuation date.

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Postemployment Benefits other than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.30 percent) or 1-percentage-point higher (4.30 percent) than the current discount rate:

1 Percent Decrease (2.3%)	Current (3.3%)	1 Percent Increase (4.3%)
\$ 735,023	\$ 686,478	\$ 341,344

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rate that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current cost trend rate:

1 Percent Decrease (5.5% Decreasing to 4%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5%)	1 Percent Increase (7.5% Decreasing to 6%)
\$ 625,236	\$ 686,478	\$ 758,494

Note 8: Operating Agreement

In June 2016, the City entered into a use agreement with Independent School District 199, to grant the District right and privilege to use the Aquatic and Fitness Center and National Guard Armory. The use agreement will commence on January 1, 2017 and terminate on December 31, 2026. Under the use agreement, the annual fee has been determined for the next three years and for each calendar year, is payable in two equal installments on June 1 and December 31.

The net book value of the assets noted above being leased are as follows:

Asset	
Buildings	\$ 17,689,059
Less: Accumulated depreciation	<u>(16,486,904)</u>
Total	<u>\$ 1,202,155</u>

Future annual usage rates are as follows:

Year Ending December 31,	Amount
2019	\$ 250,000
2020	262,500
2021	<u>275,000</u>
Total	<u>\$ 787,500</u>

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 9: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible.

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusions from the insurance policies. These amounts are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance.

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

The risk management activities of the City are accounted for by the Risk Management fund, an internal service fund, which charges its costs to user departments. The fund is designed to build up a reserve which will provide the City the opportunity to assume a greater share of its insurance risks and thereby reducing the cost to purchase insurance.

B. Contingencies

Tax Increment Financing Districts

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

The City has entered into "pay as you go" Tax Increment Financing notes within its TIF districts. These notes are payable only to the extent of the increment received. As a result, they are a commitment within the district but they have not met the criteria to be reported as a liability on the statement of net position.

C. Conduit Debt Obligations

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payment received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2018, there was one series of Housing Revenue Bonds outstanding as follows:

Series	Amount Issued	Balance Outstanding 12/31/2018
2005 Senior Housing Revenue Refunding Bonds	\$ 32,290,000	\$ 22,735,000

City of Inver Grove Heights, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 9: Other Information (Continued)

D. Subsequent Event

On January 3, 2019, the City issued \$2,500,000 of General Obligation Capital Improvement Plan Bonds, Series 2019A to fund City construction projects. The bonds bear interest of ranging from 3 percent to 4 percent over the 20 year payment schedule.

Note 10: Change in Accounting Principle

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 7.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental Activities	\$ 135,657,282	\$ (416,244)	\$ 135,241,038
Business-type Activities	\$ 59,844,129	\$ (20,269)	\$ 59,823,860
Business-type Activities			
Water	\$ 39,906,272	\$ (19,949)	\$ 39,886,323
Sewer	19,017,608	(11,860)	19,005,748
Golf	920,249	11,540	931,789
Total Business-type Activities	\$ 59,844,129	\$ (20,269)	\$ 59,823,860

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

City of Inver Grove Heights, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.1121 %	\$ 6,218,848	\$ 204,030	\$ 6,422,878	\$ 7,509,053	85.5 %	79.5 %
06/30/17	0.1086	6,932,952	87,187	7,020,139	6,960,481	100.9	75.9
06/30/16	0.1064	8,639,152	112,841	8,751,993	6,603,007	132.5	68.9
06/30/15	0.1083	5,612,668	-	5,612,668	6,363,706	88.2	78.2

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

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 593,314	\$ 593,314	\$ -	\$ 7,910,851	7.5 %
12/31/17	544,197	544,197	-	7,255,965	7.5
12/31/16	499,836	499,836	-	6,664,480	7.5
12/31/15	488,967	488,967	-	6,519,564	7.5

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

City of Inver Grove Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

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

City of Inver Grove Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.3461 %	\$ 3,689,070	\$ -	\$ 3,689,070	\$ 3,647,742	101.1 %	88.8 %
06/30/17	0.3420	4,617,407	-	4,617,407	3,506,580	131.7	85.4
06/30/16	0.3320	13,323,738	-	13,323,738	3,201,037	416.2	63.9
06/30/15	0.3310	3,760,965	-	3,760,965	3,030,956	124.1	86.6

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 618,063	\$ 618,063	\$ -	\$ 3,815,205	16.2 %
12/31/17	581,071	581,071	-	3,586,858	16.2
12/31/16	540,976	540,976	-	3,339,358	16.2
12/31/15	499,560	499,560	-	3,083,704	16.2

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

City of Inver Grove Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

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

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

Changes in Plan Provisions

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

City of Inver Grove Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability				
Service cost	\$ 192,915	\$ 147,752	\$ 152,797	\$ 149,070
Interest on pension liability (asset)	224,791	173,689	151,603	149,666
Changes of assumptions	-	33,665	-	-
Plan changes	-	879,054	-	-
Differences between expected and actual experience	-	-	-	-
Loss	-	(105,129)	-	-
Benefit payments	(319,214)	-	(168,074)	(55,673)
Net Change in Total Pension Liability	98,492	1,129,031	136,326	243,063
Total Pension Liability - January 1	-	2,747,072	2,610,746	2,367,683
Total Pension Liability - December 31 (a)	\$ 98,492	\$ 3,876,103	\$ 2,747,072	\$ 2,610,746
Plan Fiduciary Net Position				
Employer contributions	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Nonemployer contributions	198,234	195,016	192,612	180,645
Projected investment return	286,264	271,808	277,385	221,943
Gain (loss)	520,427	122,761	(497,477)	-
Benefit payments	(319,214)	-	(168,074)	(55,673)
Administrative expenses	(8,822)	(7,600)	(7,700)	(6,752)
Net Change in Plan Fiduciary Net Position	701,889	606,985	(178,254)	365,163
Plan Fiduciary Net Position - January 1	5,030,903	4,423,918	4,602,172	4,237,009
Plan Fiduciary Net Position - December 31 (b)	\$ 5,732,792	\$ 5,030,903	\$ 4,423,918	\$ 4,602,172
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (5,634,300)	\$ (1,154,800)	\$ (1,676,846)	\$ (1,991,426)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	5820.57%	129.79%	161.04%	176.28%
Covered Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

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

City of Inver Grove Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Actuarial Assumptions

2016 - The discount rate changed from 6.00% to 5.75%.

2015 - The benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in Plan Provisions

2016 - The benefit level changed from \$5,900 to \$7,900.

2015 - There were no changes in actuarial assumptions in 2015.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 203,308	\$ 283,783	\$ (80,475)
12/31/17	198,234	220,234	(22,000)
12/31/16	195,016	220,016	(25,000)
12/31/15	190,612	215,612	(25,000)

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

City of Inver Grove Heights, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

	2018
Total OPEB Liability	
Service cost	\$ 38,497
Interest	22,833
Benefit payments	<u>(56,043)</u>
Net Change in Total OPEB Liability	5,287
Total OPEB Liability - Beginning	<u>681,191</u>
	<u>\$ 686,478</u>
Total OPEB Liability - Ending	
	<u>\$ 686,478</u>
Covered Payroll	\$ 10,375,199
City's total OPEB liability as a percentage of covered employee payroll	6.62 %

Changes in Assumptions:

In 2018, the following assumptions changes:

The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017 (Blue Collar Tables for Police and Fire Personnel).

The subsidized benefits for the officers injured in the line of duty are assumed to end after five years for the two individuals under age 40 as of the valuation date and at age 65 for the one individual over age 55 as of the valuation date.

The withdrawal and retirement tables for all employees were updated.

The discount rate was changed from 4.00% to 3.30%.

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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NONMAJOR GOVERNMENTAL FUNDS

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City of Inver Grove Heights, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 1,320,732	\$ -	\$ 16,327,745	\$ 17,648,477
Receivables				
Accrued interest	3,372	-	42,408	45,780
Taxes	7,245	-	38,383	45,628
Accounts	268,422	-	189,450	457,872
Special assessments	-	-	41,384	41,384
Due from other governments	166,286	-	3	166,289
Prepaid items	4,167	-	-	4,167
Land held for resale	1,138,500	-	-	1,138,500
Total Assets	\$ 2,908,724	\$ -	\$ 16,639,373	\$ 19,548,097
Liabilities				
Accounts and contracts payable	\$ 70,216	\$ -	\$ 163,786	\$ 234,002
Accrued salaries payable	12,679	-	1,453	14,132
Due to other governments	160	-	4,677	4,837
Due to other funds	1,000,000	-	-	1,000,000
Deposits payable	19,386	-	-	19,386
Unearned revenue	11,554	-	1,289,786	1,301,340
Total Liabilities	1,113,995	-	1,459,702	2,573,697
Deferred Inflows of Resources				
Unavailable revenues - delinquent taxes	-	-	3,014	3,014
Unavailable revenues - special assessments	-	-	41,384	41,384
Total Deferred Inflows of Resources	-	-	44,398	44,398
Fund Balances				
Nonspendable	4,167	-	-	4,167
Restricted	-	-	5,446,970	5,446,970
Committed	1,790,562	-	-	1,790,562
Assigned	-	-	9,688,303	9,688,303
Total Fund Balances	1,794,729	-	15,135,273	16,930,002
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,908,724	\$ -	\$ 16,639,373	\$ 19,548,097

City of Inver Grove Heights, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 1,157,501	\$ 141	\$ 1,655,944	\$ 2,813,586
Intergovernmental	178,155	-	3,187,768	3,365,923
Charges for services	212,273	-	927,336	1,139,609
Special assessments	-	-	34,190	34,190
Investment earnings	10,725	45	156,740	167,510
Miscellaneous	13,654	-	45,380	59,034
Total Revenues	<u>1,572,308</u>	<u>186</u>	<u>6,007,358</u>	<u>7,579,852</u>
Expenditures				
Current				
General government	-	-	10,700	10,700
Public works	-	-	166,099	166,099
Culture and recreation	811,888	-	99,650	911,538
Community development	219,649	-	17,458	237,107
Capital outlay				
Culture and recreation	-	-	8,874	8,874
Community development	448,605	-	206,700	655,305
Debt service				
Principal	-	595,000	-	595,000
Interest and other charges	-	18,620	324,178	342,798
Total Expenditures	<u>1,480,142</u>	<u>613,620</u>	<u>833,659</u>	<u>2,927,421</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>92,166</u>	<u>(613,434)</u>	<u>5,173,699</u>	<u>4,652,431</u>
Other Financing Sources (Uses)				
Transfers in	954,078	600,008	587,982	2,142,068
Transfers out	(6,694)	-	(1,022,937)	(1,029,631)
Total Other Financing Sources (Uses)	<u>947,384</u>	<u>600,008</u>	<u>(434,955)</u>	<u>1,112,437</u>
Net Change in Fund Balances	1,039,550	(13,426)	4,738,744	5,764,868
Fund Balances, January 1	<u>755,179</u>	<u>13,426</u>	<u>10,396,529</u>	<u>11,165,134</u>
Fund Balances, December 31	<u>\$ 1,794,729</u>	<u>\$ -</u>	<u>\$ 15,135,273</u>	<u>\$ 16,930,002</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Convention and Visitors Bureau was created by a resolution of the City Council to account for the local lodging tax revenues collected per Ordinance No. 1015 which was adopted by the City Council on October 8, 2001, under the authority of Minnesota statutes, section 469.190.

Recreation accounts for recreation activities of the City.

Franchise Fee accounts for the collection of gas and electric franchise fees to support pavement management.

Economic Development Authority accounts for the activities of the Economic Development Authority.

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City of Inver Grove Heights, Minnesota
Nonmajor Special Revenue Funds
Subcombining Balance Sheet
December 31, 2018

	Convention and Visitors Bureau	Recreation	Franchise Fees	Economic Development Authority	Total
Assets					
Cash and temporary investments	\$ 131,607	\$ 353,643	\$ 756,976	\$ 78,506	\$ 1,320,732
Receivables					
Accrued interest	493	1,338	1,483	58	3,372
Taxes	7,245	-	-	-	7,245
Accounts	-	1,631	266,791	-	268,422
Due from other governments	-	-	-	166,286	166,286
Prepaid items	3,975	-	-	192	4,167
Land held for resale	-	-	-	1,138,500	1,138,500
Total Assets	\$ 143,320	\$ 356,612	\$ 1,025,250	\$ 1,383,542	\$ 2,908,724
Liabilities					
Accounts and contracts payable	\$ 12,525	\$ 9,521	\$ -	\$ 48,170	\$ 70,216
Accrued salaries payable	-	12,110	-	569	12,679
Due to other governments	-	160	-	-	160
Due to other funds	-	-	-	1,000,000	1,000,000
Deposits payable	-	19,386	-	-	19,386
Unearned revenue	-	11,554	-	-	11,554
Total Liabilities	12,525	52,731	-	1,048,739	1,113,995
Fund Balances					
Nonspendable	3,975	-	-	192	4,167
Committed	126,820	303,881	1,025,250	334,611	1,790,562
Total Fund Balances	130,795	303,881	1,025,250	334,803	1,794,729
Total Liabilities and Fund Balances	\$ 143,320	\$ 356,612	\$ 1,025,250	\$ 1,383,542	\$ 2,908,724

City of Inver Grove Heights, Minnesota
Nonmajor Special Revenue Funds
Subcombining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	Convention and Visitors Bureau	Recreation	Franchise Fee	Economic Development Authority	Total
Revenues					
Taxes					
Franchise	\$ -	\$ -	\$ 1,023,629	\$ -	\$ 1,023,629
Lodging	133,872	-	-	-	133,872
Intergovernmental	4,183	2,000	-	171,972	178,155
Charges for services	-	212,273	-	-	212,273
Investment earnings	2,282	5,924	1,621	898	10,725
Miscellaneous	990	12,664	-	-	13,654
Total Revenues	<u>141,327</u>	<u>232,861</u>	<u>1,025,250</u>	<u>172,870</u>	<u>1,572,308</u>
Expenditures					
Current					
Culture and recreation	161,581	650,307	-	-	811,888
Community development	-	-	-	219,649	219,649
Capital outlay					
Community development	-	-	-	448,605	448,605
Total Expenditures	<u>161,581</u>	<u>650,307</u>	<u>-</u>	<u>668,254</u>	<u>1,480,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,254)</u>	<u>(417,446)</u>	<u>1,025,250</u>	<u>(495,384)</u>	<u>92,166</u>
Other Financing Sources (Uses)					
Transfers in	-	352,100	-	601,978	954,078
Transfers out	(6,694)	-	-	-	(6,694)
Total Other Financing Sources (Uses)	<u>(6,694)</u>	<u>352,100</u>	<u>-</u>	<u>601,978</u>	<u>947,384</u>
Net Change in Fund Balances	(26,948)	(65,346)	1,025,250	106,594	1,039,550
Fund Balances, January 1	<u>157,743</u>	<u>369,227</u>	<u>-</u>	<u>228,209</u>	<u>755,179</u>
Fund Balances, December 31	<u>\$ 130,795</u>	<u>\$ 303,881</u>	<u>\$ 1,025,250</u>	<u>\$ 334,803</u>	<u>\$ 1,794,729</u>

City of Inver Grove Heights, Minnesota
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Convention and Visitors Bureau Special Revenue Fund
For the Year Ended December 31, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Lodging taxes	\$ 120,000	\$ 120,000	\$ 133,872	\$ 13,872
Intergovernmental	7,000	7,000	4,183	(2,817)
Investment earnings	-	-	2,282	2,282
Miscellaneous	-	-	990	990
Total Revenues	127,000	127,000	141,327	14,327
Expenditures				
Current				
Culture and recreation	121,000	121,000	161,581	(40,581)
Deficiency of Revenues Under Expenditures	6,000	6,000	(20,254)	(26,254)
Other Financing Uses				
Transfers out	(6,000)	(6,000)	(6,694)	(694)
Net Change in Fund Balances	-	-	(26,948)	(26,948)
Fund Balances, January 1	157,743	157,743	157,743	-
Fund Balances, December 31	<u>\$ 157,743</u>	<u>\$ 157,743</u>	<u>\$ 130,795</u>	<u>\$ (26,948)</u>

City of Inver Grove Heights, Minnesota
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Recreation Special Revenue Fund
For the Year Ended December 31, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 2,000	\$ 2,000
Charges for services	220,600	220,600	212,273	(8,327)
Investment earnings	4,700	4,700	5,924	1,224
Miscellaneous	10,000	10,000	12,664	2,664
Total Revenues	<u>235,300</u>	<u>235,300</u>	<u>232,861</u>	<u>(2,439)</u>
Expenditures				
Current				
Culture and recreation	<u>632,400</u>	<u>632,400</u>	<u>650,307</u>	<u>(17,907)</u>
Deficiency of Revenues Under Expenditures	(397,100)	(397,100)	(417,446)	(20,346)
Other Financing Sources				
Transfers in	<u>352,100</u>	<u>352,100</u>	<u>352,100</u>	<u>-</u>
Net Change in Fund Balances	(45,000)	(45,000)	(65,346)	(20,346)
Fund Balances, January 1	<u>369,227</u>	<u>369,227</u>	<u>369,227</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 324,227</u>	<u>\$ 324,227</u>	<u>\$ 303,881</u>	<u>\$ (20,346)</u>

City of Inver Grove Heights, Minnesota
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Economic Development Authority Special Revenue Fund
For the Year Ended December 31, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 171,972	\$ 171,972
Investment earnings	200	200	898	698
Total Revenues	200	200	172,870	172,670
Expenditures				
Current				
Community development	83,300	120,600	219,649	(99,049)
Capital outlay				
Community development	-	-	448,605	(448,605)
Total Expenditures	83,300	120,600	668,254	(547,654)
Deficiency of Revenues Under Expenditures	(83,100)	(120,400)	(495,384)	(374,984)
Other Financing Sources				
Transfers in	83,100	83,100	601,978	518,878
Net Change in Fund Balances	-	(37,300)	106,594	143,894
Fund Balances, January 1	228,209	228,209	228,209	-
Fund Balances, December 31	\$ 228,209	\$ 190,909	\$ 334,803	\$ 143,894

NONMAJOR DEBT SERVICE FUNDS

Debt Service funds are used to account for the accumulation of resources for, and payment of, principal and interest and related costs on general long-term debt.

Storm Water Bonds accounts for storm water projects which are repaid primarily from watershed management district general property taxes and user fees.

Tax Increment Financing Bonds accounts for resources accumulated and payments for principal and interest on long term tax increment financing debt.

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City of Inver Grove Heights, Minnesota
Nonmajor Debt Service Funds
Subcombining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	Storm Water Bonds	Tax Increment Financing Bonds	Total
Revenues			
Taxes	\$ 141	\$ -	\$ 141
Investment earnings	45	-	45
Total Revenues	<u>186</u>	<u>-</u>	<u>186</u>
Expenditures			
Debt service			
Principal	40,000	555,000	595,000
Interest and other charges	470	18,150	18,620
Total Expenditures	<u>40,470</u>	<u>573,150</u>	<u>613,620</u>
Deficiency of Revenues Under Expenditures	(40,284)	(573,150)	(613,434)
Other Financing Sources			
Transfers in	<u>26,858</u>	<u>573,150</u>	<u>600,008</u>
Net Change in Fund Balances	(13,426)	-	(13,426)
Fund Balances, January 1	<u>13,426</u>	<u>-</u>	<u>13,426</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Project funds account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by Proprietary funds).

Capital Facilities accounts for financial resources assigned for future City capital facilities.

Equipment Acquisition accounts for major equipment purchases.

Parks Acquisition and Development accounts for park dedication fees, related revenues and park and/or trail improvements.

State Aid Construction accounts for the use of municipal state aid allotments to finance projects not assessed such as street lights, sidewalks, and streets.

Capital Improvement Revolving accounts for preliminary construction costs incurred for projects not ordered.

Community Property accounts for financial resources assigned for future community property purchases and sales.

Storm Water Management accounts for storm water projects.

Tree Preservation accounts for financial resources assigned for tree preservation.

Parks Capital Replacement accounts for financial resources assigned for maintenance and replacement of parks facilities.

Americans with Disabilities Act accounts for financial resources assigned for building repairs and maintenance.

Community Projects accounts for financial resources assigned for future community projects.

Permanent Improvement Revolving accounts for improvement revenues and expenditures from replacement funds set aside for capital improvements.

Tax Increment Financing accounts for the use of tax increment in the City's tax increment districts.

City of Inver Grove Heights, Minnesota
Nonmajor Capital Projects Funds
Subcombining Balance Sheet
December 31, 2018

	Capital Facilities	Equipment Acquisition	Parks Acquisition and Development	State Aid Construction	Capital Improvement Revolving	Community Property
Assets						
Cash and temporary investments	\$ 70,187	\$ 644,107	\$ 2,978,561	\$ 4,936,467	\$ 398,121	\$ 26,232
Receivables						
Accrued interest	238	2,013	9,615	7,640	1,419	73
Taxes	-	-	-	-	24	-
Accounts	-	-	-	-	-	-
Special assessments	-	-	-	-	15,921	-
Due from other governments	-	-	-	-	3	-
Total Assets	<u>\$ 70,425</u>	<u>\$ 646,120</u>	<u>\$ 2,988,176</u>	<u>\$ 4,944,107</u>	<u>\$ 415,488</u>	<u>\$ 26,305</u>
Liabilities						
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400
Accrued salaries and benefits payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	-	-	1,289,786	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,289,786</u>	<u>-</u>	<u>1,400</u>
Deferred Inflows of Resources						
Unavailable revenues - delinquent taxes	-	-	-	-	24	-
Unavailable revenues - special assessments	-	-	-	-	15,921	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,945</u>	<u>-</u>
Fund Balances						
Restricted	-	-	2,331,224	-	-	-
Assigned	70,425	646,120	656,952	3,654,321	399,543	24,905
Total Fund Balances	<u>70,425</u>	<u>646,120</u>	<u>2,988,176</u>	<u>3,654,321</u>	<u>399,543</u>	<u>24,905</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 70,425</u>	<u>\$ 646,120</u>	<u>\$ 2,988,176</u>	<u>\$ 4,944,107</u>	<u>\$ 415,488</u>	<u>\$ 26,305</u>

Storm Water Management	Tree Preservation	Parks Capital Replacement	Americans with Disabilities Act	Community Projects	Permanent Improvement Revolving	Tax Increment Financing	Total
\$ 2,101,385	\$ 117,494	\$ 1,394,783	\$ 191,601	\$ 187,569	\$ 46,397	\$ 3,234,841	\$ 16,327,745
7,318	993	4,128	492	709	145	7,625	42,408
-	-	-	-	-	11	38,348	38,383
182,300	7,150	-	-	-	-	-	189,450
-	-	-	-	-	25,463	-	41,384
-	-	-	-	-	-	-	3
<u>\$ 2,291,003</u>	<u>\$ 125,637</u>	<u>\$ 1,398,911</u>	<u>\$ 192,093</u>	<u>\$ 188,278</u>	<u>\$ 72,016</u>	<u>\$ 3,280,814</u>	<u>\$ 16,639,373</u>
\$ 297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,089	\$ 163,786
1,453	-	-	-	-	-	-	1,453
4,677	-	-	-	-	-	-	4,677
-	-	-	-	-	-	-	1,289,786
6,427	-	-	-	-	-	162,089	1,459,702
-	-	-	-	-	11	2,979	3,014
-	-	-	-	-	25,463	-	41,384
-	-	-	-	-	25,474	2,979	44,398
-	-	-	-	-	-	3,115,746	5,446,970
2,284,576	125,637	1,398,911	192,093	188,278	46,542	-	9,688,303
2,284,576	125,637	1,398,911	192,093	188,278	46,542	3,115,746	15,135,273
<u>\$ 2,291,003</u>	<u>\$ 125,637</u>	<u>\$ 1,398,911</u>	<u>\$ 192,093</u>	<u>\$ 188,278</u>	<u>\$ 72,016</u>	<u>\$ 3,280,814</u>	<u>\$ 16,639,373</u>

City of Inver Grove Heights, Minnesota
Nonmajor Capital Projects Funds
Subcombining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	Capital Facilities	Equipment Acquisition	Parks Acquisition and Development	State Aid Construction	Capital Improvement Revolving	Community Property
Revenues						
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	3,187,768	-	-
Taxes	-	-	-	-	3	-
Charges for services	-	-	275,260	-	-	-
Special assessments	-	-	18,173	-	-	-
Investment earnings	7,315	8,073	37,294	17,400	5,623	455
Miscellaneous	-	-	21,430	-	-	-
Total Revenues	<u>7,315</u>	<u>8,073</u>	<u>352,157</u>	<u>3,205,168</u>	<u>5,626</u>	<u>455</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay						
Culture and recreation	-	-	8,874	-	-	-
Community development	-	-	-	-	-	206,700
Debt service						
Interest and other	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>8,874</u>	<u>-</u>	<u>-</u>	<u>206,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,315</u>	<u>8,073</u>	<u>343,283</u>	<u>3,205,168</u>	<u>5,626</u>	<u>(206,245)</u>
Other Financing Sources (Uses)						
Transfers in	-	55,300	-	-	872	201,769
Transfers out	-	-	-	(214,566)	(5,320)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>55,300</u>	<u>-</u>	<u>(214,566)</u>	<u>(4,448)</u>	<u>201,769</u>
Net Change in Fund Balances	7,315	63,373	343,283	2,990,602	1,178	(4,476)
Fund Balances, January 1	63,110	582,747	2,644,893	663,719	398,365	29,381
Fund Balances, December 31	<u>\$ 70,425</u>	<u>\$ 646,120</u>	<u>\$ 2,988,176</u>	<u>\$ 3,654,321</u>	<u>\$ 399,543</u>	<u>\$ 24,905</u>

Storm Water Management	Tree Preservation	Parks Capital Replacement	Americans with Disabilities Act	Community Projects	Permanent Improvement Revolving	Tax Increment Financing	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,655,941	\$ 1,655,941
-	-	-	-	-	-	-	3,187,768
-	-	-	-	-	-	-	3
652,076	-	-	-	-	-	-	927,336
1,454	-	-	-	-	14,563	-	34,190
27,597	3,062	15,765	1,589	3,197	603	28,767	156,740
-	23,950	-	-	-	-	-	45,380
<u>681,127</u>	<u>27,012</u>	<u>15,765</u>	<u>1,589</u>	<u>3,197</u>	<u>15,166</u>	<u>1,684,708</u>	<u>6,007,358</u>
-	-	-	-	10,700	-	-	10,700
141,573	-	-	-	24,526	-	-	166,099
-	7,150	92,500	-	-	-	-	99,650
-	-	-	-	-	-	17,458	17,458
-	-	-	-	-	-	-	8,874
-	-	-	-	-	-	-	206,700
-	-	-	-	-	-	324,178	324,178
<u>141,573</u>	<u>7,150</u>	<u>92,500</u>	<u>-</u>	<u>35,226</u>	<u>-</u>	<u>341,636</u>	<u>833,659</u>
<u>539,554</u>	<u>19,862</u>	<u>(76,735)</u>	<u>1,589</u>	<u>(32,029)</u>	<u>15,166</u>	<u>1,343,072</u>	<u>5,173,699</u>
18,975	-	250,000	52,000	-	-	9,066	587,982
(229,901)	-	-	-	-	-	(573,150)	(1,022,937)
<u>(210,926)</u>	<u>-</u>	<u>250,000</u>	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>(564,084)</u>	<u>(434,955)</u>
328,628	19,862	173,265	53,589	(32,029)	15,166	778,988	4,738,744
<u>1,955,948</u>	<u>105,775</u>	<u>1,225,646</u>	<u>138,504</u>	<u>220,307</u>	<u>31,376</u>	<u>2,336,758</u>	<u>10,396,529</u>
<u>\$ 2,284,576</u>	<u>\$ 125,637</u>	<u>\$ 1,398,911</u>	<u>\$ 192,093</u>	<u>\$ 188,278</u>	<u>\$ 46,542</u>	<u>\$ 3,115,746</u>	<u>\$ 15,135,273</u>

City of Inver Grove Heights, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 19,036,200	\$ 19,036,200	\$ 19,082,299	\$ 46,099	\$ 17,168,980
Cable franchise fees	107,400	107,400	111,786	4,386	107,441
Total taxes	19,143,600	19,143,600	19,194,085	50,485	17,276,421
Licenses and permits					
Business	1,127,300	1,127,300	1,509,282	381,982	1,347,418
Nonbusiness	3,200	3,200	2,669	(531)	8,268
Total licenses and permits	1,130,500	1,130,500	1,511,951	381,451	1,355,686
Intergovernmental					
Federal					
Other	6,000	6,000	14,553	8,553	484
State					
Police and fire aid	484,500	484,500	581,110	96,610	526,614
PERA aid	20,200	20,200	20,190	(10)	20,190
Other	-	-	6,103	6,103	-
County	70,000	70,000	12,958	(57,042)	53,922
Local	85,000	85,000	103,915	18,915	96,389
Total intergovernmental	665,700	665,700	738,829	73,129	697,599
Charges for services					
General government	3,400	3,400	15	(3,385)	7,302
Public safety	14,200	14,200	30,502	16,302	60,550
Public works	322,100	322,100	399,060	76,960	302,646
Rentals	204,900	204,900	206,272	1,372	221,867
Community development	25,000	25,000	40,574	15,574	28,613
Total charges for services	569,600	569,600	676,423	106,823	620,978
Fines and forfeitures	140,000	140,000	185,181	45,181	173,365
Special assessments	1,000	1,000	11,955	10,955	7,392
Investment earnings	108,900	108,900	123,461	14,561	79,380
Miscellaneous					
Donations	-	-	9,550	9,550	58,218
Other	5,000	5,000	13,528	8,528	10,304
Total miscellaneous	5,000	5,000	23,078	18,078	68,522
Total Revenues	21,764,300	21,764,300	22,464,963	700,663	20,279,343

City of Inver Grove Heights, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 49,900	\$ 49,900	\$ 49,580	\$ 320	\$ 49,574
Supplies	24,400	24,400	24,361	39	24,563
Other services and charges	104,700	104,700	116,573	(11,873)	103,517
Total mayor and city council	179,000	179,000	190,514	(11,514)	177,654
City administration					
Personnel services	586,400	586,400	662,617	(76,217)	562,267
Supplies	73,200	73,200	81,175	(7,975)	63,679
Other services and charges	146,300	146,300	172,264	(25,964)	170,361
Total city administration	805,900	805,900	916,056	(110,156)	796,307
Elections					
Personnel services	73,700	73,700	86,017	(12,317)	-
Supplies	8,100	8,100	19,080	(10,980)	12,927
Other services and charges	13,700	13,700	3,978	9,722	78
Total elections	95,500	95,500	109,075	(13,575)	13,005
Financial administration					
Personnel services	704,600	704,600	710,637	(6,037)	684,257
Supplies	71,200	71,200	71,562	(362)	52,795
Other services and charges	138,700	138,700	134,317	4,383	125,965
Total financial administration	914,500	914,500	916,516	(2,016)	863,017
Total General Government	1,994,900	1,994,900	2,132,161	(137,261)	1,849,983
Public safety					
Police					
Personnel services	5,466,400	5,466,400	5,670,019	(203,619)	5,125,874
Supplies	531,500	533,100	536,165	(3,065)	509,300
Other services and charges	1,733,200	1,741,200	1,768,006	(26,806)	1,600,002
Total police	7,731,100	7,740,700	7,974,190	(233,490)	7,235,176
Fire					
Personnel services	1,604,600	1,604,600	1,568,200	36,400	1,453,084
Supplies	230,100	278,600	278,406	194	291,035
Other services and charges	942,700	965,900	933,151	32,749	857,976
Total fire	2,777,400	2,849,100	2,779,757	69,343	2,602,095
Total Public Safety	10,508,500	10,589,800	10,753,947	(164,147)	9,837,271

City of Inver Grove Heights, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

Expenditures (Continued)	2018				2017
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current (continued)					
Public works					
Streets and highways					
Personnel services	\$ 196,600	\$ 196,600	\$ 209,790	\$ (13,190)	\$ 194,770
Supplies	14,100	14,100	13,800	300	17,000
Other services and charges	48,800	48,800	34,209	14,591	24,908
Total streets and highways	259,500	259,500	257,799	1,701	236,678
Engineering					
Personnel services	902,200	902,200	864,721	37,479	796,890
Supplies	78,500	78,500	82,221	(3,721)	80,028
Other services and charges	146,000	155,300	146,219	9,081	111,963
Total engineering	1,126,700	1,136,000	1,093,161	42,839	988,881
Street maintenance					
Personnel services	939,000	939,000	955,275	(16,275)	857,405
Supplies	502,500	502,500	476,048	26,452	575,106
Other services and charges	1,227,100	1,227,100	1,216,632	10,468	1,123,907
Total street maintenance	2,668,600	2,668,600	2,647,955	20,645	2,556,418
Street lighting					
Other services and charges	187,200	187,200	162,635	24,565	176,197
Total Public Works	4,242,000	4,251,300	4,161,550	89,750	3,958,174
Culture and recreation					
Parks and recreation					
Personnel services	1,068,500	1,068,500	1,013,956	54,544	917,638
Supplies	221,000	221,000	221,926	(926)	197,336
Other services and charges	727,400	776,400	732,741	43,659	719,901
Total culture and recreation	2,016,900	2,065,900	1,968,623	97,277	1,834,875
Community development					
Community development					
Personnel services	350,600	350,600	384,914	(34,314)	358,142
Supplies	55,600	55,600	54,855	745	58,007
Other services and charges	59,600	59,600	51,506	8,094	30,091
Total community development	465,800	465,800	491,275	(25,475)	446,240

City of Inver Grove Heights, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017	
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Community development (continued)					
Planning					
Personnel services	\$ 261,800	\$ 261,800	\$ 271,344	\$ (9,544)	\$ 257,068
Supplies	14,400	14,400	14,019	381	15,306
Other services and charges	162,100	162,100	42,156	119,944	82,107
Total planning	438,300	438,300	327,519	110,781	354,481
Inspections					
Personnel services	581,700	672,000	678,527	(6,527)	595,241
Supplies	56,700	56,700	61,909	(5,209)	57,470
Other services and charges	112,100	112,100	102,628	9,472	93,511
Total inspections	750,500	840,800	843,064	(2,264)	746,222
Total Community Development	1,654,600	1,744,900	1,661,858	83,042	1,546,943
Total Current	20,416,900	20,646,800	20,678,139	(31,339)	19,027,246
Capital outlay					
Public safety	-	-	28,203	(28,203)	48,239
Parks	500	500	-	500	-
Total capital outlay	500	500	28,203	(27,703)	48,239
Total Expenditures	20,417,400	20,647,300	20,706,342	(59,042)	19,075,485
Excess of Revenues Over Expenditures	1,346,900	1,117,000	1,758,621	641,621	1,203,858
Other Financing Sources (Uses)					
Transfers in	578,000	578,000	639,994	61,994	678,659
Transfers out	(1,950,500)	(1,990,500)	(2,045,220)	(54,720)	(1,318,700)
Total Other Financing Sources (Uses)	(1,372,500)	(1,412,500)	(1,405,226)	7,274	(640,041)
Net Change in Fund Balances	(25,600)	(295,500)	353,395	648,895	563,817
Fund Balances, January 1	10,179,745	10,179,745	10,179,745	-	9,615,928
Fund Balances, December 31	\$ 10,154,145	\$ 9,884,245	\$ 10,533,140	\$ 648,895	\$ 10,179,745

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INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods or services provided by one department to other departments of the City, on a cost reimbursement basis. Revenues are recognized in the accounting period in which they are earned and become objectively measurable; expenses are recognized in the period incurred, if objectively measurable.

Compensated Absences was established to account for payment of unused vacation, sick, personal leave, severance and also the allocation of such costs to respective departments.

Risk Management was established to account for all City insurance programs related to the ongoing operations with the exception of employee benefit coverage.

Central Equipment was established to account for the cost of operating a maintenance facility and providing vehicles and equipment used by City departments and funds. The exception is the Golf Course fund which maintains its own equipment and vehicles.

Central Stores was established to account for the centralized purchase of consumable office supplies used by departments of the City.

City Facilities was established to account for the cost of maintaining City Hall. User departments are charged a rental fee based upon square footage.

Technology was established to account for the maintenance of all computer systems of the City.

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City of Inver Grove Heights, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2018

	Compensated Absences	Risk Management	Central Equipment	Central Stores
Assets				
Current Assets				
Cash and temporary investments	\$ 1,930,528	\$ 925,802	\$ 9,091,786	\$ 477,628
Receivables				
Accrued interest	6,198	3,307	34,930	1,647
Due from other governments	-	-	-	-
Due from other funds	-	-	4,683,234	-
Inventories	-	-	59,833	-
Prepaid items	-	129,631	-	-
Total Current Assets	<u>1,936,726</u>	<u>1,058,740</u>	<u>13,869,783</u>	<u>479,275</u>
Noncurrent Assets				
Capital assets				
Land	-	-	209,122	-
Buildings and systems	-	-	1,708,857	-
Improvements other than buildings	-	-	240,717	-
Machinery and equipment	-	-	10,535,891	-
Less accumulated depreciation	-	-	(8,341,148)	-
Total Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>	<u>4,353,439</u>	<u>-</u>
Total Assets	<u>1,936,726</u>	<u>1,058,740</u>	<u>18,223,222</u>	<u>479,275</u>
Deferred Outflows of Resources				
Deferred pension resources	-	2,318	43,256	-
Liabilities				
Current Liabilities				
Accounts and contracts payable	-	25,859	128,466	2,186
Accrued salaries payable	-	695	13,163	-
Due to other governments	-	14	-	-
Compensated absences payable - current	866,983	1,630	36,844	-
Total Current Liabilities	<u>866,983</u>	<u>28,198</u>	<u>178,473</u>	<u>2,186</u>
Noncurrent Liabilities				
Compensated absences payable	1,063,443	802	30,991	-
Pension liability	-	11,030	205,817	-
Total Noncurrent Liabilities	<u>1,063,443</u>	<u>11,832</u>	<u>236,808</u>	<u>-</u>
Total Liabilities	<u>1,930,426</u>	<u>40,030</u>	<u>415,281</u>	<u>2,186</u>
Deferred Inflows of Resources				
Deferred pension resources	-	2,753	51,374	-
Net Position				
Investment in capital assets	-	-	4,353,439	-
Unrestricted	6,300	1,018,275	13,446,384	477,089
Total Net Position	<u>\$ 6,300</u>	<u>\$ 1,018,275</u>	<u>\$ 17,799,823</u>	<u>\$ 477,089</u>

City Facilities	Technology	Total
\$ 243,266	\$ 976,886	\$ 13,645,896
891	3,504	50,477
-	20	20
-	-	4,683,234
-	-	59,833
-	1,680	131,311
<u>244,157</u>	<u>982,090</u>	<u>18,570,771</u>
-	-	209,122
15,700,645	-	17,409,502
-	-	240,717
26,586	964,654	11,527,131
<u>(1,898,234)</u>	<u>(575,076)</u>	<u>(10,814,458)</u>
<u>13,828,997</u>	<u>389,578</u>	<u>18,572,014</u>
<u>14,073,154</u>	<u>1,371,668</u>	<u>37,142,785</u>
<u>9,030</u>	<u>57,204</u>	<u>111,808</u>
16,131	86,788	259,430
2,696	14,051	30,605
-	179	193
6,663	28,101	940,221
<u>25,490</u>	<u>129,119</u>	<u>1,230,449</u>
13,786	19,020	1,128,042
42,966	272,184	531,997
<u>56,752</u>	<u>291,204</u>	<u>1,660,039</u>
<u>82,242</u>	<u>420,323</u>	<u>2,890,488</u>
<u>10,725</u>	<u>67,940</u>	<u>132,792</u>
13,828,997	389,578	18,572,014
<u>160,220</u>	<u>551,031</u>	<u>15,659,299</u>
<u>\$ 13,989,217</u>	<u>\$ 940,609</u>	<u>\$ 34,231,313</u>

City of Inver Grove Heights, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	Compensated Absences	Risk Management	Central Equipment	Central Stores
Operating Revenues				
Charges for services	<u>\$ 256,157</u>	<u>\$ 952,500</u>	<u>\$ 2,730,400</u>	<u>\$ 95,000</u>
Operating Expenses				
Personnel services	273,690	17,623	359,111	-
Other current expenses	-	906,791	751,673	97,745
Depreciation	-	-	874,980	-
Total Operating Expenses	<u>273,690</u>	<u>924,414</u>	<u>1,985,764</u>	<u>97,745</u>
Operating Income (Loss)	<u>(17,533)</u>	<u>28,086</u>	<u>744,636</u>	<u>(2,745)</u>
Nonoperating Revenues				
Investment earnings	23,833	12,512	135,223	6,727
Miscellaneous revenues	-	29,405	60,600	1,373
Gain on sale of capital assets	-	-	21,486	-
Total Nonoperating Revenues	<u>23,833</u>	<u>41,917</u>	<u>217,309</u>	<u>8,100</u>
Income (Loss) Before Transfers	6,300	70,003	961,945	5,355
Transfers In	-	-	15,170	-
Transfers Out	-	-	(968,064)	-
Change in Net Position	6,300	70,003	9,051	5,355
Net Position, January 1	-	948,272	17,790,772	471,734
Net Position, December 31	<u>\$ 6,300</u>	<u>\$ 1,018,275</u>	<u>\$ 17,799,823</u>	<u>\$ 477,089</u>

City Facilities	Technology	Total
<u>\$ 566,763</u>	<u>\$ 1,152,400</u>	<u>\$ 5,753,220</u>
79,399	469,014	1,198,837
400,218	641,611	2,798,038
<u>631,212</u>	<u>124,374</u>	<u>1,630,566</u>
<u>1,110,829</u>	<u>1,234,999</u>	<u>5,627,441</u>
<u>(544,066)</u>	<u>(82,599)</u>	<u>125,779</u>
2,855	14,825	195,975
329	2,082	93,789
-	-	21,486
<u>3,184</u>	<u>16,907</u>	<u>311,250</u>
(540,882)	(65,692)	437,029
-	-	15,170
<u>(32,300)</u>	<u>-</u>	<u>(1,000,364)</u>
(573,182)	(65,692)	(548,165)
<u>14,562,399</u>	<u>1,006,301</u>	<u>34,779,478</u>
<u>\$ 13,989,217</u>	<u>\$ 940,609</u>	<u>\$ 34,231,313</u>

City of Inver Grove Heights, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2018

	Compensated Absences	Risk Management	Central Equipment	Central Stores
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 256,157	\$ 952,500	\$ 2,739,992	\$ 95,000
Other operating receipts	-	29,320	59,025	1,373
Payments to suppliers	-	(880,984)	32,243	(103,613)
Payments to employees	(156,878)	(18,421)	(364,168)	-
Net Cash Provided (Used) by Operating Activities	99,279	82,415	2,467,092	(7,240)
Cash Flows from Noncapital Financing Activities				
Payments on interfund balances	-	-	(737,650)	-
Transfers from other funds	-	-	15,170	-
Transfers to other funds	-	-	(968,064)	-
Net Cash Used by Noncapital Financing Activities	-	-	(1,690,544)	-
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(1,071,940)	-
Proceeds from sale of capital assets	-	-	21,486	-
Net Cash Used by Capital and Related Financing Activities	-	-	(1,050,454)	-
Cash Flows from Investing Activities				
Investment earnings	24,567	12,852	139,379	7,062
Net Increase (Decrease) in Cash and Cash Equivalents	123,846	95,267	(134,527)	(178)
Cash and Cash Equivalents, January 1	1,806,682	830,535	9,226,313	477,806
Cash and Cash Equivalents, December 31	<u>\$ 1,930,528</u>	<u>\$ 925,802</u>	<u>\$ 9,091,786</u>	<u>\$ 477,628</u>

City Facilities	Technology	Total
\$ 574,185	\$ 1,152,380	\$ 5,770,214
-	-	89,718
(386,181)	(578,791)	(1,917,326)
(82,603)	(469,978)	(1,092,048)
105,401	103,611	2,850,558
-	-	(737,650)
-	-	15,170
(32,300)	-	(1,000,364)
(32,300)	-	(1,722,844)
-	(177,966)	(1,249,906)
-	-	21,486
-	(177,966)	(1,228,420)
2,756	15,762	202,378
75,857	(58,593)	101,672
167,409	1,035,479	13,544,224
<u>\$ 243,266</u>	<u>\$ 976,886</u>	<u>\$ 13,645,896</u>

City of Inver Grove Heights, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2018

	Compensated Absences	Risk Management	Central Equipment	Central Stores
Reconciliation of Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (17,533)	\$ 28,086	\$ 744,636	\$ (2,745)
Adjustments to reconcile operating income (loss)				
to net cash provided (used) by operating activities				
Depreciation	-	-	874,980	-
Loss on disposal of capital assets	-	-	29,380	-
Other income related to operations	-	29,405	60,600	1,373
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	-	-	9,592	-
Due from other governments	-	-	-	-
Inventories	-	-	(3,660)	-
Prepaid items	-	1,666	645,909	-
Deferred pension resources	-	909	13,861	-
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	-	24,127	112,327	(5,868)
Accrued salaries payable	-	96	1,390	-
Due to other governments	-	14	(40)	-
Compensated absences payable	116,812	171	1,372	-
Pension liability	-	(1,716)	(19,818)	-
Deferred pension resources	-	(343)	(3,437)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 99,279</u>	<u>\$ 82,415</u>	<u>\$ 2,467,092</u>	<u>\$ (7,240)</u>
Schedule of Noncash Capital and Related Financing Activities				
Net disposal of capital assets	\$ -	\$ -	\$ 29,380	\$ -

City Facilities	Technology	Totals
\$ (544,066)	\$ (82,599)	\$ 125,779
631,212	124,374	1,630,566
-	-	29,380
329	2,082	93,789
7,422	-	17,014
-	(20)	(20)
-	-	(3,660)
-	(1,680)	645,895
3,580	15,728	34,078
14,037	64,827	209,450
359	(233)	1,612
-	(327)	(353)
753	(570)	118,538
(6,849)	(15,924)	(44,307)
(1,376)	(2,047)	(7,203)
<u>\$ 105,401</u>	<u>\$ 103,611</u>	<u>\$ 2,850,558</u>
\$ -	\$ -	\$ 29,380

City of Inver Grove Heights, Minnesota
Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2018

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
ESCROW				
Assets				
Cash and temporary investments	\$ 1,233,245	\$ 755,527	\$ (277,918)	\$ 1,710,854
Liabilities				
Accounts payable	\$ 31,123	\$ (226,057)	\$ 209,861	\$ 14,927
Deposits payable	1,202,122	981,584	(487,779)	1,695,927
Total Liabilities	\$ 1,233,245	\$ 755,527	\$ (277,918)	\$ 1,710,854

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STATISTICAL SECTION (UNAUDITED)

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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STATISTICAL SECTION (UNAUDITED)

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

Contents	<u>Pages</u>
Financial Trends	145 - 154
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	157 - 163
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	
Debt Capacity	164 - 170
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	171 - 173
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	174 - 178
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

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City of Inver Grove Heights, Minnesota
Summary Financial Report
Governmental Funds
Revenues and Expenditures For General Operations
For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 24,029,756	\$ 21,228,180	13.20 %
Licenses and permits	1,511,951	1,355,686	11.53
Intergovernmental	8,443,585	1,828,149	361.87
Charges for services	6,613,691	6,044,318	9.42
Fines and forfeits	185,181	173,365	6.82
Special assessments	1,235,379	1,649,876	(25.12)
Donations	88,317	-	N/A
Investment earnings	565,567	391,228	44.56
Miscellaneous	801,392	1,050,756	(23.73)
Total Revenues	<u>\$ 43,474,819</u>	<u>\$ 33,721,558</u>	28.92 %
Per Capita	\$ 1,229	\$ 957	28.43 %
Expenditures			
Current			
General government	\$ 2,147,041	\$ 1,870,026	14.81 %
Public safety	10,753,947	9,837,271	9.32
Public works	4,668,439	4,848,977	(3.72)
Culture and recreation	6,058,369	5,696,321	6.36
Community development	1,915,702	2,008,043	(4.60)
Capital outlay			
Public safety	1,832,467	983,523	86.32
Public works	11,118,642	2,877,458	286.41
Culture and recreation	4,479,493	1,627,597	175.22
Community development	672,805	511,723	31.48
Debt service			
Principal	11,015,000	2,575,000	327.77
Interest and other charges	1,133,477	882,784	28.40
Bond issuance costs	125,608	85,505	46.90
Total Expenditures	<u>\$ 55,920,990</u>	<u>\$ 33,804,228</u>	65.43 %
Per Capita	\$ 1,581	\$ 959	64.79 %
Total Long-term Indebtedness	\$ 33,773,490	\$ 34,657,164	(2.55) %
Per Capita	955	984	(2.92)
General Fund Balance - December 31	\$ 10,533,140	\$ 10,179,745	3.47 %
Per Capita	298	289	3.07

The purpose of this report is to provide a summary of financial information concerning the City of Inver Grove Heights to interested citizens. The complete financial statements may be examined at City Hall, 8150 Barbara Avenue, Inver Grove Heights, MN 55077-3412. Questions about this report should be directed to the Finance Department at (651) 450-2500.

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			Restated 2012 (1)
	2009	2010	2011	
Governmental Activities				
Net investment in capital assets	\$ 57,281,127	\$ 74,158,575	\$ 72,950,086	\$ 83,551,495
Restricted	18,781,144	12,453,322	14,658,567	6,562,002
Unrestricted	24,988,115	25,315,734	20,841,229	35,453,954
Total Governmental Activities Net Position	<u>\$ 101,050,386</u>	<u>\$ 111,927,631</u>	<u>\$ 108,449,882</u>	<u>\$ 125,567,451</u>
Business-type Activities				
Net investment in capital assets	\$ 43,737,884	\$ 45,236,978	\$ 56,914,506	\$ 34,833,936
Restricted	658,585	658,415	452,053	-
Unrestricted	14,451,156	12,609,019	9,876,848	18,909,882
Total Business-type Activities Net Position	<u>\$ 58,847,625</u>	<u>\$ 58,504,412</u>	<u>\$ 67,243,407</u>	<u>\$ 53,743,818</u>
Total Primary Government				
Net investment in capital assets	\$ 101,019,011	\$ 119,395,553	\$ 129,864,592	\$ 118,385,431
Restricted	19,439,729	13,111,737	15,110,620	6,562,002
Unrestricted	39,439,271	37,924,753	30,718,077	54,363,836
Total Primary Government Net Position	<u>\$ 159,898,011</u>	<u>\$ 170,432,043</u>	<u>\$ 175,693,289</u>	<u>\$ 179,311,269</u>

Note: The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal 2013. Net position information has been restated for 2012 for this accounting change. Years prior to 2012 have not been restated. The City implemented GASB Statement No. 68 and GASB Statement No. 67 in fiscal 2015. Years prior to 2015 have not been restated. The City implemented GASB Statement No. 75 in fiscal 2018. Years prior to 2018 have not been restated.

(1) The Water Revenue Bonds and Sewer Revenue Bonds debt service funds and the Water Connection, Sewer Connection, and Water System Improvements capital projects funds were reclassified from governmental activities to business-type activities in 2013. Activity prior to 2012 has not been restated for this change.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 85,313,175	\$ 88,745,756	\$ 92,587,696	\$ 96,443,126	\$ 93,604,421	\$ 99,694,042
5,419,184	6,560,238	7,697,092	8,666,803	10,112,971	10,211,283
33,615,784	37,024,099	32,064,187	30,600,727	31,939,890	40,243,828
<u>\$ 124,348,143</u>	<u>\$ 132,330,093</u>	<u>\$ 132,348,975</u>	<u>\$ 135,710,656</u>	<u>\$ 135,657,282</u>	<u>\$ 150,149,153</u>
\$ 38,002,856	\$ 38,248,637	\$ 40,500,700	\$ 48,192,046	\$ 49,136,855	\$ 51,148,138
-	-	-	-	-	-
21,168,180	20,875,925	18,559,610	13,397,258	10,707,274	9,464,848
<u>\$ 59,171,036</u>	<u>\$ 59,124,562</u>	<u>\$ 59,060,310</u>	<u>\$ 61,589,304</u>	<u>\$ 59,844,129</u>	<u>\$ 60,612,986</u>
\$ 123,316,031	\$ 126,994,393	\$ 133,088,396	\$ 144,635,172	\$ 142,741,276	\$ 150,842,180
5,419,184	6,560,238	7,697,092	8,666,803	10,112,971	10,211,283
54,783,964	57,900,024	50,623,797	43,997,985	42,647,164	49,708,676
<u>\$ 183,519,179</u>	<u>\$ 191,454,655</u>	<u>\$ 191,409,285</u>	<u>\$ 197,299,960</u>	<u>\$ 195,501,411</u>	<u>\$ 210,762,139</u>

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Changes in Net Position (Continued on the Following Pages)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			Restated 2012 (1)
	2009	2010	2011	
Expenses				
Governmental activities				
General government	\$ 2,026,218	\$ 1,996,947	\$ 1,873,647	\$ 1,835,043
Public safety	7,042,090	7,335,691	7,399,743	7,840,331
Public works	6,319,903	8,655,734	7,135,787	10,021,043
Culture and recreation	6,316,467	6,296,071	6,990,333	6,320,509
Community development	1,206,108	1,216,039	1,202,751	1,786,359
Interest on long-term debt	1,820,910	1,945,392	2,230,632	1,612,457
Total Governmental Activities Expenses	<u>24,731,696</u>	<u>27,445,874</u>	<u>26,832,893</u>	<u>29,415,742</u>
Business-type activities				
Water	2,312,751	2,367,258	2,393,558	2,967,411
Sewer	2,606,924	2,728,937	3,018,197	3,253,964
Golf course	1,732,070	1,905,427	2,014,668	1,926,395
Total Business-type Activities Expenses	<u>6,651,745</u>	<u>7,001,622</u>	<u>7,426,423</u>	<u>8,147,770</u>
Total Primary Government Expenses	<u>\$ 31,383,441</u>	<u>\$ 34,447,496</u>	<u>\$ 34,259,316</u>	<u>\$ 37,563,512</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 532,763	\$ 495,545	\$ 557,450	\$ 578,465
Public safety	535,041	413,967	456,068	540,587
Public works	2,616,135	3,435,705	2,810,312	3,176,747
Culture and recreation	3,073,540	2,673,480	2,677,946	2,864,888
Community development	551,990	436,696	667,667	720,775
Operating grants and contributions	438,040	861,740	876,505	938,347
Capital grants and contributions	3,541,500	9,618,339	5,382,914	5,320,013
Total Governmental Activities Program Revenues	<u>11,289,009</u>	<u>17,935,472</u>	<u>13,428,862</u>	<u>14,139,822</u>
Business-type activities				
Charges for services				
Water	3,000,199	2,762,005	2,879,883	3,304,846
Sewer	2,662,849	2,697,623	2,776,965	2,875,891
Golf course	1,420,419	1,436,476	1,405,244	2,819,818
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	1,852,464	28,889	92,036
Total Business-type Activities Program Revenues	<u>7,083,467</u>	<u>8,748,568</u>	<u>7,090,981</u>	<u>9,092,591</u>
Total Primary Government Program Revenues	<u>\$ 18,372,476</u>	<u>\$ 26,684,040</u>	<u>\$ 20,519,843</u>	<u>\$ 23,232,413</u>

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 1,789,711	\$ 1,764,065	\$ 1,655,475	\$ 2,996,056	\$ 2,481,001	\$ 2,395,582
7,806,417	8,069,896	8,109,514	10,727,458	12,087,235	10,236,391
6,225,122	7,284,147	6,816,075	8,887,750	7,690,391	6,951,713
6,417,200	6,382,850	6,576,337	6,768,580	7,919,434	7,244,591
1,784,117	-	1,792,921	1,599,270	2,540,933	2,124,968
1,026,367	873,009	771,350	926,142	1,007,774	1,091,471
<u>25,048,934</u>	<u>24,373,967</u>	<u>25,721,672</u>	<u>31,905,256</u>	<u>33,726,768</u>	<u>30,044,716</u>
2,550,172	2,722,584	2,381,673	2,562,739	2,705,498	3,003,465
3,342,170	3,422,724	3,628,484	3,571,160	4,265,285	4,123,098
1,653,246	1,537,243	1,581,313	1,486,481	3,901,573	1,932,241
<u>7,545,588</u>	<u>7,682,551</u>	<u>7,591,470</u>	<u>7,620,380</u>	<u>10,872,356</u>	<u>9,058,804</u>
<u>\$ 32,594,522</u>	<u>\$ 34,459,576</u>	<u>\$ 33,313,142</u>	<u>\$ 39,525,636</u>	<u>\$ 44,599,124</u>	<u>\$ 39,103,520</u>
\$ 13,492	\$ 13,086	\$ 11,190	\$ 19,706	\$ 21,386	\$ 12,049
612,664	625,566	629,828	628,342	689,060	635,233
3,159,957	3,257,758	3,552,354	3,346,781	3,038,693	3,469,315
2,683,173	2,966,749	3,184,781	3,570,598	2,922,124	3,210,032
1,082,712	1,144,089	702,948	1,019,012	1,202,410	1,401,683
952,499	1,170,083	1,012,882	986,082	1,219,181	2,567,895
2,971,574	6,587,288	3,860,088	5,079,885	2,125,371	7,803,984
<u>11,476,071</u>	<u>15,764,619</u>	<u>12,954,071</u>	<u>14,650,406</u>	<u>11,218,225</u>	<u>19,100,191</u>
3,054,386	2,818,851	2,899,782	2,878,095	3,051,811	3,132,068
3,016,134	3,052,651	3,088,659	3,281,356	3,460,592	3,693,679
1,402,594	1,414,141	1,634,226	1,306,162	1,467,194	1,879,599
1,961	1,418	12,587	12,345	8,283	10,087
1,188,808	1,177,104	1,463,961	2,175,951	1,392,096	1,717,863
<u>8,663,883</u>	<u>8,464,165</u>	<u>9,099,215</u>	<u>9,653,909</u>	<u>9,379,976</u>	<u>10,433,296</u>
<u>\$ 20,139,954</u>	<u>\$ 24,228,784</u>	<u>\$ 22,053,286</u>	<u>\$ 24,304,315</u>	<u>\$ 20,598,201</u>	<u>\$ 29,533,487</u>

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			Restated 2012 (1)
	2009	2010	2011	
Net Revenues (Expenses)				
Governmental activities	\$(13,442,687)	\$ (9,510,402)	\$(13,404,031)	\$(15,275,920)
Business-type activities	431,722	1,746,946	(335,442)	944,821
Total Primary Government Net Revenues (Expenses)	<u><u>\$(13,010,965)</u></u>	<u><u>\$ (7,763,456)</u></u>	<u><u>\$(13,739,473)</u></u>	<u><u>\$(14,331,099)</u></u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 14,904,906	\$ 15,188,210	\$ 15,043,355	\$ 14,943,650
Tax increments	1,944,714	1,931,921	1,969,395	1,922,302
Lodging taxes	67,680	67,329	77,882	79,790
Franchise taxes	84,045	86,148	88,755	90,442
Grants and contributions not restricted to specific programs	146,602	130,042	134,220	300,636
Other general revenues	73,453	93,539	159,354	-
Unrestricted investment earnings	540,070	669,074	1,165,824	375,830
Gain on sale of capital assets	6,800	-	210,741	1,561
Transfers	(3,428,802)	2,221,384	(8,923,244)	(1,388,301)
Total Governmental Activities	<u>14,339,468</u>	<u>20,387,647</u>	<u>9,926,282</u>	<u>16,325,910</u>
Business-type activities				
Unrestricted investment earnings	230,333	131,225	151,193	274,251
Transfers	3,428,802	(2,221,384)	8,923,244	1,388,301
Total Business-type Activities	<u>3,659,135</u>	<u>(2,090,159)</u>	<u>9,074,437</u>	<u>1,662,552</u>
Total Primary Government	<u><u>\$ 17,998,603</u></u>	<u><u>\$ 18,297,488</u></u>	<u><u>\$ 19,000,719</u></u>	<u><u>\$ 17,988,462</u></u>
Change in Net Position				
Governmental activities	\$ 896,781	\$ 10,877,245	\$ (3,477,749)	\$ 1,049,990
Business-type activities	4,090,857	(343,213)	8,738,995	2,607,373
Total Primary Government	<u><u>\$ 4,987,638</u></u>	<u><u>\$ 10,534,032</u></u>	<u><u>\$ 5,261,246</u></u>	<u><u>\$ 3,657,363</u></u>

Note: The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal 2013. Net position information has been restated for 2012 for this accounting change. Years prior to 2012 have not been restated. The City implemented GASB Statement No. 68 and GASB Statement No. 67 in fiscal 2015. Years prior to 2015 have not been restated. The City implemented GASB Statement No. 75 in fiscal 2018. Years prior to 2018 have not been restated.

(1) The Water Revenue Bonds and Sewer Revenue Bonds debt service funds and the Water Connection, Sewer Connection, and Water System Improvements capital projects funds were reclassified from governmental activities to business-type activities in 2013. Activity prior to 2012 has not been restated for this change.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$(13,572,863)	\$ (8,609,348)	\$(12,767,601)	\$(17,254,850)	\$(22,508,543)	\$(10,944,525)
1,118,295	781,614	1,507,745	2,033,529	(1,492,380)	1,374,492
<u>\$(12,454,568)</u>	<u>\$ (7,827,734)</u>	<u>\$(11,259,856)</u>	<u>\$(15,221,321)</u>	<u>\$(24,000,923)</u>	<u>\$ (9,570,033)</u>
\$ 14,607,605	\$ 15,070,818	\$ 16,657,367	\$ 18,068,901	\$ 19,395,888	\$ 21,043,742
1,861,618	1,931,061	2,020,664	1,959,743	1,578,646	1,655,941
88,151	105,877	106,361	128,367	133,979	133,872
90,442	90,442	98,221	103,406	107,441	1,135,415
162,694	95,004	144,337	280,346	146,791	161,095
-	-	-	-	-	-
(210,750)	575,796	435,751	345,223	545,279	761,542
17,780	12,855	11,070	78,545	89,116	21,486
<u>(4,263,985)</u>	<u>1,112,503</u>	<u>841,284</u>	<u>(348,000)</u>	<u>458,029</u>	<u>939,547</u>
<u>12,353,555</u>	<u>18,994,356</u>	<u>20,315,055</u>	<u>20,616,531</u>	<u>22,455,169</u>	<u>25,852,640</u>
44,938	284,415	232,427	147,465	205,234	354,181
4,263,985	(1,112,503)	(841,284)	348,000	(458,029)	(939,547)
<u>4,308,923</u>	<u>(828,088)</u>	<u>(608,857)</u>	<u>495,465</u>	<u>(252,795)</u>	<u>(585,366)</u>
<u>\$ 16,662,478</u>	<u>\$ 18,166,268</u>	<u>\$ 19,706,198</u>	<u>\$ 21,111,996</u>	<u>\$ 22,202,374</u>	<u>\$ 25,267,274</u>
\$ (1,219,308)	\$ 10,385,008	\$ 7,547,454	\$ 3,361,681	\$ (53,374)	\$ 14,908,115
5,427,218	(46,474)	898,888	2,528,994	(1,745,175)	789,126
<u>\$ 4,207,910</u>	<u>\$ 10,338,534</u>	<u>\$ 8,446,342</u>	<u>\$ 5,890,675</u>	<u>\$ (1,798,549)</u>	<u>\$ 15,697,241</u>

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			Restated
	2009	2010	2011	2012 (1)
General Fund				
Reserved	\$ 98,333	\$ 2,745	N/A	N/A
Unreserved	5,598,129	5,773,572	N/A	N/A
Nonspendable	N/A	N/A	\$ 24,021	\$ 9,159
Restricted	N/A	N/A	-	45,800
Unassigned	N/A	N/A	6,326,550	7,232,157
Total General Fund	<u>\$ 5,696,462</u>	<u>\$ 5,776,317</u>	<u>\$ 6,350,571</u>	<u>\$ 7,287,116</u>
All Other Governmental Funds				
Reserved	\$ 5,295,327	\$ 5,342,811	N/A	N/A
Unreserved, reported in				
Special revenue funds	870,678	772,562	N/A	N/A
Capital project funds	12,270,926	19,084,320	N/A	N/A
Debt service funds	5,146,914	3,794,637	N/A	N/A
Nonspendable	N/A	N/A	\$ 621	\$ 1,001,348
Restricted	N/A	N/A	6,874,221	4,234,679
Committed	N/A	N/A	596,070	630,787
Assigned	N/A	N/A	20,691,467	15,858,720
Unassigned	N/A	N/A	(2,144,267)	(3,026,964)
Total All Other Governmental Funds	<u>\$ 23,583,845</u>	<u>\$ 28,994,330</u>	<u>\$ 26,018,112</u>	<u>\$ 18,698,570</u>

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

(1) The Water Revenue Bonds and Sewer Revenue Bonds debt service funds and the Water Connection, Sewer Connection, and Water System Improvements capital projects funds were reclassified from governmental to enterprise (business-type) in 2013. Activity prior to 2012 has not been restated for this change.

Fiscal Year

2013	2014	2015	2016	2017	2018
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 4,399	\$ 57,292	\$ 3,667	\$ 15,799	\$ 141,195	\$ 12,679
76,800	22,000	-	-	-	-
8,029,014	9,111,824	9,922,952	9,600,129	10,038,550	10,520,461
<u>\$ 8,110,213</u>	<u>\$ 9,191,116</u>	<u>\$ 9,926,619</u>	<u>\$ 9,615,928</u>	<u>\$ 10,179,745</u>	<u>\$ 10,533,140</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 19,644	\$ 21,450	\$ 7,203	\$ 2,887	\$ 17,761	\$ 105,287
3,088,157	4,137,256	10,128,899	18,332,804	20,275,918	16,286,001
1,038,100	1,023,281	955,348	720,397	738,817	1,790,562
13,113,187	13,249,048	14,066,297	13,408,861	17,069,166	22,069,612
(3,246,835)	(2,727,214)	(1,949,474)	(1,847,409)	(3,741,559)	(6,573,705)
<u>\$ 14,012,253</u>	<u>\$ 15,703,821</u>	<u>\$ 23,208,273</u>	<u>\$ 30,617,540</u>	<u>\$ 34,360,103</u>	<u>\$ 33,677,757</u>

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			Restated
	2009	2010	2011	2012 (1)
Revenues				
Taxes	\$ 17,075,882	\$ 17,198,981	\$ 17,258,994	\$ 17,091,099
Licenses and permits	635,156	515,398	815,420	750,483
Intergovernmental	2,289,629	3,347,225	3,948,793	4,170,433
Charges for services	5,578,401	6,183,014	5,560,114	6,168,808
Fines and forfeitures	211,425	141,962	115,075	125,164
Special assessments	2,274,280	2,887,090	2,397,132	1,945,973
Donations	-	-	-	-
Investment earnings	299,861	527,014	991,558	213,053
Miscellaneous	826,337	1,546,668	847,598	1,383,500
Total Revenues	29,190,971	32,347,352	31,934,684	31,848,513
Expenditures				
Current				
General government	1,982,238	1,873,064	1,852,938	1,697,773
Public safety	7,043,048	7,202,451	7,304,412	7,644,656
Public works	5,230,215	4,949,744	6,081,929	5,995,442
Culture and recreation	4,976,319	5,019,535	5,346,020	4,932,946
Community development	1,224,278	1,269,570	1,212,442	1,298,078
Capital outlay	16,794,084	16,080,562	6,819,201	8,003,440
Debt service				
Principal	4,121,035	3,828,462	4,215,622	3,194,586
Interest and other charges	1,581,586	1,993,944	2,278,893	1,476,542
Bond issuance costs	-	-	-	-
Total Expenditures	42,952,803	42,217,332	35,111,457	34,243,463
Deficiency of Revenues under expenditures	(13,761,832)	(9,869,980)	(3,176,773)	(2,394,950)
Other Financing Sources (Uses)				
Transfers in	10,943,426	14,723,247	12,099,659	11,122,977
Transfers out	(9,049,622)	(11,114,442)	(10,853,484)	(11,829,020)
Bond proceeds	9,900,000	11,770,000	-	-
Discount on bonds issued	(10,512)	(18,485)	-	-
Premium on bonds issued	-	-	58,634	13,500
Refunding bonds issued	-	-	4,505,000	395,000
Payment to refunded bond escrow agent	-	-	-	-
Principal paid on refunded bonds	-	-	(5,240,000)	-
Insurance recovery	-	-	-	-
Sale of capital assets	-	-	205,000	-
Total Other Financing Sources (Uses)	11,783,292	15,360,320	774,809	(297,543)
Net Change in Fund Balances	\$ (1,978,540)	\$ 5,490,340	\$ (2,401,964)	\$ (2,692,493)
Debt Service as a Percentage of Noncapital Expenditures	18.44%	22.24%	23.32%	16.27%

(1) The Water Revenue Bonds and Sewer Revenue Bonds debt service funds and the Water Connection, Sewer Connection, and Water System Improvements capital projects funds were reclassified from governmental to enterprise (business-type) in 2013. Activity prior to 2012 has not been restated for this change.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 16,627,528	\$ 17,190,552	\$ 18,951,875	\$ 20,287,670	\$ 21,228,180	\$ 24,029,756
951,948	1,241,654	844,006	1,133,121	1,355,686	1,511,951
2,143,879	4,124,588	1,111,405	2,686,298	1,828,149	8,443,585
6,241,363	6,389,688	6,857,352	7,073,953	6,044,318	6,613,691
148,113	135,382	120,029	119,855	173,365	185,181
1,500,383	2,295,620	1,759,195	1,536,041	1,649,876	1,235,379
-	-	-	-	-	88,317
(183,005)	359,937	257,824	231,466	391,228	565,567
261,540	234,831	455,909	771,714	1,050,756	801,392
<u>27,691,749</u>	<u>31,972,252</u>	<u>30,357,595</u>	<u>33,840,118</u>	<u>33,721,558</u>	<u>43,474,819</u>
1,623,512	1,641,093	1,667,440	1,868,611	1,870,026	2,147,041
7,750,149	7,959,499	8,342,569	9,332,846	9,837,271	10,753,947
4,168,764	4,466,294	4,580,122	4,504,655	4,848,977	4,668,439
4,926,142	5,174,615	5,284,502	5,268,205	5,696,321	6,058,369
1,612,680	1,499,946	1,612,736	1,696,528	2,008,043	1,915,702
3,440,919	5,497,746	4,939,260	8,747,031	6,000,301	18,103,407
4,632,042	6,249,919	3,688,280	2,851,870	2,575,000	11,015,000
1,112,013	888,890	675,558	787,537	882,784	1,133,477
-	83,755	131,221	140,713	85,505	125,608
<u>29,266,221</u>	<u>33,461,757</u>	<u>30,921,688</u>	<u>35,197,996</u>	<u>33,804,228</u>	<u>55,920,990</u>
(1,574,472)	(1,489,505)	(564,093)	(1,357,878)	(82,670)	(12,446,171)
9,003,530	7,171,496	5,633,063	7,596,433	5,668,147	9,224,763
(10,907,954)	(5,917,699)	(4,762,561)	(7,928,133)	(4,960,644)	(7,300,022)
-	-	7,745,000	-	3,505,000	9,785,000
-	-	-	-	-	-
-	118,912	188,546	273,154	128,904	407,479
-	4,650,000	-	8,515,000	-	-
-	(1,761,033)	-	-	-	-
(400,000)	-	-	-	-	-
15,676	300	-	-	-	-
-	-	-	-	47,643	-
<u>(2,288,748)</u>	<u>4,261,976</u>	<u>8,804,048</u>	<u>8,456,454</u>	<u>4,389,050</u>	<u>12,117,220</u>
<u>\$ (3,863,220)</u>	<u>\$ 2,772,471</u>	<u>\$ 8,239,955</u>	<u>\$ 7,098,576</u>	<u>\$ 4,306,380</u>	<u>\$ (328,951)</u>
<u>21.65%</u>	<u>24.25%</u>	<u>16.36%</u>	<u>12.30%</u>	<u>10.98%</u>	<u>31.32%</u>

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Increments</u>	<u>Lodging Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2009	\$ 14,979,443	\$ 1,944,714	\$ 67,680	\$ 84,045	\$ 17,075,882
2010	15,113,583	1,931,921	67,329	86,148	17,198,981
2011	15,122,962	1,969,395	77,882	88,755	17,258,994
2012	14,998,565	1,922,302	79,790	90,442	17,091,099
2013	14,587,317	1,861,618	85,530	93,063	16,627,528
2014	15,063,172	1,931,061	98,691	97,628	17,190,552
2015	16,726,629	2,020,664	106,361	98,221	18,951,875
2016	18,096,154	1,959,743	128,367	103,406	20,287,670
2017	19,408,114	1,578,646	133,979	107,441	21,228,180
2018	21,104,528	1,655,941	133,872	1,135,415 ⁽¹⁾	24,029,756

(1) The City began the collection of gas and electric utility franchise fees in 2018.

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended December 31, (1)	Tax Capacity				
	Real Property		Personal Property	Less	Total Taxable Assessed Value
	Residential Property	Commercial Property		Tax Exempt Real Property	
2009	\$ 31,596,479	\$ 9,301,789	\$ 595,548	\$ 3,735,276	\$ 37,758,540
2010	28,706,695	9,408,125	601,227	3,681,380	35,034,667
2011	26,997,619	9,019,537	642,312	3,833,236	32,826,232
2012	24,584,767	9,012,637	664,866	3,795,448	30,466,822
2013	22,793,327	9,065,568	706,136	3,788,856	28,776,175
2014	23,532,484	9,252,706	711,742	3,824,454	29,672,478
2015	25,635,739	9,263,633	726,252	3,914,916	31,710,708
2016	27,361,534	9,779,662	753,881	4,071,056	33,824,021
2017	28,111,605	9,722,415	787,939	4,126,152	34,495,807
2018	31,103,141	9,930,791	823,979	4,623,984	37,233,927

Source: Dakota County Assessor.

(1) Represents the year the taxes are payable, not the year the taxes are levied.

Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
37.878	\$3,586,873,800	1.16 %
41.757	3,311,984,400	1.17
43.162	3,128,770,600	1.17
44.883	2,893,900,109	1.18
46.312	2,720,514,055	1.20
46.128	2,798,175,018	1.20
48.131	3,005,516,326	1.19
49.266	3,198,957,044	1.18
51.644	3,270,107,980	1.18
51.112	3,560,206,357	1.18

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Inver Grove Heights		
	Operating Millage	Debt Service Millage	Total Direct Rate
2009	35.837 %	2.041 %	37.878 %
2010	38.821	2.936	41.757
2011	40.540	2.629	43.169
2012	40.974	3.909	44.883
2013	42.116	4.196	46.312
2014	41.849	4.279	46.128
2015	43.984	4.147	48.131
2016	43.621	5.645	49.266
2017	45.717	5.927	51.644
2018	46.379	4.733	51.112

Source: Dakota County Treasurer - Auditor.

1 Overlapping rates are those of local and county governments that apply to property owners within the City of Inver Grove Heights. Not all overlapping rates apply to all City of Inver Grove Heights property owners (i.e. the rates for School District #199 apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the school district.)

(2) Special districts include: Metropolitan Council, Mosquito Control, and Metropolitan Transit.

Dakota County	Overlapping Rates (1)				Total Direct & Overlapping Rates
	School District No. 199	School District No. 196	School District No. 197	Special Districts (2)	
25.821 %	19.303 %	21.109 %	18.051 %	4.328 %	126.490 %
27.269	21.795	25.391	18.850	4.421	139.483
29.149	24.679	26.959	19.692	4.644	148.292
31.426	28.363	28.440	21.857	5.021	159.990
33.421	27.556	27.956	24.429	5.341	165.015
31.827	33.418	27.606	23.863	4.993	167.835
29.633	34.864	23.271	24.063	4.567	164.529
28.570	30.272	24.317	22.170	4.614	159.209
28.004	28.572	23.336	22.295	4.458	158.309
26.580	26.680	21.352	21.224	3.878	150.826

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Principal Property Taxpayers
Current and Nine Years Ago

Taxpayer	2018			2009		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
Xcel Energy (Northern States Power)	\$ 1,983,703	1	4.74 %	\$ 1,566,747	1	3.85 %
Southview Gables	890,014	2	2.13	-		-
Flint Hills	840,401	3	2.01	294,038	6	0.72
Lake Cove Village Partnership	477,096	4	1.14	359,732	4	0.88
Salem Green Ltd. Partnership	430,174	5	1.03	262,501	9	0.64
PHM Inver Grove Inc	415,362	6	0.99	360,784	3	0.89
Chicago & NW Trans Co.	361,430	7	0.86	-		-
Brentwood Hills Ltd. Partnership	337,257	8	0.81	275,000	8	0.68
Vansouth Ltd. Partnership	279,636	9	0.67	294,886	5	0.72
CH Inver Grove Heights MN Landlord LLC	242,776	10	0.58	-		-
ML Casa IV LP (I & G Southview LLC)	-		-	425,000	2	1.04
Farmers Union Central Exchange (Cenex)	-		-	293,042	7	0.72
Individual	-		-	237,500	10	0.58
Total	<u>\$ 6,257,849</u>		<u>14.96 %</u>	<u>\$ 4,369,230</u>		<u>10.72 %</u>

Source: Dakota County Treasurer - Auditor.

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2009	\$ 15,420,973	\$ 14,752,509	95.67 %	\$ 197,189	\$ 14,949,698	97 %
2010	15,689,990	14,872,404	94.79	167,249	15,039,653	96
2011	15,632,796	14,836,938	94.91	133,075	14,970,013	96
2012	14,958,691	14,850,595	99.28	67,699	14,918,294	100
2013	14,551,809	14,486,760	99.55	141,552	14,628,312	101
2014	15,056,760	14,906,474	99.00	209,651	15,116,125	100
2015	16,468,844	16,369,815	99.40	119,121	16,488,936	100
2016	18,022,195	17,928,458	99.48	121,505	18,049,963	100
2017	19,197,825	19,236,756	100.20	141,437	19,378,193	101
2018	21,041,791	20,921,998	99.43	-	20,921,998	99

Source: Dakota County Treasurer - Auditor.

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income		Per Capita
	General Obligation (G.O.) Bonds (1)	G.O. Tax Increment Bonds	G.O. Special Assessments Bonds	G.O. Revenue Bonds (1)	Capital Leases				
2009	\$ 26,575,170	\$ 12,343,913	\$ 12,440,000	\$ 1,990,000	\$ -	\$53,349,083	3.29	%	\$ 1,573
2010	32,241,708	11,128,847	16,055,000	1,620,000	-	61,045,555	3.76		1,802
2011	30,800,655	9,924,586	13,655,000	1,235,000	157,875	55,773,116	4.77		1,651
2012	12,288,258	8,540,273	12,252,929	24,356,205	108,445	57,546,110	4.97		1,704
2013	10,171,859	6,105,000	10,456,544	21,040,004	83,245	47,856,652	4.02		1,400
2014	9,790,308	3,982,550	9,796,053	17,282,225	56,823	40,907,959	3.79		1,187
2015	17,363,296	2,836,275	7,567,731	20,408,629	29,120	48,205,051	3.94		1,389
2016	25,734,951	1,681,275	6,242,731	19,018,096	-	52,677,053	4.27		1,502
2017	25,073,158	1,131,275	8,452,731	23,197,427	-	57,854,591	4.45		1,642
2018	25,943,500	560,000	7,269,990	21,511,921	-	55,285,411	3.88		1,563

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

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

(1) The G.O. revenue bonds were reclassified from governmental activities to business-type activities in 2013. Activity prior to 2012 has not been restated for this change.

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less Amounts Restricted for Debt Service</u>	<u>Net Bonded Debt</u>	<u>Percentage of Estimated Market Value of Taxable Property (1)</u>	<u>Per Capita (2)</u>
2009	\$ 53,349,083	\$ 1,110,181	\$ 52,238,902	1.46 %	\$ 1,540
2010	61,045,555	805,606	60,239,949	1.82	1,778
2011	55,615,241	482,331	55,132,910	1.76	1,632
2012	57,437,665	5,055,559	52,382,106	1.81	1,551
2013	47,773,407	4,662,906	43,110,501	1.58	1,261
2014	40,851,136	6,000,117	34,851,019	1.25	1,011
2015	48,175,931	5,119,578	43,056,353	1.43	1,243
2016	52,677,053	4,657,944	48,019,109	1.50	1,363
2017	57,854,591	5,129,747	52,724,844	1.61	1,496
2018	55,285,411	4,761,334	50,524,077	1.42	1,428

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

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

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

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Computation of Direct and Overlapping Governmental Activities Debt
December 31, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Dakota County	\$ 21,455,000	7.7918 %	\$ 1,671,731
School District # 199	57,565,000	93.3106	53,714,247
School District # 196	146,585,000	5.2378	7,677,829
School District # 197	32,025,000	0.7822	250,500
Metropolitan Council (2)	186,185,000	0.8861	1,649,785
Total Overlapping Debt	443,815,000		64,964,092
City of Inver Grove Heights Direct Debt	33,773,490	100.0000	33,773,490
Total Direct and Overlapping Debt	\$ 477,588,490		\$ 98,737,582

Source: Dakota County Treasurer/Auditor.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Inver Grove Heights, Minnesota. This process recognizes that, when considering the government's ability of 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 Amounts do not include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2 Debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt.

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012 (1)
Debt Limit	\$ 107,716,655	\$ 99,474,529	\$ 93,976,981	\$ 86,930,669
Total Net Debt Applicable to Limit	25,464,989	31,436,102	31,282,986	8,878,622
Legal Debt Margin	<u>\$ 82,251,666</u>	<u>\$ 68,038,427</u>	<u>\$ 62,693,995</u>	<u>\$ 78,052,047</u>
Total Net Debt Applicable to the Limit as a Percent of Debt Limit	23.64%	31.60%	33.29%	10.21%

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Note: Under state law, the City's outstanding general obligation debt should not exceed 3 percent of the market value of taxable property. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. Prior to 2008, state law provided that general obligation debt should not exceed 2 percent. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for the extinguishment of those obligations.

(1) The G.O. revenue bonds were reclassified from governmental activities to business-type activities in 2013. Activity prior to 2012 has not been restated for this change.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 81,615,422	\$ 83,945,251	\$ 90,165,490	\$ 95,968,711	\$ 98,103,239	\$ 106,806,191
7,685,804	6,181,018	14,077,236	13,229,040	14,530,123	23,056,521
<u>\$ 73,929,618</u>	<u>\$ 77,764,233</u>	<u>\$ 76,088,254</u>	<u>\$ 82,739,671</u>	<u>\$ 83,573,116</u>	<u>\$ 83,749,670</u>
9.42%	7.36%	15.61%	13.78%	14.81%	21.59%

Legal Debt Margin Calculation for Fiscal Year 2018

Taxable Market Value	<u>\$3,560,206,357</u>
Debt Limit (3 Percent of Market Value)	<u>\$ 106,806,191</u>
Debt Applicable to Limit	
General obligation bonds	25,175,000
Less: amount available in debt service funds	<u>(2,118,479)</u>
Total Net Debt Applicable to Limit	<u>23,056,521</u>
Legal Debt Margin	<u>\$ 83,749,670</u>

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Pledged Revenue Coverage
Last Ten Fiscal Years

Water G.O. Revenue Bonds

Fiscal Year	Water Charges and other (2)	Less Operating Expense (1)	Net Available Revenue	Debt Service		Total	Coverage
				Principal (5)	Interest		
2013	\$ 3,054,386	\$ 1,461,176	\$ 1,593,210	\$ 685,000	\$ 331,270	\$ 1,016,270	156.77 %
2014	2,818,851	1,771,162	1,047,689	745,000	169,423	914,423	114.57
2015	2,899,782	1,449,803	1,449,979	805,000	91,050	896,050	161.82
2016	2,878,095	1,572,283	1,305,812	825,000	74,039	899,039	145.25
2017	3,051,811	1,702,566	1,349,245	845,000	57,324	902,324	149.53
2018	3,132,068	2,005,111	1,126,957	850,000	40,426	890,426	126.56

Sewer G.O. Revenue Bonds

Fiscal Year	Sewer Charges and other (3)	Less Operating Expense (1)	Net Available Revenue	Debt Service		Total	Coverage
				Principal (6)	Interest		
2013	\$ 3,016,134	\$ 2,287,807	\$ 728,327	\$ 235,000	\$ 445,141	\$ 680,141	107.08 %
2014	3,052,651	2,299,419	753,232	465,000	434,060	899,060	83.78
2015	3,088,659	2,653,539	435,120	475,000	301,760	776,760	56.02
2016	3,281,356	2,455,570	825,786	525,000	472,244	997,244	82.81
2017	3,460,592	2,938,354	522,238	715,000	559,112	1,274,112	40.99
2018	3,693,679	2,779,890	913,789	790,000	609,351	1,399,351	65.30

Golf Course G.O. Revenue Bonds

Fiscal Year	Golf Course Charges and Others (4)	Less Operating Expense (1)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2008	\$ 1,579,503	\$ 1,442,783	\$ 136,720	\$ 330,000	\$ 125,035	\$ 455,035	30.05 %
2009	1,475,051	1,446,906	28,145	335,000	114,310	449,310	6.26
2010	1,408,208	1,392,570	15,638	350,000	102,585	452,585	3.46
2011	1,435,930	1,579,430	(143,500)	370,000	88,585	458,585	(31.29)
2012	1,401,052	1,690,209	(289,157)	385,000	73,415	458,415	(63.08)
2013	1,560,687	1,566,754	(6,067)	1,235,000	57,053	1,292,053	(0.47)

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

(1) Excludes depreciation expense.

(2) There are no water fund debt service requirements before 2013.

(3) There are no sewer fund debt service requirements before 2013.

(4) There are no golf course debt service requirements after 2012.

(5) Excludes refunded principal paid through cash held with fiscal agent (\$2,380,000 in 2013, \$2,885,000 in 2014).

(6) Excludes refunded principal paid through escrow agent (\$4,780,000 in 2014).

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate</u>
2009	33,917	\$1,623,369,371	\$ 47,863 (2)	7.4 %
2010	33,880	1,173,975,880	34,651	7.3
2011	33,774	1,159,022,358	34,317	6.2
2012	33,774	1,147,370,328	33,972	5.3
2013	34,189	1,162,562,756	34,004	4.7
2014	34,458	1,213,335,096	35,212	3.9
2015	34,627	1,219,285,924	35,212	3.5
2016	35,234	1,234,916,466	35,049	3.3
2017	35,236	1,300,419,816	36,906	3.3
2018	35,372	1,425,526,972	40,301	2.6

Data Sources

Metropolitan Council (www.metrocouncil.org)

Minnesota Dept of Employment and Economic Development (www.deed.state.mn.us)

U.S. Census Bureau (www.factfinder2.census.gov)

(1) Per Capita Personal Income uses the latest published numbers.

(2) Per Capita Personal Income is for the State of MN, not solely the City of Inver Grove Heights and uses the latest published data.

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Principal Employers
Current Year and Nine Years Ago

	2018			2009		
	Employees	Rank	Percent of City Employment (1)	Employees	Rank	Percent of City Employment (1)
Cenex / CHS Cooperatives	2,500	1	12.73	1,000	1	5.33
Independent School District 199	630	2	3.21	525	2	2.80
City of Inver Grove Heights	550	3	2.80	130	10	0.69
Gertens	525	4	2.67			
Inver Hills Community College	448	5	2.28	425	4	2.26
Travel Tags	350	6	1.78	430	3	2.29
Total Construction	250	7	1.27			
Wal-Mart	210	8	1.07	270	6	1.44
Cub Foods	160	9	0.82			
BFI Waste Services	150	10	0.76	140	7	0.75
Evergreen Industries				300	5	1.60
Southview Chevrolet				135	8	0.72
Lofton Label				133	9	0.71
Total	<u>5,773</u>		<u>29.39</u> %	<u>3,488</u>		<u>18.59</u> %

Source: Reference USA, written and telephone survey (September 2017), the Minnesota Department of Employment and Economic Development and City records for 2017.

(1) Represents total employment within the company, not just those working within the City.

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014
General Government	29	29	27	27	29	29
Public Safety						
Police						
Officers	33	33	33	33	32	32
Civilians	8	6	6	5	5	5
Fire						
Firefighters and officers	1	1	1	2	2	2
Civilians	2	2	2	2	2	2
Public Works						
Engineering	8	8	8	8	6	6
Maintenance	15	15	15	15	15	15
Culture and Recreation	25	25	24	23	22	22
Water and Sewer	9	9	9	9	7	7
Total	<u>130</u>	<u>128</u>	<u>125</u>	<u>124</u>	<u>120</u>	<u>120</u>

Source: City budgets and personnel records.

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<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
28	34	30	32
35	36	39	39
6	6	5	7
3	3	4	4
2	2	1	1
6	6	6	7
15	16	16	13
25	24	28	27
<u>7</u>	<u>9</u>	<u>8</u>	<u>9</u>
<u><u>127</u></u>	<u><u>136</u></u>	<u><u>137</u></u>	<u><u>139</u></u>

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City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Operating Indicators by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014
Police						
Physical arrests (1)	762	308	383	327	346	353
Traffic violations	4,535	4,195	2,616	2,237	2,244	1,653
Fire						
Calls answered	1,143	1,256	1,170	1,243	1,159	1,249
Public Works						
Resurfacing (miles)	4.29	2.45	2.53	2.45	0.83	1.75
Culture and Recreation						
Athletic field permits issued	2,746	2,828	2,884	2,941	2,794	2,849
Community center admissions	165,500	181,206	198,940	206,968	231,137	230,717
Rink hours used	4,274	4,080	4,091	3,988	4,272	4,155
Rounds of golf purchased	46,075	49,936	50,531	52,581	47,027	50,667
Driving range buckets (2)	25,368	24,505	20,548	25,216	17,608	17,167
Water						
New connections	17	6	10	147	105	50
Water main breaks	3	7	4	6	6	10
Average daily consumption (millions of gallons)	3.05	2.73	2.75	3.08	2.79	2.65

Sources: City department records.

(1) Only felony arrests were tracked in 2010 and thereafter.

(2) Driving range buckets can be purchased in three sizes ranging from twenty to seventy-five balls per bucket.

2015	2016	2017	2018
418	377	520	542
1,285	1,154	2,086	2,542
1,193	1,324	1,602	1,577
1.25	0.70	0.68	1.81
2,877	2,823	2,907	2,856
227,791	225,696	227,323	228,911
4,045	5,467	5,822	4,493
52,997	42,913	44,067	59,738
19,901	10,647	13,457	13,921
37	427	78	198
3	4	5	9
2.75	2.65	2.80	2.70

City of Inver Grove Heights, Minnesota
Statistical Section (Unaudited)
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol units	21	21	21	21	21	21
Fire stations						
Stations	2	2	2	2	2	2
Fire trucks	11	10	10	10	10	10
Other vehicles	5	4	4	4	4	4
Public Works						
Highways and streets						
Streets (miles) (3)	147	147	147	134	135	140
Street lights (1)	61	61	33	33	33	33
Traffic signals (2)	2	2	2	2	2	2
Culture and Recreation						
Parks acreage	885	885	885	885	844	844
Parks	27	27	27	27	28	28
Swimming pools	4	4	4	4	4	4
Ice rinks	10	10	10	10	10	10
Athletic fields	24	24	24	24	24	24
Tennis courts	11	11	11	11	11	11
Community centers	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1
Utilities						
Water						
Miles of water main (3)	155	155	155	148	152	158
Wells	6	7	7	7	7	7
Fire hydrants	1,585	1,595	1,598	1,605	1,554	1,683
Maximum daily capacity (millions of gallons)	11	13	13	13	13	13
Sewer						
Miles of sanitary sewer	116	116	124	128	125	125
Miles of storm sewers	99	105	117	120	98	99

Source: City department records.

(1) The majority of street lights in the City are owned by the utility companies.

(2) The majority of traffic lights in the City are owned by Dakota County and/or the State of Minnesota.

(3) Prior to 2012, calculations included privately owned water mains and streets.

2015	2016	2017	2018
1	1	1	1
21	21	20	19
2	2	2	2
10	10	11	11
4	4	4	4
141	144	149	152
33	33	33	33
2	2	2	2
844	844	844	911
28	28	28	28
4	4	4	4
10	10	10	10
24	24	24	24
11	11	11	11
1	1	1	1
1	1	1	1
156	161	158	152
7	7	7	7
1,711	1,647	1,673	1,762
13	13	13	13
132	129	129	130
102	102	104	101



Other Required Report

City of Inver Grove Heights

Inver Grove Heights, Minnesota

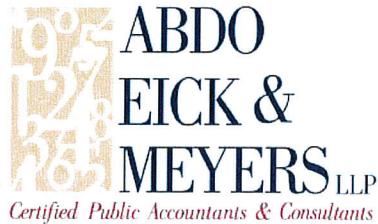
For the Year Ended
December 31, 2018

City of Inver Grove Heights, Minnesota
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For the Year Ended December 31, 2018

Other Required Report
Independent Auditor's Report
on Minnesota Legal Compliance

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Inver Grove Heights, Minnesota

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

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

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

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

Management Communication

City of Inver Grove Heights

Inver Grove Heights, Minnesota

For the Year Ended
December 31, 2018

 **ABDO
EICK &
MEYERS** LLP
Certified Public Accountants & Consultants

People
+ Process.
Going
Beyond the
Numbers

Management, Honorable Mayor and City Council
City of Inver Grove Heights, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Inver Grove Heights, Minnesota, (the City) for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 9, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

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

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control over financial reporting (internal control) of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or Minnesota statutes.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City changed accounting policies during 2018 related to accounting and financial reporting for other postemployment benefits (GASB 75). We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include depreciation on capital assets, allocation of payroll and compensated absences, the liability for other postemployment benefits, value of land held for resale, and the assets and liabilities for the City's pensions.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Allocations of gross wages and payroll benefits are approved by City Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City. These allocations are also used in allocating accrued compensated absences payable.
- Management's estimate of its OPEB liability is based on several factors including, but not limited to, anticipated retirement age for active employees, life expectancy, turnover, and healthcare cost trend rate.
- Management's estimate of land held for resale is based on estimated net realizable value of acquired assets intended to be resold. Land and property purchased that management believes will be donated for economic development purposes are expensed in the year acquired.
- Management's estimate of its pension liabilities and assets are based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.
 - The allocation of the pension liability related to Minnesota Public Employee Retirement Association (PERA) is based on the City's proportionate share of employer contributions to the PERA cost-sharing multiple employer Coordinated and Police and Fire pension plans.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were noted.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated NEED DATE.

Management Consultations with Other Independent Accountants

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Funding Progress for Other Post-Employment Benefits Plan), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (combining and individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory or statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Other Audit Findings or Issues

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

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: ⁽¹⁾

GASB Statement No. 83 - *Certain Asset Retirement Obligations*

Summary

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

Future Accounting Standard Changes (Continued)

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

GASB Statement No. 84 - *Fiduciary Activities*

Summary

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

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

Effective Date

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

Future Accounting Standard Changes (Continued)

GASB Statement No. 87 - Leases

Summary

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

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

GASB Statement No. 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Summary

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Future Accounting Standard Changes (Continued)

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*

Summary

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

GASB Statement No. 90 - *Majority Equity Interests*

Summary

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

Future Accounting Standard Changes (Continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit.

(1) *Note.* From GASB Pronouncements Summaries. Copyright 2018 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

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Restriction on Use

This communication is intended solely for the information and use of the City Council, management, and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

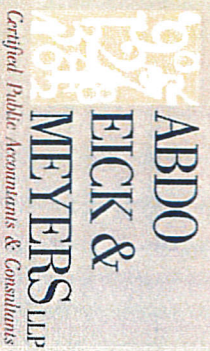


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MEYERS
LLP**

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**City of Inver
Grove Heights
2018 Financial
Statement Audit**

Introduction



Audit Opinion and Responsibility

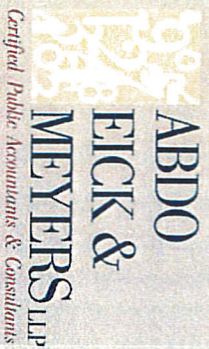
General Fund Results

Other Governmental Funds

Proprietary Funds

Ratios

Audit Results



Auditor's Opinion

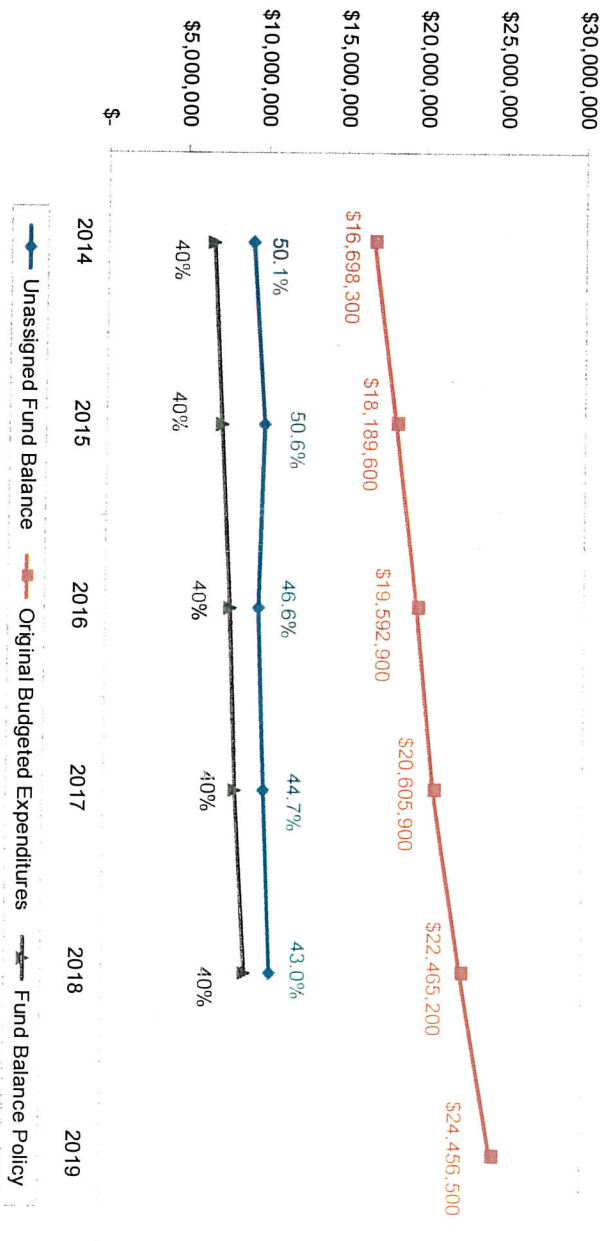


Minnesota Legal Compliance



General Fund - Fund Balances

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General Fund Budget to Actual

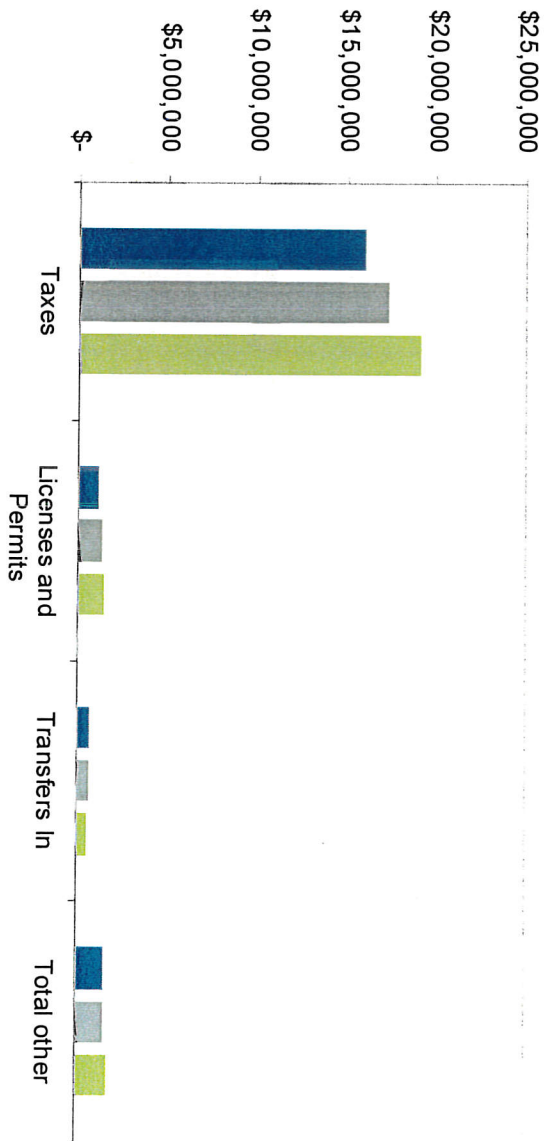


Revenues			
Expenditures			
Excess of Revenues Over Expenditures			
Other Financing Sources (Uses)			
Transfers in			
Transfers out			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances			
Fund Balances, January 1			
Fund Balances, December 31			

Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
\$ 21,764,300	\$ 22,464,963	\$ 700,663
20,647,300	20,706,342	(59,042)
1,117,000	1,758,621	641,621
578,000	639,994	61,994
(1,990,500)	(2,045,220)	(54,720)
(1,412,500)	(1,405,226)	7,274
(295,500)	353,395	648,895
10,179,745	10,179,745	-
\$ 9,884,245	\$ 10,533,140	\$ 648,895

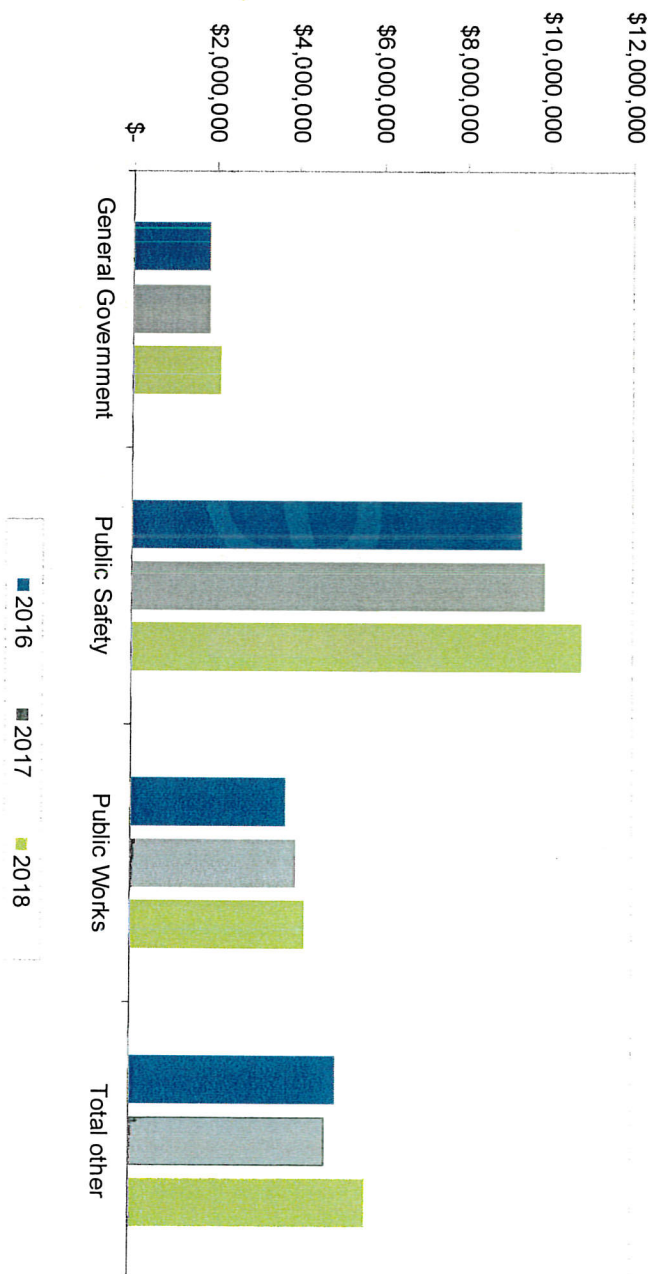
General Fund Revenues by Type

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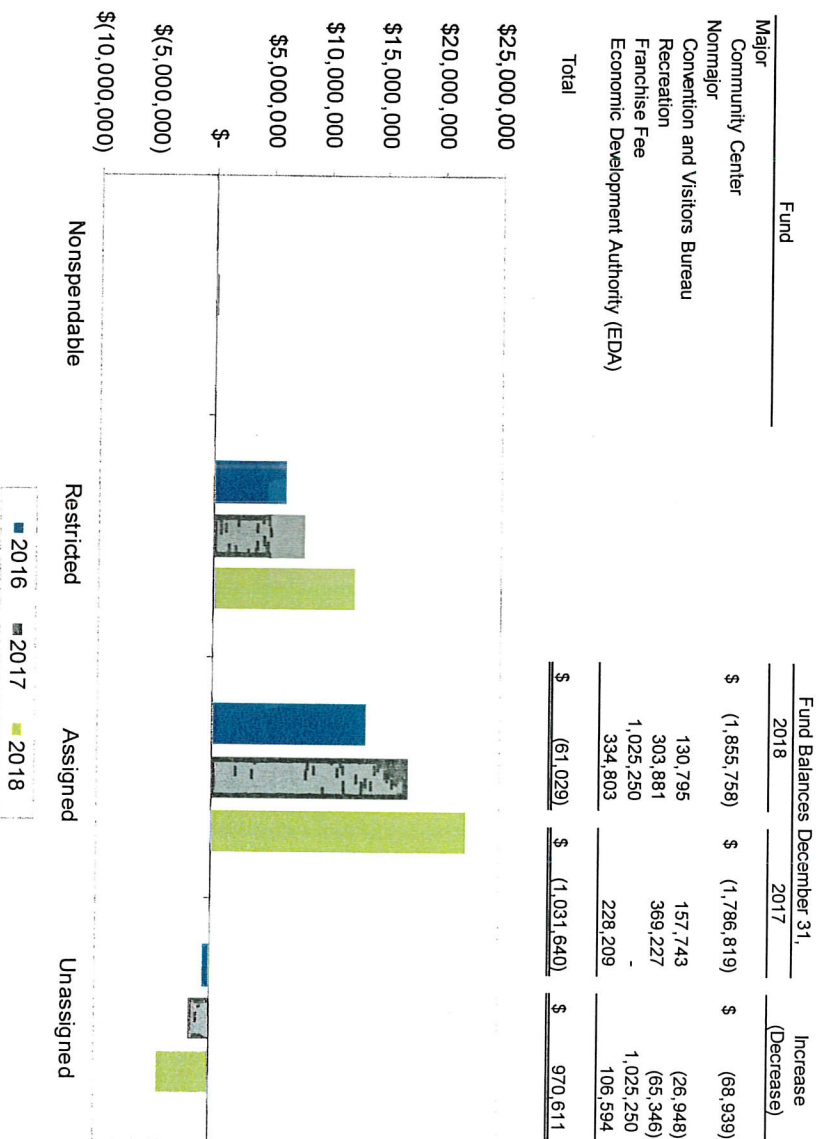
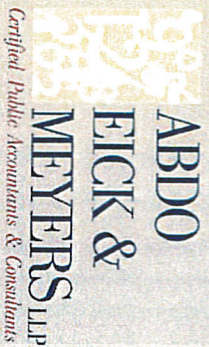


General Fund Expenditures by Type

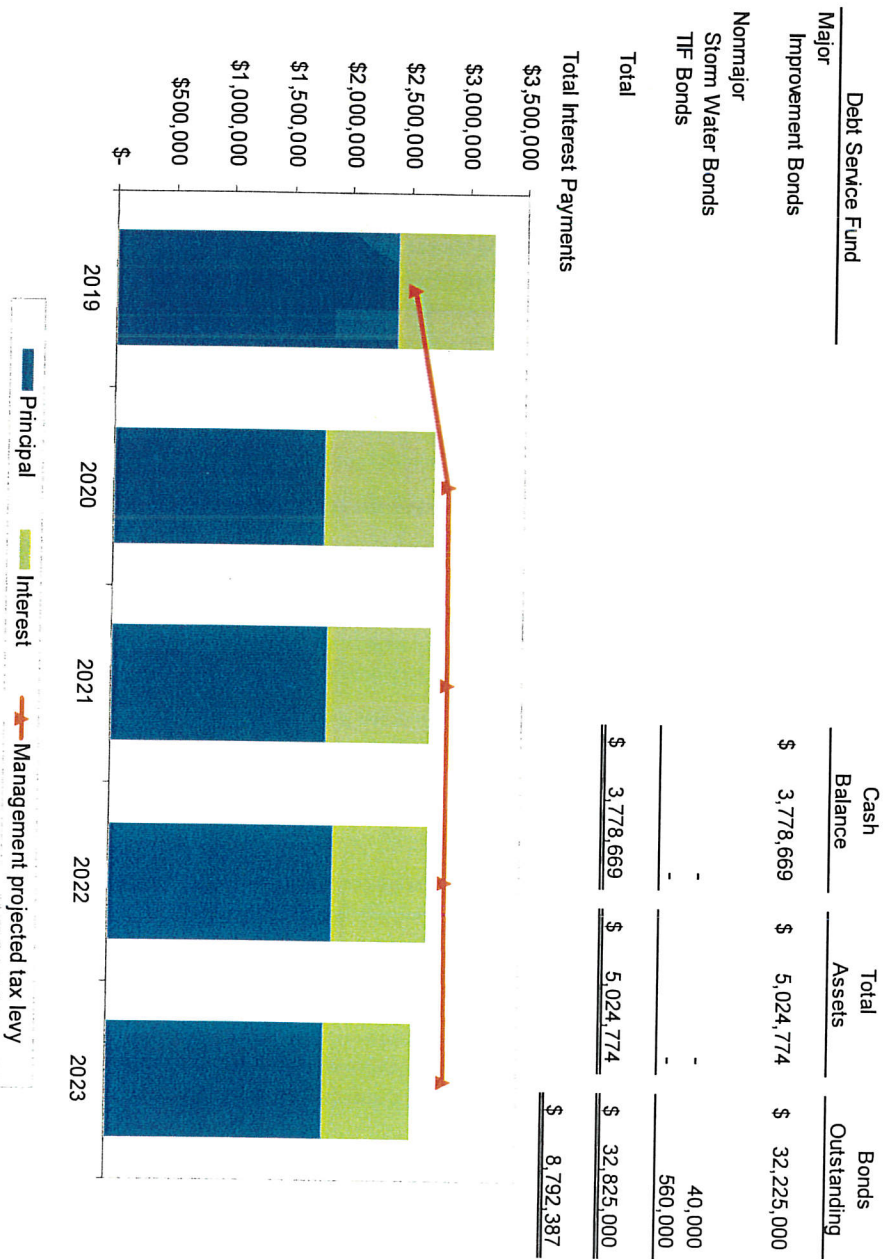
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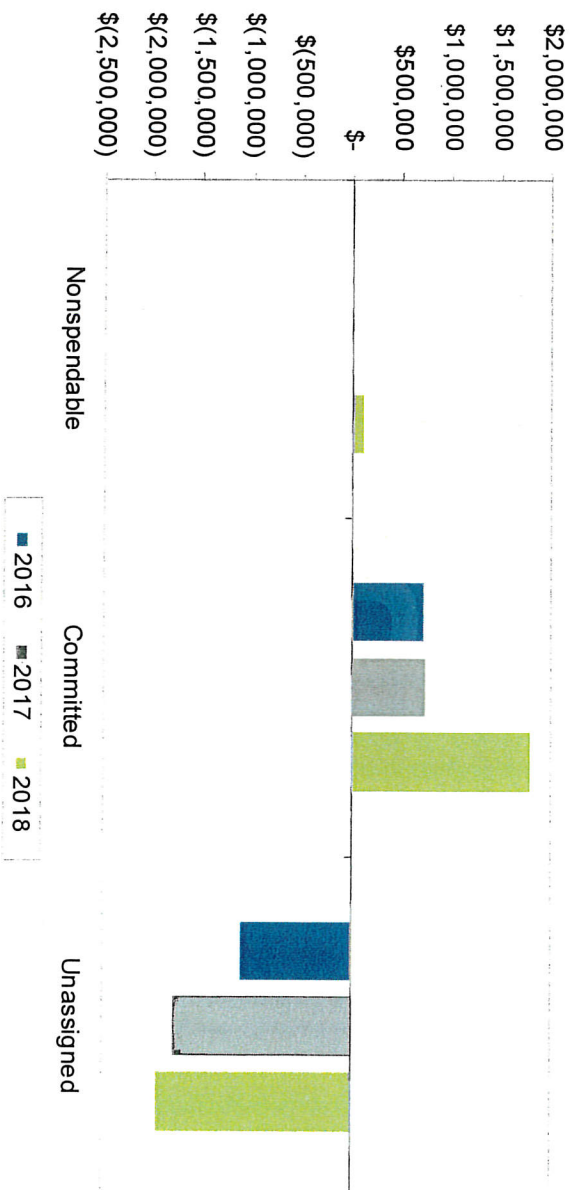
Special Revenue Fund Balances



Debt Service Funds

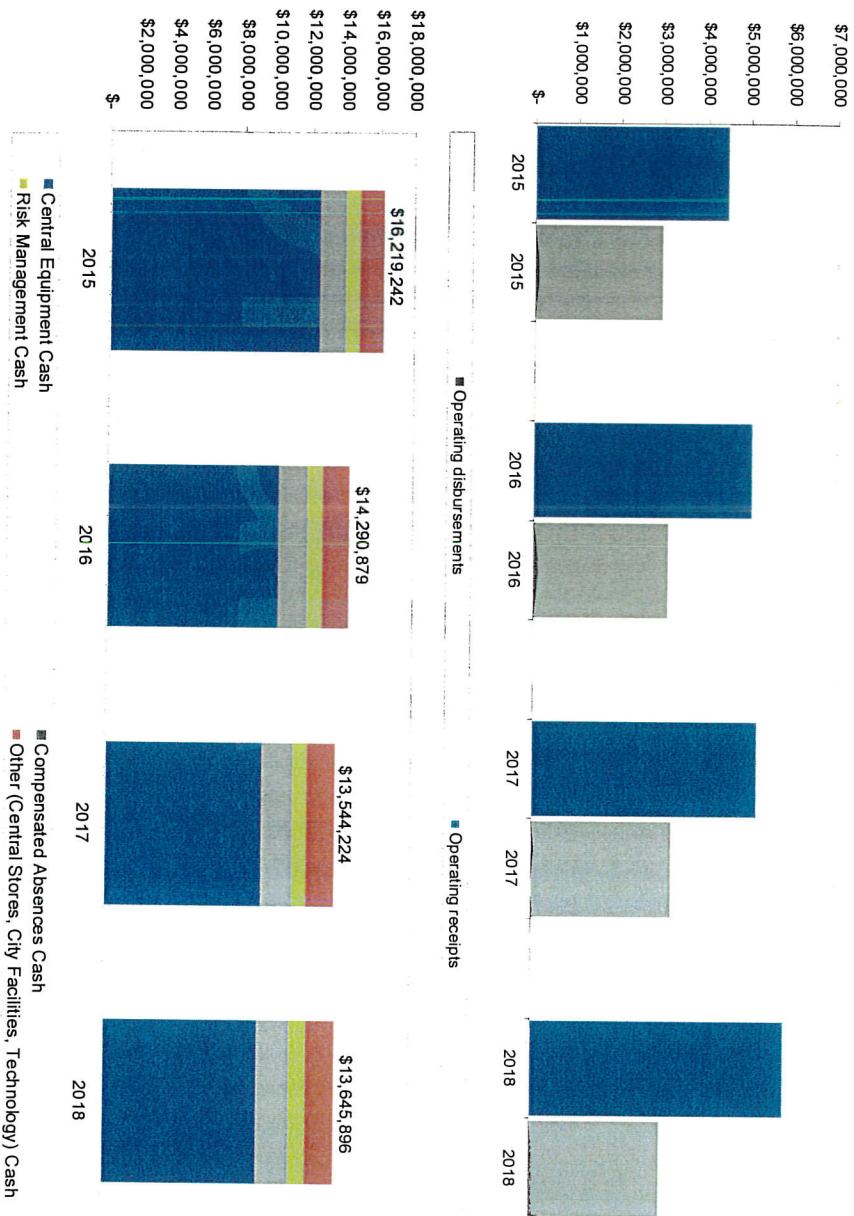


Capital Projects Fund Balances



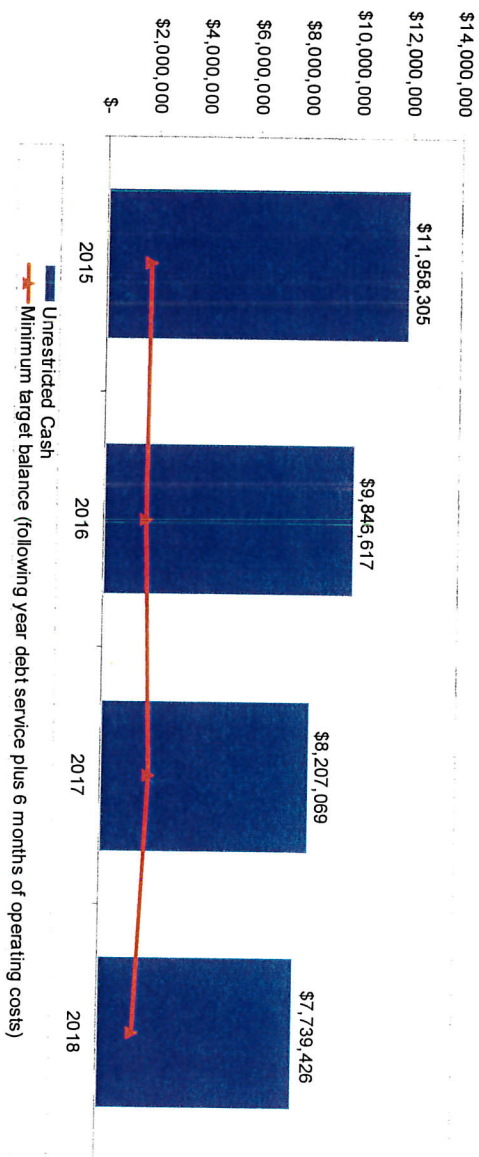
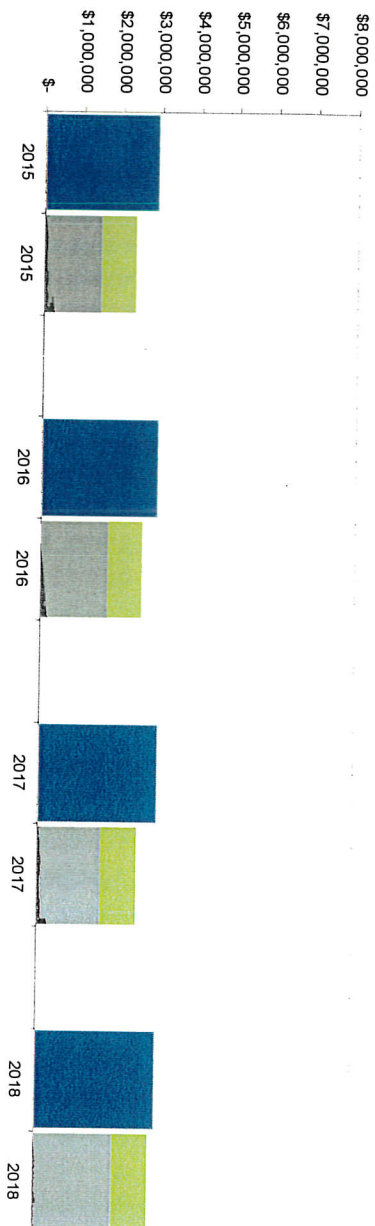
Internal Service Funds

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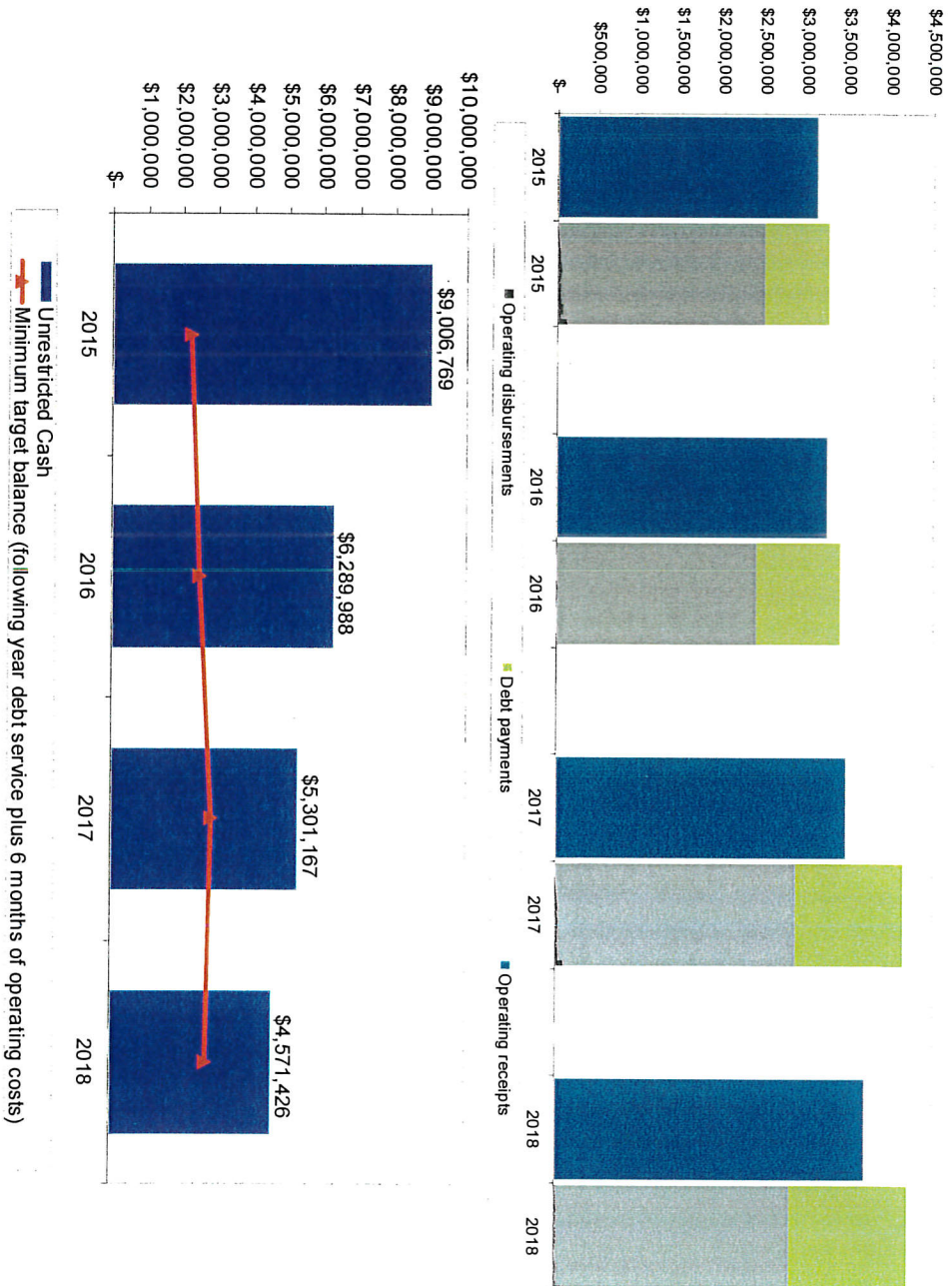
Water Fund

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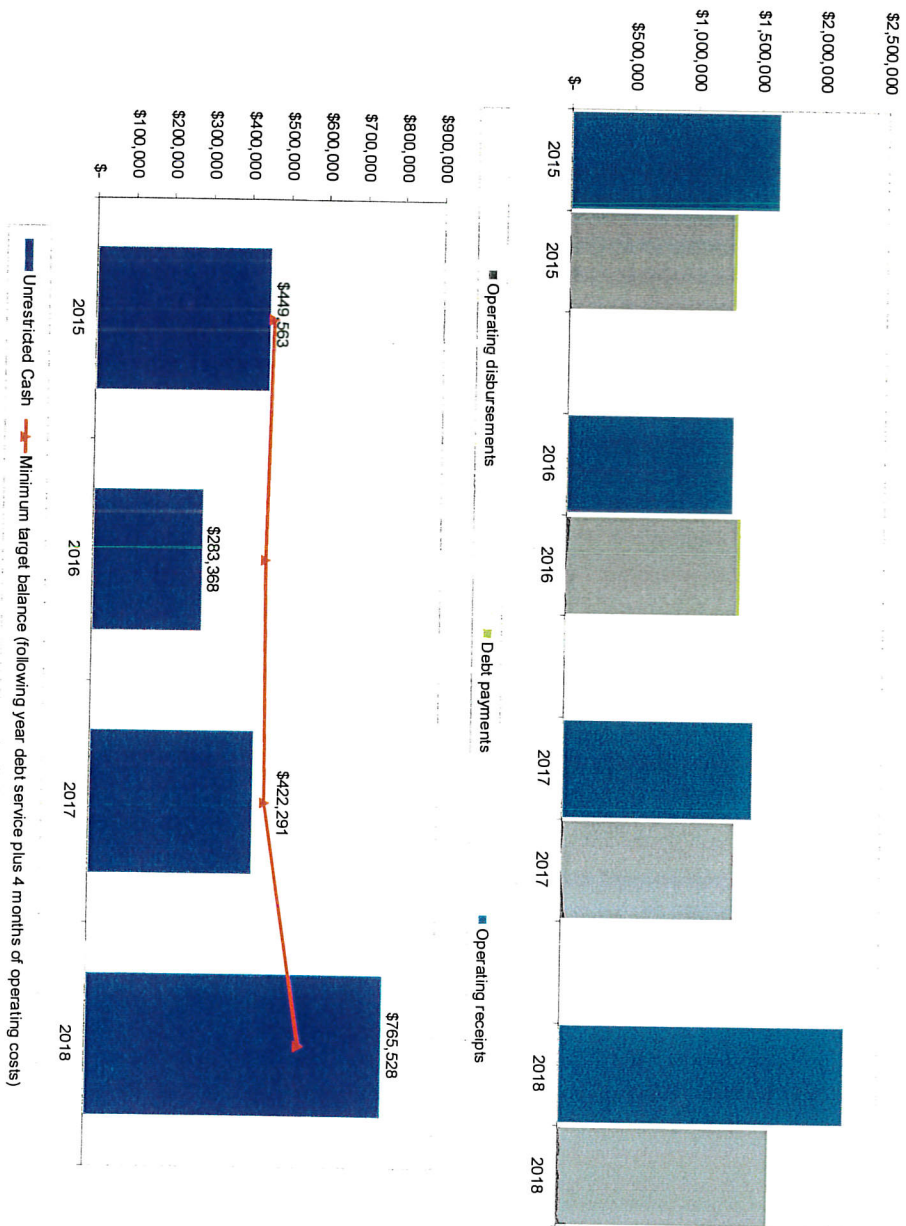
Sewer Fund

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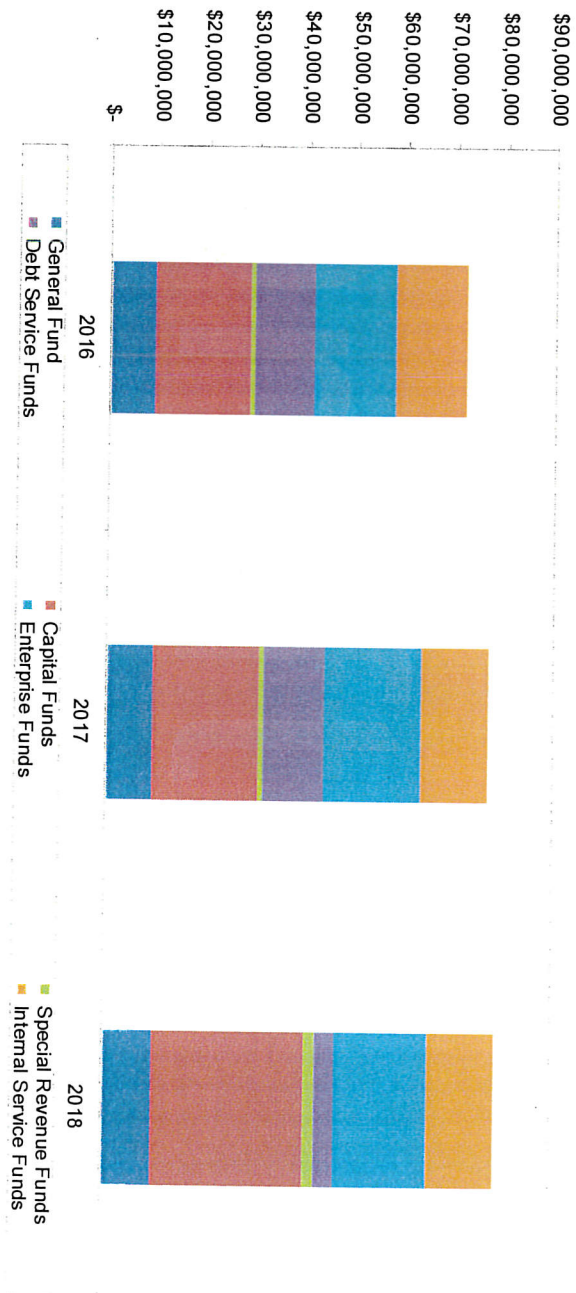
New Golf Fund

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Cash and Investments Balances by Fund Type

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Audit Team
Brad Falteysek
Bonnie Schwieger
Sam Maguireanu
Miranda Wynkoop
Jeff Hines
Tomi McDonald - Admin

ABDO
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MEYERS LLP
Certified Public Accountants & Consultants

Questions?

CITY OF INVER GROVE HEIGHTS

REQUEST FOR COUNCIL ACTION

Discuss Financing for Heritage Village Park

Meeting Date: May 6, 2019
 Item Type: Work Study Session
 Contact: Eric Carlson – 651.450.2587
 Prepared by: Eric Carlson
 Reviewed by:

☐	Fiscal/FTE Impact:
☐	None
☐	Amount included in current budget
☐	Budget amendment requested
☐	FTE included in current complement
☐	New FTE requested – N/A
☒	Other

PURPOSE/ACTION REQUESTED

Provide the Council with an update and overview on financing for Heritage Village Park.

SUMMARY

The City Council ordered bids for the Heritage Village Park Phase II improvements on April 22nd. The bids will be received on May 30th and prospective bidders are asked to bid on two separate bid packages as follows:

Bid Package A

Grading, site utilities, trail and sidewalk construction, parking lot, etc.

Bid Package B

Grading, trail and sidewalk construction

For the Phase II improvements the City has the following funding that is currently available:

State of MN Grant	\$227,000
Dakota County JPA	\$158,000
City Funds	\$69,000
Total	\$454,000

Additionally, the City has \$850,000 from the Dakota County ELF Grant that can/could be used bringing the total amount available to \$1,304,000. However, if the City chooses to use the ELF Grant we are committed to building a playground and shelter at Heritage Village Park in 2020.

Staff has developed a potential list of funding sources for the Council to consider should you want to move forward with the playground and shelter in 2020 (see attached).

Tentative Schedule

Thursday, May 30, 2019	Phase II Bid Opening
Tuesday, June 11, 2019	Dog Park Grand Opening 5-7pm
Wednesday, June 12, 2019	PRAC Review Phase II Bids
Monday, June 24, 2019	City Council Review/Approve Phase II Bids
July – October 2019	Phase II Construction (grading, utilities, trails, parking)
Fall/Winter 2019/2020	Design shelter/restrooms
Winter/Spring 2020	Bid Phase III (inclusive playground, shelter/restrooms, historical interpretation)
Summer 2020	Phase III Construction (inclusive playground, shelter/restrooms, historical interpretation)

POTENTIAL FUNDING SOURCES

**City of Inver Grove Heights
Heritage Village Park
Potential Funding Sources
May 6, 2019**

	Scenario A		Scenario B
	2019	2020	2019
Revenue			
Balance of State Grant	\$ 800,000		\$ 800,000
Park 402 Fund Match	\$ 600,000		\$ 600,000
Dakota County Match	\$ 200,000		\$ 200,000
2019 Dakota County ELF Grant (\$850K)	\$ 850,000		
One-Time Host Community	\$ 290,000	\$ 210,000	
Playground Fundraising (Zip Cruz)		\$ 100,000	
2019 - TBD	\$ 430,000		
2020 - TBD	\$ -	\$ 430,000	
2020 - Dakota County ELF Grant	\$ -	\$ 850,000	
	<u>\$ 3,170,000</u>	<u>\$ 1,590,000</u>	<u>\$ 1,600,000</u>
Expenses			
Remainder of Dog Park	\$ 462,000		\$ 462,000
Site work, utilities grading, parking,	\$ 1,730,000		
Grading, trail & sidewalk construction			\$ 418,800
Historical Interpretation (Swing Bridge)	\$ 84,000		\$ 84,000
Property Acquisition	\$ 600,000		\$ 600,000
Shelter/Restrooms		\$ 685,000	
Playground & associated site work		\$ 785,000	
Historical Interpretation (HVP)		\$ 120,000	
Construction Observation	\$ 151,000		
Contingency	\$ 143,000		\$ 35,200
	<u>\$ 3,170,000</u>	<u>\$ 1,590,000</u>	<u>\$ 1,600,000</u>

SUMMARY OF STATE OF MN GRANTS

2010 MN State Grant \$1,000,000 (City has been fully reimbursed)

The City received a grant from the State of MN in the amount of \$1,000,000. This grant did not require a match and could be used for:

“park and trail development on the west bank of the Mississippi River in Dakota County at the site of the Mississippi River Bridge JAR 5600, commonly known as the Rock Island Bridge. Any park or trails developed with this appropriation must connect with any local, regional or state trails in the vicinity, and the historic Rock Island Bridge”

The City used approximately \$670,000 on improvements to Swing Bridge Park and approximately \$330,000 on improvements to the Heritage Village Park – Dog Park

The City has been reimbursed \$1,000,000 from State of MN.

2014 MN State Grant \$2,000,000 (expires December 2019)

The City received a grant from the State of MN in the amount of \$2,000,000. This grant requires at 1:1 match of non-state funding and can be used for:

“a grant to the city of Inver Grove Heights (\$1,500,000) and a separate grant to Dakota County (\$500,000) for public infrastructure improvements and land acquisition in and adjacent to the Heritage Village Park, the Mississippi River Trail, and the Rock Island Swing Bridge. These improvements will include but are not limited to motor vehicle access, utility service, stormwater treatment, and trail and sidewalk connections. This appropriation is not available until the commissioner of management and budget has determined that at least an equal amount has been committed to the project from nonstate sources.”

The City asked the Legislature to amend the language of the grant to allow \$500,000 of the funding to be allocated to Dakota County to be used for the construction of the Pine Bend Bluff Trailhead. The County completed this project in 2018.

The City has used approximately \$700,000 on property acquisition and improvements to Heritage Village Park – Dog Park.

The City has requested reimbursement of approximately \$700,000 from the State of MN and approximately \$800,000 remains. Of the remaining funds, \$200,000 will be used by Dakota County to match their contribution of \$200,000 for trail connections and historical interpretation which is explained in great detail on the next page.

SUMMARY OF JPA/GRANT WITH DAKOTA COUNTY

2017 Dakota County Joint Powers Agreement (JPA) \$200,000 (expires December 2019)

The City and Dakota County have a JPA in which the County is providing a 1:1 match for up to \$200,000 of the 2014 MN State Grant mentioned above. The two projects include:

- \$84,000 to create and install historical interpretation improvements at Swing Bridge Park. \$42,000 from the state grant and \$42,000 from Dakota County.
- \$316,000 to connect Heritage Village Park to Swing Bridge Park along Doffing Ave. \$158,000 from the state grant and \$158,000 from Dakota County.

2018 Dakota County ELF Grant \$850,000 (expires December 2020)

The City received an Environmental Legacy Fund (ELF) grant from Dakota County in the amount of \$850,000. This grant requires the City to invest \$1,260,000 of matching funds and can be used for:

- Dog Park
- Property acquisition
- Installation of playground equipment
- MRRT connections
- Walking paths, seating areas, and open-air picnic shelter

The City has not used any of these funds at this time.

OTHER FUNDING SOURCES *(rounded)*

FEDERAL - CDBG	\$69,000
STATE OF MN – DNR Flood Mitigation	\$201,000
CITY - Doffing Ave Fund	\$126,000
CITY - Sewer Fund	\$75,000
CITY - Closed Bond Fund	\$50,000
CITY - Water Fund	\$25,000
CITY - Park Acquisition & Development Fund	\$980,000

JPA WITH DAKOTA COUNTY FOR ELF GRANT

**JOINT POWERS AGREEMENT BETWEEN
THE COUNTY OF DAKOTA AND
THE CITY OF INVER GROVE HEIGHTS
FOR 2018 ENVIRONMENTAL LEGACY FUND GRANT**

This grant Agreement (Agreement) is entered into by and between the County of Dakota, a political subdivision of the State of Minnesota, 1590 Highway 55, Hastings, Minnesota 55033 ("County"), and the City of Inver Grove Heights ("City"), by and through their respective governing bodies.

RECITALS

The County receives funds from operating landfills located in the County pursuant to host fee agreements entered into by the County and the landfill owners; and

The County holds the landfill host fee payments in a special revenue fund referred to as the Environmental Legacy Fund for the purpose of protection, preservation or enhancement of the environment; and

In 2018 the County established a pilot program to offer grants to cities having an operating landfill within its political boundary in recognition of the detrimental impacts of landfills on these cities; and

The City submitted a grant application for its Heritage Village Park project; and

The Dakota County Board of Commissioners has approved awarding grant funds to the City for the Heritage Village Park project as being consistent with Environmental Legacy Fund purposes and to assist in mitigating the impacts of hosting an operating landfill; and

The City represents that it is qualified and willing to utilize the grant funds consistent with its grant application and this Agreement.

Now, Therefore, in consideration of the mutual promises and covenants herein, the County and the City agree as follows:

1. Term of Agreement.
 - 1.1. *Effective Date.* This Agreement is effective as of the date of signature by all parties.
 - 1.2. *Term.* This Agreement shall continue for two years from the Effective Date, or until all project tasks are completed by the City, whichever occurs first
 - 1.3. *Extension.* If the City determines that it is unable to complete the project tasks funded by the ELF grant prior to the expiration of the Term, the City may submit a written request to the County to extend the term of this Agreement. The County shall promptly consider the matter and approve or deny the request.
 - 1.4. *Survival of Terms.* The following clauses survive the expiration of this Agreement: 5 Audit; 8 Liability; 9 Data Practices; 14 Governing Law, Jurisdiction and Venue.

2. Grant of Monies

Grant Amount. The County agrees to make available to the City during the term of this Agreement \$850,000 for the purpose of reimbursing the City for eligible costs to complete the project. In no event will the County's obligation exceed the Grant Amount.

3. Obligations of the City.

3.1. The objective of the project is to (1) construct a dog park, (2) acquire needed property, (3) purchase and install playground equipment, (4) construct a connection to Mississippi River Regional Trail, (5) construct walking paths, seating areas, an open-air park shelter, and parking.

3.2. *Use of Funds.* The City shall use the proceeds of this grant only for the eligible costs of the project as described in this Agreement.

3.3. *Administration and Supervision.* The City shall be responsible for the administration, supervision, management, and oversight of the Project as required for the work performed.

3.4. *Acknowledgment of Funding Source.* The City shall include a statement on printed, online, and other materials related to the Project that funds for the Project were provided (in part when appropriate) by the County. If the City Project includes improvements to real property, buildings or fixtures, the City shall post a project identification sign in a prominent location while work is in progress and after completion stating that the Project was made possible (in part when appropriate) through a grant funded by the Dakota County Environmental Legacy Fund.

3.5. *City Contribution.* The City shall obtain and contribute its own funds to the project in an amount and consistent with the grant application submitted by the City for this project. The City will provide \$1,260,000 in matching City funds for this project, consistent with the City's grant application.

3.6. *Project Completion.* If the City receives one or more reimbursement payments from the County, the City shall complete the Heritage Village Park project substantially as presented to the County in the City application for County grant funds, or failing to do so, the City shall repay the amount of any reimbursement payments received from the County for this project.

4. Reimbursement.

4.1. The City may claim reimbursement for expenditures incurred in connection with the performance of activities that are eligible for reimbursement in accordance with the Agreement. Project costs incurred by the City or its contractors prior to the Effective Date of this Agreement are not eligible for reimbursement from this grant.

4.2. The County will reimburse the City within 45 days of the City's submission of invoices to the County. Invoices must be submitted in a form acceptable to the County. All requests for reimbursement must be submitted before expiration of the Agreement. The City must certify that the requested reimbursements are accurate, appropriate and eligible in accordance with this Agreement, that it has documentation of the actual expenditures for which reimbursement is sought, and that such expenditures have not been otherwise reimbursed.

5. Accounting, Record and Audit Requirements.

5.1. *Accounting and Record Keeping.* The City agrees to establish and maintain a separate account for the Project and to maintain accurate and complete books, records, documents and other evidence pertaining to the costs and expenses of the Project.

5.2. *Audit.* The City shall maintain books, records, documents and other evidence pertaining to the costs or expenses associated with the work performed pursuant to this Agreement. Upon request, the City shall allow the County, Legislative Auditor or the State Auditor to inspect, audit, copy or abstract all of the books, records, papers or other documents relevant to this Agreement.

6. Reports.

6.1. *Progress Reports.* The City shall submit reports, at least semi-annually each calendar year of the grant term, on the progress of the Project. The report shall describe the financial, construction, and consulting activities undertaken for the Project and shall provide sufficient documentation of grant eligible expenditures and such other information as County staff reasonably requests. The reports shall include any specific performance measures the City included in its grant application, or other measures mutually agreed to by the Parties.

6.2. *Final Report.* Within three (3) months following the expiration of this Agreement, the City shall submit a final report in a format determined by the County, detailing the total Project activities, expenditures and receipts and containing a statement by the City administrator that all grant funds were expended in accordance with this Agreement. The final report shall include any specific performance measures the City included in its grant application, or other measures mutually agreed to by the Parties.

7. Authorized Representatives.

The County's authorized representative is:

Erin Stwora
Physical Development Assistant Director
14955 Galaxie Avenue
Apple Valley, MN 55124
Telephone: (952) 891-7153
Email: erin.stwora@co.dakota.mn.us

Erin Stwora, or her successor, has the responsibility to monitor the City's performance pursuant to this Agreement and the authority to approve invoices submitted for reimbursement.

The City's authorized representative is:

City Administrator
City of Inver Grove Heights
8150 Barbara Avenue
Inver Grove Heights, MN 55077
Telephone: ((651) 450-2511
Email: jlynch@invergroveheights.org

8. Indemnification; Liability; Insurance.

Each Party to this Agreement is liable for the acts or omissions (collectively acts) of its own officers, employees and agents and the results of the acts to the extent allowed by law. A Party is not responsible for the acts of another Party, its officers, employees and agents and the results of the acts. This clause shall not be construed to bar any legal remedies available to either Party.

The Parties agree that the provisions of the Municipal Tort Claims Act, Minn. Stat. Ch. 466, and other applicable laws govern liability arising from the Parties' acts or omissions. In the event of any claims or actions asserted or filed against either party, nothing in this Agreement shall be construed to allow a claimant to obtain separate judgments or separate liability caps from the individual parties. To insure a unified defense against any third-party liability claims arising from the Project, the City agrees to require all contractors or subcontractors hired to do any work on the Project to maintain commercial general liability insurance in the amounts consistent with the minimum limits of coverage established by Minn. Stat. § 466.04 during the term of the Project. Each Party warrants that they are able to comply with the indemnity requirements through an insurance company, the League of Minnesota Cities Insurance Trust, or self-insurance program and that each has minimum coverage consistent with the liability limits contained in Minn. Stat. Ch. 466.

9. Government Data Practices.

All data collected, created, received, maintained, or disseminated for any purpose by the activities of the City related to this Agreement is governed by the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as amended, the Minnesota Rules implementing such Act now in force or as adopted, as well as applicable Federal regulations on data privacy. The City agrees to abide by these statutes, rules and regulations.

10. Assignment; Use of Contractors.

10.1 *Assignment.* The City may neither assign nor transfer any rights or obligations under this Agreement without the prior consent of the County and a fully executed assignment agreement, executed by the County and the City.

10.2 *Use of Contractors.* The City may engage contractors to perform activities funded pursuant to this Agreement. However, the City retains primary responsibility to the County for performance of the activities and the use of such contractors does not relieve the City from any of its obligations under this Agreement.

If the City engages any contractors to perform any part of the activities, the City agrees that the contract for such services shall include the following provisions:

- (a) The contractor must maintain all records and provide all reporting as required by this Agreement.
- (b) The contractor must defend, indemnify, and save harmless the County from all claims, suits, demands, damages, judgments, costs, interest, and expenses arising out of or by reason of the performance of the contracted work, caused in whole or in part by any negligent act or omission of the contractor, including negligent acts or omissions of its employees, subcontractors, or anyone for whose acts any of them may be liable.
- (c) The contractor must provide and maintain insurance in amounts and types of coverage appropriate to the contracted work and naming the County as an additional insured, and provide to the County prior to commencement of the contracted work a certificate of insurance evidencing such insurance coverage.
- (d) The contractor must be an independent contractor for the purposes of completing the contracted work.
- (e) The contractor must acknowledge that the contract between the City and the contractor does not create any contractual relationship between County and the contractor.
- (f) The contractor shall perform and complete the activities in full compliance with this Agreement and all applicable laws, statutes, rules, ordinances, and regulations issued by any federal, state, or local political subdivisions having jurisdiction over the activities.

11. Amendments.

Any amendment to this Agreement must be in writing and executed by the County and the City.

12. Permits and Approvals.

The City is responsible for obtaining all applicable local and state licenses, permits and authorizations necessary for completing the Project.

13. Relationship of the Parties.

Nothing contained in this Agreement is intended or should be construed as creating or establishing the relationship of co-partners or joint ventures between the County and the City as to the City's Heritage Village Park project, nor shall the County be considered or deemed to be an agent, representative or employee of the City in the performance of this Agreement. Personnel of the City or other persons that participate in the performance of this Agreement shall not be considered employees of the County and shall not be entitled to any compensation, rights or benefits of any kind whatsoever.

14. Governing Law, Jurisdiction and Venue.

Minnesota law, without regard to its choice-of-law provisions, governs this Agreement. Venue for all legal proceedings arising out of this Agreement, or its breach, must be with the appropriate state court with competent jurisdiction in Dakota County.

15. Default and Remedies.

- 15.1. *Events of Default.* Unless waived in writing by the County, the following shall, constitute an event of default under this Agreement: (1) If the City fails to fully comply with any material provision, term, or condition contained in this Agreement; (2) If the City fails to complete the Heritage Village Park project after receiving a reimbursement payment from the County.
- 15.2. *Notice of Event of Default and Opportunity to Cure.* Upon the County providing the City with a written notice of an event of default, the City shall have thirty (30) days in which to cure such event of default, or such longer period of time as agreed to by the Parties (the "Cure Period"). In no event shall the Cure Period for any event of default exceed two (2) months. Within ten (10) days after receipt of notice of an event of default, the City shall propose in writing the actions that the City proposes to take and the schedule required to cure the event of default.
- 15.3. *Remedies.* Upon the City's failure to cure an event of default within the Cure Period, the County may enforce any or all of the following remedies, as applicable:
- (a) The County may refrain from disbursing the grant monies; provided, however, the County may make such a disbursement after the occurrence of an event of default without thereby waiving its rights and remedies hereunder.
 - (b) The County may enforce any additional remedies it may have in law or equity.
 - (c) The County may terminate this Agreement and its obligation to provide funds under this Agreement for cause by providing thirty (30) days' written notice to the City.
 - (d) The County may enforce the provisions of Section 3.6 of this Agreement if the City does not complete the Heritage Village Park project.

16. Waiver.

If the County fails to enforce any provision of this Agreement, that failure shall not result in a waiver of the right to enforce the same or another provision of this Agreement.

17. Agreement Complete.

This Agreement and exhibits contain all negotiations and agreements between the County and the City. No other understanding regarding this Agreement, whether written or oral is binding on either party.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below.

Approved as to form:

COUNTY OF DAKOTA

/s/ Jay R Stassen 9-10-18
Assistant County Attorney/Date

By: Matt Smith
County Manager

Date: _____

Resolution No. 18-442

County Contract No. C0030685

CITY OF INVER GROVE HEIGHTS

By: Joe Lynch
Title: City Administrator

Date: _____

By: _____
Title: Clerk

Date: _____

KS18-183-003 2018 ELF Grant Inver Grove Heights Heritage Village Park Final Contract C0030685



Organization: City of Inver Grove Heights

Contact: Joe Lynch

Contact Email: jlynch@invergroveheights.org

Contact Phone: 651-450-2511

Heritage Village Park

Date of Submission: March 16, 2018

EXECUTIVE SUMMARY

The Landfill Host Fees deposited into the Environmental Legacy Fund have been collected to mitigate the negative effects for communities that host landfills. The project described on the following pages is a perfect example of how well this strategy can work. Not only is the completion of the Heritage Village Park project extremely effective for the City of Inver Grove Heights, but as a regional amenity it is also clearly aligned with four of the targeted themes set by the County Board of Commissioners: **Environmental Capital Projects, Natural Areas and Shoreland Conservation Activities, Parks/Greenway Master Plan Improvements and Economic Development.**

In tandem with these specific themes there are several other relevant issues that will be addressed with completion of Heritage Village Park. For example, protection of native grasses, floodplain protection, essential public green space, purchase and installation of new playground equipment, walking paths, open-air shelter, parking lots, Mississippi River Regional Trail connection, and meeting the public demand for an off-leash dog park. All these matters will be finalized within the first eighteen months, with further enhancements occurring over the next five to ten years.

As a regional asset, Heritage Village Park is being planned to highlight the natural amenities that surround it and to encourage further development and growth of the entire Concord Boulevard neighborhood, including Workforce Housing. This important feature will positively affect the Dakota County Board of Commissioners priorities set for 2018; by decreasing the number of people experiencing a housing crisis. The completion of this project will serve as the epitome of successful collaborative efforts between government agencies, local businesses, residents, and nonprofit organizations. **Funding Request: \$ 900,000.**

EXPENDITURE CATEGORY (THEMES):

- Environmental Capital Projects
- Natural Areas and Shoreland Conservation Activities
- Parks/Greenway Master Plan Improvements
- Economic Development

COLLABORATORS: *Partner organizations, research institutions, state/federal agencies, nonprofits, local businesses, etc.*

Heritage Village Park, together with Swing Bridge Park, are two projects designed for the preservation of historical structures and the natural beauty of the Mississippi River. They are projects *intended* for the protection of the ecosystem, while making the Mississippi River Regional Trail accessible to everyone. The area encompassing Heritage Village Park and Swing Bridge Park has a long history of collaborative activities; legislative, intergovernmental, local citizenry, businesses, and nonprofit partnerships have provided funding activity and other resources to make these attractive public amenities a reality.

COLLABORATORS:

Dakota County:

- Park system support

City of Inver Grove Heights:

- City Council, Parks & Recreation Commission, and Environmental Commission support

State of Minnesota:

- Bonding support

Minnesota Pollution Control Agency:

- Contamination remediation

Minnesota Department of Natural Resources:

- Native grasses preservation, floodplain protection

Friends of the Mississippi River:

- Keeping the river clean, protecting the ecosystem

Local residents, businesses, volunteers:

- Dog Park support and Adopt-A-Park support



FUNDING BACKGROUND: *Additional grants, private investment, or organizational match funds for the project.*

From property remediation contaminated by past railroad yard activities to property acquisition for the purpose of flood control, the City of Inver Grove Heights has partnered with a number of agencies – the State of Minnesota, Friends of the Mississippi River, Dakota County, Minnesota Department of Natural Resources, and the Minnesota Pollution Control Agency - to create public gathering spaces for all to enjoy. The current match funding available, is outlined in the table below.

FUNDING BACKGROUND:	
Source:	Matching Funds Available:
▪ Minnesota Department of Natural Resources	\$124,000
▪ State of Minnesota Bonding	\$1,800,000
▪ Dakota County Parks	\$200,000
▪ City of Inver Grove Heights	<u>\$1,260,000</u>
<i>Match Funding Available as of March 16, 2018:</i>	<u>\$3,384,000</u>



STATEMENT OF NEED: *Describe what the project will attempt to address and the population that will be served.*

This area was once **contaminated** by past railroad use and was known for attracting **unwanted/illegal activities**. Now, the City of Inver Grove Heights is proposing that the property in question be completely transformed to meet the needs of residents and non-residents alike.



Alongside meeting the **public demand for an off-leash dog park**, (see Appendices A and B, and Appendix E) the City is working to provide an accessible **passive open green space** with a playground, open-air amphitheater, picnic shelter(s) and restrooms, walking paths, outdoor seating, and plenty of parking, combined with **floodplain protection** and an historic component that invites visitors to learn about the events that transpired to preserve the space for future generations. In addition, this project will connect the Mississippi River Regional Trail to Swing Bridge Park. (See Appendix B and Appendix C, where the Regional Trail is clearly marked.)

Heritage Village Park will serve as a benefit to the entire region by **restoring native grasses**, **protecting against loss of property**, injury or loss of life, and, through **shoreline preservation**, other cities downstream. This striking transformation for the public will also aid in **economic development/ redevelopment** efforts for the City of Inver Grove Heights, to **increase property values** and create a more **diverse tax base** by providing a positive attribute highly sought after by businesses and home buyers alike. See Appendices C and D for the Heritage Village Park Master Plan.

STATEMENT OF NEED:

Attempting to Address:

Environmental Legacy Fund Targeted Themes:

- Environmental Capital Projects
- Natural Areas and Shoreland Conservation Activities
- Parks/Greenway Master Plan Improvements
- Economic Development

Negative Impacts of Hosting a Landfill:

- Suppressed property values
- Obstacles to development and redevelopment
- Lower tax base for the City

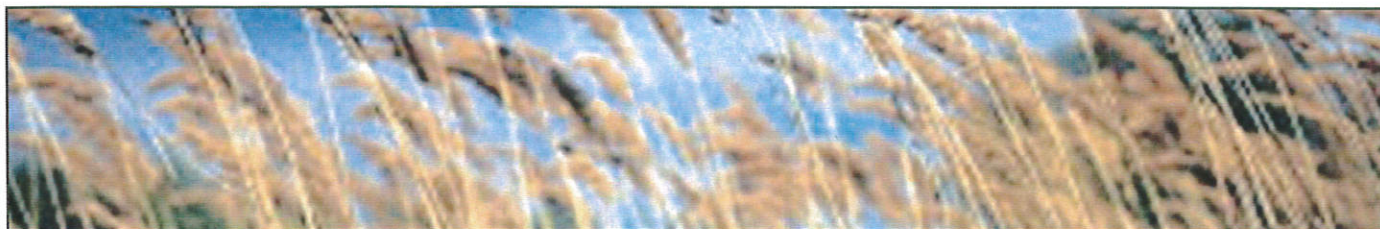
Other Elements:

- Unsightliness, dumping, unwanted activities, blighted area
- Board of Dakota County Commissioners Priorities: County-wide housing crisis
- Fragmented connection of the Mississippi River Regional Trail to Swing Bridge Park
- Floodplain protection
- Public demand for off-leash dog park
- Need for public green space to aid in development of Concord Boulevard neighborhood



Populations Served:

- Residents of Inver Grove Heights; including families and dog owners
- Potential new business and home owners
- Visitors to Inver Grove Heights
- Mississippi River Regional Trail enthusiasts
- History enthusiasts
- Cities downstream from Inver Grove Heights



PROJECT DESCRIPTION: Describe the project or program including information on how it will be implemented. Include information on the desired outcomes.

The entire project will be completed in a series of phases, as resources become available. Although additional phases are also described, **Phase 1 is the portion of the overall project for which funds are being requested on this application.**



Phase 1 runs through December 31, 2019 and will include completion of the dog park construction, acquisition of the final four properties along Doffing Avenue, purchase and installation of Heritage Village Park themed playground equipment and playground area, completion of the connection of the Mississippi River Regional Trail to Swing Bridge Park, completion of walking paths, seating areas, open air park shelter, and additional parking.

Phase 2 is planned to occur over the years 2022 through 2025, including completion of enclosed park shelter with indoor restrooms, and the addition of an open-air amphitheater. **Phase 3** of the project is planned to be completed by December 31, 2028 and includes relocation and restoration of

the former town hall including historic exhibits, and the Rich Valley Boulevard one-room schoolhouse, which will be made available for event rentals.

Expected outcomes of **Phase 1** are: public access to the natural environment, public passive green space, picnic areas, parking, new playground equipment, walking paths and seating areas, and a safe place to exercise dogs. It will also be possible to use the Mississippi River Regional Trail without having to leave the trail to access the next section. There will be areas set aside for the preservation of native prairie and savanna grasses with the use of vegetative buffers, a rain garden and an infiltration basin.



The projected outcomes of **Phase 2** include capacity for extended use of the park through the colder months, and availability of public space for the performing arts. Finally, the outcome of **Phase 3** is the opportunity to enjoy park area history, with a step back in time through a visit to the historic buildings that will be relocated and restored. In addition, one of the historic buildings will be made available for event rentals. The overall outcome of completing this project will be a beautiful community amenity that attracts businesses, visitors, and home builders/buyers.

PROJECT DESCRIPTION:

Phase - Years:	Actions Taken to Implement Each Phase:
Phase 1: 2018	- Complete dog park construction - Complete property acquisition
Phase 1: 2019	- Purchase and install Heritage Village Park themed playground equipment - Connect the Mississippi River Regional Trail to Swing Bridge Park - Completion of walking paths, seating areas, playground area - Completion of open park shelter and parking lot(s)
Phase 2: 2022 -2025	- Addition of open-air amphitheater - Completion of enclosed park shelter with restrooms
Phase 3: 2028	Relocate and restore buildings, create historic exhibits
Phase - Years:	Desired Outcomes of Each Phase:
Phase 1: 2018	Safe place to exercise dogs, additional property acquired
Phase 1: 2019	Green space established, new playground equipment / playground area, picnic areas, walking paths, outdoor seating area, and additional parking are all available.
Phase 2: 2022-2025	- Extended use of park possible through colder months - Public space for performing arts made available
Phase 3: 2028	- Additional building rental available for events - Historic component added to park enjoyment
Final Outcome:	Community amenity attractive to visitors, businesses, home buyers/builders

GOALS AND PROJECT OBJECTIVES: *Describe the project objectives in measurable terms.*

There are several objectives associated with the overall Heritage Village Park project. Heritage Village Park is a long-term **Environmental Capital Project** that is intended to enhance accessibility to the natural beauty of the Mississippi River Trail; not just for Inver Grove Heights residents, but for all visitors seeking to connect with nature. This project is also in alignment with the **Parks Improvement theme**. In the first phase of this project, however, humans are not the only living beings who will benefit from the project; funding is being sought to support the **construction of an off-leash dog park**.



Deliberations about implementing such a venue have been several years in the making and popular demand for creating a safe, clean space to exercise the canine members of families is high on the list of priorities for residents. (See Appendix E)

The younger set will benefit from the purchase and installation of Heritage Village Park themed playground equipment. Contributing to the overall **Economic/Community Development theme**, the park area is also expected to provide ADA accessible walking paths, an open-air shelter, a playground, **passive green space**, and parking lot(s). In addition, the park area is planned to **connect the Mississippi River Regional Trail** to Swing Bridge Park, providing a continuous trail on

which to travel via bicycle, skateboard, Rollerblade, wheelchair, or on foot. The preservation of native grasses creates a connection to the **Natural Area and Shoreline Conservation theme**. This public amenity will create an inviting space for all, a key attribute for attracting businesses and home builders/buyers, **reducing the obstacles to development and helping to increase property values**. These activities could lead to additional homes being developed in the immediate area, **reducing the Dakota County Board of Commissioners concern for available housing**.

The longer-term objectives of Heritage Village Park (**Funding request for the longer-term objectives - Phases 2 and 3 - is not part of this application but may be included in future requests.**) include an enclosed shelter and restrooms, with the addition of an open-air amphitheater, and an easily accessible roadway. It is also intended to provide a view into the past, highlighting the means by which the City of Inver Grove Heights came to be. A featured exhibit will include the original Swing Bridge Park construction, together with the complete history of how it came to be a popular destination for picnickers and families. The historical exhibits will be housed in the original Inver Grove Town Hall, and it is also anticipated that the Rich Valley Boulevard one-room schoolhouse will be restored and made available to be rented for public/private events. Both buildings will be relocated from their current locations to the designated park areas. The re-use of these buildings by the City will serve as an example and may encourage business developers and/or residents who are planning to build new structures, to reconsider, and refurbish existing buildings instead.

GOALS AND PROJECT OBJECTIVES:

Enhance accessibility to nature for residents and visitors alike:

- Meet demand for open (passive) public green space.
- Create green space to use for events, for residents and visitors.
- Create safe space for young children to play.
- Meet demand for safe space to exercise dogs.

Reduce unsightliness, blight, unwanted activities, illegal dumping:

- Contamination will be removed
- Public use of space will discourage unwanted activities
- Increase property values

Reduce/mitigate obstacles to development and redevelopment:

- Create attribute for City that is attractive to businesses and home builders/buyers.
- Attribute is first step for greater overall economic development.
- Lead to development of housing, to address Dakota County housing crisis.

Make new use of historic buildings:

- Create historic and educational exhibits to enhance experience.
- Set example for businesses and residents by leading the way in re-using public assets

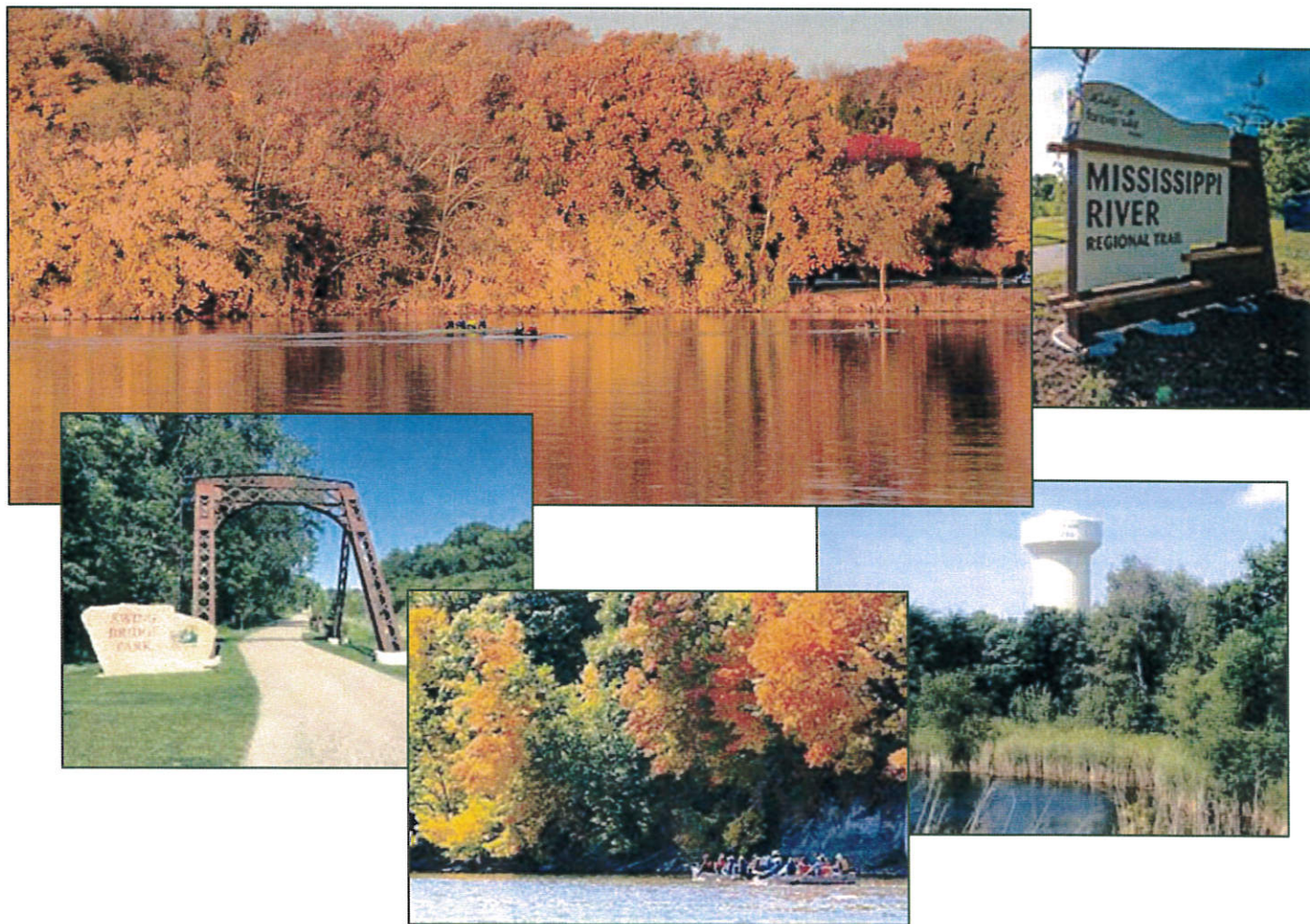
Connect Mississippi River Regional Trail to Swing Bridge Park:

- Remove obstacles for trail-use enthusiasts by providing one continuous trail with no disrupted segments



BUDGET: Include in the budget all expenses for your project including any co-funding from other sources

BUDGET:		
Phase	Description	\$ Amount
Phase 1	▪ Completion of dog park construction:	\$ 726,000
	▪ Property acquisition:	\$ 1,900,000
	▪ Purchase and install Heritage Village Park themed playground equipment:	\$ 300,000
	▪ Connect the Mississippi River Regional Trail to Swing Bridge Park:	\$ 330,000
	▪ Completion of walking paths, seating areas, playground area:	\$ 500,000
	▪ Completion of open air park shelter, parking lot(s):	\$ 528,000
	Phase 1 Total:	\$ 4,284,000
	<i>Matching Funds Available:</i>	<i>\$ 3,384,000</i>
	Total 2018 Environmental Legacy Fund (ELF) Grant Request:	\$ 900,000
Phase 2	▪ Addition of open air amphitheater:	\$ 500,000
	▪ Completion of enclosed park shelter and restrooms:	\$ 2,000,000
	Estimated Phase 2 Total:	\$ 2,500,000
Phase 3	▪ Relocate and restore buildings, create historic exhibits:	\$ 800,000
	Estimated Phase 3 Total:	\$ 800,000
	Estimated Park Completion Total:	\$ 7,584,000



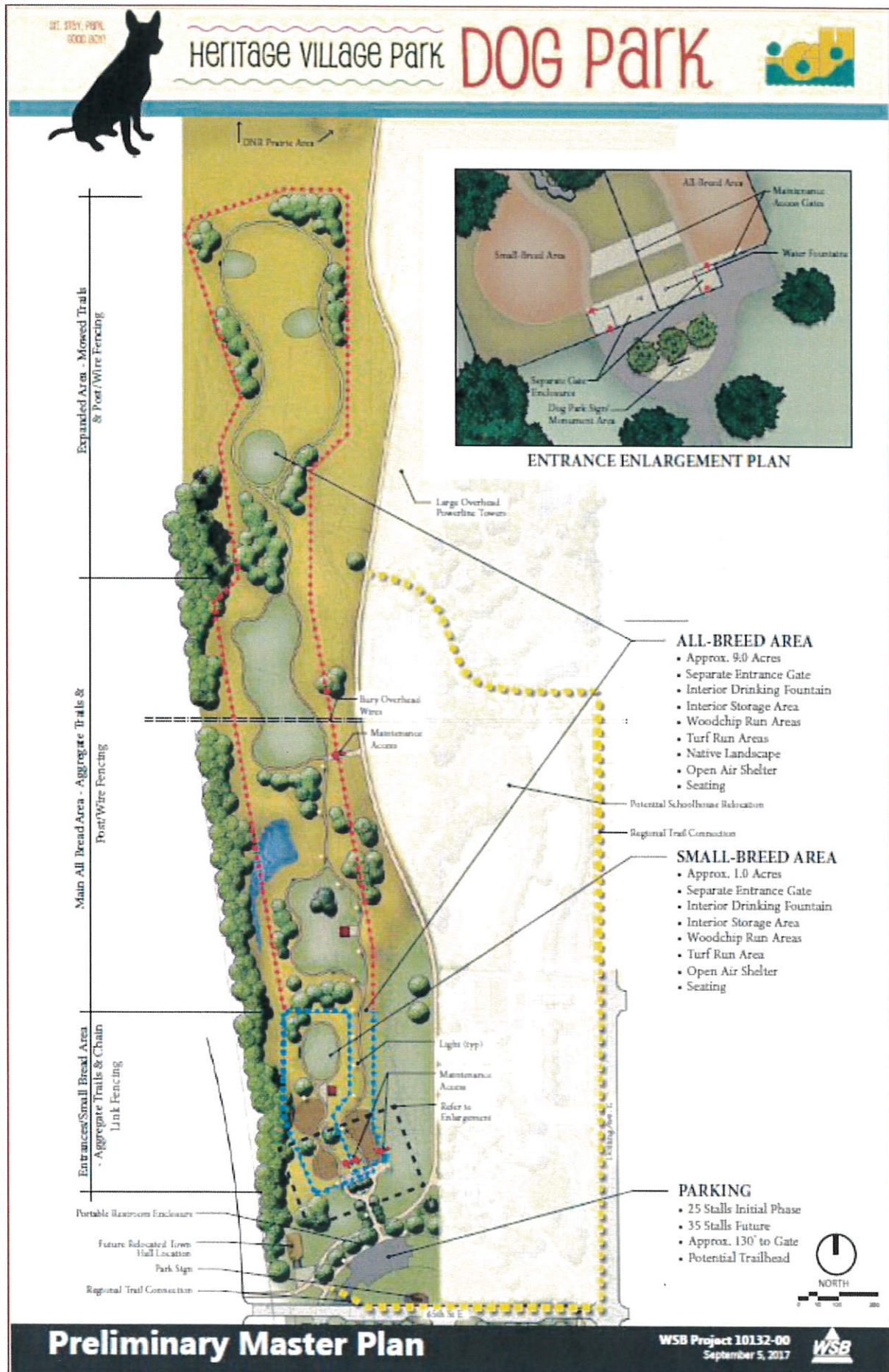
EVALUATION: *Provide information on the metrics that will be used to determine the effectiveness of the project.*

There are several desired outcomes associated with the overall Heritage Village Park project. Below is a table that identifies what those are, and the metrics determining the effectiveness of this project.

EVALUATION:	
Desired Outcomes:	
Phase 1 Outcomes: - Residents/visitors have safe place to exercise dogs - City acquires property needed to complete park - Residents/visitors have safe place for kids to play - Residents/visitors have passive green space to enjoy - Native grasses preserved - Natural assets are made available to the public - MRRT connected to Swing Bridge Park - Attractive community amenity created	Phase 2 Outcomes: - Ability to use park more during colder months - Public performing arts venue is made available Phase 3 Outcomes: - Additional building rental available for events - Historic component added to park enjoyment
Metrics to Determine Effectiveness:	
Metrics for Phase 1 Outcomes: # of dog park permits sold - Frequency of use: family/friends' outings picnics - Frequency of use: children at playground - Frequency of use: enjoyment of nature - Frequency of use: Mississippi River Regional Trail	Metrics for Phase 2 Outcomes: - Frequency of use: including colder months - Frequency of use: performing arts venue Metrics for Phase 3 Outcomes: - Frequency of use: historic park building rented - Frequency of use: historic buildings visited
Overall Metrics for Completion of Heritage Village Park:	
- Amenity leads to economic interest and growth - Interest generated in new developments	- Greater economic growth adds to City's tax base - Increase in neighborhood property values

The overall outcome of completing Heritage Village Park will be that the public will have a safe, clean, beautiful, protected space in which to connect with their families, with nature, and with the past. It is expected that this amenity will aid in economic development, leading to an increase in neighborhood property values, providing a greater tax base for the City, and with development, provide additional housing stock to address the County-wide housing crisis.







HERITAGE VILLAGE PARK

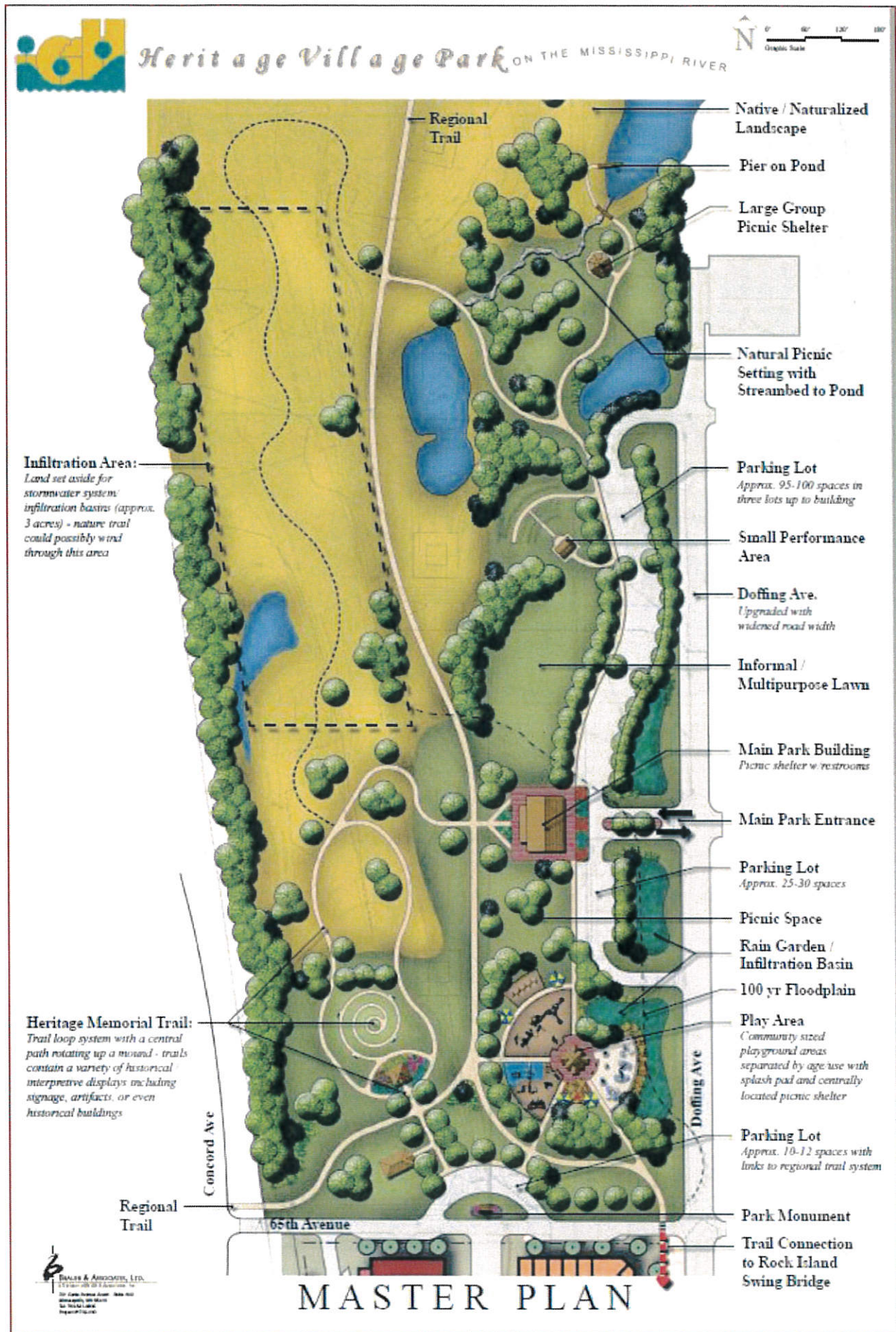
DOG PARK

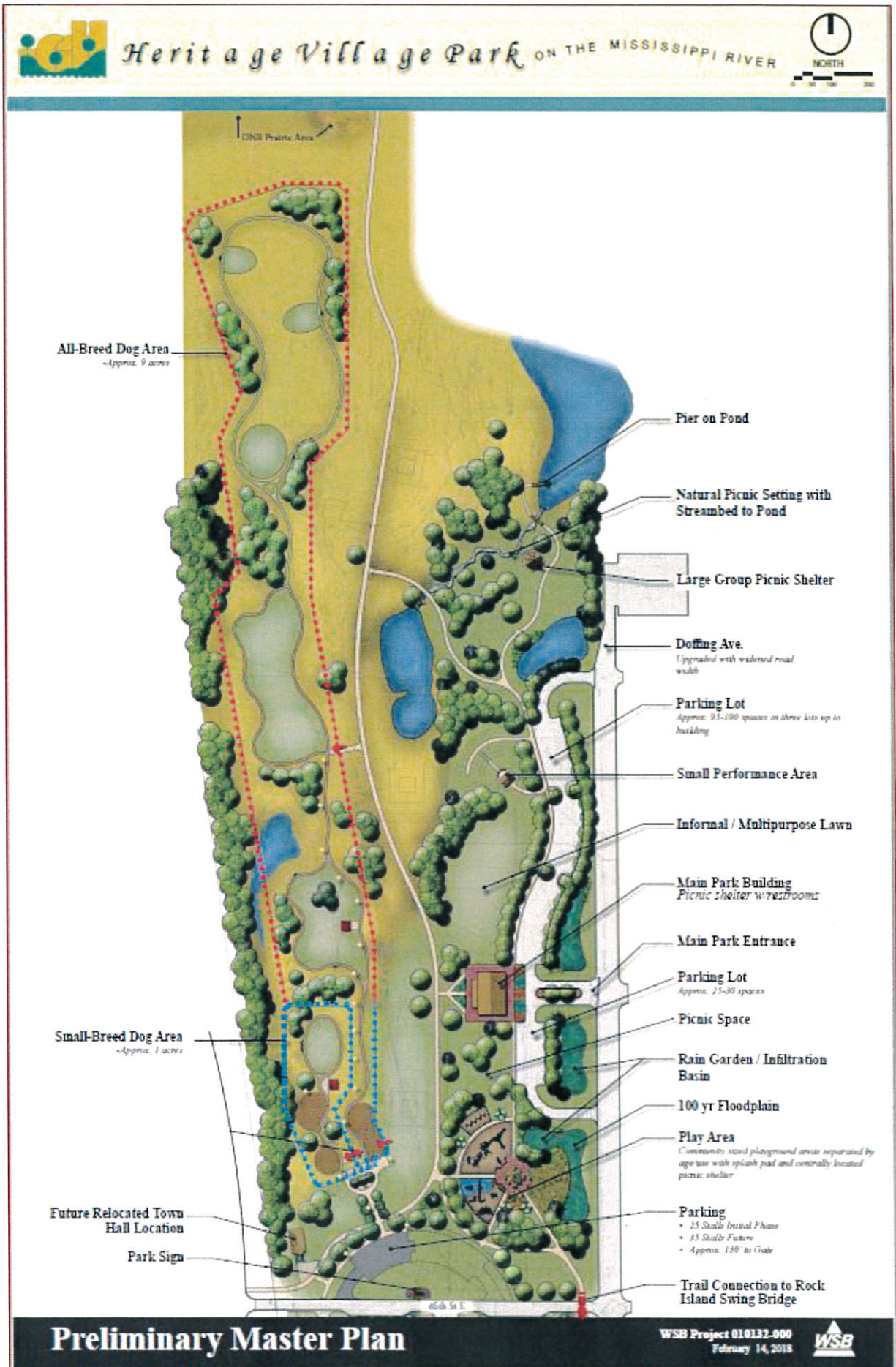


Overall Trail Connection Plan

WSB Project 10132-00
August 18, 2017







Inver Grove City Council Members

I want to thank you for your efforts to develop a dog park in Inver Grove Heights. I have been involved with this effort for several years now and through each step I've been impressed with the care and professionalism of the city staff, the Park and Recreation Commissioners, and the City Council. Although I'm convinced it will be great addition to our already excellent park system, I understand the concerns about the costs and the long-term commitment involved in siting and developing this new city amenity. As an Inver Grove taxpayer and long-term Inver Grove resident, I appreciate your cautious and thoughtful consideration of this project. I know it is hard to responsibly balance services and costs. I believe it will turn out to be well worth the cost and look forward to working with the city as we move from concept to reality.

Sincerely

A handwritten signature in cursive script that reads "Carol Nankivel". The signature is fluid and written in dark ink.

Carol Nankivel
8875 Inver Grove Trail
Inver Grove Hts, MN

JPA WITH DAKOTA COUNTY FOR MATCH

**JOINT POWERS AGREEMENT BETWEEN
THE CITY OF INVER GROVE HEIGHTS AND
THE COUNTY OF DAKOTA FOR FUNDING OF
MRRT TRAILHEAD PROJECTS**

*WLB/ML
for
file*

This Joint Powers Agreement ("Agreement") is made and entered into between Dakota County ("County") and the City of Inver Grove Heights ("City").

WHEREAS, Minn. Stat. § 471.59 authorizes local governmental units to jointly or cooperatively exercise any power common to Parties; and

WHEREAS, County is a governmental unit and political subdivision of the State of Minnesota; and

WHEREAS, City is a governmental unit and political subdivision of the State of Minnesota; and

WHEREAS, Laws of Minnesota 2014, Chapter 294, article 1, section 17, Subd. 6. And Laws of Minnesota 2017, 1st Spec. Sess. chapter 8, article 2, section 28, Subd. 6 Chapter provide for a grant to the city of Inver Grove Heights and Dakota County for public infrastructure improvements and land acquisition in and adjacent to the Heritage Village Park, the Mississippi River Trail, and the Rock Island Swing Bridge. These improvements will include but are not limited to motor vehicle access, utility service, storm water treatment, and trail and sidewalk connections. This appropriation is not available until the commissioner of management and budget has determined that at least an equal amount has been committed to the project from nonstate sources; and

WHEREAS, the City and County are currently collaborating to construct, develop and enhance the Mississippi River Regional Trail ("MRRT"), including enhanced interpretation improvements at the MRRT Swing Bridge City Park trailhead ("Project 1") and construction of a direct MRRT connection from Heritage City Park to Swing Bridge Regional Trailhead ("Project 2"); and

WHEREAS, on February 9, 2015, the Inver Grove Heights City Council resolved to apply for a \$2,000,000 State Grant that can be used for land acquisition, public infrastructure and park improvements in the City; and

WHEREAS, on May 30, 2017, \$500,000 of the State Grant was appropriated to the County and \$1,500,000 to the City; and

WHEREAS, the State Grant is administered by the Metropolitan Council; and

WHEREAS, in order to obtain the proceeds from the State Grant, City and/or County must match each grant dollar with non-State funds at a 1:1 ratio ("Grant Match Requirement"); and

WHEREAS, the City has submitted to the Metropolitan Council a grant work plan for only \$1,300,000 with a \$1,300,000 City match; and

WHEREAS, the draft work plan references that the remaining \$200,000 amount of the State Grant funds is being considered by the County Board with an equal County match for Project 1 and Project 2; and

WHEREAS, a County match of \$200,000 of non-State funds is within the approved Parks CIP (which consists, in part, of Federal grants and County funds) for Project 1 and Project 2; and

WHEREAS, the \$200,000 from the State Grant equally matched by the City with County and other non-State funds will enhance the MRRT within the City and County; and

WHEREAS, the County desires to provide the amount of \$200,000 to the City for the purpose of advancing the MRRT within the City and meeting the Grant Match Requirement to obtain funds for Project 1 and Project 2;

WHEREAS, City desires to obtain State Grant funds for the construction, design, and completion of Project 1 and Project 2.

NOW THEREFORE, in consideration of the mutual promises and benefits that the City and the County shall derive from this Agreement, the City and County hereby enter into this Agreement for the purposes stated herein.

ARTICLE 1

PARTIES

The parties to this Agreement are Dakota County, Minnesota (County) and the City of Inver Grove Heights, Minnesota (City). The City and the County may be referred to collectively as “the Parties.”

ARTICLE 2

PURPOSE

The purpose of this Agreement is to provide cooperation and funding by the County to the City so that the City can fulfill its Grant Matching Requirement to obtain funds for Project 1 and Project 2 from the State Grant that is administered by the Metropolitan Council, and to define the responsibilities and obligations of the County and City for cost contribution to be provided by the County and City related to Project 1 and Project 2. This Agreement also defines the City and County's roles and responsibilities regarding design and construction of Project 1 and Project 2. The County shall not use any State Grant funds for any work of any nature whatsoever related to the improvement of 111th Street.

ARTICLE 3

TERM

This Agreement shall be effective on the date of the signature of the last party to sign this Agreement (Effective Date) and shall remain in effect until December 31, 2018 or until completion by the parties of their respective obligations under this Agreement, whichever occurs first, unless earlier terminated by law or according to the provisions of this Agreement.

ARTICLE 4

COOPERATION

The Parties agree to cooperate and use their reasonable efforts to ensure prompt implementation of the various provisions of this Agreement and to, in good faith, undertake resolution of any dispute in an equitable, timely, and fair manner.

ARTICLE 5

OBLIGATIONS OF THE PARTIES

5.1. Design and Construction.

- a. **Project 1.** The County will be responsible for the design and construction of Projects 1, including but not limited to preparation of necessary plan sheets, specifications, construction change orders and engineering and inspection ("Actual Construction Costs"). The County shall be responsible for awarding contracts for Project 1 in accordance with the State laws and County resolutions and policies relating to public improvement projects, and for the management and inspection of the work of Project 1.
- b. **Project 2.** The City will be responsible for Actual Construction Costs of Project 2. The City shall be responsible for awarding contracts for Project 2 in accordance with the State laws and City resolutions and policies relating to public improvement projects, and for the management and inspection of the work of Project 2.
- c. **Access to Project Construction.** The parties agree to allow each other access to the construction sites. The parties may, at their own expense, inspect all construction related activities and improvements to ensure compliance with any relevant ordinance, regulation, or plan, including but not limited to Storm Water Pollution Prevention Plans. The City and County will be allowed to inspect any work that may affect the City or County's infrastructure, including but not limited to:
 - i. Existing underground storm water treatment systems;
 - ii. Existing utilities;
 - iii. Existing infrastructure such as storm sewers, sanitary sewers, water mains, related appurtenances and service lines;
 - iv. Curb removals and cross-walks on or near City streets or County roads;
 - v. Existing street signs; and
 - vi. Other City structures affected by Project 1 or Project 2.
- d. **Access to Meetings.** The parties agree to allow City and County staff access to all pre-construction meetings, and to construction progress meetings, as is desired by the City and County.

5.2. Grant Matching and Time of Payments.

- a. **Project 1.** Within 35 days after County's completion of Project 1, County shall invoice the City with an amount not to exceed Eighty Four Thousand Dollars and 00/100 (\$84,000.00) in Actual Construction

Costs related to Project 1 and shall provide the associated invoices and necessary documentation as required by the State Grant. Invoices from the County shall be based on Actual Construction Costs expended for the project and not to exceed the maximum amounts per this Agreement. If an invoice is incorrect, defective, or otherwise improper, the City shall notify the County and the County will correct the error. City will then present the invoiced Actual Construction Costs to the Metropolitan Council, which administers the State Grant. After funds not to exceed Forty-Two Thousand Dollars and 00/100 (\$42,000.00) from the State Grant are released to the City, the City shall reimburse County an amount not to exceed \$42,000.00 for the amounts stated in the invoices.

- b. **Project 2.** Within 35 days after City's completion of Project 2, the City shall submit invoices for the City's work for reimbursement of an amount not to exceed Three Hundred Sixteen Thousand Dollars and 00/100 (\$316,000) in Actual Construction Costs to the Metropolitan Council. After the Metropolitan Council approves an amount not to exceed One Hundred Fifty Eight Thousand Dollars and 00/100 (\$158,000.00) of the submitted invoices for reimbursement, the City shall invoice the County for the other half of Actual Construction Costs related to Project 2 that were approved by the Metropolitan Council in an amount not to exceed One Hundred Fifty Eight Thousand Dollars and 00/100 (\$158,000.00). The City shall provide the associated invoices and necessary documentation as required by the State Grant. If an invoice is incorrect, defective, or otherwise improper, the County shall notify the City within 10 days of receiving the incorrect invoice. Notwithstanding other provisions of this Agreement, the County will make full payment in an amount not to exceed \$158,000.00 to the City no later than 35 days of the date of receipt of the invoice for Project 2 from the City. The invoices from the City to the Metropolitan Council shall be based on Actual Construction Costs expended for Project 2 and shall not exceed Three Hundred Sixteen Thousand Dollars and 00/100 (\$316,000).
- c. **Grant Matching Process.** The entire grant matching procedure and process for Project 1 and Project 2 is the sole responsibility of the City.
 - i. City and County shall use its best efforts to take all actions and do all things necessary, proper, or advisable to obtain State Grant funding and comply with the Grant's requirements. For purposes of this Agreement, best efforts includes, without limitation,

1. Taking, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under any applicable law, policy, manual, rule, agreement, or as required or recommended by the Metropolitan Council or the State Grant Agreement in order to obtain disbursement of Grant funds;
 2. Obtaining all approvals, consents, registrations, permits, authorizations and other confirmations required to be obtained from any third party or Governmental Authority necessary, proper or advisable in order to obtain disbursement of Grant funds;
 3. Executing and delivering such documents, certificates and other papers as may be reasonably requested or required in order to obtain disbursement of Grant funds.
- ii. County agrees to cooperate with the City and use its best efforts to provide information reasonably necessary to obtain State Grant funds. City shall provide any documentation related to the State Grant and the grant matching process at the County's written request. Execution of the necessary agreements or documents for the disbursement of Grant funds is the sole obligation of the City.
- 5.3. **Grant Matching Amounts and Total Cost.** The County and City shall expend and provide project funding in an amount not to exceed Four Hundred Thousand Dollars and 00/100 (\$400,000.00) ("Agreement Maximum"). Funding by the County and City shall be made as follows:
- a. **Project 1.** A maximum of Forty-Two Thousand Dollars and 00/100 (\$42,000.00) of State Grant funds shall be provided by the City to the County for Project 1 Actual Construction Costs. In addition to the \$42,000 in State Grant funds, the County shall have Grant eligible expenditures up to a maximum of \$42,000.00 from the approved Project 1 budget to meet the Grant Match Requirement. The total amount of funds from the State Grant and County funds for Project 1 shall be up to Eighty-Four Thousand dollars and 00/100 (\$84,000.00).

- b. **Project 2.** A maximum of One Hundred Fifty-Eight Thousand Dollars and 00/100 (\$158,000.00) shall be provided by the County to the City for Project 2 Actual Construction Costs. In addition to the \$158,000.00 in County funds, the City shall have Grant eligible expenditures up to a maximum of One Hundred Fifty-Eight Thousand Dollars and 00/100 (\$158,000.00) from the approved Project 2 budget to meet the Grant Match Requirement. The total amount of funds paid to the City from the County and the State Grant funds for Project 2 shall be up to Three Hundred Sixteen Thousand Dollars (\$316,000.00).

The source of funding and the County's contribution are more fully described in Exhibit 1, a copy of which is attached hereto and incorporated into this Agreement. All overages of Actual Construction Costs for Project 1 due to bids, change orders or other similar conditions shall be the responsibility of the County. All overages of Actual Construction costs for Project 2 shall be the sole responsibility of the City.

- 5.4. **Authorized Purpose.** Funds provided by the County to the City under this Agreement shall be used for the purpose of advancing the MRRT within the City and fulfilling the City's Grant Matching Requirement. Funds obtained by the City pursuant to this Agreement shall only be used for the payment of Actual Construction Costs directly related to Project 1 and Project 2.
- 5.5. **Payment of Unauthorized Claims.** All funding provided by the County and City under this Agreement shall only be used for the actual cost for design and construction for Project 1 and Project 2. The County and the City may refuse to pay any claim that is not specifically authorized by this Agreement. Payment of a claim shall not preclude the County or the City from questioning or later disputing the propriety of the claim. If payment of any amount is disputed by the County or the City, payment of undisputed amounts will be made as set forth herein and the party submitting the disputed amount shall provide additional documentation to support payment of the disputed amount, if necessary. The County and the City reserve the right to offset any overpayment or disallowance of a claim by reducing future payments.
- 5.6. **Acknowledgement.** The City and County shall appropriately acknowledge the funding assistance provided by the City and County in any promotional materials, signage, reports, publications, notices, and presentations relating to Project 1 and Project 2.

- 5.7. **Trail Ownership and Maintenance.** This Agreement does not govern or provide for ownership, operation, management or maintenance of Project 1 or Project 2. The County is responsible for the operation, management, and maintenance of Project 1. City is responsible for the operation, management, and maintenance of Project 2.
- 5.8. **Permits.** City and County agree to comply with each other's respective permitting process. The City and the County agree to secure all necessary permits for work contemplated under this Agreement. The City shall be responsible for all permit fees for the permits obtained from the County. The County shall be responsible for all permit fees for the permits obtained from the City.

ARTICLE 6

HOLD HARMLESS

- 6.1. Each party to this Agreement shall be solely liable for the acts or omissions of its officers, directors, employees or agents and the results thereof to the fullest extent authorized by law and shall not be responsible for the acts of the other party, its officers, directors, employees or agents. The provisions of the Municipal Tort Claims Act, Minn. Stat. Ch. 466 and other applicable laws govern liability of the County and the City. Each Party warrants that they are able to comply with the aforementioned requirements through an insurance or self-insurance program and that each has minimum coverage consistent with liability limits contained in Minn. Stat. Ch. 466.
- 6.2. In the event of any claims or actions asserted or filed against either party, nothing in this Agreement shall be construed to allow a claimant to obtain separate judgments or separate liability caps from the individual parties. In order to insure a unified defense against any third-party liability claims arising from work of the Project, City and County agrees to require all contractors or subcontractors hired to do any work on Project 1 or Project 2 to maintain commercial general liability insurance in the amounts consistent with minimum limits of coverage established by Minn. Stat. § 466.04 during the terms of each Project. All such insurance policies shall name the City and County as additional insured. Each Party warrants that they are able to comply with the aforementioned indemnity requirements through an insurance company or self-insurance program and that each has minimum coverage consistent with the liability limits contained in Minn. Stat. Ch. 466.

ARTICLE 7
AUTHORIZED REPRESENTATIVES

- 7.1. **Authorized Representatives.** The following named persons are designated as the Authorized Representatives of the Parties for purposes of this Agreement. These persons have authority to bind the Party they represent and to consent to modifications, except that the Authorized Representatives shall have only authority specifically granted by their respective governing boards. Notice required to be provided pursuant this Agreement shall be provided to the following named persons and addresses unless otherwise stated in this Agreement, or in a modification to this Agreement.

TO THE COUNTY: Steven C. Mielke
Dakota County
Attn: Physical Development Division Director
14955 Galaxie Avenue
Apple Valley, MN 55124

TO THE CITY: City of Inver Grove Heights
Attn: City Administrator
8150 Barbara Ave.
Inver Grove Heights, MN 55077

In addition, notification to the City or to the County regarding termination of this Agreement by the other party shall be provided to the Office of the Dakota County Attorney, Civil Division, 1560 Highway 55, Hastings, MN 55033.

- 7.2. **Liaisons.** To assist the Parties in the day-to-day performance of this Agreement and to ensure compliance and provide ongoing consultation, a liaison shall be designated by the County and the City. The Parties shall keep each other continually informed, in writing, of any change in the designated liaison. The designated liaisons under this Agreement are:

County Liaison Steve Sullivan
Telephone: (952) 891-7088
Email: steve.sullivan@co.dakota.mn.us

City Liaison

Eric Carlson

Telephone: (651) 450-2587

Email: ecarlson@ci.inver-grove-heights.mn.us

ARTICLE 8

TERMINATION

- 8.1. **In General.** Either Party may terminate this Agreement for cause by giving seven (7) calendar days written notice of its intent to terminate to the other Party. Such Notice of Termination for cause shall specify the circumstances warranting termination of the Agreement. Cause shall mean a material breach of this Agreement and any supplemental agreements or amendments thereto. Notice of Termination shall be made by certified mail or personal delivery to the Authorized Representative of the other Party. Termination of this Agreement shall not discharge any liability, responsibility or right of any party, which arises from the performance of or failure to adequately perform the terms of this Agreement prior to the Effective Date of termination.
- 8.2. **Termination by County and City for Lack of Funding.** Notwithstanding any provision of this Agreement to the contrary, both parties may immediately terminate this Agreement if it does not obtain funding from the Minnesota Legislature, Minnesota Agencies, Federal government, or other funding source, or if it's funding cannot be continued at a level sufficient to allow payments of the amounts due under this Agreement. Written notice of termination by email or facsimile is sufficient notice under this section. The County and City are not obligated to pay for any additional services, labor, materials, equipment, or any benefit that are provided after written notice of termination for lack of funding. The County and City will not be assessed any penalty or damages if the Agreement is terminated due to lack of funding.

ARTICLE 9

REPORTING, ACCOUNTING AND AUDITING REQUIREMENTS

- 9.1. **Accounting and Records.** The Parties agree to establish and maintain accurate and complete accounts, financial records and supporting documents relating to the receipt and expenditure of the funding provided in accordance with this Agreement. Such accounts and records shall be kept and maintained by the Parties for a minimum period of six years following the expiration of this Agreement. The Parties agree to promptly provide

each other copies of any accounting records related to this Agreement upon request.

- 9.2. **Data Practices.** The City and County agree with respect to any data that it possesses regarding the Agreement to comply with all of the provisions of the Minnesota Government Data Practices Act contained in Minnesota Statutes Chapter 13, as the same may be amended from time to time.
- 9.3. **Auditing.** The books, records, documents and accounting procedures and practices of the City that are relevant to this Agreement are subject to the examination by the State Auditor for a minimum of six (6) years following expiration of this Agreement.

ARTICLE 10 **MODIFICATIONS**

Any alterations, variations, modifications, or waivers of the provisions of this Agreement shall only be valid and binding when they have been reduced to writing, approved by the parties' respective Boards, and signed by the Authorized Representative of the City and the County.

ARTICLE 11 **MINNESOTA LAW TO GOVERN**

This Agreement shall be governed by and construed in accordance with the substantive and procedural laws of the State of Minnesota, without giving effect to the principles of conflict of laws. All proceedings related to this Agreement shall be venued in Dakota County, Minnesota.

ARTICLE 12 **MERGER**

- 12.1 This Agreement is the final expression of the agreement of the Parties and the complete and exclusive statement of the terms agreed upon and shall supersede all prior negotiations, understandings, or agreements related to Funding of the MRRT Pine Bend Bluff Trailhead Projects.
- 12.2 Exhibit 1 (including all Attachments or addenda) is attached hereto, and all terms, obligations and conditions in said Exhibit is incorporated herein and made a part of this Agreement. By signing this Agreement, County and City

affirms and acknowledges receipt of the above Exhibit (including all Attachments or Addenda).

ARTICLE 13 **SEVERABILITY**

The provisions of this Agreement shall be deemed severable. If any part of this Agreement is rendered void, invalid, or unenforceable, such rendering shall not affect the validity and enforceability of the remainder of this Agreement unless the part or parts that are void, invalid or otherwise unenforceable substantially impairs the value of the entire Agreement with respect to either Party.

ARTICLE 14 **FORCE MAJEURE**

Neither party shall be liable to the other party for any loss or damage resulting from a delay or failure to perform due to the unforeseeable acts or events outside the defaulting party's reasonable control, provided the defaulting party gives notice to the other party as soon as possible. Acts and events may include acts of God, acts of terrorism, war, fire, flood, epidemic, acts of civil or military authority, and natural disasters.

ARTICLE 15 **INTERPRETATION** **AND CONSTRUCTION**

This Agreement was fully reviewed and negotiated by the Parties. Accordingly, the Parties agree the "against the offeror" principle of contract interpretation and construction shall not be applied to this Agreement. Any ambiguity, inconsistency, or question of interpretation or construction in this Agreement shall not be resolved strictly against the party that drafted the Agreement. It is the intent of the Parties that every section or article (including any subsection or subpart thereto), clause, term, provision, condition, and all other language used in this Agreement shall be constructed and construed so as to give its natural and ordinary meaning and effect, regardless of any rule or law to the contrary.

ARTICLE 16
SURVIVORSHIP

The following provisions under this Agreement survive after the termination date of this Agreement: Article 5.5. (Acknowledgement), Article 6 (Hold Harmless), Article 9 (Reporting, Accounting and Auditing), Article 11 (Minnesota Law to Govern), Article 12 (Merger), Article 13 (Severability), Article 14 (Force Majeure), Article 15 (Agreement Interpretation and Construction), and Article 16 (Survivorship).

[Remainder of page intentionally left blank]

[Signature page for Funding JPA]

Approved by the City Council

Date 2/27/17

Resolution No. NO RESOLUTION

CITY OF INVER GROVE HEIGHTS

By George Townville

Date of Signature _____

Attest [Signature]

Date of Signature 9/6/17

Approved by Dakota County Board

Resolution No. 17-409

COUNTY OF DAKOTA

By [Signature]

Steven C. Mielke

Physical Development Director

Date of Signature 8-15-17

Dakota County Attorney's Office
Dakota County Judicial Center
1560 Highway 55
Hastings, MN 55033
651-438-4438

Approved as to Form

By [Signature]

Date of Signature 8/9/17

KS-2017-380

EXHIBIT 1

Expenses	County - FHWA Grant	County	Met Council Grant	
Project 1 - Swing Bridge Historic Interpretation		\$ 42,000	\$ 42,000	\$ 84,000
Project 2 - HVP/Swing Bridge Trail Connection		\$ 158,000	\$ 158,000	\$ 316,000
	\$ -	\$ 200,000	\$ 200,000	\$ 400,000

Wednesday, June 07, 2017

CITY OF INVER GROVE HEIGHTS

REQUEST FOR COUNCIL ACTION

Update on Emerald Ash Borer Infestation

Meeting Date: May 6, 2019
 Item Type: Work Study Session
 Contact: Eric Carlson – 651.450.2587
 Prepared by: Eric Carlson
 Reviewed by: Brian Swoboda

Fiscal/FTE Impact:

☐	None
☐	Amount included in current budget
☐	Budget amendment requested
☐	FTE included in current complement
☐	New FTE requested – N/A
☒	Other

PURPOSE/ACTION REQUESTED

Provide the Council with an update on the emerald ash borer and discuss how the city should respond to the confirmed infestation with the city limits.

SUMMARY

Since 2002, emerald ash borer has killed tens of millions of ash trees in neighboring states. With the second largest concentration of ash trees in the country, Minnesota has had much to be concerned about. EAB attacks all species of ash trees and causes tree death in two to three years. The impact of EAB on Minnesota's ash trees has been estimated by many tree experts to surpass that of Dutch elm disease.

In 2010, the City adopted the EAB Management Plan and have used the plan to guide our management of EAB. The City has been very proactive in trying to prevent the spread of EAB and our efforts have slowed the spread of EAB in our community. We have selectively removed approximately 570 trees over the last 10 years.

Emerald ash borer has previously been discovered in all the communities that surround us. As of April 2019, we had our three confirmed cases of EAB. We hired SAVATree to perform an inspection of ROW trees north of Upper 55th St E and discovered a total of seven high risk trees, eight moderate risk trees, and 11 additional trees that show symptoms of EAB infestation.

Pursuant to City code, the Council should establish a "Control Zone" by Council Resolution. The recommend control zone is the entire city, the control zone provides the city with authority to abate EAB on public and private property. The appropriate resolution will be on your agenda for Monday, May 13, 2019.

Trees on City Property/ROW

The city will continue to remove trees on city property. Trees found within the public ROW will be removed by the City if the adjacent property owners' requests. Once a tree is determined to be infected, the city will remove the infected tree no matter the desire of the adjacent property owner. Removal of trees by the city within the ROW include the tree, stump, and restoration of the disturbed area with black dirt and grass seed at the city's expense.

We estimate that there are approximately 560 trees the city will be responsible to remove at an expense of approximately \$200,000. We have \$100,000 available which has been set aside and will need to have an additional \$100,000 allocated to complete the removals over the next 3 - 5 years.

Trees on city property that are not in active area such as a “woods” will be left to die, eventually fall over, and decompose naturally because they do now cause a risk to people or property.

Trees on Private Property

The city does not have the financial resources to help private property owners remove trees. We will suggest that residents contact a certified arborist for identification and treatment\removal options of trees found on private property.

There are several city ordinances that pertain to tree care and they are attached in the report.

CITY ORDINANCES

5-8-1: POLICY AND PURPOSE:

The city council has determined that the health of the elm trees within city limits is threatened by a fatal disease known as Dutch elm disease, that oak trees are threatened by a disease known as oak wilt, and that ash trees are threatened by the emerald ash borer. The council has further determined that the loss of such trees growing upon public and private property would substantially depreciate the value of property within the city, cause significant costs to the public for tree removal, and impair the safety, good order, general welfare and convenience of the public. It is declared to be the intention of the council to control and prevent the spread of these diseases as well as infestation by these insects, and this chapter is enacted for that purpose. (Ord. 1217, 8-9-2010)

5-8-2: FORESTER:

The powers and duties of the forester, as set forth herein, are conferred upon the city forester. It is the duty of the forester to coordinate, under the direction and control of the council, all activities of the city relating to control and prevention of Dutch elm disease, oak wilt, and emerald ash borers. He shall recommend to the council the details of a program for the control of Dutch elm disease, oak wilt, and emerald ash borers and perform the duties incident to such a program adopted by the council. (Ord. 1217, 8-9-2010)

5-8-3: DUTCH ELM, OAK WILT, AND EMERALD ASH BORER DISEASE PROGRAM:

A. Intent: It is the intention of the city council to conduct a program of plant pest control pursuant to the authority granted by Minnesota statutes chapter 18G. The program is specifically aimed at the control and elimination of the following:

1. Dutch elm disease fungus.
2. The elm bark beetles that carry Dutch elm disease fungus.
3. Oak wilt fungus.
4. Emerald ash borers.

B. State Statutes Adopted: Except as modified herein, the council hereby adopts by reference Minnesota statutes chapter 18G, and all amendments thereto, and the rules and regulations promulgated thereunder by the commissioner of agriculture.

C. Control Zones: By resolution, the council shall establish control zones in the city within which the control and abatement procedures for Dutch elm disease, oak wilt, and emerald ash borers shall apply. Areas outside the established control zones shall not be subject to the control and abatement procedures herein set forth. The council may from time to time change the control zones. (Ord. 1217, 8-9-2010)

5-8-4: NUISANCES DECLARED AND PROHIBITED:

A. Nuisances Declared: The following items are hereby declared to be public nuisances when found within the control zones between April 1 and September 15:

1. Any living or standing elm tree, or part thereof, infected to any degree with the Dutch elm disease fungus *Ceratocystis ulmi* (Buisman) Moreau.
2. Any elm tree or part thereof suffering from dieback or any other disease or harmful condition which, in the opinion of the city forester or his agents, renders that tree or any parts thereof possible breeding or harboring sites of the elm bark beetles *Scolytus multistriatus* (Eichh.) or *Hylurgopinus rufipes* (Marsh).
3. Any red oak tree or part thereof exhibiting wilting to any degree in July or August, this wilt caused by the oak wilt fungus *Ceratocystis fagacearum*. Red oak trees affected at other times and white oaks with root systems in contact with other trees of the same species are also hereby declared nuisances.
4. Any ash tree that is diseased with the emerald ash borer that poses or threatens to pose a danger to person or property by reason of potentially falling or loss of tree limbs in the opinion of the city forester or the city forester's designee or is otherwise subject to a directive for removal from the Minnesota department of agriculture or other state agency.
5. Elm trees or oak trees or parts thereof as described in subsections A1, A2 through A4 of this section hereby shall be termed hazardous trees and portions.
6. Any dead elm tree, standing or fallen, or part thereof, including logs, branches, stumps, firewood or other elm material from which the bark has not been completely removed. Red oak wood not covered by a plastic tarpaulin during May and June is also hereby declared a public nuisance. Any dead ash tree, standing or fallen, or part thereof, including logs, branches, stumps, firewood or other ash material that is not handled consistent with guidelines issued by the Minnesota department of agriculture or other state agency, as amended from time to time. Such nuisances are hereby termed hazardous wood.

B. Prohibited; Abatement Required: It is unlawful for any person to cause or permit any public nuisance as defined in subsection A of this section to remain on any premises owned or controlled by him within the disease control zones between April 1 and September 15. Such nuisances may be abated in the manner herein set forth. (Ord. 1217, 8-9-2010)

5-8-5: INSPECTIONS AND INVESTIGATIONS:

A. Annual Inspection: The forester shall inspect all premises and places within the established control zones as often as practical to determine whether any condition described in subsection 5-8-4A of this chapter exists. The city forester shall investigate all reported incidents of infestations of Dutch elm disease, oak wilt, the elm bark beetles, and emerald ash borers.

B. Entry Powers: The forester or duly authorized agents may enter upon any private place as defined in Minnesota statutes section 18G.13, at any reasonable time for the purpose of carrying out any of the duties assigned under this chapter. Before making any inspection of any private place, it shall be the duty of the city forester to give notice of said inspection to all affected residents and property owners either through an individual oral or written notice, or by publishing said notice in a local newspaper. (Ord. 1217, 8-9-2010)

5-8-6: ABATEMENT PROCEDURE:

- A. **Methods Of Abatement:** In abating the nuisances of hazardous trees and portions and hazardous wood, the landowner shall, and upon his failure to do so, the forester may, cause the infected tree or wood to be sprayed, removed, burned, disposed of or otherwise effectively treated so as to destroy and prevent as fully as possible the spread of the Dutch elm disease fungus, the oak wilt fungus, the elm bark beetles and/or emerald ash borers. Such abatement procedures shall be carried out in accordance with current technical and expert opinions and plans as may be designated by the commissioner of agriculture and shall be termed proper disposal.
- B. **Abatement in Control Zones:** When the forester finds with reasonable certainty that the Dutch elm disease fungus, the oak wilt fungus, elm bark beetles, or emerald ash borers exist in any tree or wood in the control zones, the procedure shall be as follows:
1. **Notice to Abate:** For hazardous wood or hazardous trees and portions found on private property, the property owner shall be given no more than fourteen (14) days for proper disposal from the date of notification. Within said fourteen (14) days, the property owner shall complete proper disposal of the nuisance. Notification shall be given in writing and shall be made either by personal service on the landowners and occupants or by mailing the written notice to them. If service is by mail, the owners shall be those shown on the records of the county treasurer. Notice shall be complete upon mailing.
 2. **Failure to Abate; Abatement by City; Costs:** Failure to abate the nuisance (or properly dispose of the hazardous wood or hazardous trees and portions) by the property owner within the time limit stated shall authorize the city forester to have the nuisance abated. The city may then charge all costs of abatement to the property owner and bill him directly. If the landowner does not pay the bill, the monies due may be assessed. Failure by the property owner to abate the nuisance within the time specified above is a violation of this chapter and shall be punishable as a misdemeanor. Further, the city may enforce this chapter by injunction or by any other legal remedy.
 3. **Record Of Costs:** The forester shall keep a record of the costs of abatements done under this section and shall report monthly to the finance department and clerk all work done for which billings and assessments are to be made stating and certifying the description of the land, lots, and parcels involved and the amount chargeable to each.
 4. **Assessment of Costs:** On or before September 1 of each year, the clerk and finance department shall list the total unpaid charges for each abatement against each separate lot or parcel to which they are attributable under this chapter. The council may then spread the charges or any portion thereof against the property involved as a special assessment under Minnesota statutes section 429.101 and other pertinent statutes for certification to the county auditor and collection the following year along with current taxes.
- C. **Payment Of Abatement Costs:** The payment of monies owed to the city for the abatement of nuisances (as described in subsection 5-8-4A of this chapter) from private property shall be handled in the following manner:
1. All expenses shall be kept by the city forester and submitted to the finance department and clerk. Individual bills shall be sent to the property owner stating the work done and the amount owed.
 2. Payment shall be due on the entire amount owed within thirty (30) calendar days from the date of the bill.
 3. After the passage of the original thirty (30) days, the city may assess the remaining amount due pursuant to Minnesota statutes sections 429.101 and 18G.13. (Ord. 1217, 8-9-2010)

5-8-7: STORAGE OF ELM WOOD PROHIBITED:

Between April 1 and September 15, it shall be unlawful for any person to store within established control zones any bark bearing elm wood. (Ord. 1217, 8-9-2010)

5-8-8: STORAGE OF ASH WOOD PROHIBITED:

Between April 1 and September 15, it shall be unlawful for any person to store within established control zones any bark bearing ash wood. (Ord. 1217, 8-9-2010)

5-8-9: INTERFERENCE WITH CITY OFFICIALS PROHIBITED:

It is unlawful for any person to prevent, delay or interfere with the forester or his agents while they are engaged in the performance of duties imposed by this chapter. (Ord. 1217, 8-9-2010)

5-8-10: PROHIBITED CONDUCT; PENALTY:

It is unlawful for any person to engage in an act or in the behavior prohibited by this chapter. Violation of any provision of this chapter is a misdemeanor and may be punished as provided in [title 1, chapter 4](#) of this code. (Ord. 1217, 8-9-2010)

7-1-4: PLANTING TREES AND SHRUBS:

No trees, bushes or shrubs shall be planted or placed within the public road right of way or within five feet (5') of the public road right of way or within the side strip or boulevard. No trees, bushes or shrubs shall be planted within thirty feet (30') of the intersection of curb lines on corner lots². (1974 Code § 800.19)

11-3-11: STREET TREES:

Street trees shall be planted not less than forty feet (40') apart with a minimum of one tree per lot. They shall be placed five feet (5') to seven feet (7') inside the property line and not in the side strip or boulevard. No trees shall be planted within thirty feet (30') of the intersection of curb lines on corner lots. The minimum size shall measure one and one-half inches (1½") in diameter at ground line. No two (2) consecutive trees shall be of the same type or variety, and only those varieties approved by the city engineer will be used. (Ord. 1157, 6-11-2007)

WEB SITE INFORMATION

Emerald Ash Borer

The emerald ash borer (EAB), an iridescent green beetle with a red or purple abdomen, attacked and killed millions of trees in the Great Lakes region of Detroit, Michigan, and Windsor, Ontario, in 2002.

The EAB measures about 1/2-inch-long and feeds off the foliage of ash trees. The larva is a cream colored, legless grub that lives just beneath the bark of the tree. Larvae create tunnels under the bark that interfere with water and nutrient transport. The EAB feeds on and kills ash trees.

Infested firewood and nursery products cause rapid spread of EAB. Quarantine is in effect for Michigan, Ohio, Illinois, Indiana, Pennsylvania, West Virginia and Maryland, according to www.emeraldashborer.info, a collaborative Web site maintained by the U.S. Department of Agriculture Forest Service and states reporting EAB infestation. Residents and visitors should make certain not to import logs or nursery products from these states. With careful attention by Minnesota residents and visitors, the state's ash forests can continue to flourish. Residents should keep careful watch of their ash trees to ensure early detection.

EAB is most commonly found during June and July but can be present between May and September.

Signs of infestation include death at the top third of the canopy, growth sprouts from the roots or trunk of the tree with leaves that are larger than normal, vertical fissures in the bark exposing the galleries in which the larvae bore and feed, and increased woodpecker activity as some species feed on EAB larvae. The adult EAB bores large D-shaped exit holes in the outer bark of the tree that also indicate infestation.

Ash is commonly used in urban landscaping, and it flourishes in Minnesota forests. Minnesota is home to an estimated 867 million ash trees, one of the largest volumes in the U.S. If residents suspect EAB infestation, contact the Arrest the Pest Hotline at (651) 201-6684. For more information, click on the links listed below.

Minnesota Department of Agriculture: <https://www.mda.state.mn.us/eab>

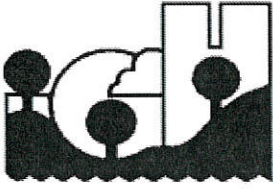
University of Minnesota Department of Forest Resources: <https://www.forestry.umn.edu/>

Emerald Ash Borer Web Site: <http://www.emeraldashborer.info/>

Certified Arborists

Rainbow Tree Care	(651) 251-3810
S&S TREE	(651) 451-8907
St. Croix Tree	(651) 770-3744

PRESS RELEASE



City of Inver Grove Heights Emerald Ash Borer Discovery

Press Release – April 23, 2019

Contact: Eric Carlson
Parks and Recreation Director
ecarlson@invergroveheights.org
651.450.2587

Emerald Ash Borer Discovered on Three Trees in the City of Inver Grove Heights

Emerald ash borer has been discovered in City of Inver Grove Heights. The City of Inver Grove Heights encourages residents to look for signs of EAB. The Minnesota Department of Agriculture (MDA) confirmed an emerald ash borer (EAB) infestation in the northwest corner of the City.

This is the perfect time to look for woodpecker damage and other signs of emerald ash borer because the trees are still bare. There are several things residents should look for when checking for emerald ash borer.

- **Be sure you've identified an ash tree.** This is an important first step since EAB only feeds on ash trees. Ash have opposite branching – meaning branches come off the trunk directly across from each other. On older trees, the bark is in a tight, diamond-shaped pattern. Younger trees have a relatively smooth bark.
- **Look for woodpecker damage.** Woodpeckers like EAB larvae and woodpecker holes may indicate the presence of EAB.
- **Check for bark cracks.** EAB larvae tunneling under the bark can cause the bark to split open, revealing the larval (S-shaped) tunnels underneath.
- **Contact a professional.** If you feel your ash tree may be infested with EAB, contact a tree care professional, your city forester, or the MDA at arrest.the.pest@state.mn.us or 888-545-6684 (voicemail).

Emerald ash borer larvae kill ash trees by tunneling under the bark and feeding on the part of the tree that moves nutrients up and down the trunk. Minnesota is highly susceptible to the destruction caused by this invasive insect. The state has approximately one billion ash trees, the most of any state in the nation.

The biggest risk of spreading EAB comes from people unknowingly moving firewood or other ash products harboring larvae. There are three easy steps residents can take to keep EAB from spreading:

- Don't transport firewood. Buy firewood locally from approved vendors, and burn it where you buy it;
- Be aware of the quarantine restrictions. If you live in a quarantined county, be aware of the restrictions on movement of products such as ash trees, wood chips, and firewood; and,
- Watch your ash trees for infestation. If you think your ash tree is infested, go to www.mda.state.mn.us/eab and use the guide "Does my tree have emerald ash borer?"

For more information on emerald ash borer, go to www.mda.state.mn.us/eab or on the city's website at www.invergroveheights.org

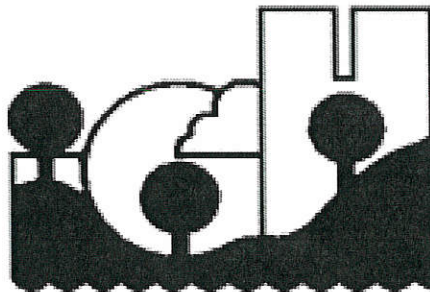
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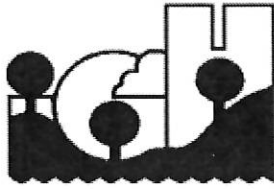
EMERALD ASH BORER MANAGEMENT PLAN

Emerald Ash Borer Management Plan

City of Inver Grove Heights

June 2010





City of Inver Grove Heights Emerald Ash Borer Management Plan

Purpose:

The City will take a proactive approach and spread the physical and fiscal costs associated with the outbreak of Emerald Ash Borer over a 10-year timeframe. The loss of ash trees in Inver Grove Heights will have a devastating effect on home values, quality of life and the environment. Our goal is to buffer that impact in advance by implementing current best arboricultural management activities.

Introduction:

The Emerald Ash Borer (EAB) is a non-native insect that was introduced to North America from Asia. It was discovered in the Detroit, Michigan / Windsor, Ontario area in 2002 and probably arrived in wood packing materials on cargo ships or airplanes. Despite eradication and suppression efforts, EAB has killed over 20 million Ash trees in Michigan, Ohio, Indiana, Illinois, Maryland and Ontario. EAB is a beetle that is smaller than a dime. The adult does very little damage. However, this is not the case with the larvae (immature stage) that feed on the inner bark of Ash trees. This feeding disrupts the tree's ability to transport water and nutrients. Larval feeding takes place over a period of years and eventually kills the infested tree. All species of Ash are susceptible. Because EAB is hard to detect, it can be present for years before an infestation is confirmed. There are currently no known control measures for EAB. This means that it has the potential of killing all of Ash trees throughout the United States and Canada. In Inver Grove Heights there are ash trees which compose the urban tree canopy within the park system, Inver Wood Golf Course, and other public property. There are Ash trees located within the right-of-way (ROW) growing as boulevard trees. There is also a large amount of Ash trees found on public natural areas and private property. It is possible that despite state and federal quarantines of infested regions, EAB may already be established in Inver Grove Heights.

Economic Impact:

Removing and reforesting Ash trees will be a tremendous physical and financial challenge for the City and private property owners. Utilizing a simple formula for removals, stumping and replanting a cost estimate can be determined. For example, consider an average removal cost of \$200, (disposal, stump removal, and restoration) and an average replanting cost of \$200. At these rates, the economic impact of losing 1,113 trees would be about \$329,000.

At this time there are no known federal or state grant programs available to help assist the City in the removal and reforestation activities that will be necessary to combat this infestation.

Inform the Public:

In addition to utilizing TV & newspaper media relations, there are other means whereby the City can disseminate information about EAB. The most accessible are those that the City has direct control over. These include: "*Insights*", our newsletter, our web site, direct mail and cable TV.

The City of Inver Grove Heights must prepare and manage for the arrival of EAB on three fronts:

- Public property (i.e. parks, golf course, City Hall, Fire Stations, Water Treatment Plant etc.)
- Boulevard street trees within the right-of-way
- Private property trees

*City of Inver Grove Heights
Ash Tree Inventory
May 2010*

	Good		Fair		Poor		Total
	Tree Count	Percentage	Tree Count	Percentage	Tree Count	Percentage	
Park (mowed area)	368	41%	33	20%	11	24%	412
Inver Wood Golf Course	39	4%	2	1%	0	-	41
City Facilities	61	7%	17	11%	1	2%	79
Right-of-way (public)	439	48%	109	68%	33	74	581
Private property	-	-	-	-	-	-	Unknown
Total	907		161		45		1,113

The current evidence from Michigan and Ohio show that once EAB becomes established – it takes about five to ten years to infest and kill the majority of the ash trees in a city.

Public Property Trees:

1. The City will not plant any new ash trees on public property.
2. The City shall begin to remove any poor-quality trees or trees in fair condition with major defects.
3. The City will continue to cooperate with the Minnesota Department of Agriculture and Minnesota Department of Natural Resources to establish EAB detection trees as needed on city property.
4. Ash trees in wooded areas will be left alone – unless by a bike path or structure and may cause harm if it falls. If it is an early EAB infestation, we will be removing infested trees as needed to slow the spread to the community.
5. In mowed areas ash trees will be replaced.

Right-of-Way Trees:

1. The City will begin a policy of excluding any new ash trees on public right-of-way – with the recommendation that citizens and businesses discontinue the use of ash in new plantings.
2. The City will remove any boulevard ash tree at citizen request. Based on current City Ordinance (7-1-4), a new tree cannot be placed in the right-of-way.
3. The City will permit residents to chemically treat an ash tree in the public ROW under the conditions of hiring a licensed tree service that is bonded and insured, and that is a State of Minnesota Licensed Commercial Pesticide Applicator using state approved trunk injection pesticides only. By using trunk injections hopefully this reduces pesticide exposure to others and the environment overall. (Note: Chemical treatment would not preclude future removal of said ash tree if deemed necessary.)
4. The City will hire a contractor to begin to remove 10% of ash trees each year beginning with poor and fair quality trees. The removal shall include the complete removal of the tree, stump and ground restoration. All costs will be borne by the City of Inver Grove Heights.
5. Trees removed from the ROW will not be replaced.

Trees on Private Property:

1. There are many thousands of ash trees, large and small, on private property in Inver Grove Heights. No reliable inventory exists, and ash densities vary by neighborhood.
2. Property owners are urged to monitor for the EAB.
3. City of Inver Grove Heights Ordinance, Chapter 8 Diseased Trees, will be updated to reflect the Emerald Ash Borer threat. The same parameters concerning Dutch Elm Disease and Oak wilt are appropriate measures to slow the spread of EAB.
4. It would be prudent for residents to establish a relationship with an ISA Certified Arborist now in the event that ash evaluation or removal is desired. When residents call the City with questions, they will be encouraged to consult with an ISA Certified Arborist that is insured and bonded. City staff will not inspect trees on private property.
5. The City also encourages residents to replace trees lost with species appropriate for the site, or to plant new trees in advance of EAB infestation and ash removal as a way of tree canopy cover and lessening the large economic and environmental impact of the Emerald Ash Borer.
6. The City will not treat or dispose of any trees found on private property.

Ordinances and Policies:

The City has Ordinances and policies that affect and outline what actions the City can take to manage diseased trees. Ordinance revisions will be recommended to the City Council as appropriate to address the infestation of EAB.

Title 5 Chapter 8

The diseased tree ordinance will be updated as necessary to include EAB.

Title 7 Chapter 1

Under current City Ordinance, trees are not permitted within 5' of the public ROW.

Development Plan Approval Process

Future approvals of development/redevelopment will include a condition stating that no ash trees shall be allowed as a condition of approval.

Structured Removal Plan:

The City will adopt a proactive "Structured Removal Plan" of ash trees, including those in decline, and that meets a set percentage of ash in anticipation of the larger loss of the entire ash population. The intent is to hopefully slow the spread of EAB by reducing host trees, thus, spreading out management costs over several years by avoiding a "spike" in diseased and dangerous trees.

Disposal:

The probable loss of thousands of ash trees creates several challenges for the City in regard to public trees as well as residents and commercial tree services dealing with private property trees.

In the early stages of infestation, care to slow down the spread of EAB is paramount not only for Inver Grove Heights, but to other communities and the state.

The most critical period for movement of confirmed EAB ash trees is the months of May - July. This is the period where adult beetles emerge from trees, begin feeding on foliage, move to even more trees, and lay their eggs. During this period, it is best to leave these trees standing and not chance the possible spread of EAB by transporting beetle infested wood to other areas. After this period, from about August 1st to April 30th each year, EAB trees can be removed and transported so long as they are promptly chipped to the required dimensions, less than 1"x1"x1" in any one dimension, effectively killing any EAB larvae.

The City will explore emergency marshalling yard(s)—suitable for on-site tub grinding--within areas of EAB confirmed trees that need to be removed in response to an emergency, such as cleanup of a wind storm during the months when beetles are active. These yard(s) would be used to process all wood in the area, including public, and private from property owners and commercial tree services.

Reforestation:

The future expected loss of ROW, public and open space ash trees will require a massive reforestation effort. The benefits trees provide is broadly understood and includes cleaning our air, cooling our atmosphere, saving energy through shade and wind breaks, and making our city safer and more pleasant. Re-planting lost trees may be the most important part of the management plan because it will keep Inver Grove Heights a livable city for future generations.

One strategy to increase the number of new trees planted is to choose less expensive 1 ½ to 1 ¾ inch, bare root stock. This is becoming common practice in many communities. The loss of ash trees due to EAB will require an infusion of tree planting money.

Links to Websites with EAB Information:

- [Minnesota Department of Agriculture](#)
- [University of Minnesota Department of Forest Resources](#)
- [Emerald Ash Borer Web site](#)

Projected Budget Cost (Public):

*City of Inver Grove Heights
Ash Tree Management
Estimated Costs
May 2010*

	Trees	Removal @ \$200/tree	Replacement @ \$200/tree	Total
Park (mowed area)	412	\$82,400	\$82,400	\$164,800
Inver Wood Golf Course	41	\$8,200	\$8,200	\$16,400
City Facilities	79	\$15,800	\$15,800	\$31,600
Right-of-way (public)	581	\$116,200	NA	\$116,200
Total	1,113	\$222,600	\$106,400	\$329,000

**SAVATREE REPORT
UPPER 55TH
APRIL 2019**



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ASH TREE POPULATION ANALYSIS

For

BRIAN SWOBODA

PARK SUPERINTENDENT
CITY OF INVER GROVE HEIGHTS

For Service At

CITY OF INVER GROVE HEIGHTS, MN



May 1, 2019

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WHY DID SAVATREE ASSESS THE ASH TREES IN THE CITY OF INVER GROVE HEIGHTS?

Recently the Minnesota Department of Agriculture confirmed the presence of Emerald Ash Borer in the north eastern boundary of the city. You desire to have an updated inventory and analysis of the existing population of Ash trees within all Right of Way areas of the City of Inver Grove Heights that are north of Upper 55th Street East. Condition of the ash trees including the presence or absence of Emerald Ash Borer, and an accurate population count are the primary concerns.

HOW DID SAVATREE PERFORM THE ASSESSMENT?

We visited the site on Sunday, April 28, 2019, Monday, April 29, 2019, and Tuesday, April 30, 2019.

We inventoried the trees on site using ArcGIS Online software via the Collector app on tablet devices. Using the existing inventory as a baseline, we updated information as needed based on our observations.

An ISA Certified and ISA Tree Risk Assessment Qualified Consulting Arborist assessed all ash tree species in the Right of Way north of Upper 55th Street East.

The following attributes for each tree selected: Species; Diameter; EAB symptoms (cracking bark, dieback, epicormic sprouts, etc.); EAB signs (serpentine galleries, EAB larvae, EAB adults, etc.) Condition; Probability of Failure; Consequences of Failure; Risk Rating; Risk Mitigation; and, Notes. Industry standard Basic (Level2) tree risk assessments were performed on all tree inventoried.

We measured tree diameters with a diameter tape at 4.5 feet above ground level.

We QA/QC'd the resulting data on the desktop using ArcGIS Online.

We exported the tree data to Excel.



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WHAT DID SAVATREE FIND?

We found 137 ash trees in the Right of Way in the study area (Figure 1).

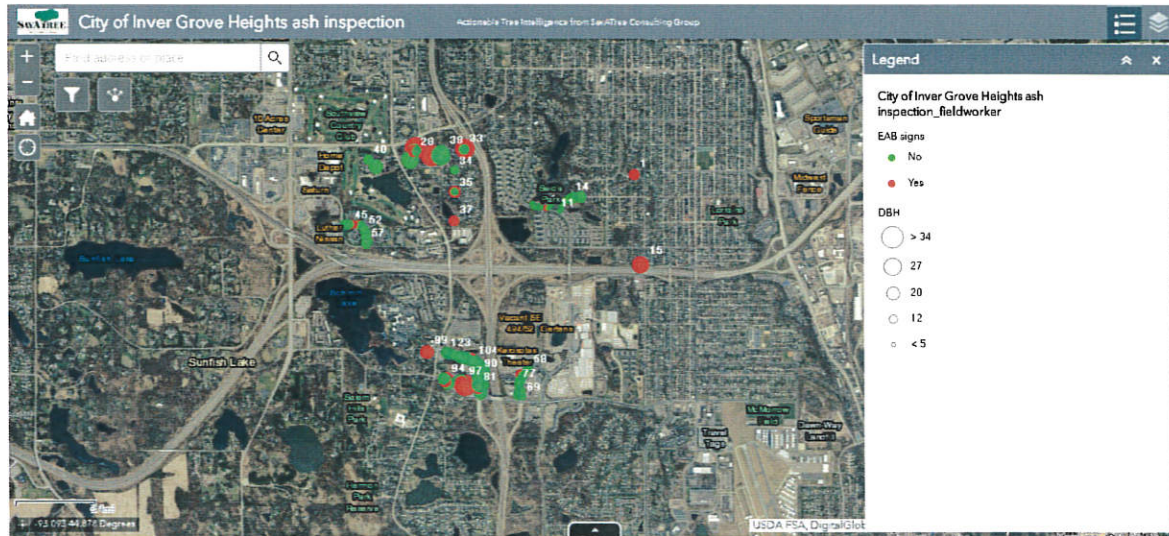


Figure 1 - Map of ash trees in ROW

The diameter distribution of ash trees is shown in Figure 2.

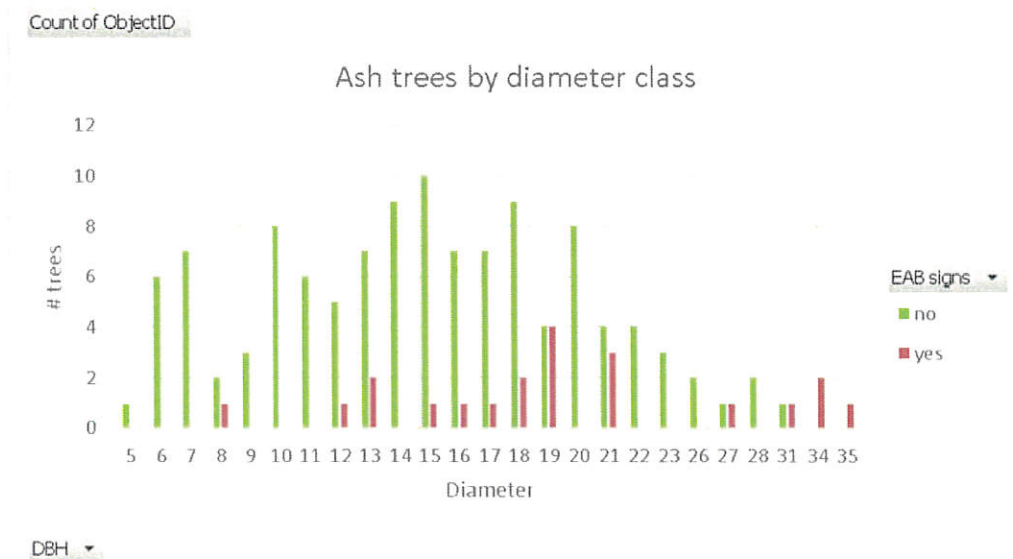


Figure 2 - Diameter distribution of ash trees - EAB infested trees are shown in red.



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TREE RISK ASSESSMENT

In accordance with industry standards, we used the tree risk assessment matrix show in Table 2 below:

	Consequences			
Probability	Negligible	Minor	Significant	Severe
Very likely	Low	Moderate	High	Extreme
Likely	Low	Moderate	High	High
Somewhat likely	Low	Low	Moderate	Moderate
Unlikely	Low	Low	Low	Low

Table 1 - Tree risk assessment matrix

It is based on the formula: probability x consequences = risk.

We performed a Level 2 Basic Tree Risk Assessment, a 360-degree, ground-based visual observation of the tree. Resulting risk designations and risk mitigation recommendations are found in Figure 3.

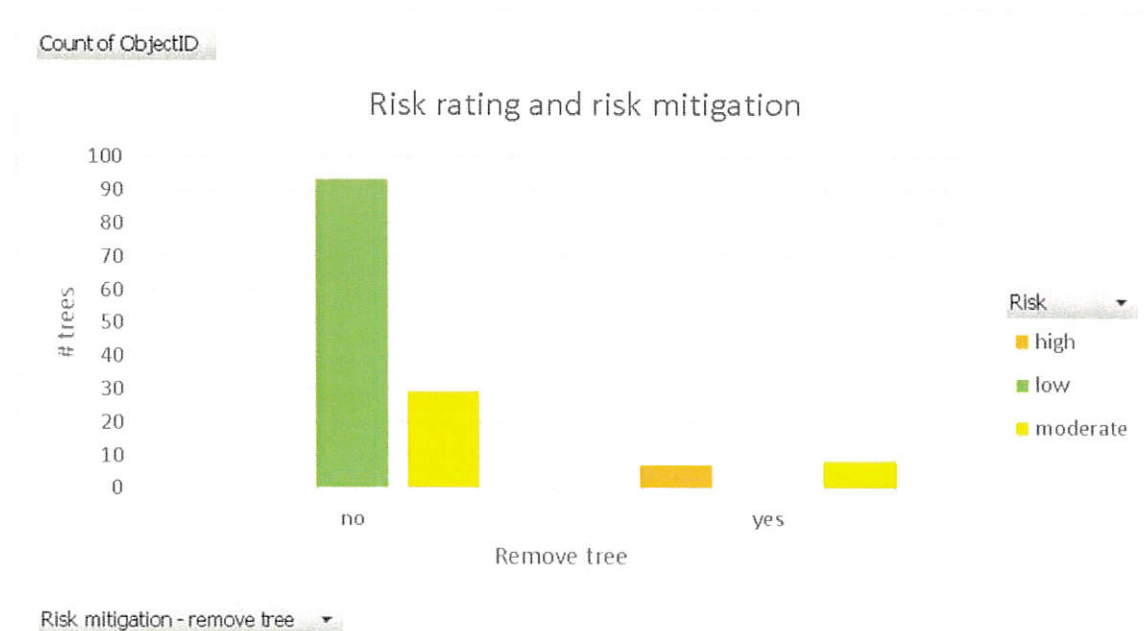


Figure 3 - Risk rating and risk mitigation recommendations



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WHAT DOES SAVATREE RECOMMEND BASED ON OUR FINDINGS?

We recommend that:

- Seven high risk trees (#15, #26, #37, #57, #85, #97, #98) and eight moderate risk trees (#18, #30, #53, #61, #78, #79, #102, and #114) be removed.
- Eleven trees with signs of EAB infestation (#1, #25, #32, #36, #46, #47, #49, #92, #95, #99, #106) be monitored annually for advance of infestation and progression of risk rating.
- The remaining 111 trees be monitored annually for symptoms and signs of infestation.

Proposed Fees (2019)

LARGE ASSEMBLIES;

\$250 permit fee (includes the investigation fee)

Escrow established and held by the city in an amount from \$500-\$5,000, depending on the size and scope of the event.

A routing form will be created to track the application, fee collection, department(s) approval(s), escrow amount requested, escrow received, escrow released after event.

EXCESSIVE CONSUMPTION OF CITY SERVICES;

Excessive inspection service fee \$250 each, after 4 inspections within 12 months.

Excessive police and nuisance enforcement services \$250 minimum per occurrence, after 4 occurrences within 180 days. If actual costs including salary and fringe benefits for employees and equipment and the pro-rata cost exceed \$250, then the actual costs will be charged as outlined in the ordinance.

EXCESSIVE NOISE;

Is a misdemeanor offense (90 days and/or \$1,000 fine) and is a citable offense by law enforcement or will be charged by complaint for code enforcement.

AGENDA ITEM __5__

SAFETY SURVEY PRESENTED BY THE POLICE DEPT

PowerPoint slides of the presentation will be handed out at the Work Session.