

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 12, 2020

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF INVER GROVE HEIGHTS, MINNESOTA (Dakota County)

\$1,675,000* GENERAL OBLIGATION IMPROVEMENT REFUNDING BONDS, SERIES 2020A

PROPOSAL OPENING: November 23, 2020, 10:30 A.M., C.T. **CONSIDERATION:** November 23, 2020, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,675,000* General Obligation Improvement Refunding Bonds, Series 2020A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapters 429 and 475, and Section 475.67, by the City of Inver Grove Heights, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: December 15, 2020

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$405,000	2024	\$250,000	2026	\$255,000
2023	255,000	2025	250,000	2027	260,000

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2026 and thereafter are subject to call for prior optional redemption on February 1, 2025 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$1,654,900.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$33,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF INVER GROVE HEIGHTS CITY COUNCIL

		<u>Term Expires</u>
George Tourville	Mayor	January 2021
Tom Bartholomew	Council Member	January 2021
Brenda Dietrich	Council Member	January 2023
Kara Perry	Council Member	January 2021
Rosemary Piekarski-Krech	Council Member	January 2023

ADMINISTRATION

Joe Lynch, City Administrator

Amy Hove, Finance Director

Rebecca Kiernan, City Clerk

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Inver Grove Heights, Minnesota (the "City") and the issuance of its \$1,675,000* General Obligation Improvement Refunding Bonds, Series 2020A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on November 23, 2020.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 15, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2026 shall be subject to optional redemption prior to maturity on February 1, 2025 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapters 429 and 475, and Section 475.67, by the City, for the purpose of effecting a current refunding of the City's \$4,885,000 General Obligation Improvement Bonds, Series 2010B (the "Series 2010B Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 461219
Series 2010B Bonds	10/6/10	12/29/20	Par	2021	3.000%	\$370,000	TP2
				2022	3.000%	375,000	TQ0
				2024 (Term)	3.000%	475,000	TS6
				2027 (Term)	3.125%	<u>765,000</u>	TV9
				Total Series 2010B Bonds Being Refunded			

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance.

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$1,675,000	
Transfers from Prior Issue Debt Service Funds	<u>400,253</u>	
Total Sources		\$2,075,253

Uses

Total Underwriter's Discount (1.200%)	\$20,100	
Costs of Issuance	43,000	
Deposit to Current Refunding Fund	2,009,875	
Rounding Amount	<u>2,278</u>	
Total Uses		\$2,075,253

*Preliminary, subject to change

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Series 2010B Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy an additional tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA+" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded from taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2019 have been audited by Abdo, Eick & Meyers, LLP, Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2017/18	2018/19	2019/20
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value \$4,417,142,745¹

	2019/20 Assessor's Estimated Market Value	2019/20 Net Tax Capacity
Real Estate	\$4,166,950,900	\$46,201,120
Personal Property	41,288,600	818,480
Total Valuation	<u>\$4,208,239,500</u>	<u>\$47,019,600</u>
Less: Captured Tax Increment Tax Capacity ²		(74,966)
Fiscal Disparities Contribution ³		<u>(4,100,865)</u>
Taxable Net Tax Capacity		\$42,843,769
Plus: Fiscal Disparities Distribution ³		5,349,093
Adjusted Taxable Net Tax Capacity		<u>\$48,192,862</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 95.32% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$4,417,142,745.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

³ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2019/20 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$31,112,080	66.17%
Agricultural/Rural vacant	245,953	0.52%
Commercial/industrial	8,370,979	17.80%
Public utility	1,423,454	3.03%
Railroad operating property	332,678	0.71%
Non-homestead residential	4,715,976	10.03%
Personal property	818,480	1.74%
Total	<u>\$47,019,600</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Adjusted Taxable Net Tax Capacity ²	Percent +/- in Estimated Market Value
2015/16	\$3,389,097,400	\$3,198,957,044	\$37,895,077	\$36,518,442	+5.80%
2016/17	3,462,768,500	3,270,107,980	38,621,959	37,326,138	+2.17%
2017/18	3,747,182,600	3,560,206,357	41,857,911	40,975,056	+8.21%
2018/19	3,975,951,600	3,802,975,599	44,387,373	43,616,446	+6.11%
2019/20	4,209,239,500	4,043,169,905	47,019,600	48,192,862	+5.87%

¹ Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Xcel Energy	Utility	\$ 1,990,390	4.23%
Flint Hills Resources Pine Bend LLC	Residential	951,622	2.02%
GS Southview LLC	Apartment	910,970	1.94%
Lake Cove Village Partnership	Residential	497,176	1.06%
Salem Green Ltd Partnership	Apartment	473,102	1.01%
PHM Inver Grove Inc.	Apartment	440,401	0.94%
Brentwood Hills Limited Partnership	Apartment	350,636	0.75%
Pearlwood Estates Limited Partnership	Apartment	349,684	0.74%
Chicago & NW Trans Co.	Railroad	314,012	0.67%
Vansouth Ltd Partnership	Commercial	285,186	0.61%
Total		<u>\$ 6,563,179</u>	<u>13.96%</u>

City's Total 2019/20 Net Tax Capacity \$47,019,600

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Dakota County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Bonds)*	\$ 10,830,000
Total G.O. debt secured by taxes	20,010,000
Total G.O. debt secured by utility revenues	<u>13,175,000</u>
Total General Obligation Debt*	<u><u>\$ 44,015,000</u></u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

City of Inver Grove Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 12/15/2020)

Street Reconstruction Bonds 1) Series 2015A			Improvement Bonds Series 2017B			Improvement Refunding Bonds 2) Series 2020A						
Dated Amount	09/17/2015 \$7,745,000	12/28/2017 \$3,505,000	12/15/2020 \$1,675,000*									
Maturity	02/01	02/01	02/01									
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	495,000	167,400	245,000	84,463	0	4,602	740,000	256,464	996,464	10,090,000	6.83%	2021
2022	505,000	154,875	250,000	77,038	405,000	6,723	1,160,000	238,635	1,398,635	8,930,000	17.54%	2022
2023	515,000	139,575	255,000	69,463	255,000	5,669	1,025,000	214,706	1,239,706	7,905,000	27.01%	2023
2024	530,000	123,900	260,000	61,738	250,000	4,785	1,040,000	190,423	1,230,423	6,865,000	36.61%	2024
2025	540,000	107,850	265,000	53,863	250,000	3,785	1,055,000	165,498	1,220,498	5,810,000	46.35%	2025
2026	555,000	91,425	275,000	45,763	255,000	2,521	1,085,000	139,709	1,224,709	4,725,000	56.37%	2026
2027	520,000	75,300	275,000	37,513	260,000	910	1,055,000	113,723	1,168,723	3,670,000	66.11%	2027
2028	540,000	59,400	255,000	30,838			795,000	90,238	885,238	2,875,000	73.45%	2028
2029	555,000	42,975	220,000	25,813			775,000	68,788	843,788	2,100,000	80.61%	2029
2030	570,000	26,100	230,000	20,606			800,000	46,706	846,706	1,300,000	88.00%	2030
2031	585,000	8,775	235,000	14,938			820,000	23,713	843,713	480,000	95.57%	2031
2032			235,000	9,063			235,000	9,063	244,063	245,000	97.74%	2032
2033			245,000	3,063			245,000	3,063	248,063	0	100.00%	2033
	5,910,000	997,575	3,245,000	534,156	1,675,000	28,994	10,830,000	1,560,726	12,390,726			

* Preliminary, subject to change.

- 1) The Street Reconstruction portion of this issue is subject to the debt limit (\$3,785,000 current principal outstanding).
- 2) This issue will refund the 2021 through 2027 maturities of the City's \$4,885,000 General Obligation Improvement Bonds, Series 2010B, dated October 6, 2010.

City of Inver Grove Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/15/2020)

Dated Amount	Capital Improvement Refunding Bonds Series 2016A		Capital Improvement Plan Bonds Series 2018A		Capital Improvement Plan Bonds Series 2019A		Calendar Year Ending
	12/29/2016 \$8,515,000	02/01	12/27/2018 \$9,785,000	02/01	01/03/2019 \$2,500,000	02/01	
Maturity	02/01	02/01	02/01	02/01	02/01	02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	
2021	380,000	220,738	340,000	354,085	100,000	83,700	2021
2022	410,000	208,888	355,000	336,710	100,000	79,700	2022
2023	460,000	195,838	375,000	318,460	100,000	75,700	2023
2024	495,000	181,513	395,000	299,210	105,000	71,600	2024
2025	510,000	166,438	415,000	278,960	110,000	67,300	2025
2026	530,000	151,500	430,000	257,835	115,000	62,800	2026
2027	550,000	136,650	455,000	235,710	120,000	58,100	2027
2028	570,000	121,250	475,000	217,210	125,000	53,825	2028
2029	595,000	105,231	490,000	202,735	125,000	50,075	2029
2030	615,000	88,594	505,000	187,810	130,000	46,250	2030
2031	645,000	71,269	525,000	172,360	135,000	42,275	2031
2032	665,000	52,425	545,000	155,356	140,000	38,150	2032
2033	695,000	32,025	565,000	136,764	145,000	33,784	2033
2034	720,000	10,800	580,000	117,585	150,000	29,175	2034
2035			600,000	97,820	150,000	24,394	2035
2036			625,000	77,301	155,000	19,438	2036
2037			645,000	56,029	160,000	14,219	2037
2038			665,000	34,086	165,000	8,734	2038
2039			685,000	11,474	170,000	2,975	2039
	7,840,000	1,743,156	9,670,000	3,547,500	2,500,000	862,194	
					20,010,000	6,152,850	
					26,162,850		
Calendar Year Ending	Principal	Interest	Total P & I	Principal	Interest	Total P & I	Calendar Year Ending
2021	19,190,000	658,523	1,478,523	820,000	83,700	1,478,523	2021
2022	18,325,000	625,298	1,490,298	865,000	79,700	1,490,298	2022
2023	17,390,000	589,998	1,524,998	935,000	75,700	1,524,998	2023
2024	16,395,000	552,323	1,547,323	995,000	71,600	1,547,323	2024
2025	15,360,000	512,698	1,547,698	1,035,000	67,300	1,547,698	2025
2026	14,285,000	472,135	1,547,135	1,075,000	62,800	1,547,135	2026
2027	13,160,000	430,460	1,555,460	1,125,000	58,100	1,555,460	2027
2028	11,990,000	392,285	1,562,285	1,170,000	53,825	1,562,285	2028
2029	10,780,000	358,041	1,568,041	1,210,000	50,075	1,568,041	2029
2030	9,530,000	322,654	1,572,654	1,250,000	46,250	1,572,654	2030
2031	8,225,000	285,904	1,590,904	1,305,000	42,275	1,590,904	2031
2032	6,875,000	245,931	1,595,931	1,350,000	38,150	1,595,931	2032
2033	5,470,000	202,573	1,607,573	1,405,000	33,784	1,607,573	2033
2034	4,020,000	157,560	1,607,560	1,450,000	29,175	1,607,560	2034
2035	3,270,000	122,214	872,214	750,000	24,394	872,214	2035
2036	2,490,000	96,739	876,739	780,000	19,438	876,739	2036
2037	1,685,000	70,248	875,248	805,000	14,219	875,248	2037
2038	855,000	42,821	872,821	830,000	8,734	872,821	2038
2039	0	14,449	869,449	855,000	2,975	869,449	2039

City of Inver Grove Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 12/15/2020)

Dated Amount	Utility Revenue Refunding Bonds Series 2012A		Utility Revenue Refunding Bonds 1) Series 2014B		Sewer Revenue Bonds Series 2015B		Sewer Revenue Refunding Bonds Series 2017A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	04/24/2012 \$5,710,000	02/01	12/30/2014 \$5,015,000	02/01	09/17/2015 \$4,185,000	02/01	01/12/2017 \$5,685,000	02/01						
Maturity														
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2021	390,000	12,500	360,000	86,188	250,000	108,500	270,000	147,975	1,270,000	355,163	1,625,163	11,905,000	9.64%	2021
2022	400,000	4,300	370,000	78,888	260,000	98,300	275,000	139,800	1,305,000	321,288	1,626,288	10,600,000	19.54%	2022
2023			375,000	71,438	270,000	87,700	290,000	131,325	935,000	290,463	1,225,463	9,665,000	26.64%	2023
2024			390,000	63,300	280,000	76,700	300,000	122,475	970,000	262,475	1,232,475	8,695,000	34.00%	2024
2025			400,000	53,913	295,000	66,675	305,000	113,781	1,000,000	234,369	1,234,369	7,695,000	41.59%	2025
2026			415,000	43,725	300,000	56,250	315,000	105,256	1,030,000	205,231	1,235,231	6,665,000	49.41%	2026
2027			425,000	32,694	315,000	45,525	320,000	96,525	1,060,000	174,744	1,234,744	5,605,000	57.46%	2027
2028			440,000	20,250	325,000	35,925	330,000	87,588	1,095,000	143,763	1,238,763	4,510,000	65.77%	2028
2029			455,000	6,825	335,000	26,025	340,000	78,375	1,130,000	111,225	1,241,225	3,380,000	74.35%	2029
2030					345,000	15,825	350,000	68,888	695,000	84,713	779,713	2,685,000	79.62%	2030
2031					355,000	5,325	360,000	59,125	715,000	64,450	779,450	1,970,000	85.05%	2031
2032							370,000	49,088	370,000	49,088	419,088	1,600,000	87.86%	2032
2033							385,000	38,706	385,000	38,706	423,706	1,215,000	90.78%	2033
2034							395,000	27,981	395,000	27,981	422,981	820,000	93.78%	2034
2035							405,000	16,981	405,000	16,981	421,981	415,000	96.85%	2035
2036							415,000	5,706	415,000	5,706	420,706	0	100.00%	2036
	790,000	16,800	3,630,000	457,219	3,330,000	622,750	5,425,000	1,289,575	13,175,000	2,386,344	15,561,344			

1) This represents the \$5,015,000 Series 2007C Refunding portion of the \$7,430,000 General Obligation Refunding Bonds, Series 2014B.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2019/20 Assessor's Estimated Market Value	\$4,209,239,500
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 126,277,185
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>(23,795,000)</u>
Unused Debt Limit	<u><u>\$ 102,482,185</u></u>

¹ Includes a portion of the City's \$7,745,000 General Obligation Bonds, Series 2015A which is payable entirely from taxes (\$3,785,000 Street Reconstruction portion current principal outstanding).

OVERLAPPING DEBT¹

Taxing District	2019/20 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
I.S.D. No. 196 (Rosemount-Apple Valley-Eagan)	\$ 195,089,579	29.9445%	\$122,785,000	\$36,767,354
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	74,618,677	0.6899%	136,015,000	938,367
I.S.D. No. 199 (Inver Grove Heights)	34,189,626	93.8619%	51,435,000 ³	48,277,868
Metropolitan Council	4,576,187,142	1.0531%	230,225,000 ⁴	2,424,499
City's Share of Total Overlapping Debt				<u>\$88,408,090</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does **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 Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

⁴ The above 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 or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$4,417,142,745)	Debt/ Current Population Estimate (35,321)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$ 10,830,000		
Taxes	20,010,000		
Utility Revenues	13,175,000		
Total General Obligation Debt (includes the Bonds)*	<u>\$ 44,015,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(13,175,000)</u>		
Tax Supported General Obligation Debt*	\$ 30,840,000	0.70%	\$873.14
 City's Share of Total Overlapping Debt	 <u>\$ 88,408,090</u>	 <u>2.00%</u>	 <u>\$2,502.99</u>
 Total*	 <u><u>\$ 119,248,090</u></u>	 <u><u>2.70%</u></u>	 <u><u>\$3,376.12</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy¹	Total Collected Following Year	Collected to Date²	% Collected
2015/16	\$15,939,772	\$15,836,830	\$15,932,033	99.95%
2016/17	17,079,130	16,974,757	17,071,625	99.96%
2017/18	18,548,048	18,476,728	18,531,495	99.91%
2018/19	20,720,699	20,630,405	20,649,738	99.66%
2019/20	21,936,429	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through February 29, 2020.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2015/16	2016/17	2017/18	2018/19	2019/20
Dakota County	28.570%	28.004%	26.580%	25.386%	24.133%
City of Inver Grove Heights	49.266%	51.644%	53.792%	53.537%	51.037%
I.S.D. No. 196 (Rosemount-Apple Valley-Eagan)	24.317%	23.336%	21.352%	20.613%	19.860%
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	22.170%	22.295%	21.224%	24.246%	22.125%
I.S.D. No. 199 (Inver Grove Heights)	30.272%	28.572%	26.680%	26.537%	22.896%
Metropolitan Council	0.958%	0.878%	0.821%	0.666%	0.606%
Mosquito Control	0.491%	0.475%	0.443%	0.435%	0.406%
CDA	1.547%	1.548%	1.479%	1.479%	1.469%
Transit District	1.261%	1.215%	1.104%	1.244%	1.150%
Light Rail	0.357%	0.342%	0.031%	0.000%	0.000%

Referendum Market Value Rates:

I.S.D. No. 196 (Rosemount-Apple Valley-Eagan)	0.26999%	0.27380%	0.26715%	0.26162%	0.34367%
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	0.17650%	0.16955%	0.16017%	0.16863%	0.15911%
I.S.D. No. 199 (Inver Grove Heights)	0.13929%	0.14151%	0.17143%	0.13282%	0.12279%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Dakota County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1965. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, Finance Director and Deputy City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 144 full-time, 164 part-time, and 103 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
AFSCME Local 1065	December 31, 2020
LELS Local 189 Police Sergeants	December 31, 2020
LELS Local 84 Patrol Officers	December 31, 2020
IUOE Local 70	December 31, 2020
International Association of Firefighters	new

Status of contracts

The newly established Firefighters bargaining unit is in the beginning stages of negotiations. This contract is scheduled to become active on January 1, 2021.

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Comprehensive Annual Financial Report (CAFR) shows a total OPEB liability of \$669,716 as of December 31, 2019. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent CAFR.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of August 31, 2020)

Fund	Total Cash and Investments
General	\$11,214,716
Special Revenue	5,767,875
Debt Service	2,624,538
Capital Projects	28,222,560
Enterprise Funds	14,460,194
Escrow & Investment	2,686,596
Internal Service Funds	14,238,226
Total Funds on Hand	<u>\$79,214,705</u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2017	2018	2019
Water			
Total Operating Revenues	\$ 3,051,811	\$ 3,132,068	\$3,031,231
Less: Operating Expenses	<u>(2,671,417)</u>	<u>(2,986,324)</u>	<u>(2,771,151)</u>
Operating Income	\$ 380,394	\$ 145,744	\$ 260,080
Plus: Depreciation	<u>968,851</u>	<u>981,213</u>	<u>963,410</u>
Revenues Available for Debt Service	<u><u>\$ 1,349,245</u></u>	<u><u>\$ 1,126,957</u></u>	<u><u>\$1,223,490</u></u>
Sewer			
Total Operating Revenues	\$ 3,460,592	\$ 3,693,679	\$3,738,809
Less: Operating Expenses	<u>(3,616,761)</u>	<u>(3,465,552)</u>	<u>(3,565,648)</u>
Operating Income	\$ (156,169)	\$ 228,127	\$ 173,161
Plus: Depreciation	<u>678,407</u>	<u>685,662</u>	<u>672,246</u>
Revenues Available for Debt Service	<u><u>\$ 522,238</u></u>	<u><u>\$ 913,789</u></u>	<u><u>\$ 845,407</u></u>
Golf Course			
Total Operating Revenues	\$ 1,466,680	\$ 1,878,647	\$1,752,631
Less: Operating Expenses	<u>(3,901,573)¹</u>	<u>(1,932,241)</u>	<u>(1,796,957)</u>
Operating Income	\$ (2,434,893)	\$ (53,594)	\$ (44,326)
Plus: Depreciation	<u>219,332</u>	<u>215,603</u>	<u>247,377</u>
Revenues Available for Debt Service	<u><u>\$ (2,215,561)</u></u>	<u><u>\$ 162,009</u></u>	<u><u>\$ 203,051</u></u>

¹ Amount shown reflects one time expenses for improvements in the amount of \$2,179,526.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2019 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				2020 Adopted Budget 1)
	2016 Audited	2017 Audited	2018 Audited	2019 Audited	
Revenues					
Property taxes	\$16,077,810	\$17,276,421	\$19,194,085	\$20,806,680	\$21,893,800
Licenses and permits	1,133,121	1,355,686	1,515,601	1,884,737	1,662,400
Intergovernmental revenue	676,129	697,599	738,829	782,790	696,100
Charges for services	660,604	620,978	672,773	670,978	1,147,700
Fine and forfeitures	119,855	173,365	185,181	187,738	180,000
Special assessments	2,605	7,392	11,955	6,347	8,000
Interest on investments	74,848	79,380	123,461	192,324	124,700
Miscellaneous	8,409	68,522	23,078	50,961	228,700
Total Revenues	\$18,753,381	\$20,279,343	\$22,464,963	\$24,582,555	\$25,941,400
Expenditures					
Current:					
General government	\$1,853,731	\$1,849,983	\$2,132,161	\$2,140,311	\$3,573,600
Public safety	9,332,846	9,837,271	10,753,947	11,811,292	11,853,500
Public works	3,728,436	3,958,174	4,161,550	4,505,106	4,310,100
Recreation	1,695,806	1,834,875	1,968,623	2,078,035	2,132,500
Community development	1,324,928	1,546,943	1,661,858	1,601,207	1,700,900
Debt service	0	48,239	28,203	1,565	0
Total Expenditures	\$17,935,747	\$19,075,485	\$20,706,342	\$22,137,516	\$23,570,600
Excess of revenues over (under) expenditures	\$817,634	\$1,203,858	\$1,758,621	\$2,445,039	\$2,370,800
Other Financing Sources (Uses)					
Transfers in	\$781,575	\$678,659	\$639,994	\$520,551	\$0
Transfers (out)	(1,909,900)	(1,318,700)	(2,045,220)	(2,007,857)	(2,370,800)
Total Other Financing Sources (Uses)	(1,128,325)	(640,041)	(1,405,226)	(1,487,306)	(2,370,800)
Net changes in Fund Balances	(\$310,691)	\$563,817	\$353,395	\$957,733	\$0
General Fund Balance January 1	\$9,926,619	\$9,615,928	\$10,179,745	\$10,533,140	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$9,615,928	\$10,179,745	\$10,533,140	\$11,490,873	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$15,799	\$141,195	\$12,679	\$177,753	
Unassigned	9,600,129	10,038,550	10,520,461	11,313,120	
Total	\$9,615,928	\$10,179,745	\$10,533,140	\$11,490,873	

1 The 2020 budget was adopted on December 9, 2019.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 33,880 and a current population estimate of 35,321, and comprising an area of 19,000 acres, is located approximately 10 miles south of the City of St. Paul.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
CHS Inc.	Agricultural supply/service cooperative	1,300 ²
I.S.D. No. 199 (Inver Grove Heights)	Elementary and secondary education	668
Gertens	Garden center and nursery	435
Inver Hills Community College	Post-secondary education	432
City of Inver Grove Heights	Municipal government and services	411
Travel Tags, Inc.	Luggage tags, credit cards, badges	350 ³
Walmart	Retail store	210
Total Construction & Equipment, Inc.	Construction, electrical, & heavy equipment	200
Woodlyn Heights Senior Living	Nursing & convalescent Homes	200
Cub Foods	Grocery store	160
Target	Retail store	150

Source: *ReferenceUSA, written and telephone survey (October 2020), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Reflects two locations in the City of Inver Grove Heights.

³ Total number of employees is as of November 2018.

BUILDING PERMITS

	2016	2017	2018	2019	2020 ¹
<u>New Single Family Homes</u>					
No. of building permits	51	69	102	90	21
Valuation	\$17,734,000	\$24,126,000	\$38,946,162	\$29,882,081	\$8,223,300
<u>New Multiple Family Buildings</u>					
No. of building permits	44	42	8	2	0
Valuation	\$9,281,000	\$9,348,000	\$1,753,000	\$8,344,689	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	0	4	8	4
Valuation	\$9,013,000	\$0	\$18,044,700	\$20,149,408	\$4,998,200
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	1,075	4,380	3,157	3,212	1,751
Valuation	\$65,202,900	\$78,965,132	\$84,372,777	\$107,048,411	\$53,268,761

Source: The City.

¹ As of September 30, 2020.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	29,751
2010 U.S. Census population	33,880
2019 State Demographer's Estimate	35,321
Percent of Change 2000 - 2010	+ 13.88%

Income and Age Statistics

	The City	Dakota County	State of Minnesota	United States
2018 per capita income	\$41,954	\$40,441	\$36,245	\$32,621
2018 median household income	\$74,883	\$83,288	\$68,411	\$60,293
2018 median family income	\$93,274	\$100,822	\$86,204	\$73,965
2018 median gross rent	\$1,048	\$1,119	\$944	\$1,023
2018 median value owner occupied units	\$239,200	\$252,000	\$211,800	\$204,900
2018 median age	39.4 yrs.	37.8 yrs.	37.9 yrs.	37.9 yrs.

	State of Minnesota	United States
City % of 2018 per capita income	115.75%	128.61%
City % of 2018 median family income	108.20%	126.11%

Housing Statistics

	<u>The City</u>		
	2010	2019	Percent of Change
All Housing Units	13,476	14,237	5.65%

Source: 2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Dakota County	Dakota County	State of Minnesota
2016	227,759	3.4%	3.9%
2017	230,951	3.0%	3.4%
2018	233,744	2.5%	2.9%
2019	235,645	2.9%	3.2%
2020, September	224,758	5.7%	5.4%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**REPORT PREPARED BY:
FINANCE DEPARTMENT**

City of Inver Grove Heights, Minnesota
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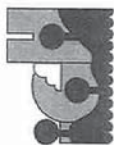
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INTRODUCTORY SECTION
CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Inver Grove Heights

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

June 3, 2020

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, 2019.

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, 2019, 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, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP 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 and part of the Twin Cities Metropolitan Area that includes Minneapolis with a total population estimated to be 4 million. The city is located in Dakota county, one of the fastest growing counties in the state in terms of population, housing and business growth. The City of Inver Grove Heights currently occupies a land area of approximately 30 square miles and serves a population of approximately 36,000. 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.

8150 Barbara Ave. Inver Grove Heights, MN 55077-3412
Telephone: 651-450-2500 • Fax: 651-450-2502

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.

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, community development support, 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 located 11 miles away.

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 2019, the City implemented GASB #84, Fiduciary Activities. Implementation did not have any financial effect on the City.

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. 116A*. 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, except for 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 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 2019, the Community Development Department of the city experienced another busy year of construction and development activity. There was continued work on comprehensive land-use planning, zoning, housing and commercial development, environmental sustainability, and other strategic development issues.

Inver Grove Heights had \$107 million of new construction in 2019 compared to \$81 million in 2018 and \$80 million in 2017. Total residential construction was 174 new dwelling units, including 102 single-family units and 72 multi-family units. In comparison, 82 single-family homes were built in 2018 and 69 in 2017. Residential additions and remodeling continued as homeowners reinvested in their homes. The City issued more than 3,200 building permits for commercial, residential, and remodeling projects in 2019 of which \$68.5 million was residential in nature, \$19.5 million was new commercial building construction and \$21 million was renovation of commercial properties in the city. This continues to reflect a growth trend as total commercial and industrial construction in 2019 totaled \$40.5 in valuation and in 2018 it was \$32.3 million and in 2017 it was \$11.1 million.

Commercial/industrial development approved for construction in 2019 consisted of the city's largest private sector employer, CHS, renovating floors 2 and 3 of their corporate office and constructing a new parking ramp to accommodate sizeable employee growth at this location, a new gas station convenience store (Casey's General Store) and a complete rebuild of an existing gas station convenience store (Holiday Store) and a new climate controlled storage facility (STOR). Commercial renovations that were approved for construction in 2019 included a major renovation of a medical care facility, improvements to Toyota and Ford Dealerships, a McDonald's Restaurant, the doubling in size of Inver Grove Heights Veterinary Clinic, the build out of Inver Grove Brewery and Restaurant in a vacant commercial building, multiple office renovations and sizeable additions to the state community college (Inver Hills) and a public elementary school (Pine Bend). The city also constructed and opened fire station #2 near the center of the city for the purpose of improving the provision of public safety services to the growing population.

The City processed over 80 zoning applications in 2019, including new plats, rezonings to accommodate development, code amendments and conditional use permits. This planning work lay the groundwork for continued residential and commercial 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.

In 2019, the City completed a long range 2040 Comprehensive Plan for guiding future development with an eye toward maximizing city opportunities for growth while also providing quality services. Numerous meetings were conducted with the City Council, Planning Commission, Economic Development Authority, and Housing Committee and many land use alternatives were explored. The plan was submitted to the Metropolitan Council a regional planning body, who reviewed and approved it prior to city council adoption.

In economic development activities, the Inver Grove Heights Economic Development Authority (EDA) adopted an economic development strategic plan, that tracks market demand and demographics to position the city for smart growth. The EDA also approved a contract for another year of the 'Open to Business' program counseling services provided by a Twin Cities non-profit for the purpose of supporting the start-up and growth of local business.

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 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 June 2019 our first K-9 Officer and Partner graduated from an intensive training school in St. Paul and now patrol the street and participate in events in the community showing all the uses for a K-9.

In 2020 the police department will be hiring their first three Police Cadets. The cadets will supplement the police officers by taking animal calls, car lock outs and other duties. The department will also be sending 4 officers to IPMBA bike certification school so they can patrol the City Parks on a bicycle.

Fire Department

The number of emergency calls increased to a record high of 1,811 calls for service, a 15% increase. This is a 51% increase since we started the duty crew in January 2016. While the calls are up, the duty crew size has not changed and remains at 3 personnel on shift. Of those total calls, 62%, were for Emergency Medical Services and Rescue Calls, the same number as in 2018. The rest involved a combination of many other classifications such as: fires, alarms (fire/carbon monoxide), etc. Of those 1,811 calls, 9.1% were concurrent calls where we had at least two calls at the same time. This was up slightly from 2018 where they accounted for 8.5% of the calls, but down from 2017, when concurrent calls were 10.6% of the total.

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 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. In August of 2019, we made conditional job offers to 11 and 2 dropped out before any training started. Three more have since dropped out, leaving us presently with 6. However, in 2019, we lost 14 firefighters out of the paid-on-call ranks.

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 highly trained and 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 2018. We must 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 department. Since these are paid-on-call positions and we must train everyone from within, we cannot hire these positions off the street. Because of this lack of experienced firefighters that could serve as an officer on the duty crew, in 2019, we hired 3 full time Shift Captains who work 24 hours at a time so we always have an experienced officer for duty crew. We still have paid-on-call battalion chiefs and lieutenants who fill in the officer position when the shift captains have time off.

Before we hired the 3 shift captains, we had to increase the minimum duty crew hours from 24 hours a month to 28 and even that was not enough to fill all of the open shifts. However, once the shift captains started, we were able to reduce the required hours from 28 to 20 per month. Some of that free time however was taken up by requiring firefighters to respond to a minimum of 25% of the call-backs. These call backs include times when the duty crew is otherwise busy on another call or a larger call that requires more than the 3-person duty crew. That new requirement amounted to an average of 5 call-backs per month.

The department ordered a new 100-foot platform ladder truck to replace the one that is 28 years old. In addition, they also ordered a new heavy rescue truck that will be replacing the current rescue truck that is over 30 years old. Both are due in spring of 2020. Although construction on the new fire station #2 started in 2018, the bulk of the work was completed in 2019. In mid-December 2019, 14 months after starting construction, the fire station opened on a limited basis for training and on-call response. The dorm rooms were not ready yet in 2019. Fire department administrative offices started moving from City Hall to the new fire station at the end of the year.

From this new station, response times to the southern part of the city were reduced, especially to the southeast part of the city. Reducing response times means the Fire Department is now able to improve its quality of care and safety and has started to show benefit to 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 13 out of our 46 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 prevention, community activities and public education. In 2019, we hired a full time Fire Inspector. While we have always had a full time Fire Marshal, he did not have time to inspect current businesses and multi-family dwellings. This is where the new Inspector has started focusing his time and efforts. The Fire Department also continues to be active with the 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 2019 urban street reconstruction project rebuilt 0.40 miles of street. The crack seal and seal coat projects covered 6.89 and 10.61 miles of street, respectively. The street system was expanded in 2019 with the construction of 0.25 mile of streets in new residential developments and by 0.46 mile with the construction of new 65th Street. The City also participated in the construction of a roundabout at the intersection of Trunk Highway 3 and 70th Street. An additional 0.46 mile of trunk watermain was also installed.

Parks & Recreation

The City successfully completed acquisition of property along Doffing Ave. for park purposes and along the way we have been able to completely remediate the 70-acre property from known contamination on site making it available for public park use. We successfully opened an off-leash dog park in Heritage Village Park in 2019 and currently have over 500 pass holders. We also had a successful ribbon cutting of the North Valley Park Pickleball Courts where we constructed six (6) outdoor courts.

The City is actively pursuing the purchase of land for public parks in the NW area and hopes to make acquisition and begin development in 2020. The City and County continue to work cooperatively on the Mendota Lebanon Regional Trail and the Veterans Memorial Greenway (formerly Rich Valley Greenway).

At the VMCC/Grove, our older adult population continues to grow and participate in many of our social and fitness opportunities. In 2020, we will be replacing the HVAC equipment that services the lap pool and adding basketball hoops to the National Guard Gymnasium and creating a larger birthday party room.

In recreation we saw several new staff in 2019 and we are excited to take a fresh look at the programs we offer to the community to be active.

Inver Wood continues to perform well financially as a positive recreational asset in the community. We expect the 2016 membership drive patrons to continue to utilize the course in 2020 helping improve our tee time utilization and the revenue we generate in greens fees, driving range, pro shop, and food & beverage operations.

Administration

In 2019 the City had some significant changes happen.

The City had several new hires, Police Chief, Community Development Director, Finance Director, City Clerk, IT Manager, and a Communications Manager.

The City undertook a year's long program of cultural assessments. Each Department in many different locations went through a process to survey employees about the current culture the changes they wanted to make to an ideal culture and set a roadmap for projects and changes to make to get there.

The Capital Improvement Plan is a major planning tool for the City and in 2019 we re-examined the way that the tool was laid out, the assumptions made in it and how to fund competing interests while reducing reliance on taxes or increasing debt.

We continue 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.

Technology continues to be at the core of the operations for the City. Besides hiring a new IT Manager, the City made the decision to add staff, including a new position to assist with our Systems Administrator. The City adopted an IT plan that outlines projects, staffing and focus areas for the next five years.

For the Future

The City's Comprehensive Plan was approved in 2019. This sets forth goals, policies, and plans for the City's future growth and development over the next 20 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 continues to concentrate 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 2020 initiatives include: continuation of the department's social media presence and expansion of outreach efforts in high call volume locations. A community survey was done again in 2019, the Community Safety Survey is a guide that is used to help assess annual policing priorities. We will have officers trained on bicycles to patrol the parks as well as certified on use of a Utility Task Vehicle (UTV) for park patrol.

The Fire Department continues to move forward with the third fire station. Most of construction was completed in 2019 and will finalize in 2020. Due to the continued issues with recruitment and retention of non-career firefighters, full time shift captains were added in 2019 and an internal staffing study will be completed in 2020. Two replacement trucks will be received in the first half of 2020 and fire personnel will receive training in each before putting into operation.

In 2020, the proposed Pavement Management Program will involve work on 14.18 miles of streets. The program will include reconstruction, mill and overlay, crack seal and seal coat projects. The City will partner with Dakota County on the design of a major road improvement project that will expand 70th Street from two to four lanes between the Eagan border and Trunk Highway 3, and that will continue the realignment of Argenta Trail from Amnata Trail to 65th Street.

At South Valley Park we have updated the master plan and will be applying for a MN DNR Outdoor Recreation Grant, that, if successful will allow us to begin implementation of different concepts found in the plan such as new playground equipment, a new shelter, performance space, and additional parking in 2021/2022. We also plan to build the communities first inclusive Playground at Heritage Village Park in 2021 which will be supported by shelters and a restroom facility. 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 undertaking the job of updating our Comprehensive Park, Recreation, Trail, and Facility Plan in 2020. The process will include significant community engagement and will help provide a vision for the system over the next 10-20 year. The plan will cover parks, recreation programs, trails, the VMCC/Grove, and Inver Wood Golf Course.

With our 2016 Anniversary Membership expiring at the end of 2020, we plan to introduce a new campaign in the fall of 2020 for 2021/2022 play. We expect there to be strong interest in the membership program as we have received positive feedback from existing members. At the VMCC, all four (4) pools filtration system will be replaced in 2021 as an ongoing effort to improve efficiency and replace failing infrastructure.

Finally, we are working with McKinstry to develop a city-wide operations and maintenance plan for all city facilities. The completed plan will provide us with a list of all the assets, their value, condition assessment, and anticipated maintenance and capital replacement needs so we can plan for and budget properly. This is an import project so we can continue to provide excellent municipal services to the public.

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, 2018. This was the thirty-second (32) 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



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

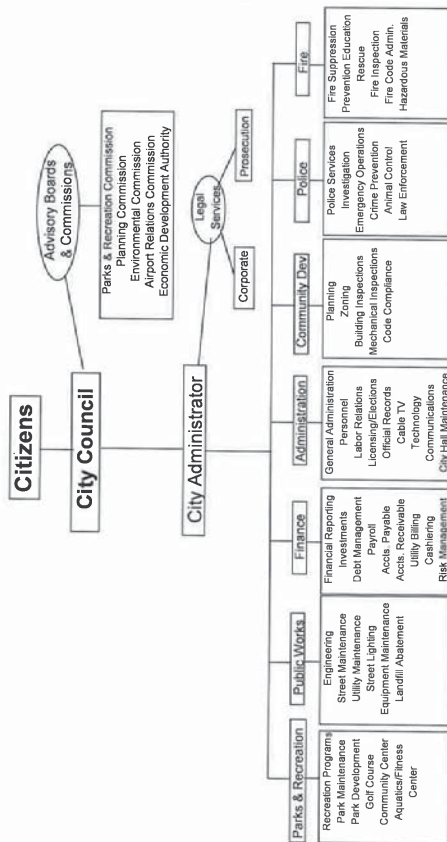
December 31, 2018



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, 2019

ELECTED

Name	Title	Term Expires
George Tourville	Mayor	12/31/20
Tom Bartholomew	Council Member	12/31/20
Rosemary Piekarski Krech	Council Member	12/31/22
Kara Perry	Council Member	12/31/20
Brenda Dietrich	Council Member	12/31/22

APPOINTED

Name	Title
Joe Lynch	City Administrator
Shannon Battles	Interim Finance Director
Melissa Chiodo	Police Chief
Judy Smith-Thill	Fire Chief
Scott Thureen	Director of Public Works
Heather Rand	Community Development Director
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, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2019, 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.

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. 84, Fiduciary Activities, for the year ended December 31, 2019. 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 June 3, 2020, 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 3, 2020

People
+ Process.
Going
Beyond the
Numbers

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, 2019. 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 \$223,646,303 (net position). Of this amount, \$53,923,861 (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 \$10,912,809 and business-type activities increased \$2,137,641, resulting in a total increase of \$13,050,450, mainly as a result of current year decrease in expenses for business-type activities and increase in taxes for the governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,255,122, a decrease of \$1,789,489 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$11,313,120 or 43.6 percent of next year's budgeted expenditures.
- The City's total debt decreased \$6,634,427, (12.00% percent) during the current fiscal year. The decrease was due to scheduled debt payments and refunding bond payments from funds held in escrow.

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 explain 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 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 and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact 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, Developer Escrow 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.

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 112 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 \$223,646,303 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (71.5 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		
	2019	2018	(Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 74,778,831	\$ 74,813,209	\$ (34,378)	\$ 13,721,302	\$ 18,071,992	\$ (4,350,690)
Capital assets, net of depreciation	141,064,641	129,656,597	12,408,054	66,066,165	66,691,793	(625,628)
Total Assets	215,843,472	203,469,796	12,373,676	79,787,467	84,763,785	(4,974,318)
Deferred Outflows of Resources						
Deferred charge on refunding	1,657	21,532	(19,875)	174,194	193,371	(19,177)
Deferred other postemployment benefits resources	60,536	49,227	11,309	7,981	6,474	1,507
Deferred pension resources	5,840,739	6,862,683	(1,021,944)	115,171	198,559	(83,388)
Total Deferred Outflows of Resources	5,902,932	6,933,442	(1,030,510)	297,346	398,404	(101,058)
Liabilities						
Long-term liabilities outstanding	46,100,758	45,411,593	689,165	16,088,530	22,800,580	(6,712,050)
Other liabilities	7,407,927	6,032,693	1,375,234	1,071,041	1,512,796	(441,755)
Total Liabilities	53,508,685	51,444,286	2,064,399	17,159,571	24,313,376	(7,153,805)
Deferred Inflows of Resources						
Deferred pension resources	7,326,028	8,809,799	(1,483,771)	174,503	235,827	(61,324)
Deferred other postemployment benefits resources	16,015	-	16,015	2,112	-	2,112
Total Deferred Inflows of Resources	7,342,043	8,809,799	(1,467,756)	176,615	235,827	(59,212)
Net Position						
Net investment in capital assets	108,559,698	101,204,542	7,355,156	51,455,529	51,148,138	307,391
Restricted	9,707,215	9,651,283	55,932	-	-	-
Unrestricted	42,628,763	39,293,328	3,335,435	11,285,098	9,454,546	1,830,552
Total Net Position	\$160,895,676	\$150,149,153	\$10,746,523	\$62,750,627	\$60,612,986	\$2,137,641

An additional portion of the City's net position (4.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$53,923,861) 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:

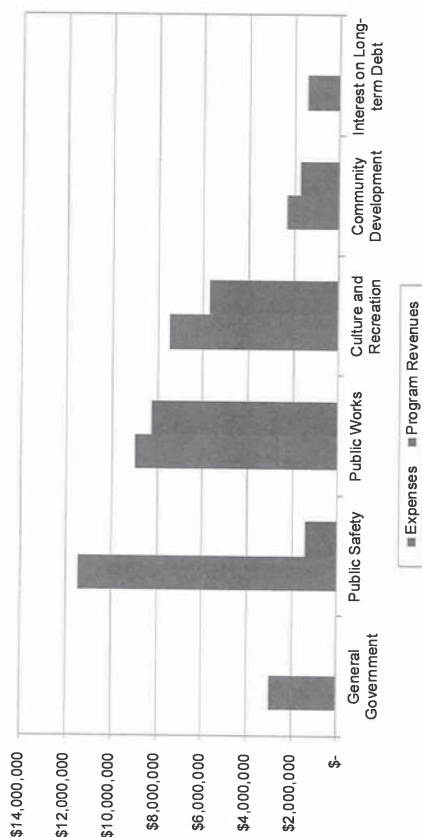
City of Inver Grove Heights' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 9,859,253	\$ 8,728,312	\$ 1,130,941	\$ 8,540,285	\$ 8,705,346	\$ (165,061)
Operating grants and contributions	3,254,500	2,567,895	686,605	6,667	10,087	(3,420)
Capital grants and contributions	4,182,202	7,803,984	(3,621,782)	2,106,572	1,717,863	388,709
General Revenues						
Taxes						
Property taxes	23,348,621	21,043,742	2,304,879	-	-	-
Tax increment	1,738,995	1,855,941	(83,054)	-	-	-
Other taxes	1,305,257	1,269,287	35,970	-	-	-
Grants and contributions not restricted to specific programs	75,893	161,095	(85,202)	-	-	-
Unrestricted investment earnings	1,592,145	761,542	830,603	341,373	354,161	(12,808)
Gain on sale of capital assets	-	21,486	(21,486)	-	-	-
Total Revenues	45,556,866	44,013,284	1,543,582	10,994,897	10,787,477	207,420
Expenses						
General government	3,017,849	2,395,562	622,287	-	-	-
Public safety	11,486,291	10,236,391	1,249,900	-	-	-
Public works	8,995,180	7,056,944	1,938,236	-	-	-
Culture and recreation	7,487,438	7,139,360	348,078	-	-	-
Community development	2,322,377	2,124,968	197,409	-	-	-
Interest on long-term debt	1,452,062	1,091,471	360,591	-	-	-
Water	-	-	-	2,779,567	3,003,455	(223,888)
Sewer	-	-	-	3,959,592	4,123,098	(163,506)
Golf course	-	-	-	1,796,957	1,932,241	(135,284)
Total Expenses	34,765,197	30,044,716	4,720,481	8,538,116	9,059,804	(522,688)
Excess before Transfers	10,591,669	13,968,568	(3,376,899)	2,456,781	1,728,673	730,108
Transfers (Net)	321,140	939,547	(618,407)	(321,140)	(939,547)	618,407
Change in Net Position	10,912,809	14,908,115	(3,995,306)	2,137,641	788,126	1,348,515
Prior Period Adjustment (See Note 10)	(166,286)	-	(166,286)	-	-	-
Net Position, January 1	150,149,153	135,241,038	14,908,115	60,612,986	59,823,860	789,126
Net Position, December 31	\$160,895,676	\$150,149,153	\$10,746,523	\$62,750,627	\$60,612,986	\$2,137,641

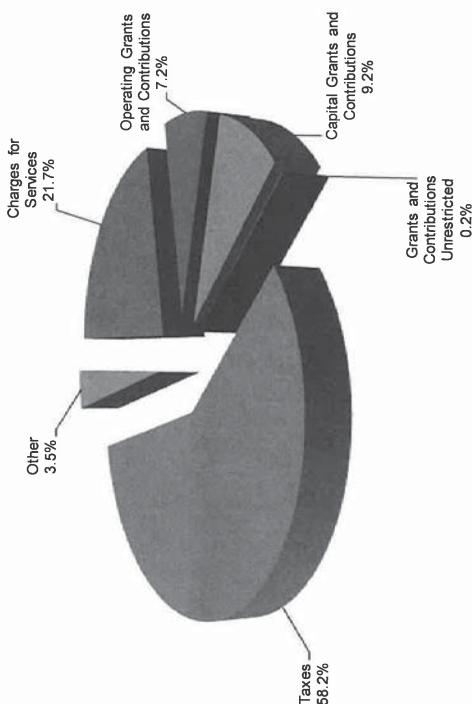
- The decrease in capital grants and contributions from 2018 was due to the MSA funds recorded in the prior year (approximately \$5 million) from the State of Minnesota for street construction.
- The increase in governmental activity expenses was due to an increase in project costs combined with a decrease in recognized pension expense.

Governmental Activities. Governmental activities increased the City's net position by \$10,912,809. This increase was primarily the result of current year increases in tax revenue and charges for services. The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



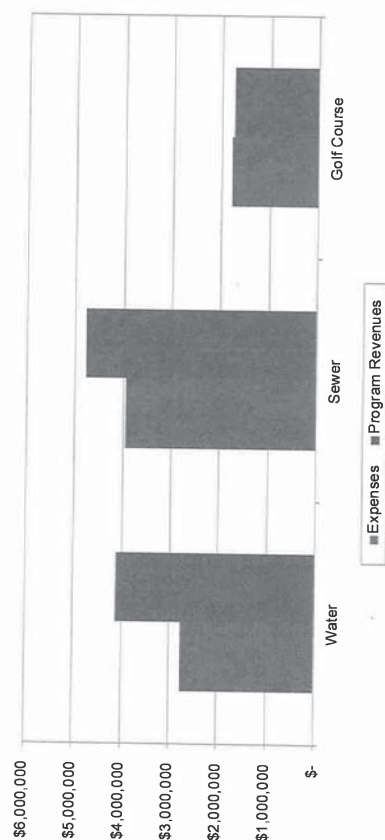
Revenues by Source - Governmental Activities



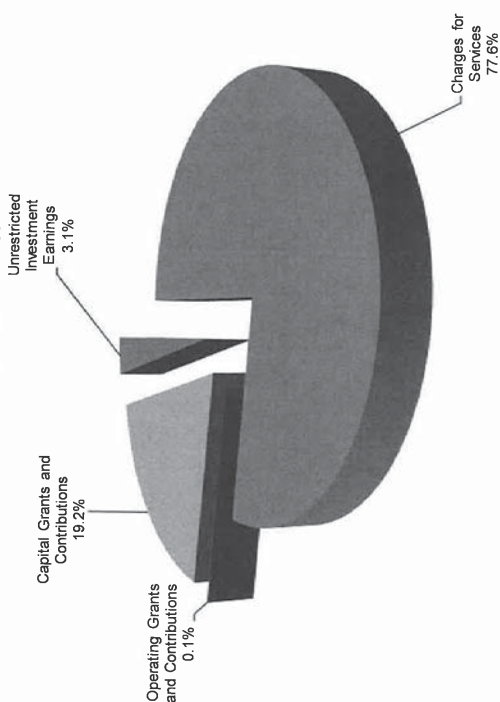
Business-type Activities. The net position of business-type activities increased by \$2,137,641. This increase was primarily the result of a decrease in expenses and an increase in charges for services.

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 \$42,255,122, a decrease of \$1,789,489 in comparison with the prior year. Approximately 12.6 percent of this total amount, \$7,211,392, 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 \$192,989; 2) restricted \$10,642,272; 3) committed \$2,836,946; or 4) assigned \$21,371,523. For further classification refer to Note 3E starting on page 80 of this report.

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

	Major Fund		Increase (Decrease)
	2019	2018	
General			
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 43.7 percent of next year's budgeted expenses. The increase in fund balance was mostly a result of higher than expected revenues from our various building permit-related accounts.	\$ 11,490,873	\$ 10,533,140	\$ 957,733
Improvement Bonds			
The Improvement Bonds fund has a total fund balance of \$3,898,507, all of which is restricted for the payment of debt service.	\$ 3,887,236	\$ 3,917,211	\$ (29,975)
Community Center			
Charges for services for 2019 totaled \$2,376,481. The fund also received transfers of \$732,242 to assist with operating and capital costs resulting in an increase in fund balance.	\$ (1,786,238)	\$ (1,855,758)	\$ 69,520
Closed Bond			
The Closed Bond fund has a total fund balance of \$1,968,205, of which all is assigned for capital improvements. The net increase in fund balance of \$236,160 was due to interest earnings received in excess of program expenditures.	\$ 1,968,905	\$ 1,710,725	\$ 258,180
Local Improvement Construction			
The Local Improvement Construction fund was established to account for the governmental portion of improvement projects. The decrease is primarily related to the spend down of bond proceeds and use of reserves for ongoing capital projects. The State has approved the City's request for an advance in State Aid funding which will allow for completion of pending street projects.	\$ (955,083)	\$ 2,304,983	\$ (3,260,076)
Pavement Management			
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.	\$ 5,670,367	\$ 5,619,860	\$ 50,507
Host Community			
Charges for services for 2019 totaled \$2,834,353. These were offset with transfers out of \$907,275 to other funds for various needs of the funds including operations and capital projects resulting in an increase in fund balance. The ending balance is assigned for capital improvements.	\$ 6,927,640	\$ 5,050,724	\$ 1,876,916
Developer Escrow			
The Developer Escrow fund was established to account for the developer escrow receipts and related costs. Revenue is recognized in this fund as funds are used for building related costs.	\$ -	\$ -	\$ -

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 \$11,295,088. 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 \$0 decrease in fund balance and the final budget anticipated use of \$82,200 of fund balance due to carryover requests from the 2018 budget. Revenues were more than budget by \$604,055, primarily due to licenses and permits coming over budget by \$505,637. Expenditures were \$402,184 less than budgeted amounts, primarily due to expenditures for public safety and community development coming under budget by \$132,283 and \$117,793 respectively.

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, 2019, amounts to \$207,132,806 (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 \$793,828 were made by the Public Works Department to acquire machinery and equipment. This includes: \$221,959 for the purchase of a Mack Truck and the accessorizing of another Mack Truck purchased in the previous year, \$314,569 for eight service trucks, \$154,782 for a Generator, \$34,548 for GBS Survey Equipment, and \$67,977 for a two Sld Loaders.
- Four Vehicles were purchased on behalf of the City's Public Safety Department for \$129,285, which included \$82,951.62 for Squad cars, \$38,074 for a Fire Marshal vehicle and \$8,259 for a Utility Vehicle.
- The Culture and Recreation Department assets activity totaled \$2,361,446. This included \$1,028,994 for the replacement of the West Ice Rink at the Community Center, \$1,005,266 for the completion of the Heritage Village Dog Park, \$66,215 for two parks vehicles, \$70,168 for a new Electronic Kiosk in front of the Community Center, and \$190,802 for a Bobcat Utility Vehicle and two Toro GroundMaster mowers.
- The Golf Course purchased or leased Golf Cars, a Beverage Car, and lawn mowers for \$282,003.
- The City received donated infrastructure and systems from the Amberwood Development in the amount of \$832,427.
- Additionally, the City has construction in progress at year-end for both governmental and business-type activities totaling \$36,553,006. Construction in progress includes Fire Station #2 which is expected to be completed in 2020 and makes up \$10,396,017 or 28% of the balance.
- The City has construction commitments relating to street, water, sanitary sewer, storm water, parks and building improvements of \$1,339,330 at year-end.

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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 31,969,987	\$ 31,784,723	\$ 185,264	\$ 3,214,055	\$ 2,880,405	\$ 333,650
Construction in Progress	34,255,391	23,165,772	11,089,619	2,297,615	11,209,681	(8,912,066)
Infrastructure	50,163,861	49,373,333	790,528	-	-	-
Buildings and Systems	15,761,574	16,165,552	(403,978)	59,350,468	51,440,013	7,910,455
Improvements other than Buildings	4,190,890	3,511,530	679,360	832,270	834,286	(1,996)
Machinery and Equipment	4,722,938	4,655,677	67,261	373,757	327,428	46,329
Total	\$ 141,064,641	\$ 128,656,587	\$ 12,408,054	\$ 66,068,165	\$ 66,061,793	\$ (623,628)

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,345,000. All of the City's bonds are backed by the full faith and credit of the City. During the year, the City issued \$2,500,000 in G.O. Capital Improvement Plan Bonds, Series 2019A.

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 \$114,177,918. Only the \$26,870,000 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

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
G.O. Bonds	\$ 26,870,000	\$ 25,175,000	\$ 1,695,000	\$ -	\$ -	\$ -
G.O. Special Assessments Bonds	6,070,000	7,080,000	(1,020,000)	-	-	-
G.O. Tax Increment Bonds	-	560,000	(560,000)	-	-	-
G.O. Revenue Bonds	924,154	-	-	14,405,000	21,085,000	(6,680,000)
Bond Premium	-	948,490	(24,336)	381,830	426,921	(45,091)
Total	\$ 33,864,154	\$ 33,773,490	\$ 90,664	\$ 14,786,830	\$ 21,511,921	\$ (6,725,091)

Economic Factors and Next Year's Budgets and Rates

- The City's net tax capacity increased by 5.9 percent for taxes payable 2020 which was slightly less than the 6.0 percent increase for taxes payable 2019. Tax capacity on Residential property increased 7.2 percent. Commercial property increased 3.0 percent, and Industrial property increased 7.2 percent. Without new construction the increase in tax capacity would have been 4.5 percent. The City's levy increased \$1,499,589, or 6.4 percent for taxes payable 2019 but the tax rate decreased 4.7 percent due to tax capacity growth.
- The City has been slowly increasing contributions to the Pavement Management Program. The 2020 budget dedicates \$1,750,000 of the City's overall tax levy to this program. In addition to tax dollars, the program also receives an annual State Aid maintenance contribution of approximately \$415,000.
- Water and sewer fees were increased 2.0 percent and 3.5 percent respectively for 2020, based on our long-range financial plan.
- Storm water utility fees were implemented on July 1, 2012 and were increased 5% for 2020.
- The City evaluated its December 31, 2019 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact interest income, lodging tax revenue and charges for services at the Community Center. City facilities have been closed since mid-March 2020 with many full time staff continuing to provide operational support from home. Other financial impacts could occur in areas such as property taxes and building permit revenues, although the likelihood or severity of these are unknown at this time. The City continues to prepare for, monitor and respond to changing economic conditions.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Inver Grove Heights, Minnesota
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 58,469,287	\$ 13,921,758	\$ 72,391,045
Cash held with fiscal agent	1,500,000	-	1,500,000
Receivables			
Accrued interest	302,651	71,618	374,269
Taxes	1,439,029	-	1,439,029
Accounts	828,117	1,567,822	2,395,939
Special assessments	4,185,951	21,767	4,207,718
Due from other governments	1,315,016	12,958	1,327,974
Internal balances	1,883,884	(1,883,884)	-
Inventories	56,762	2,970	59,732
Prepaid items	2,237,441	6,293	2,243,734
Land held for resale	1,138,500	-	1,138,500
Net pension asset	1,422,193	-	1,422,193
Capital assets			
Land and construction in progress	66,225,378	5,511,670	71,737,048
Depreciable assets (net of accumulated depreciation)	74,839,263	60,556,495	135,395,758
Total Assets	215,843,472	79,789,467	295,632,939
Deferred Outflows of Resources			
Deferred charge on refunding	1,657	174,194	175,851
Deferred other postemployment benefits resources	60,536	7,981	68,517
Deferred pension resources	5,840,739	115,171	5,955,910
Total Deferred Outflows of Resources	5,902,932	297,346	6,200,278
Liabilities			
Accounts and contracts payable	2,267,099	39,825	2,306,924
Escrows payable	2,519,540	-	2,519,540
Accrued salaries payable	675,114	69,689	744,803
Due to other governments	53,103	147,226	200,329
Accrued interest payable	435,214	168,214	603,428
Deposits payable	23,641	56,810	80,451
Unearned revenue	1,434,216	589,277	2,023,493
Long-term liabilities			
Due within one year	2,729,161	1,320,828	4,049,989
Due in more than one year	33,404,526	13,715,910	47,120,436
Pension liability	9,375,371	973,776	10,349,147
Other postemployment benefits liability	591,700	78,016	669,716
Total Liabilities	53,508,685	17,159,571	70,668,256
Deferred Inflows of Resources			
Deferred pension resources	7,326,028	174,503	7,500,531
Deferred other postemployment benefit resources	16,015	2,112	18,127
Total Deferred Inflows of Resources	7,342,043	176,615	7,518,658
Net Position			
Net investment in capital assets	108,559,698	51,455,529	160,015,227
Restricted for			
Debt service	4,304,080	-	4,304,080
Community development	3,984,956	-	3,984,956
Park improvements	1,418,179	-	1,418,179
Unrestricted	42,628,763	11,295,098	53,923,861
Total Net Position	\$160,895,676	\$ 62,750,627	\$223,646,303

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 3,017,849	\$ 49,005	\$ -	\$ 6,347
Public safety	11,486,291	769,972	690,222	-
Public works	8,989,180	3,971,781	545,402	3,764,519
Culture and recreation	7,497,438	3,314,495	2,018,876	411,336
Community development	2,322,377	1,754,000	-	-
Interest on long-term debt	1,452,062	-	-	-
Total Governmental Activities	<u>34,765,197</u>	<u>9,859,253</u>	<u>3,254,500</u>	<u>4,182,202</u>
Business-type Activities				
Water	2,779,567	3,031,231	5,102	1,081,924
Sewer	3,959,592	3,753,168	538	1,024,648
Golf course	1,796,957	1,755,886	1,027	-
Total Business-type Activities	<u>8,536,116</u>	<u>8,540,285</u>	<u>6,667</u>	<u>2,106,572</u>
Total	<u>\$ 43,301,313</u>	<u>\$ 18,399,538</u>	<u>\$ 3,261,167</u>	<u>\$ 6,288,774</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

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Prior Period Adjustment (See Note 10)

Net position, January 1

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
\$ (2,962,497)	\$ -	\$ (2,962,497)
(10,026,097)	-	(10,026,097)
(707,478)	-	(707,478)
(1,752,731)	-	(1,752,731)
(568,377)	-	(568,377)
(1,452,062)	-	(1,452,062)
<u>(17,469,242)</u>	<u>-</u>	<u>(17,469,242)</u>
-	1,338,690	1,338,690
-	818,762	818,762
-	(40,044)	(40,044)
<u>-</u>	<u>2,117,408</u>	<u>2,117,408</u>
<u>(17,469,242)</u>	<u>2,117,408</u>	<u>(15,351,834)</u>
20,946,247	-	20,946,247
2,402,374	-	2,402,374
1,738,995	-	1,738,995
133,808	-	133,808
1,171,449	-	1,171,449
75,893	-	75,893
1,592,145	341,373	1,933,518
321,140	(321,140)	-
<u>28,382,051</u>	<u>20,233</u>	<u>28,402,284</u>
10,912,809	2,137,641	13,050,450
(166,286)	-	(166,286)
<u>150,149,153</u>	<u>60,612,986</u>	<u>210,762,139</u>
<u>\$ 160,895,676</u>	<u>\$ 62,750,627</u>	<u>\$ 223,646,303</u>

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

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

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Inver Grove Heights, Minnesota
Balance Sheet
Governmental Funds
December 31, 2019

		Debt Service	Special Revenue
	General	Improvement Bonds	Community Center
Assets			
Cash and temporary investments	\$ 10,901,127	\$ 3,745,885	\$ 775,061
Cash with fiscal agent	-	-	-
Receivables			
Accrued interest	34,744	11,271	1,679
Taxes	1,272,240	137,227	-
Accounts	6,139	-	106,561
Special assessments	3,958	844,911	-
Due from other governments	15,275	-	501,258
Due from other funds	-	-	-
Prepaid items	177,753	-	2,853
Land held for resale	-	-	-
Total Assets	\$ 12,411,236	\$ 4,739,294	\$ 1,387,412
Liabilities			
Accounts and contracts payable	\$ 218,695	\$ -	\$ 92,765
Escrows payable	-	-	-
Accrued salaries payable	523,020	-	87,327
Due to other governments	20,384	-	7,785
Due to other funds	-	-	2,433,214
Deposits payable	-	-	5,387
Unearned revenue	22,367	-	45,914
Total Liabilities	784,466	-	2,672,392
Deferred Inflows of Resources			
Unavailable revenues - delinquent taxes	131,939	12,704	-
Unavailable revenues - special assessments	3,958	839,354	-
Unavailable revenues - intergovernmental	-	-	501,258
Total Deferred Inflows of Resources	135,897	852,058	501,258
Fund Balances			
Nonspendable	177,753	-	2,853
Restricted	-	3,887,236	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	11,313,120	-	(1,789,091)
Total Fund Balances	11,490,873	3,887,236	(1,786,238)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,411,236	\$ 4,739,294	\$ 1,387,412

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

Capital Projects						
Closed Bond	Local Improvement Construction	Pavement Management	Host Community	Developer Escrows	Other Governmental Funds	Total Governmental Funds
\$ 1,895,314	\$ 962,395	\$ 5,858,244	\$ 5,645,822	\$ 2,542,501	\$ 13,111,089	\$ 45,437,438
-	-	-	-	-	1,500,000	1,500,000
73,349	1,747	23,365	21,867	-	75,571	243,593
2,176	6,039	7,166	-	-	14,181	1,439,029
-	-	-	261,955	-	453,462	828,117
879,233	1,216,904	1,178,328	-	-	62,617	4,185,951
-	798,483	-	-	-	-	1,315,016
-	-	-	1,000,000	-	-	1,000,000
-	-	-	1,000	-	11,383	192,989
-	-	-	-	-	1,138,500	1,138,500
<u>\$ 2,850,072</u>	<u>\$ 2,985,568</u>	<u>\$ 7,067,103</u>	<u>\$ 6,930,644</u>	<u>\$ 2,542,501</u>	<u>\$ 16,366,803</u>	<u>\$ 57,280,633</u>
\$ -	\$ 1,368,076	\$ 219,959	\$ 124	\$ 22,961	\$ 190,765	\$ 2,113,345
-	-	-	-	2,519,540	-	2,519,540
-	1,767	-	-	-	18,718	630,832
-	4,043	-	2,880	-	5,236	40,328
-	-	-	-	-	1,000,000	3,433,214
-	-	-	-	-	18,254	23,641
-	1,351,828	-	-	-	14,107	1,434,216
-	2,725,714	219,959	3,004	2,542,501	1,247,080	10,195,116
2,260	543	724	-	-	5,684	153,854
878,907	1,214,394	1,176,053	-	-	62,617	4,175,283
-	-	-	-	-	-	501,258
881,167	1,214,937	1,176,777	-	-	68,301	4,830,395
-	-	-	1,000	-	11,383	192,989
-	1,357,554	-	-	-	5,397,482	10,642,272
-	-	-	-	-	2,836,946	2,836,946
1,968,905	-	5,670,367	6,926,640	-	6,805,611	21,371,523
-	(2,312,637)	-	-	-	-	7,211,392
1,968,905	(955,083)	5,670,367	6,927,640	-	15,051,422	42,255,122
<u>\$ 2,850,072</u>	<u>\$ 2,985,568</u>	<u>\$ 7,067,103</u>	<u>\$ 6,930,644</u>	<u>\$ 2,542,501</u>	<u>\$ 16,366,803</u>	<u>\$ 57,280,633</u>

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

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

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

Total Fund Balances - Governmental Funds	\$ 42,255,122
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	1,422,193
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	205,827,483
Less: accumulated depreciation	(82,696,110)
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.	34,414,696
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	(32,940,000)
Plus premium on bonds issued	(924,154)
Deferred charge on refunding	1,657
Other postemployment benefits payable	(591,700)
Pension liability	(8,859,365)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	153,854
Special assessments	4,175,283
Intergovernmental	501,258
Governmental funds do not report long-term amounts related to pensions and OPEB.	
Deferred outflows other postemployment benefit resources	60,536
Deferred inflows other postemployment benefit resources	(16,015)
Deferred outflows of pension resources	5,779,710
Deferred inflows of pension resources	(7,233,558)
Governmental funds do not report a liability for accrued interest until due and payable.	(435,214)
Total Net Position - Governmental Activities	<u>\$ 160,895,676</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, 2019

		Debt Service	Special Revenue
	General	Improvement Bonds	Community Center
Revenues			
Taxes	\$ 20,806,680	\$ 2,387,128	\$ -
Licenses and permits	1,884,737	-	-
Intergovernmental	782,790	6,519	-
Charges for services	670,978	-	2,376,481
Fines and forfeitures	187,738	-	-
Special assessments	6,347	292,292	-
Investment earnings	192,324	49,675	5,263
Miscellaneous	50,961	-	422,839
Total Revenues	<u>24,582,555</u>	<u>2,735,614</u>	<u>2,804,583</u>
Expenditures			
Current			
General government	2,140,311	-	-
Public safety	11,811,292	-	-
Public works	4,505,106	-	-
Culture and recreation	2,078,035	-	3,101,046
Community development	1,601,207	-	-
Capital outlay			
Public safety	1,384	-	-
Public works	181	-	-
Culture and recreation	-	-	366,259
Community development	-	-	-
Debt service			
Principal	-	1,825,000	-
Interest and other charges	-	887,628	-
Bond issuance costs	-	-	-
Total Expenditures	<u>22,137,516</u>	<u>2,712,628</u>	<u>3,467,305</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,445,039</u>	<u>22,986</u>	<u>(662,722)</u>
Other Financing Sources (Uses)			
Transfers in	520,551	-	732,242
Transfers out	(2,007,857)	(52,961)	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	<u>(1,487,306)</u>	<u>(52,961)</u>	<u>732,242</u>
Net Change in Fund Balances	957,733	(29,975)	69,520
Prior Period Adjustment (See Note 10)	-	-	-
Fund Balances, January 1	<u>10,533,140</u>	<u>3,917,211</u>	<u>(1,855,758)</u>
Fund Balances, December 31	<u>\$ 11,490,873</u>	<u>\$ 3,887,236</u>	<u>\$ (1,786,238)</u>

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

Capital Projects						
Closed Bond	Local Improvement Construction	Pavement Management	Host Community	Developer Escrows	Other Governmental Funds	Total Governmental Funds
\$ 15,246	\$ 104,065	\$ 123,578	\$ -	\$ -	\$ 2,938,736	\$ 26,375,433
-	-	-	-	-	-	1,884,737
-	3,334,806	833,170	-	-	7,000	4,964,285
-	-	330	2,834,353	316,219	1,112,354	7,310,715
-	-	-	-	-	-	187,738
7,720	609,322	406,514	-	-	31,952	1,354,147
271,122	265,179	112,656	94,301	-	316,403	1,306,923
-	276,828	102,745	-	-	219,461	1,072,834
294,088	4,590,200	1,578,993	2,928,654	316,219	4,625,906	44,456,812
7,190	-	-	-	-	-	2,147,501
-	-	-	-	85,955	-	11,897,247
6,346	101,968	328,164	141,960	220,326	197,484	5,501,354
-	-	-	-	9,938	817,048	6,006,067
-	-	-	2,503	-	53,431	1,657,141
-	7,881,531	-	-	-	47,428	7,930,343
-	4,027,398	2,397,881	-	-	6,984	6,432,444
-	2,721,405	-	-	-	312,421	3,400,085
-	541,629	-	-	-	78,150	619,779
-	-	-	-	-	560,000	2,385,000
-	-	-	-	-	347,086	1,234,714
-	110,529	-	-	-	-	110,529
13,536	15,384,460	2,726,045	144,463	316,219	2,420,032	49,322,204
280,552	(10,794,260)	(1,147,052)	2,784,191	-	2,205,874	(4,865,392)
52,961	5,385,417	1,289,171	-	-	1,766,122	9,746,464
(75,333)	(406,477)	(91,612)	(907,275)	-	(5,684,290)	(9,225,805)
-	2,500,000	-	-	-	-	2,500,000
-	55,244	-	-	-	-	55,244
(22,372)	7,534,184	1,197,559	(907,275)	-	(3,918,168)	3,075,903
258,180	(3,260,076)	50,507	1,876,916	-	(1,712,294)	(1,789,489)
-	-	-	-	-	(166,286)	(166,286)
1,710,725	2,304,993	5,619,860	5,050,724	-	16,930,002	44,210,897
\$ 1,968,905	\$ (955,083)	\$ 5,670,367	\$ 6,927,640	\$ -	\$ 15,051,422	\$ 42,255,122

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, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (1,789,489)
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	16,002,956
Depreciation expense	(3,541,253)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Capital assets contributed from developers	585,097
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	2,385,000
Bonds issued	(2,500,000)
Current year amortization of deferred charges	(19,875)
Premium on bonds issued	(55,244)
Current year amortization of bond premium	79,580
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.	(166,524)
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.	183,383
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	60,684
Property taxes	17,440
Intergovernmental	(47,298)
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	10,290
Long-term pension activity is not reported in governmental funds.	
Pension expense	(262,862)
Pension revenue from State contributions	(29,076)
Change in Net Position - Governmental Activities	<u>\$ 10,912,809</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 20,814,000	\$ 20,814,000	\$ 20,806,680	\$ (7,320)
Licenses and permits	1,379,100	1,379,100	1,884,737	505,637
Intergovernmental	811,500	811,500	782,790	(28,710)
Charges for services	647,700	647,700	670,978	23,278
Fines and forfeitures	170,000	170,000	187,738	17,738
Special assessments	11,000	11,000	6,347	(4,653)
Investment earnings	139,500	139,500	192,324	52,824
Miscellaneous	5,700	5,700	50,961	45,261
Total Revenues	<u>23,978,500</u>	<u>23,978,500</u>	<u>24,582,555</u>	<u>604,055</u>
Expenditures				
Current				
General government	2,240,500	2,234,400	2,140,311	94,089
Public safety	11,888,900	11,967,000	11,811,292	155,708
Public works	4,465,000	4,466,600	4,505,106	(38,506)
Culture and recreation	2,144,100	2,152,700	2,078,035	74,665
Community development	1,719,000	1,719,000	1,601,207	117,793
Capital outlay				
Public safety	-	-	1,384	(1,384)
Public works	-	-	181	(181)
Total Expenditures	<u>22,457,500</u>	<u>22,539,700</u>	<u>22,137,516</u>	<u>402,184</u>
Excess of Revenues Over Expenditures	<u>1,521,000</u>	<u>1,438,800</u>	<u>2,445,039</u>	<u>1,006,239</u>
Other Financing Sources (Uses)				
Transfers in	478,000	478,000	520,551	42,551
Transfers out	(1,999,000)	(1,999,000)	(2,007,857)	(8,857)
Total Financing Sources (Uses)	<u>(1,521,000)</u>	<u>(1,521,000)</u>	<u>(1,487,306)</u>	<u>33,694</u>
Net Change in Fund Balances	-	(82,200)	957,733	1,039,933
Fund Balances, January 1	<u>10,533,140</u>	<u>10,533,140</u>	<u>10,533,140</u>	-
Fund Balances, December 31	<u>\$ 10,533,140</u>	<u>\$ 10,450,940</u>	<u>\$ 11,490,873</u>	<u>\$ 1,039,933</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
Community Center Special Revenue Fund
For the Year Ended December 31, 2019

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for services	\$ 2,406,200	\$ 2,406,200	\$ 2,376,481	\$ (29,719)
Investment earnings	-	-	5,263	5,263
Miscellaneous	321,700	321,700	422,839	101,139
Total Revenues	<u>2,727,900</u>	<u>2,727,900</u>	<u>2,804,583</u>	<u>76,683</u>
Expenditures				
Current				
Culture and recreation	3,212,600	3,212,600	3,101,046	111,554
Capital outlay				
Culture and recreation	593,500	1,043,500	366,259	677,241
Total Expenditures	<u>3,806,100</u>	<u>4,256,100</u>	<u>3,467,305</u>	<u>788,795</u>
Deficiency of Revenues				
Under Expenditures	(1,078,200)	(1,528,200)	(662,722)	865,478
Other Financing Sources				
Transfers in	1,159,200	1,609,200	732,242	(876,958)
Net Change in Fund Balances	81,000	81,000	69,520	(11,480)
Fund Balances, January 1	(1,855,758)	(1,855,758)	(1,855,758)	-
Fund Balances, December 31	<u>\$ (1,774,758)</u>	<u>\$ (1,774,758)</u>	<u>\$ (1,786,238)</u>	<u>\$ (11,480)</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 on the Following Page)
Proprietary Funds
December 31, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Assets					
Current Assets					
Cash and temporary investments	\$ 9,359,307	\$ 4,199,586	\$ 362,865	\$ 13,921,758	\$ 13,031,849
Receivables					
Accrued interest	39,075	29,867	2,676	71,618	59,058
Accounts	894,863	671,006	1,953	1,567,822	-
Special assessments	21,570	197	-	21,767	-
Due from other governments	-	12,958	-	12,958	-
Due from other funds	-	-	-	-	4,317,098
Inventories	-	-	2,970	2,970	56,762
Prepaid items	-	-	6,293	6,293	2,044,452
Total Current Assets	10,314,815	4,913,614	376,757	15,605,186	19,509,219
Long-term Assets					
Capital assets					
Land	583,598	768,102	1,862,355	3,214,055	209,122
Construction in progress	1,009,712	1,287,903	-	2,297,615	-
Buildings and systems	51,062,359	42,145,814	920,412	94,128,585	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	1,081,998	1,444,014	12,135,200
Total Capital Assets	53,089,274	44,268,262	8,366,192	105,723,728	29,994,541
Less accumulated depreciation	(20,749,462)	(13,664,066)	(5,242,035)	(39,655,563)	(12,061,273)
Net Capital Assets	32,339,812	30,604,196	3,124,157	66,068,165	17,933,268
Total Long-term Assets	32,339,812	30,604,196	3,124,157	66,068,165	17,933,268
Total Assets	42,654,627	35,517,810	3,500,914	81,673,351	37,442,487
Deferred Outflows of Resources					
Deferred charge on refunding	-	174,194	-	174,194	-
Deferred other postemployment benefits resources	2,860	1,630	3,491	7,981	-
Deferred pension resources	41,287	25,595	48,289	115,171	61,029
Total Deferred Outflows of Resources	44,147	201,419	51,780	297,346	61,029

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, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Liabilities					
Current Liabilities					
Accounts and contracts payable	\$ 33,031	\$ 1,690	\$ 5,104	\$ 39,825	\$ 153,754
Accrued salaries payable	30,968	16,086	22,635	69,689	44,282
Due to other governments	64,246	82,779	201	147,226	12,775
Due to other funds	-	-	1,883,884	1,883,884	-
Accrued interest payable	10,000	158,214	-	168,214	-
Deposits payable	-	-	56,810	56,810	-
Unearned revenue	152,430	240,840	196,007	589,277	-
Compensated absences payable - current portion	32,705	25,943	32,180	90,828	939,161
Bonds payable - current portion	380,000	850,000	-	1,230,000	-
Total Current Liabilities	703,380	1,375,552	2,196,821	4,275,753	1,149,972
Long-term Liabilities					
Compensated absences payable	103,917	49,385	5,778	159,080	1,330,372
Bonds payable	827,802	12,729,028	-	13,556,830	-
Pension liability	349,079	216,410	408,287	973,776	516,006
Other postemployment benefits payable	27,960	15,931	34,125	78,016	-
Total Long-term Liabilities	1,308,758	13,010,754	448,190	14,767,702	1,846,378
Total Liabilities	2,012,138	14,386,306	2,645,011	19,043,455	2,996,350
Deferred Inflows of Resources					
Deferred pension resources	62,556	38,781	73,166	174,503	92,470
Deferred other postemployment benefit resources	757	431	924	2,112	-
Total Deferred Inflows of Resources	63,313	39,212	74,090	176,615	92,470
Net Position					
Net investment in capital assets	31,132,010	17,199,362	3,124,157	51,455,529	17,933,268
Unrestricted	9,491,313	4,094,349	(2,290,564)	11,295,098	16,481,428
Total Net Position	\$ 40,623,323	\$ 21,293,711	\$ 833,593	\$ 62,750,627	\$ 34,414,696

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

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Total	
Operating Revenues					
Charges for services					
Water sales	\$ 2,941,989	\$ -	\$ -	\$ 2,941,989	\$ -
Sewer charges	-	3,694,440	-	3,694,440	-
Late fees	63,047	44,369	-	107,416	-
Water meter sales	26,195	-	-	26,195	-
Foot golf	-	-	2,037	2,037	-
Green fees	-	-	642,047	642,047	-
Golf cart rentals	-	-	473,730	473,730	-
Practice center	-	-	140,783	140,783	-
Golf shop	-	-	67,750	67,750	-
Food and beverage	-	-	206,620	206,620	-
Other	-	-	219,664	219,664	5,960,572
Total Operating Revenues	<u>3,031,231</u>	<u>3,738,809</u>	<u>1,752,631</u>	<u>8,522,671</u>	<u>5,960,572</u>
Operating Expenses					
Personnel services	697,703	433,005	1,021,235	2,151,943	1,233,571
Other current expenses	1,110,038	2,460,397	528,345	4,098,780	2,900,155
Depreciation	963,410	672,246	247,377	1,883,033	1,765,410
Total Operating Expenses	<u>2,771,151</u>	<u>3,565,648</u>	<u>1,796,957</u>	<u>8,133,756</u>	<u>5,899,136</u>
Operating Income (Loss)	<u>260,080</u>	<u>173,161</u>	<u>(44,326)</u>	<u>388,915</u>	<u>61,436</u>
Nonoperating Revenues (Expenses)					
Investment earnings	181,405	145,887	14,081	341,373	285,222
Miscellaneous revenues	5,102	14,897	4,282	24,281	27,985
Interest and amortization expense	(8,416)	(393,944)	-	(402,360)	-
Total Nonoperating Revenues (Expenses)	<u>178,091</u>	<u>(233,160)</u>	<u>18,363</u>	<u>(36,706)</u>	<u>313,207</u>
Income (Loss) Before Contributions and Transfers	<u>438,171</u>	<u>(59,999)</u>	<u>(25,963)</u>	<u>352,209</u>	<u>374,643</u>
Capital Contributions	1,081,924	1,024,648	-	2,106,572	8,259
Transfers In	13,243	812,209	-	825,452	-
Transfers Out	(910,592)	(236,000)	-	(1,146,592)	(199,519)
Total Transfers and Contributions	<u>184,575</u>	<u>1,600,857</u>	<u>-</u>	<u>1,785,432</u>	<u>(191,260)</u>
Change in Net Position	<u>622,746</u>	<u>1,540,858</u>	<u>(25,963)</u>	<u>2,137,641</u>	<u>183,383</u>
Net Position - January 1	<u>40,000,577</u>	<u>19,752,853</u>	<u>859,556</u>	<u>60,612,986</u>	<u>34,231,313</u>
Net Position, December 31	<u>\$ 40,623,323</u>	<u>\$ 21,293,711</u>	<u>\$ 833,593</u>	<u>\$ 62,750,627</u>	<u>\$ 34,414,696</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 on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2019

	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	\$ 2,872,623	\$ 3,689,762	\$ 1,564,336	\$ 8,126,721	\$ 5,960,592
Other operating receipts	4,241	14,359	3,255	21,855	26,712
Payments to suppliers	(1,149,339)	(2,598,526)	(526,265)	(4,274,130)	(2,958,339)
Payments to employees	(666,598)	(414,974)	(1,018,874)	(2,100,446)	(1,022,885)
Net Cash Provided (Used) by Operating Activities	1,060,927	690,621	22,452	1,774,000	2,006,080
Cash Flows from Noncapital Financing Activities					
Receipts on interfund balances	-	-	-	-	366,136
Payments on interfund balances	-	-	(157,276)	(157,276)	-
Transfers from other funds	13,243	812,209	-	825,452	-
Transfers to other funds	(910,592)	(236,000)	-	(1,146,592)	(199,519)
Net Cash Provided (Used) by Noncapital Financing Activities	(897,349)	576,209	(157,276)	(478,416)	166,617
Cash Flows from Capital and Related Financing Activities					
Connection fees received	819,960	879,596	-	1,699,556	-
Special assessments received	172,382	221	-	172,603	-
Acquisition of capital assets	(588,902)	(141,171)	(282,002)	(1,012,075)	(3,063,385)
Interfund capital sale (purchase)	1,277,809	(1,277,809)	-	-	-
Payment from escrow agent for refunded bonds	-	(5,495,000)	-	(5,495,000)	-
Interest paid on debt	(27,701)	(493,866)	-	(521,567)	-
Principal paid on bonds	(369,999)	(815,001)	-	(1,185,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	1,283,549	(7,343,030)	(282,002)	(6,341,483)	(3,063,385)
Cash Flows from Investing Activities					
Investment receipts	172,754	166,012	14,163	352,929	276,641
Net Increase (Decrease) in Cash and Cash Equivalents	1,619,881	(5,910,188)	(402,663)	(4,692,970)	(614,047)
Cash and Cash Equivalents, January 1	7,739,426	10,109,774	765,528	18,614,728	13,645,896
Cash and Cash Equivalents, December 31	\$ 9,359,307	\$ 4,199,586	\$ 362,865	\$ 13,921,758	\$ 13,031,849

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, 2019

	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)	\$ 260,080	\$ 173,161	\$ (44,326)	\$ 388,915	\$ 61,436
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	963,410	672,246	247,377	1,883,033	1,765,410
Loss on disposal of capital assets	-	-	-	-	53,464
Other income related to operations	5,102	14,897	4,282	24,281	27,985
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(158,608)	(36,089)	(1,150)	(195,847)	-
Due from other governments	-	(12,958)	-	(12,958)	20
Inventories	-	-	323	323	3,071
Prepaid items	-	-	(993)	(993)	(21,625)
Deferred OPEB resources	(535)	(327)	(645)	(1,507)	-
Deferred pension resources	31,141	18,897	33,350	83,388	50,779
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	(7,774)	150	2,971	(4,653)	(105,676)
Accrued salaries payable	6,932	3,219	3,210	13,361	13,677
Due to other governments	(31,527)	(138,279)	(221)	(170,027)	12,582
Deposits payable	-	-	8,862	8,862	-
Unearned revenue	-	-	(196,007)	(196,007)	-
Compensated absences payable	11,646	4,750	(30,591)	(14,195)	201,270
Pension liability	4,457	4,709	19,836	29,002	(15,991)
Other postemployment benefits payable	(688)	(124)	(954)	(1,766)	-
Deferred pension resources	(23,466)	(14,062)	(23,796)	(61,324)	(40,322)
Deferred OPEB resources	757	431	924	2,112	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,060,927</u>	<u>\$ 690,621</u>	<u>\$ 22,452</u>	<u>\$ 1,774,000</u>	<u>\$ 2,006,080</u>
Schedule of Noncash Capital and Related Financing Activities					
Capital assets contributed from developers	\$ 102,302	\$ 145,028	\$ -	\$ 247,330	\$ 8,259
Amortization of bond premium	16,201	28,890	-	45,091	-
Amortization of deferred charges on refunding	-	19,177	-	19,177	-
Book value of assets disposed	-	-	-	-	53,464

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Inver Grove Heights (the City) was incorporated in 1985 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 nonfund 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.

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. 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.

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

The Developer Escrow fund accounts for the activities related to the collection and use of developer and building related escrow accounts.

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.

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.

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.

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

- Government agency and treasury securities of \$26,981,575 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits and municipal bonds of \$24,929,711 are valued using a matrix pricing model (Level 2 inputs)

Note 1: Summary of Significant Accounting Policies (Continued)

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 2019. 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, 2019, the total delinquent special assessment receivable balance is \$18,540.

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."

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Land Held for Resale

Land was acquired by the 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2019. 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 accordance with federal regulations, the City's general obligation tax exempt bonds follow the arbitrage requirements.

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.

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

	Public Employees Retirement Association of Minnesota (PERA)				Fire Relief Association	Total All Plans
	GERP	PEPFP	DCP			
Pension Expense	\$ 880,679	\$ 909,949	\$ 1,406	\$ 268,398	\$ 2,060,432	

Note 1: Summary of Significant Accounting Policies (Continued)

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 three 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: delinquent 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.

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

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:

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- 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.
- 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.

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.

Note 2: Stewardship, Compliance and Accountability (Continued)

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

- 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.
- Public meetings are conducted to obtain taxpayer comments.
- 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.
- 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.
- Formal budgetary integration is employed as a management control device during the year for the General fund.
- 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.
- 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.
- 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.
- The City Council may authorize transfers of budgeted amounts between City funds.

B. Deficit Fund Equity

The following fund had a fund equity deficit at December 31, 2019:

Fund		Amount
Major		
Local Improvement Construction		\$ 955,083
Community Center		1,786,238

The fund deficits are 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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- 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 \$4,430,197 and the bank balance was \$5,390,928. 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.

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 1 year	\$ 17,521,912			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposits	N/A	less than 1 year	1,471,205	\$ -	\$ 1,471,205	\$ -
Negotiable Certificates of Deposits	N/A	1 to 5 years	2,081,417	-	2,081,417	-
Government Agency Securities	AAA	less than 1 year	1,996,990	1,996,990	-	-
Government Agency Securities	AAA	1 to 5 years	22,987,445	22,987,445	-	-
Government Agency Securities	AAA	more than 5 years	1,997,140	1,997,140	-	-
Municipal Bonds	A1	1 to 5 years	1,002,920	-	1,002,920	-
Municipal Bonds	AA	less than 1 year	2,004,080	-	2,004,080	-
Municipal Bonds	AA	1 to 5 years	6,756,176	-	6,756,176	-
Municipal Bonds	AA+	1 to 5 years	506,280	-	506,280	-
Municipal Bonds	AA1	less than 1 year	1,626,641	-	1,626,641	-
Municipal Bonds	AA1	1 to 5 years	995,690	-	995,690	-
Municipal Bonds	AA2	1 to 5 years	1,027,280	-	1,027,280	-
Municipal Bonds	AAA	less than 1 year	1,000,000	-	1,000,000	-
Municipal Bonds	AAA	1 to 5 years	4,758,022	-	4,758,022	-
Municipal Bonds	AAA	more than 5 years	1,700,000	-	1,700,000	-
Total Investments			\$ 89,433,196	\$ 26,981,575	\$ 24,929,711	\$ -

- (1) Ratings are provided by Standard & Poor's where applicable to indicate associated credit risk.
(2) Interest rate risk in disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

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. As of December 31, 2019, the following issuers exceeded 5 percent of the City's total investments: FHLMC (27.10 percent) and FHLB (45.33 percent). 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.
- **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, 2019, 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, 2019, 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, 2019. 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.

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	\$ 4,430,197
Investments	69,433,198
Petty Cash	27,650
Total	<u>\$ 73,891,045</u>

As Reported on the Financial Statements

Statement of net position	
Cash and temporary investments	\$ 72,391,045
Cash held with fiscal agent	1,500,000
Total	<u>\$ 73,891,045</u>

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 31,784,723	\$ 185,264	\$ -	\$ 31,969,987
Construction in progress	23,165,772	11,803,268	(713,649)	34,255,391
Total Capital Assets not Being Depreciated	54,950,495	11,988,532	(713,649)	66,225,378
Capital Assets Being Depreciated				
Infrastructure	105,489,515	3,197,556	-	108,687,071
Buildings and systems	36,918,818	1,028,994	-	37,947,812
Improvements other than buildings	8,705,048	1,005,267	-	9,710,315
Machinery and equipment	12,562,026	1,261,481	(572,059)	13,251,448
Total Capital Assets	163,675,407	6,493,298	(572,059)	169,596,646
Less Accumulated Depreciation for				
Infrastructure	(56,116,182)	(2,407,028)	-	(58,523,210)
Buildings and systems	(20,753,266)	(1,432,972)	-	(22,186,238)
Improvements other than buildings	(5,193,518)	(325,907)	-	(5,519,425)
Machinery and equipment	(7,906,349)	(1,140,756)	518,595	(8,528,510)
Total Accumulated Depreciation	(89,969,315)	(5,306,663)	518,595	(94,757,383)
Total Capital Assets Being Depreciated, Net	73,706,092	1,186,635	(53,464)	74,839,263
Governmental Activities Capital Assets, Net	<u>\$ 128,656,587</u>	<u>\$ 13,175,167</u>	<u>\$ (767,113)</u>	<u>\$ 141,064,641</u>

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities			
General Government			\$ 717,434
Public Safety			368,047
Public Works			2,922,583
Culture and Recreation			1,222,491
Community Development			76,108
			<u>\$ 5,308,663</u>
Total Depreciation Expense - Governmental Activities			
	Beginning Balance	Increases	Decreases
			Ending Balance

Business-type Activities			
Capital Assets not Being Depreciated			
Land	\$ 2,880,405	\$ 333,650	\$ 3,214,055
Construction in progress	11,209,681	730,072	2,297,615
Total Capital Assets not Being Depreciated	14,090,086	1,063,722	5,511,670
Capital Assets Being Depreciated			
Buildings and systems	84,572,767	9,555,818	94,128,585
Improvements other than buildings	4,639,459	-	4,639,459
Machinery and equipment	1,404,300	282,003	1,444,014
Total Capital Assets Being Depreciated	90,616,526	9,837,821	100,212,058

Less Accumulated Depreciation for			
Buildings and systems	(33,132,754)	(1,645,363)	(34,778,117)
Improvements other than buildings	(3,805,193)	(1,996)	(3,807,189)
Machinery and equipment	(1,076,872)	(235,674)	(1,070,257)
Total Accumulated Depreciation	(38,014,819)	(1,883,033)	(39,655,563)
Total Capital Assets Being Depreciated, Net	52,601,707	7,954,788	60,556,495
Business-type Activities Capital Assets, Net	\$ 66,691,793	\$ 9,018,510	\$ 66,068,165

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

Business-type Activities			
Water			\$ 963,410
Sewer			672,246
Golf Course			247,377
			<u>\$ 1,883,033</u>
Total Depreciation Expense - Business-type Activities			

Note 3: Detailed Notes on All Funds (Continued)

C. Construction Commitments

The City has the following construction commitments at December 31, 2019 as follows:

Project	Spent to Date	Remaining Commitment
55th Street Court Reconstruction (Project 1809F)	\$ 800,303	\$ 109,237
Atwater Path Reconstruction & Street Lighting (Project 1809D)	406,450	53,542
Heritage Village Park (Project 1707)	1,313,938	133,016
Bancroft Way Area Reconstruction (Project 1609E)	1,200,851	127,428
Broderick Boulevard Reconstruction (Project 1509D)	3,318,897	126,850
VMCC/Golf Course Parking Lots (Project 1721)	831,228	-
Fire Station #2 - Sewer & Water Improvement (Project 1808)	848,617	39,917
Fire Station Fiber Optic Improvement (Project 1811)	23,432	3,644
VMCC West Rink Replacement (Project 1722)	136,510	380
Intersection Improvement at T. H. 3 & Diffley Ct (Project 1805)	-	174,317
68th Street Storm Sewer Outfall Repair (Project 1904)	36,140	4,975
HVAC Replacement for Lap / Dive Pools (Project 1913)	10,000	368,000
NWA Trunk Watermain Improvement 65th Street Loop Phase 3 (Project 1703)	268,814	49,681
TH 3 Intersection Improvements (Project 1724)	3,532,686	80,260
NWA Trunk WA improvement - 65th Street Loop (Phase IV) (Project 1803)	457,511	68,082
	<u>\$ 13,185,378</u>	<u>\$ 1,339,330</u>

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. 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	\$ 6,395,000
G.O. Refunding Capital Bonds, Series 2016A	8,515,000	2.75 - 3.00	12/29/16	02/01/34	8,190,000
G.O. Capital Improvement Plan Bonds, Series 2018A	9,785,000	3.35 - 5.00	12/27/18	02/01/39	9,785,000
G.O. Capital Improvement Plan Bonds, Series 2018A	2,500,000	3.50 - 4.00	01/03/19	02/01/39	2,500,000
Total G.O. Bonds					<u>\$ 26,870,000</u>

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
2020	\$ 950,000	\$ 860,048
2021	1,315,000	825,923
2022	1,370,000	780,173
2023	1,450,000	729,573
2024	1,525,000	676,223
2025 - 2029	8,325,000	2,542,569
2030 - 2034	7,915,000	1,249,497
2034 - 2039	4,020,000	346,469
Total	\$ 26,870,000	\$ 8,010,475
		\$ 34,880,475

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	\$ 2,350,000
G.O. Improvement Refunding Bonds, Series 2014B	2,415,000	2.00	12/30/14	02/01/20	235,000
G.O. Improvement Bonds, Series 2017B	3,505,000	2.00 - 3.00	12/11/17	02/01/33	3,485,000
Total G.O. Special Assessment Bonds					\$ 6,070,000

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2020	\$ 840,000	\$ 160,067
2021	615,000	139,419
2022	625,000	120,819
2023	490,000	104,094
2024	500,000	89,244
2025 - 2029	2,055,000	230,272
2030 - 2033	945,000	47,669
Total	\$ 6,070,000	\$ 891,584
		\$ 6,961,584

Note 3: Detailed Notes on All Funds (Continued)

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	
	Principal	Interest	Principal	Interest
Net Operating Revenues	\$ 3,031,231		\$ 3,738,809	
Principal and Interest	397,700		1,308,867	
Percentage of Revenues	13.12	%	35.01	%

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility Revenue Refunding Bonds, Series 2012A	\$ 5,315,000	2.00 - 2.15	04/24/12	02/01/22	\$ 1,170,000
G.O. Sewer Revenue Refunding Bonds, Series 2014B	5,015,000	2.00 - 3.00	12/30/14	02/01/29	3,980,000
G.O. Sewer Revenue Bonds, Series 2015B	4,185,000	3.00 - 4.00	09/17/15	02/01/31	3,570,000
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					\$ 14,405,000

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

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2020	\$ 1,230,000	\$ 387,713
2021	1,270,000	355,163
2022	1,305,000	321,288
2023	935,000	290,463
2024	970,000	262,475
2025 - 2029	5,315,000	869,330
2030 - 2034	2,560,000	264,937
2035 - 2036	820,000	22,687
Total	\$ 14,405,000	\$ 2,774,056
		\$ 17,179,056

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 25,175,000	\$ 2,500,000	\$ (805,000)	\$ 26,870,000	\$ 950,000
G.O. bonds					
G.O. special	7,090,000	-	(1,020,000)	6,070,000	840,000
assessment bonds	550,000	-	(560,000)	-	-
G.O. tax increment bonds	948,490	55,244	(79,580)	924,154	-
Bond premium	33,773,490	2,555,244	(2,464,580)	33,864,154	1,790,000
Total Bonds Payable	2,068,263	1,140,431	(939,161)	2,269,533	939,161
Compensated Absences Payable					
Governmental Activity					
Long-term Liabilities	\$ 35,841,753	\$ 3,695,675	\$ (3,403,741)	\$ 36,133,687	\$ 2,729,161
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 21,085,000	\$ -	\$ (6,680,000)	\$ 14,405,000	\$ 1,230,000
Bond premium	426,921	-	(45,091)	381,830	-
Total Bonds Payable	21,511,921	-	(6,725,091)	14,786,830	1,230,000
Compensated Absences Payable	264,103	76,633	(90,828)	249,908	90,828
Business-type Activity					
Long-term Liabilities	\$ 21,776,024	\$ 76,633	\$ (6,815,919)	\$ 15,036,738	\$ 1,320,828

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	\$ 177,753	\$ -	\$ 2,853	\$ -
Restricted for				
Debt service	-	3,887,236	-	-
Community development	-	-	-	-
Park improvements	-	-	-	-
Capital improvements	-	-	-	-
Total Restricted	-	3,887,236	-	-
Committed to				
Convention and	-	-	-	-
Visitors Bureau	-	-	-	-
Recreation	-	-	-	-
Economic development	-	-	-	-
Pavement management	-	-	-	-
Total Committed	-	-	-	-
Assigned to				
Capital improvements	-	-	-	1,968,905
Unassigned	11,313,120	-	(1,789,091)	-
Total	\$ 11,490,873	\$ 3,887,236	\$ (1,786,238)	\$ 1,968,905

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

Note 3: Detailed Notes on All Funds (Continued)

	Local Improvement Construction	Pavement Management	Host Community	Other Governmental	Total
Nonspendable					
Prepaid items	\$ -	\$ -	\$ 1,000	\$ 11,383	\$ 192,989
Restricted for					
Debt service	-	-	-	-	3,887,236
Community development	-	-	-	3,979,303	3,979,303
Park improvements	-	-	-	1,418,179	1,418,179
Capital improvements	1,357,554	-	-	-	1,357,554
Total Restricted	1,357,554	-	-	5,397,482	10,642,272
Committed to					
Convention and					
Visitors Bureau	-	-	-	112,268	112,268
Recreation	-	-	-	302,230	302,230
Economic development	-	-	-	310,512	310,512
Pavement management	-	-	-	2,111,936	2,111,936
Total Committed	-	-	-	2,836,946	2,836,946
Assigned to					
Capital improvements	-	5,670,367	6,926,640	6,805,611	21,371,523
Unassigned	(2,312,637)	-	-	-	7,211,392
Total	\$ (955,083)	\$ 5,670,367	\$ 6,927,640	\$ 15,051,422	\$ 42,255,122

F. Interfund Receivables, Payables and Transfers

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

Receivable Fund	Payable Fund	Purpose	Amount
Internal Service	Golf Course	To loan funds for repairs and maintenance	\$ 1,883,884
Internal Service	Community Center	To loan funds for capital improvements	2,433,214
Host Community	Nonmajor governmental	To loan funds for land purchase	1,000,000
Total			\$ 5,317,098

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.

FORM OF LEGAL OPINION

(See following pages)

\$1,675,000
City of Inver Grove Heights, Minnesota
General Obligation Improvement Refunding Bonds
Series 2020A

We have acted as bond counsel to the City of Inver Grove Heights, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Improvement Refunding Bonds, Series 2020A (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$1,675,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the Issuer, enforceable against the Issuer in accordance with their terms.

2. The principal of and interest on the Bonds are payable from special assessments levied or to be levied on property specially benefited by local improvements and ad valorem taxes for the Issuer’s share of the cost of the improvements, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated December __ 2020 at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$1,675,000
Inver Grove Heights, Minnesota
General Obligation Improvement Refunding Bonds
Series 2020A

CONTINUING DISCLOSURE CERTIFICATE

December __, 2020

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Inver Grove Heights, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Improvement Refunding Bonds, Series 2020A (the “Bonds”) in the original aggregate principal amount of \$1,675,000. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____, _____, _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Improvement Refunding Bonds, Series 2020A, issued by the Issuer in the original aggregate principal amount of \$1,675,000.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means deemed final Official Statement dated December __, 2020, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Inver Grove Heights, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____, _____, _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2020, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. U.S. Census Data/Population Trend
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in

this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

**CITY OF INVER GROVE HEIGHTS,
MINNESOTA**

Mayor

Administrator

TERMS OF PROPOSAL

\$1,675,000* GENERAL OBLIGATION IMPROVEMENT REFUNDING BONDS, SERIES 2020A CITY OF INVER GROVE HEIGHTS, MINNESOTA

Proposals for the purchase of \$1,675,000* General Obligation Improvement Refunding Bonds, Series 2020A (the "Bonds") of the City of Inver Grove Heights, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on November 23, 2020, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, and Section 475.67, by the City, for the purpose of effecting a current refunding of certain outstanding general obligations of the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated December 15, 2020, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$405,000	2024	\$250,000	2026	\$255,000
2023	255,000	2025	250,000	2027	260,000

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2026 shall be subject to optional redemption prior to maturity on February 1, 2025 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 15, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$1,654,900 plus accrued interest on the principal sum of \$1,675,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$33,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Inver Grove Heights, Minnesota

PROPOSAL FORM

The City Council
City of Inver Grove Heights, Minnesota

November 23, 2020

RE: **\$1,675,000* General Obligation Improvement Refunding Bonds, Series 2020A (the "Bonds")**
DATED: **December 15, 2020**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$1,654,900) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2022	_____ % due	2024	_____ % due	2026
_____ % due	2023	_____ % due	2025	_____ % due	2027

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$33,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 15, 2020.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 15, 2020 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Inver Grove Heights, Minnesota, on November 23, 2020.

By: _____	By: _____
Title: _____	Title: _____