PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 2021

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. 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 MENDOTA HEIGHTS, MINNESOTA
(Dakota County)

$2,630,000* GENERAL OBLIGATION BONDS, SERIES 2021A

PROPOSAL OPENING: November 3, 2021, 10:00 A.M., C.T. **CONSIDERATION**: November 3, 2021, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $2,630,000* General Obligation Bonds, Series 2021A (the "Bonds") are being issued by the City of Mendota Heights, Minnesota (the "City") pursuant to Minnesota Statutes, Sections 410.32(g), 412.301 and 475.67, and Chapters 429 and 475, for the purposes of: (i) acquiring a new fire truck; (ii) financing various street improvements within the City; and (iii) 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 Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: November 23, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$125,000	2027	$250,000	2031	$255,000
2024	360,000	2028	255,000	2032	130,000
2025	355,000	2029	255,000	2033	115,000
2026	250,000	2030	260,000	2034	20,000

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, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $2,598,440.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $52,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.

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.

TABLE OF CONTENTS

CITY OF MENDOTA HEIGHTS
CITY COUNCIL

		Term Expires
Stephanie Levine	Mayor	January 2023
Ultan Duggan	Council Member	January 2023
John Mazzitello	Council Member	January 2023
Jay Miller	Council Member	January 2025
Joel Paper	Council Member	January 2025

ADMINISTRATION

Cheryl Jacobson, City Administrator

Lorri Smith, City Clerk

Kristen Schabacker, Finance Director

PROFESSIONAL SERVICES

Taft Stettinius & Hollister LLP, 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 Mendota Heights, Minnesota (the "City") and the issuance of its $2,630,000* General Obligation Bonds, Series 2021A (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 3, 2021.

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 November 23, 2021. 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, 2022, 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 2023 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, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 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 being issued by the City pursuant to Minnesota Statutes, Sections 410.32(g), 412.301 and 475.67, and Chapters 429 and 475, for the purposes of: (i) acquiring a new fire truck (the "Equipment Portion"); (ii) financing various street improvements within the City (the "Improvement Portion"); and (iii) effecting a current refunding of the City's $1,685,000 General Obligation Improvement Bonds, Series 2013A (the "Series 2013A Bonds" or the "Improvement Refunding Portion") as follows.

All equipment has an expected useful life at least as long as the term of the Bonds. The par amount of the Bonds does not exceed 0.25% of the estimated market value of the City. The estimated market value of the City for taxes collectible in 2021 is $2,440,082,800. Therefore, the maximum par amount of the Bonds cannot exceed $6,100,207.

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 586771
Series 2013A Bonds	11/5/13	2/1/22	Par	2023	3.00%	$135,000	AH0
				2024	3.00%	140,000	AJ6
				2025	3.00%	140,000	AK3
				2029 (Term)	3.25%	160,000	AP2
				2034 (Term)	4.00%	235,000	AU1
Total Series 2013A Bonds Being Refunded						$810,000	

A portion of the 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. The City will pay the principal and interest payment due on February 1, 2022 from the Debt Service Account for the Series 2013A Bonds.

ESTIMATED SOURCES AND USES*

Sources	Equipment Portion	Improvement Portion	Improvement Refunding Portion	Total Bond Issue
Par Amount of Bonds	$980,000	$1,080,000	$570,000	$2,630,000
Transfers from Prior Issue Debt Service Funds	-	-	260,000	260,000
Prepaid Assessments	-	136,675	-	136,675
St. Paul Regional Water Funds	-	570,473	-	570,473
Storm Water Utility Funds	-	131,620	-	131,620
Total Sources	**$980,000**	**$1,918,768**	**$830,000**	**$3,728,768**

Uses	Equipment Portion	Improvement Portion	Improvement Refunding Portion	Total Bond Issue
Total Underwriter's Discount (1.200%)	$11,760	$12,960	$6,840	$31,560
Costs of Issuance	21,985	24,228	12,787	59,000
Deposit to Capitalized Interest (CIF) Fund	8,940	-	-	8,940
Deposit to Project Construction Fund	940,000	1,876,763	-	2,816,763
Deposit to Current Refunding Fund	-	-	810,000	810,000
Rounding Amount	(2,685)	4,817	373	2,505
Total Uses	**$980,000**	**$1,918,768**	**$830,000**	**$3,728,768**

Breakdown of Principal Payments:

Payment Date	Equipment Portion	Improvement Portion	Improvement Refunding Portion	Total Bond Issue
2/01/2023	-	-	$125,000	$125,000
2/01/2024	$120,000	$110,000	130,000	360,000
2/01/2025	120,000	110,000	125,000	355,000
2/01/2026	120,000	110,000	20,000	250,000
2/01/2027	120,000	110,000	20,000	250,000
2/01/2028	125,000	110,000	20,000	255,000
2/01/2029	125,000	110,000	20,000	255,000
2/01/2030	125,000	110,000	25,000	260,000
2/01/2031	125,000	110,000	20,000	255,000
2/01/2032	-	110,000	20,000	130,000
2/01/2033	-	90,000	25,000	115,000
2/01/2034	-	-	20,000	20,000
Total	**$980,000**	**$1,080,000**	**$570,000**	**$2,630,000**

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which the City will pledge its full faith, credit and taxing powers.

The City anticipates that debt service on the Equipment Portion of the Bonds will be paid from ad valorem property taxes, which will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Equipment Portion of the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Improvement and Improvement Refunding Portions of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the 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 Improvement and Improvement Refunding Portions of 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 additional taxes 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 "AAA" 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.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years 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 Taft Stettinius & Hollister LLP, 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

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds (“the OID Bonds) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders’ tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota 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.

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, 2020 have been audited by BerganKDV, Ltd., 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 the declaration of 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 extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional $130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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	2018/19	2019/20	2020/21
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 $1,880,000 - 0.50% [2] Over $1,880,000 - 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]
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 $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%	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 $162,000 - .75% Over $162,000 - .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

2020/21 Economic Market Value $2,570,071,916[1]

		2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate		$2,416,738,100	$28,398,381
Personal Property		23,344,700	461,692
Total Valuation		$2,440,082,800	$28,860,073
Less:	Captured Tax Increment Tax Capacity[2]		(177,215)
	Fiscal Disparities Contribution[3]		(2,882,018)
Taxable Net Tax Capacity			$25,800,840
Plus:	Fiscal Disparities Distribution[3]		1,099,910
Adjusted Taxable Net Tax Capacity			$26,900,750

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 95.12% 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 $2,570,071,916.

[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.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$19,730,440	68.37%
Commercial/industrial	7,232,992	25.06%
Public utility	300,444	1.04%
Railroad operating property	71,784	0.25%
Non-homestead residential	1,062,721	3.68%
Personal property	461,692	1.60%
Total	$28,860,073	100.00%

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
2016/17	$1,918,143,300	$1,874,652,274	$22,381,347	$20,653,894	+ 1.88%
2017/18	2,023,961,400	1,985,476,693	23,623,069	21,943,881	+ 5.52%
2018/19	2,137,414,100	2,102,327,860	25,020,902	23,297,839	+ 5.61%
2019/20	2,320,745,200	2,286,444,287	27,187,958	25,430,315	+ 8.58%
2020/21	2,440,082,800	2,408,039,314	28,860,073	26,900,750	+ 5.14%

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	2020/21 Net Tax Capacity	Percent of City's Total Net Tax Capacity
MSP SLP Apartments, LLC	Commercial	$810,176	2.81%
Xcel Energy	Utility	718,200	2.49%
Riley Family Lexington Hts., LP	Apartment	432,030	1.50%
Mendota Plaza Apartments, LLC	Apartment	384,750	1.33%
Mendota Heights Town Center, LLC	Commercial	265,142	0.92%
AX TC Industrial III, LP	Commercial	243,450	0.84%
Patterson Dental, Co.	Commercial	209,770	0.73%
Heights of Mendota North, LLC	Apartment	187,224	0.65%
Crosswind, LLC	Commercial	167,420	0.58%
SNH Medical Office Properties Trust	Industrial	160,976	0.56%
Total		$ 3,579,138	12.40%

City's Total 2020/21 Net Tax Capacity $28,860,073

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement and Improvement Refunding Portions of the Bonds)*	$12,220,000
Total G.O. debt secured by tax abatement revenues	1,540,000
Total G.O. debt secured by taxes (includes Equipment Portion of the Bonds)*	8,170,000
Total General Obligation Debt*	$21,930,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[2]	$ 272,325

*Preliminary, subject to change.

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

[2] Non-general obligation debt has not been included in the debt ratios.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 11/23/2021)

	Improvement Bonds Series 2013A		Improvement Bonds Series 2014A		Improvement Refunding Bonds Series 2014B		Improvement Bonds 1) Series 2015A		Improvement Refunding Bonds Series 2015C	
Dated	11/05/2013		11/05/2014		11/05/2014		11/24/2015		11/24/2015	
Amount	$1,685,000		$1,030,000		$885,000		$990,000		$1,995,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	135,000	15,550	75,000	16,471	70,000	10,020	50,000	20,113	160,000	23,200
2023			80,000	14,975	65,000	8,603	50,000	19,338	160,000	20,000
2024			85,000	13,243	70,000	7,185	50,000	18,450	165,000	16,750
2025			85,000	11,075	70,000	5,400	50,000	17,450	165,000	13,450
2026			85,000	8,525	70,000	3,300	50,000	16,325	165,000	10,150
2027			25,000	6,875	75,000	1,125	50,000	15,075	165,000	6,438
2028			25,000	6,125			50,000	13,825	175,000	2,188
2029			25,000	5,375			50,000	12,450		
2030			25,000	4,625			55,000	10,875		
2031			25,000	3,825			55,000	9,225		
2032			25,000	2,975			55,000	7,575		
2033			25,000	2,125			55,000	5,925		
2034			25,000	1,275			55,000	4,275		
2035			25,000	425			55,000	2,625		
2036							60,000	900		
2037										
	135,000	15,550	635,000	97,914	420,000	35,633	790,000	174,425	1,155,000	92,175

1) This represents the $990,000 Improvement portion of the $1,200,000 General Obligation Bonds, Series 2015A.

--Continued on next page

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 11/23/2021)

	Improvement Bonds Series 2016A		Improvement Bonds Series 2017A		Improvement Bonds Series 2018A		Improvement Refunding Bonds Series 2019B		Improvement Refunding Bonds 2) Series 2020A	
Dated	11/22/2016		11/01/2017		11/01/2018		11/05/2019		11/10/2020	
Amount	$1,020,000		$1,340,000		$1,080,000		$3,035,000		$1,755,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	80,000	14,285	125,000	24,363	105,000	32,850	375,000	69,575	160,000	29,140
2023	80,000	13,245	125,000	21,863	105,000	28,650	330,000	59,000	180,000	25,740
2024	80,000	12,125	130,000	19,313	105,000	24,450	290,000	49,700	150,000	22,440
2025	80,000	10,905	130,000	16,713	110,000	20,150	300,000	40,850	150,000	19,440
2026	80,000	9,585	130,000	14,113	115,000	15,650	250,000	32,600	155,000	16,390
2027	80,000	8,125	125,000	11,406	115,000	11,625	260,000	24,950	160,000	13,240
2028	85,000	6,475	130,000	8,375	115,000	8,175	235,000	17,525	160,000	10,040
2029	25,000	5,313	135,000	5,063	120,000	4,650	245,000	11,550	155,000	6,890
2030	25,000	4,688	135,000	1,688	95,000	1,425	235,000	6,750	160,000	4,540
2031	25,000	4,063					220,000	2,200	160,000	2,860
2032	25,000	3,438							165,000	990
2033	25,000	2,813								
2034	25,000	2,188								
2035	25,000	1,563								
2036	25,000	938								
2037	25,000	313								
	790,000	100,058	1,165,000	122,894	985,000	147,625	2,740,000	314,700	1,755,000	151,710

2) This represents the $1,755,000 Improvement Refunding portion of the $3,295,000 General Obligation Bonds, Series 2020A.

--Continued on next page

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 11/23/2021)

	Improvement and Improvement Refunding Bonds 3) Series 2021A							
Dated	11/23/2021							
Amount	$1,650,000*							
Maturity	02/01							
Calendar Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2022	0	8,778	1,335,000	264,344	1,599,344	10,885,000	10.92%	**2022**
2023	125,000	12,524	1,300,000	223,936	1,523,936	9,585,000	21.56%	**2023**
2024	240,000	11,885	1,365,000	195,540	1,560,540	8,220,000	32.73%	**2024**
2025	235,000	10,936	1,375,000	166,369	1,541,369	6,845,000	43.99%	**2025**
2026	130,000	10,018	1,230,000	136,655	1,366,655	5,615,000	54.05%	**2026**
2027	130,000	9,173	1,185,000	108,031	1,293,031	4,430,000	63.75%	**2027**
2028	130,000	8,165	1,105,000	80,893	1,185,893	3,325,000	72.79%	**2028**
2029	130,000	6,995	885,000	58,285	943,285	2,440,000	80.03%	**2029**
2030	135,000	5,703	865,000	40,293	905,293	1,575,000	87.11%	**2030**
2031	130,000	4,248	615,000	26,420	641,420	960,000	92.14%	**2031**
2032	130,000	2,655	400,000	17,633	417,633	560,000	95.42%	**2032**
2033	115,000	1,066	220,000	11,929	231,929	340,000	97.22%	**2033**
2034	20,000	145	125,000	7,883	132,883	215,000	98.24%	**2034**
2035			105,000	4,613	109,613	110,000	99.10%	**2035**
2036			85,000	1,838	86,838	25,000	99.80%	**2036**
2037			25,000	313	25,313	0	100.00%	**2037**
	1,650,000	92,289	12,220,000	1,344,972	13,564,972			

* Preliminary, subject to change.

3) This represents the $1,650,000 Improvement and Refunding portion of the $2,630,000 General Obligation Bonds, Series 2021A. The Improvement Refunding portion will refund the 2023 through 2025 maturities of the City's $1,685,000 General Obligation Improvement Bonds, Series 2013A, dated November 5, 2013.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 11/23/2021)

	Tax Abatement Bonds 1) Series 2020A							
Dated	11/10/2020							
Amount	$1,540,000							
Maturity	02/01							
Calendar Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2022	0	27,380	0	27,380	27,380	1,540,000	.00%	**2022**
2023	160,000	25,780	160,000	25,780	185,780	1,380,000	10.39%	**2023**
2024	165,000	22,530	165,000	22,530	187,530	1,215,000	21.10%	**2024**
2025	165,000	19,230	165,000	19,230	184,230	1,050,000	31.82%	**2025**
2026	170,000	15,880	170,000	15,880	185,880	880,000	42.86%	**2026**
2027	170,000	12,480	170,000	12,480	182,480	710,000	53.90%	**2027**
2028	175,000	9,030	175,000	9,030	184,030	535,000	65.26%	**2028**
2029	175,000	5,530	175,000	5,530	180,530	360,000	76.62%	**2029**
2030	180,000	2,880	180,000	2,880	182,880	180,000	88.31%	**2030**
2031	180,000	990	180,000	990	180,990	0	100.00%	**2031**
	1,540,000	141,710	1,540,000	141,710	1,681,710			

1) This represents the $1,540,000 Tax Abatement portion of the $3,295,000 General Obligation Bonds, Series 2020A.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/23/2021)

	Equipment Certificate 1) Series 2015A		Refunding Bonds Series 2015B		Capital Improvement Bonds Series 2019A		Equipment Certificates 2) Series 2021A							
Dated	11/24/2015		11/24/2015		05/08/2019		11/23/2021							
Amount	$210,000		$1,475,000		$7,000,000		$980,000*							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	25,000	1,581	220,000	10,200	375,000	211,950	0	5,180	620,000	228,912	848,912	7,550,000	7.59%	2022
2023	25,000	1,194	230,000	3,450	390,000	196,650	0	7,520	645,000	208,814	853,814	6,905,000	15.48%	2023
2024	25,000	750			405,000	180,750	120,000	7,310	550,000	188,810	738,810	6,355,000	22.22%	2024
2025	25,000	250			420,000	164,250	120,000	6,830	565,000	171,330	736,330	5,790,000	29.13%	2025
2026					435,000	147,150	120,000	6,200	555,000	153,350	708,350	5,235,000	35.92%	2026
2027					455,000	131,625	120,000	5,420	575,000	137,045	712,045	4,660,000	42.96%	2027
2028					470,000	117,750	125,000	4,469	595,000	122,219	717,219	4,065,000	50.24%	2028
2029					480,000	103,500	125,000	3,344	605,000	106,844	711,844	3,460,000	57.65%	2029
2030					495,000	88,875	125,000	2,125	620,000	91,000	711,000	2,840,000	65.24%	2030
2031					510,000	73,800	125,000	750	635,000	74,550	709,550	2,205,000	73.01%	2031
2032					525,000	58,275			525,000	58,275	583,275	1,680,000	79.44%	2032
2033					545,000	42,225			545,000	42,225	587,225	1,135,000	86.11%	2033
2034					560,000	25,650			560,000	25,650	585,650	575,000	92.96%	2034
2035					575,000	8,625			575,000	8,625	583,625	0	100.00%	2035
	100,000	3,775	450,000	13,650	6,640,000	1,551,075	980,000	49,148	8,170,000	1,617,648	9,787,648			

* Preliminary, subject to change.

1) This represents the $210,000 Equipment portion of the $1,200,000 General Obligation Bonds, Series 2015A.

2) This represents the $980,000 Equipment portion of the $2,630,000 General Obligation Bonds, Series 2021A.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/23/2021)

	Maintenance Facility Solar Lease 1) 2017		Fire Station Solar Lease 1) 2017		Maintenance Facility II Solar Lease 1) 2017		Golf Course Solar Lease 1) 2017		City Hall Solar Lease 1) 2017	
Dated	02/20/2017		02/20/2017		07/26/2017		07/26/2017		07/26/2017	
Amount	$44,039		$44,039		$74,639		$48,045		$75,766	
Maturity	12/31		12/31		12/31		12/31		12/31	
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2021	2,172	0	2,172	0	4,344	0	2,000	0	4,542	0
2022	2,269	0	2,269	0	4,538	0	2,089	0	4,745	0
2023	2,371	0	2,371	0	4,742	0	2,183	0	4,957	0
2024	2,477	0	2,477	0	4,954	0	2,281	0	5,179	0
2025	2,588	0	2,588	0	5,175	0	2,383	0	5,411	0
2026	2,704	0	2,704	0	5,407	0	2,489	0	5,653	0
2027	2,825	0	2,825	0	5,649	0	2,601	0	5,906	0
2028	2,951	0	2,951	0	5,902	0	2,717	0	6,170	0
2029	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2030	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2031	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2032	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2033	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2034	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2035	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2036	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2037										
2038										
2039										
	36,196	0	36,196	0	58,951	0	40,823	0	59,364	0

1) This is not subject to the debt limit.

--Continued on next page

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness continued
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/23/2021)

	Fire Station Solar Lease1) 2019							
Dated	11/25/2019							
Amount	$40,796							
Maturity	12/31							
Calendar Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2021	3,661	0	18,891	0	18,891	253,434	6.94%	**2021**
2022	1,927	0	17,838	0	17,838	235,596	13.49%	**2022**
2023	1,994	0	18,617	0	18,617	216,978	20.32%	**2023**
2024	2,063	0	19,431	0	19,431	197,548	27.46%	**2024**
2025	2,135	0	20,280	0	20,280	177,268	34.91%	**2025**
2026	2,209	0	21,166	0	21,166	156,102	42.68%	**2026**
2027	2,286	0	22,091	0	22,091	134,011	50.79%	**2027**
2028	2,366	0	23,057	0	23,057	110,954	59.26%	**2028**
2029	2,448	0	13,548	0	13,548	97,406	64.23%	**2029**
2030	2,533	0	13,633	0	13,633	83,772	69.24%	**2030**
2031	2,622	0	13,722	0	13,722	70,051	74.28%	**2031**
2032	2,713	0	13,813	0	13,813	56,238	79.35%	**2032**
2033	2,807	0	13,907	0	13,907	42,331	84.46%	**2033**
2034	2,905	0	14,005	0	14,005	28,326	89.60%	**2034**
2035	3,006	0	14,106	0	14,106	14,220	94.78%	**2035**
2036	780	0	11,880	0	11,880	2,340	99.14%	**2036**
2037	780	0	780	0	780	1,560	99.43%	**2037**
2038	780	0	780	0	780	780	99.71%	**2038**
2039	780	0	780	0	780	0	100.00%	**2039**
	40,796	0	272,325	0	272,325			

1) This is not subject to the debt limit.

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 Improvement and Improvement Refunding Portions of 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.

2020/21 Assessor's Estimated Market Value	$2,440,082,800
Multiply by 3%	0.03
Statutory Debt Limit	$ 73,202,484
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Portion of the Bonds)*	(8,170,000)
Unused Debt Limit*	$ 65,032,484

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2020/21 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt[2]	City's Proportionate Share
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	$79,678,842	32.3810%	$131,510,000	$42,584,253
Metropolitan Council	4,884,505,255	0.5282%	193,320,000[3]	1,021,116
City's Share of Total Overlapping Debt				$43,605,369

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 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 ($2,570,071,916)	Debt/ Current Population Estimate (11,744)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	$ 12,220,000		
Tax Abatement Revenues	1,540,000		
Taxes*	8,170,000		
Total General Obligation Debt (includes the Bonds)*	$ 21,930,000	0.85%	$1,867.34
City's Share of Total Overlapping Debt	$ 43,605,369	1.70%	$3,712.99
Total*	$ 65,535,369	2.55%	$5,580.33

*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 plans to issue approximately $2,000,000 General Obligation Improvement Bonds for road construction projects in the next 12 months.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2016/17	$7,700,631	$7,665,542	$7,699,064	99.98%
2017/18	8,253,837	8,225,669	8,251,607	99.97%
2018/19	9,070,021	9,032,959	9,065,930	99.95%
2019/20	9,643,024	9,582,953	9,584,226	99.39%
2020/21	10,061,438	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 28, 2021.

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

TAX CAPACITY RATES[1]

	2016/17	2017/18	2018/19	2019/20	2020/21
Dakota County	28.004%	26.580%	25.386%	24.133%	22.716%
City of Mendota Heights	38.104%	39.647%	39.294%	39.972%	39.334%
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	22.295%	21.224%	24.246%	22.125%	21.900%
Metropolitan Council	0.878%	0.821%	0.666%	0.606%	0.635%
Mosquito Conrol	0.475%	0.443%	0.435%	0.406%	0.384%
CDA	1.548%	1.479%	1.479%	1.469%	1.375%
Transit District	1.215%	1.104%	1.244%	1.150%	1.038%
Light Rail	0.342%	0.031%	0.000%	0.000%	0.000%
Minnesota Watershed	0.745%	0.712%	0.664%	0.540%	0.540%
Referendum Market Value Rates:					
City of Mendota Heights	0.01297%	0.01207%	0.01146%	0.01061%	0.01011%
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	0.17000%	0.17000%	0.16863%	0.15911%	0.14432%

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 1956. 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 and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 44 full-time, seven (7) part-time, and nine (9) 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
Law Enforcement Labor Services	December 31, 2021
Minnesota Teamsters Public & Law Enforcement Employees Union Local 320	December 31, 2021
Minnesota Public Employees Association	December 31, 2021
Local 70 of the International Union of Operating Engineers AFL-CIO	December 31, 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 actuarial study shows a total OPEB liability of $842,740 as of December 31, 2020. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

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 July 31, 2021)

Fund	**Total Cash and Investments**
General	$10,902,023
Special Revenue	2,327,926
Debt Service	2,777,684
Capital Projects	1,394,419
Enterprise Funds	1,303,331
Internal Service	767,869
Total Funds on Hand	$19,473,252

ENTERPRISE FUNDS

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

	2018	2019	2020
Sewer			
Total Operating Revenues	$ 2,012,107	$ 2,045,839	$ 2,317,640
Less: Operating Expenses	(1,954,960)	(2,001,963)	(2,024,291)
Operating Income	$ 57,147	$ 43,876	$ 293,349
Plus: Depreciation	183,362	187,114	200,912
Revenues Available for Debt Service	$ 240,509	$ 230,990	$ 494,261
Storm Water			
Total Operating Revenues	$ 501,173	$ 507,769	$ 578,799
Less: Operating Expenses	(285,058)	(275,606)	(225,841)
Operating Income	$ 216,115	$ 232,163	$ 352,958
Plus: Depreciation	52,726	46,964	51,283
Revenues Available for Debt Service	$ 268,841	$ 279,127	$ 404,241
Golf Course[1]			
Total Operating Revenues	$ 132,066	N/A	N/A
Less: Operating Expenses	(137,324)	N/A	N/A
Operating Income	$ (5,258)	N/A	N/A
Plus: Depreciation	12,357	N/A	N/A
Revenues Available for Debt Service	$7,099	N/A	N/A

[1] On January 1, 2019, the City reclassified the Par 3 Golf Course Fund from an Enterprise Fund to a Special Revenue Fund.

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 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Adopted Budget [1)]
Revenues					
Property taxes	$6,652,540	$7,237,908	$7,509,301	$7,959,743	$8,009,068
Special assessments	893	0	0	0	0
Licenses and permits	633,846	515,103	480,249	405,376	329,200
Intergovernmental	424,268	469,417	529,235	1,435,730	492,570
Charges for services	621,308	643,095	716,877	677,925	664,948
Fine and forfeitures	82,901	103,829	123,848	102,676	103,300
Investment income	49,891	78,430	186,336	96,400	30,000
Other	279,978	169,932	199,430	213,370	75,000
Total Revenues	$8,745,625	$9,217,714	$9,745,276	$10,891,220	$9,704,086
Expenditures					
Current:					
General government	$1,516,906	$1,609,931	$1,676,334	$1,890,278	$1,790,973
Public safety	3,879,402	4,151,895	4,607,105	4,885,438	5,055,086
Public works	2,184,378	2,464,014	2,645,909	2,632,290	2,905,577
Capital outlay	32,869	19,330	0	2,478	0
Total Expenditures	$7,613,555	$8,245,170	$8,929,348	$9,410,484	$9,751,636
Excess of revenues over (under) expenditures	$1,132,070	$972,544	$815,928	$1,480,736	($47,550)
Other Financing Sources (Uses)					
Transfers in	$47,550	$47,550	$47,550	$47,550	$47,550
Transfers (out)	0	(270,992)	(347,193)	(196,660)	0
Total Other Financing Sources (Uses)	47,550	(223,442)	(299,643)	(149,110)	47,550
Net changes in Fund Balances	$1,179,620	$749,102	$516,285	$1,331,626	$0
General Fund Balance January 1	$7,221,257	$8,087,498	$8,836,600	$9,352,885	
Prior Period Adjustment	(313,379)	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	$8,087,498	$8,836,600	$9,352,885	$10,684,511	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	$129,617	$288,672	$294,064	$353,965	
Assigned	161,121	135,881	56,810	0	
Unassigned	7,796,760	8,412,047	9,002,011	10,330,546	
Total	$8,087,498	$8,836,600	$9,352,885	$10,684,511	

1) The 2021 budget was adopted on December 1, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 11,071 and a current population estimate of 11,744, and comprising an area of 10 square miles, is located approximately two miles south of the City of St. Paul.

LARGER EMPLOYERS[1]

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	Elementary and secondary education	1,019
Patterson Companies	Medical and dental supplies	500
Black Knight Financial Services	Mortgage default processing	500
Howry Residential Services	Residential services	300
Bituminous Roadways, Inc	Paving contractors	200
Lloyd's Barbeque Co.	Pre-cooked barbeque meals	165
Restaurant Technologies, Inc.	Restaurant equipment & supplies- retail	100
General Pump	Pump manufacturers	100
Visitation School	Convents & monasteries	100
North Risk Partners	Insurance agencies	75

Source: *Data Axle Reference Solutions, written and telephone survey (September 2021), 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").

BUILDING PERMITS

	2017	2018	2019	2020	2021[1]
New Single Family Homes					
No. of building permits	8	9	10	8	10
Valuation	$4,376,940	$4,717,052	$7,332,528	$4,737,935	$6,921,610
New Multiple Family Buildings					
No. of building permits	17	19	1	1	2
Valuation	$26,562,000	$13,826,472	$9,135,000	$14,000,000	$1,000,000
New Commercial/Industrial					
No. of building permits	1	1	1	0	2
Valuation	$1,953,965	$5,200,000	$1,500,000	$0	$4,352,623
All Building Permits *(including additions and remodelings)*					
No. of building permits	698	634	727	776	614
Valuation	$50,462,921	$34,896,881	$39,304,632	$31,136,908	$30,774,577

Source: The City.

[1] As of August 31, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	11,434
2010 U.S. Census population	11,071
2020 State Demographer's Estimate	11,744
Percent of Change 2000 - 2010	-3.17%

Income and Age Statistics

	The City	**Dakota County**	**State of Minnesota**	**United States**
2019 per capita income	$65,568	$41,552	$37,625	$34,103
2019 median household income	$121,214	$86,036	$71,306	$62,843
2019 median family income	$152,963	$104,537	$89,842	$77,263
2019 median gross rent	$1,127	$1,174	$977	$1,062
2019 median value owner occupied units	$392,600	$266,000	$223,900	$217,500
2019 median age	51.2 yrs.	37.9 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	**United States**
City % of 2019 per capita income	174.27%	192.26%
City % of 2019 median family income	170.26%	197.98%

Housing Statistics

	The City		
	2010	**2019**	**Percent of Change**
All Housing Units	4,243	4,620	8.89%

Source: *2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci) and 2020 Preliminary Population Estimates, Metropolitan Council (https://metrocouncil.org/).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	**Average Unemployment**	
Year	**Dakota County**	**Dakota County**	**State of Minnesota**
2017	230,951	3.0%	3.4%
2018	233,744	2.5%	3.0%
2019	235,645	2.9%	3.2%
2020	226,214	5.9%	6.2%
2021, August	229,643	3.2%	3.4%

Source: *Minnesota Department of Employment and Economic Development.*

APPENDIX A

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 Mendota Heights

Annual Report and Basic Financial Statements
December 31, 2020

City of Mendota Heights
Table of Contents

City of Mendota Heights
Table of Contents

City of Mendota Heights
Elected Officials and Administration
December 31, 2020

Elected Officials	Position	Term Expires
Neil Garlock	Mayor	December 31, 2020
Joel Paper	Council Member	December 31, 2024
Jay Miller	Council Member	December 31, 2024
Ultan Duggan	Council Member	December 31, 2022
John Mazzitello	Council Member	December 31, 2022
Administration		
Mark McNeill	City Administrator	Appointed
Lorri Smith	City Clerk	Appointed
Kristen Schabacker	Finance Director	Appointed

bergankdv

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota 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 Mendota Heights, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota Heights, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mendota Heights' basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021, on our consideration of the City of Mendota Heights' 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 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 of Mendota Heights' internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
June 2, 2021

As management of the City of Mendota 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 year ended December 31, 2020.

FINANCIAL AND DEVELOPMENT HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent year by $50,599,802 (net position). Of this amount, $10,966,805 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $5,696,784. Governmental activities resulted in an increase of net position of $5,087,870. Business activities had net position increase of $608,914.

As of the close of the current year, the City's governmental funds reported a combined ending fund balance of $19,872,147, an increase of $55,219 from the prior year.

At the end of the year the General Fund had an unassigned fund balance of $10,330,546, or 109.8% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements
The government-wide financial statements on pages 16 and 17 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 of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and 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, and public works. The business-type activities of the City include sewer and storm water.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Governmental Funds
Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial 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 statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the Governmental Fund Balance Sheet and 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 four individual major 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 following major funds:

- General Fund
- Special Assessments Debt Service Fund
- Street Capital Projects Fund
- Fire Hall Remodel Fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 25 of this report.

Proprietary Funds
The City maintains two enterprise funds and two internal service funds as a part of its proprietary fund type. 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 sewer and storm water operations.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)
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 the following funds:

Enterprise Funds
- Sewer Utility Fund
- Storm Water Utility Fund

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 and city hall functions. The 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 basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

Notes to 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 financial statements can be found on pages 29 through 60 of this report.

Other Information
The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 72 through 85 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 $50,599,802 at the close of the most recent year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the City's net position ($33,232,608 or 65.68%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure) 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.

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	$ 24,377,556	$ 24,465,601	$ 1,686,982	$ 1,596,455	$ 26,064,538	$ 26,062,056
Capital assets	41,437,497	36,354,121	14,703,576	14,478,671	56,141,073	50,832,792
Deferred outflows of resources related to pensions and OPEB	1,528,215	2,009,901	12,341	11,717	1,540,556	2,021,618
Total assets and deferred outflows of resources	$ 67,343,268	$ 62,829,623	$ 16,402,899	$ 16,086,843	$ 83,746,167	$ 78,916,466
Liabilities						
Long-term liabilities outstanding	$ 25,897,048	$ 25,563,089	$ 139,283	$ 128,014	$ 26,036,331	$ 25,691,103
Other liabilities	5,489,222	5,051,561	116,877	403,116	5,606,099	5,454,677
Deferred inflows of resources related to pensions	1,497,923	2,843,768	6,012	23,900	$ 1,503,935	2,867,668
Total liabilities and deferred inflows of resources	$ 32,884,193	$ 33,458,418	$ 262,172	$ 555,030	$ 33,146,365	$ 34,013,448
Net Position						
Net investment in capital assets	$ 18,529,032	$ 16,838,188	$ 14,703,576	$ 14,478,671	$ 33,232,608	$ 31,225,359
Restricted	6,400,389	6,058,381	-	-	6,400,389	6,058,381
Unrestricted	9,529,654	6,474,636	1,437,151	1,053,142	10,966,805	7,619,278
Total net position	$ 34,459,075	$ 29,371,205	$ 16,140,727	$ 15,531,813	$ 50,599,802	$ 44,903,018

A portion of the of the City's net position ($6,400,389) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($10,966,805) may be used to meet the City's ongoing obligations to citizens and creditors.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City's net position by $5,087,870. Key elements of this increase are as follows:

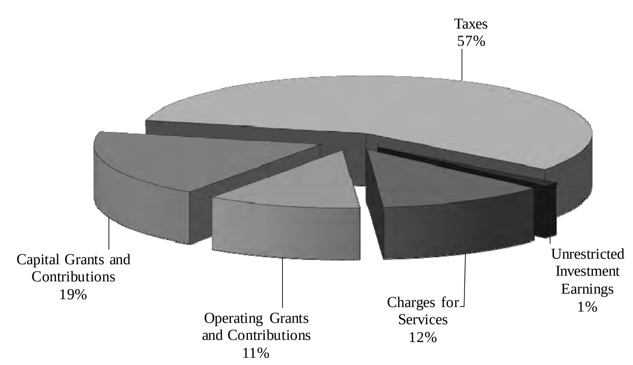
City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	$ 2,141,606	$ 2,147,351	$ 2,906,916	$ 2,570,609	$ 5,048,522	$ 4,717,960
Operating grants and contributions	1,942,370	714,691	-	-	1,942,370	714,691
Capital grants and contributions	3,327,642	610,169	-	115,955	3,327,642	726,124
General revenues						
Taxes	10,052,157	9,430,008	-	-	10,052,157	9,430,008
Tax Increment	15,656	-	-	-	15,656	-
Unrestricted investment earnings	204,638	476,412	18,881	26,166	223,519	502,578
Gain on sale of asset	-	-	11,167	-	11,167	-
Total revenues	17,684,069	13,378,631	2,936,964	2,712,730	20,621,033	16,091,361
Expenses						
General government	2,608,370	2,050,317	-	-	2,608,370	2,050,317
Public safety	5,022,012	4,587,085	-	-	5,022,012	4,587,085
Public works	4,402,320	4,457,956	-	-	4,402,320	4,457,956
Economic Development	15,244	-	-	-	15,244	-
Interest on long-term debt	626,171	685,202	-	-	626,171	685,202
Sewer	-	-	2,024,291	2,001,963	2,024,291	2,001,963
Storm water	-	-	225,841	275,606	225,841	275,606
Par 3 golf course	-	-	-	-	-	-
Total expenses	12,674,117	11,780,560	2,250,132	2,277,569	14,924,249	14,058,129
Increase (decrease) in net position before transfers	5,009,952	1,598,071	686,832	435,161	5,696,784	2,033,232
Transfers	77,918	112,648	(77,918)	(112,648)	-	-
Increase (decrease) in net position	5,087,870	1,710,719	608,914	322,513	5,696,784	2,033,232
Net position - beginning	29,371,205	24,881,725	15,531,813	17,988,061	44,903,018	42,869,786
Change in accounting principle	-	2,778,761	-	(2,778,761)	-	-
Net position - beginning restated	29,371,205	27,660,486	15,531,813	15,209,300	44,903,018	42,869,786
Net position - ending	$ 34,459,075	$ 29,371,205	$ 16,140,727	$ 15,531,813	$ 50,599,802	$ 44,903,018

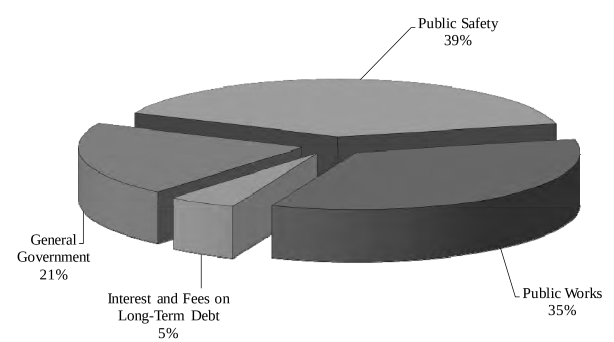
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)
Below are specific graphs which provide comparisons of the governmental activities revenues and expenditures:

Governmental Activities - Revenues



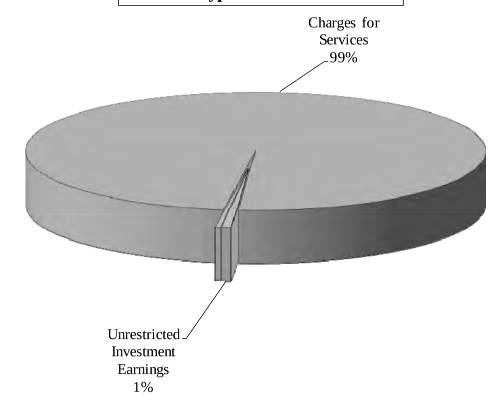
Governmental Activities - Expenses



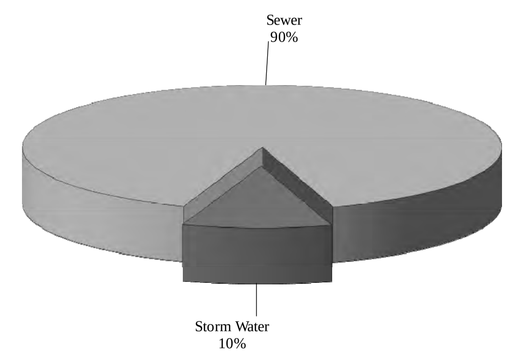
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities
Business-type activities increased net position by $608,914. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of $19,872,147. Nonspendable fund balances are already allocated for prepaid items ($341,541) and inventory ($18,280). Approximately 33.03% ($6,563,568) constitutes restricted fund balance. Restricted fund balance would include Debt Service, Special Park, and Street Light District Funds, all of which have specific uses for the funds they receive. The City also has a committed fund balance of $901,102. This represents fund balance that is to be used for the water system, Par 3 Golf Course and civil defense needs. The City has assigned fund balance of $2,471,087 (12.43%). This number represents the fund balances for the various reserve accounts. The remaining category of fund balance is the unassigned fund balance. The City has $9,576,569 of unassigned fund balance which is approximately 48.19% of the combined governmental fund balance at December 31, 2020.

The General Fund increased by $1,331,626 in 2020. Revenues were greater than anticipated and expenditures were lower than budgeted amounts.

The Special Assessments Debt Service Fund increased by $656,280 in 2020. This fund accounted for debt service payments for prior street improvement projects that were financed through the issuance of bonds. This fund held bond proceeds that will be used to pay off the GO Improvement Bonds of 2012A on 2/1/2021.

The Street Capital Project Fund decreased by $58,518. This fund accounted for the costs and resources associated with the Marie Avenue street project.

The Fire Hall Remodel Fund decreased by $3,332,245 in 2020. This project was started in 2019 and was nearly complete at the end of 2020. The project will be wrapped up in 2021.

The nonmajor governmental funds increased by $1,458,076. These funds received revenues from water surcharges, Par 3 Golf Course, and park dedication fees. Nonmajor funds account for the Special Park, Civil Defense, Par 3 Golf Course, and Street Light District activity. The City also has nonmajor funds for future purchases of equipment, facility needs and minor infrastructure projects.

Proprietary Funds
The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position in the respective Proprietary Funds are sewer $1,023,281 and storm water $413,870. The Sewer Utility Fund had an increase in net position in 2020 of $317,470 and the Storm Water Utility Fund had an increase in net position in 2020 of $291,444.

BUDGETARY HIGHLIGHTS

General Fund
The General Fund budget was not amended during 2020.

During the year, revenues exceeded budgeted estimates by $1,139,199, while expenditures were less than anticipated by $389,087.

The General Fund experienced greater than budgeted revenues in most categories. The City received $858,276 in federal CARES money. This revenue had not been anticipated at the time that the FY 2020 budget was adopted, and increased the amount of intergovernmental revenue received. Miscellaneous revenue exceeded budgeted amounts, in part due to the City's conservative philosophy used when budgeting for interest income and donations.

The General Fund expenditures were lower than budgeted. While the General Government function was slightly over budget, due to pandemic related expenses and local business COVID-19 stimulus grants which were CARES-reimbursed. The Public Safety function expenditures were less than what was budgeted, primarily due to a number of vacant employee positions. Finally, the Public Works function also experienced slightly lower than budgeted expenditures.

Overall, the General Fund balance increased by $1,331,626, an increase of approximately 14.24%.

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, 2020, amounts to $56,141,073 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	$ 8,790,170	$ 8,682,370	$ -	$ -	$ 8,790,170	$ 8,682,370
Construction in progress	11,126,332	7,024,824	-	217,421	11,126,332	7,242,245
Buildings and structures	1,014,613	996,159	-	-	1,014,613	996,159
Machinery and equipment	2,272,902	2,359,141	321,985	88,397	2,594,887	2,447,538
Other improvements	1,011,350	658,593	-	-	1,011,350	658,593
Sewer main lines and Storm sewers	-	-	14,381,591	14,172,853	14,381,591	14,172,853
Infrastructure	17,222,130	16,633,034	-	-	17,222,130	16,633,034
Total capital assets	$ 41,437,497	$ 36,354,121	$ 14,703,576	$ 14,478,671	$ 56,141,073	$ 50,832,792

Additional information on the City's capital assets can be found in Note 5.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current year, the City had total long-term debt outstanding of $23,865,000, an increase of $740,000 from 2019. $23,865,000 for general obligation (G.O.) improvement debt which is supported in part by special assessments.

Outstanding Debt

G.O. Improvement Bonds, G.O. Bonds and Revenue Bonds:

	Governmental Activities	
	2020	2019
G.O. Improvement Bonds	$ 16,200,000	$ 15,165,000
G.O. Bonds	7,665,000	7,960,000
Total	$ 23,865,000	$ 23,125,000

The City maintains a AAA rating from Standard & Poor's.

Minnesota Statutes limit the amount of G.O. debt a Minnesota city may issue to 2% of total estimated market value. The current debt limitation for the City is $48,160,786. Of the City's outstanding debt, $7,665,000 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budgets and Rates

In 2020, the taxable market value for the City was $2,408,039,314. This represents an increase of 5.32% from 2019. The City is expecting an increase in taxable market value for 2021.

These factors were considered in preparing the City's budget for 2021.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1101 Victoria Curve, Mendota Heights, Minnesota 55118.

BASIC FINANCIAL STATEMENTS

City of Mendota Heights
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments			
(including cash equivalents)	$ 20,635,922	$ 780,347	$ 21,416,269
Property tax receivable	79,562	-	79,562
Accounts receivable	29,366	743,231	772,597
Interest receivable	23,399	1,107	24,506
Due from other governments	1,004,890	4,473	1,009,363
Special assessments receivable			
Delinquent	4,664	4,369	9,033
Unearned	2,134,995	16,965	2,151,960
Inventories	18,280	-	18,280
Prepaid items	350,378	136,490	486,868
Land held for resale	96,100	-	96,100
Capital assets (net of accumulated depreciation)			
Land and improvements	8,790,170	-	8,790,170
Construction in progress	11,126,332	-	11,126,332
Capital assets being depreciated			
Infrastructure	17,222,130	14,381,591	31,603,721
Buildings and structures	1,014,613	-	1,014,613
Other improvements	1,011,350	-	1,011,350
Machinery and equipment	2,272,902	321,985	2,594,887
Total assets	65,815,053	16,390,558	82,205,611
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	1,366,009	11,962	1,377,971
Deferred outflows of resources related to OPEB	162,206	379	162,585
Total deferred outflows of resources	1,528,215	12,341	1,540,556
Total assets and deferred outflows of resources	$ 67,343,268	$ 16,402,899	$ 83,746,167
Liabilities			
Accounts and contracts payable	$ 612,573	$ 43,327	$ 655,900
Deposits payable	-	45,150	45,150
Due to other governments	259,599	3,224	262,823
Salaries and benefits payable	195,902	4,973	200,875
Interest payable	250,782	-	250,782
Developers' escrow deposits	15,141	-	15,141
Bond principal payable			
Payable within one year	3,755,000	-	3,755,000
Payable after one year	20,948,465	-	20,948,465
Compensated absences payable			
Payable within one year	400,225	20,203	420,428
Payable after one year	245,971	17,346	263,317
Total other post employment benefits (OPEB) payable	836,760	5,980	842,740
Net pension liability	3,865,852	115,957	3,981,809
Total liabilities	31,386,270	256,160	31,642,430
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,483,304	5,592	1,488,896
Deferred inflows of resources related to OPEB	14,619	420	15,039
Total deferred inflows of resources	1,497,923	6,012	1,503,935
Net Position			
Net investment in capital assets	18,529,032	14,703,576	33,232,608
Restricted for			
Debt service	5,599,450	-	5,599,450
Street light maintenance	35,789	-	35,789
Park dedication	765,150	-	765,150
Unrestricted	9,529,654	1,437,151	10,966,805
Total net position	34,459,075	16,140,727	50,599,802
Total liabilities, deferred inflows of resources, and net position	$ 67,343,268	$ 16,402,899	$ 83,746,167

See notes to financial statements.

City of Mendota Heights
Statement of Activities
Year Ended December 31, 2020

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	$ 2,608,370	$ 264,144	$ 459,305	$ 1,105,386	$ (779,535)	$ -	$ (779,535)
Public safety	5,022,012	734,109	1,258,974	-	(3,028,929)	-	(3,028,929)
Public works	4,402,320	1,143,353	224,091	2,222,256	(812,620)	-	(812,620)
Economic development	15,244	-	-	-	(15,244)	-	(15,244)
Interest on long-term debt	626,171	-	-	-	(626,171)	-	(626,171)
Total governmental activities	12,674,117	2,141,606	1,942,370	3,327,642	(5,262,499)	-	(5,262,499)
Business-type activities							
Sewer	2,024,291	2,327,917	-	-	-	303,626	303,626
Storm water	225,841	578,999	-	-	-	353,158	353,158
Total business-type activities	2,250,132	2,906,916	-	-	-	656,784	656,784
Total governmental and business-type activities	$ 14,924,249	$ 5,048,522	$ 1,942,370	$ 3,327,642	(5,262,499)	656,784	(4,605,715)
General revenues							
Property taxes					10,052,157	-	10,052,157
Tax increments					15,656	-	15,656
Unrestricted investment earnings					204,638	18,881	223,519
Gain on sale of asset					-	11,167	11,167
Total general revenues					10,272,451	30,048	10,302,499
Transfers					77,918	(77,918)	-
Change in net position					5,087,870	608,914	5,696,784
Net position - beginning					29,371,205	15,531,813	44,903,018
Net position - ending					$ 34,459,075	$ 16,140,727	$ 50,599,802

See notes to financial statements.

City of Mendota Heights
Balance Sheet - Governmental Funds
December 31, 2020

	General Fund	Special Assessments Debt Service	Capital Projects: Street Capital Projects	Capital Projects: Fire Hall Remodel	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments						
(including cash equivalents)	$ 10,364,192	$ 4,773,638	$ -	$ 90,508	$ 4,741,313	$ 19,969,651
Taxes receivable - delinquent	63,105	8,825	-	153	7,479	79,562
Special assessments receivable						
Delinquent	353	4,311	-	-	-	4,664
Deferred	5,823	1,862,247	256,341	-	10,584	2,134,995
Accounts receivable	18,278	-	-	-	11,088	29,366
Interest receivable	12,011	4,756	1,076	-	5,417	23,260
Due from other funds	-	-	-	-	252,202	252,202
Due from other governments	313,132	42,508	351,448	22	297,780	1,004,890
Inventories	18,280	-	-	-	-	18,280
Prepaid items	335,685	-	-	-	5,856	341,541
Land held for resale	-	-	-	-	96,100	96,100
Total assets	$ 11,130,859	$ 6,696,285	$ 608,865	$ 90,683	$ 5,427,819	$ 23,954,511
Liabilities						
Accounts and contracts payable	$ 148,710	$ -	$ 208,645	$ 242,390	$ 7,254	$ 606,999
Due to other funds	-	-	63,317	-	188,885	252,202
Due to other governments	20,762	-	-	-	238,741	259,503
Salaries and benefits payable	192,454	-	-	-	532	192,986
Developers' escrow deposits	15,141	-	-	-	-	15,141
Total liabilities	377,067	-	271,962	242,390	435,412	1,326,831
Deferred Inflows of Resources						
Unavailable revenue - property taxes	63,105	8,825	-	153	7,479	79,562
Unavailable revenue - grants	-	-	344,312	-	192,000	536,312
Unavailable revenue - special assessments	6,176	1,866,558	256,341	-	10,584	2,139,659
Total deferred inflows of resources	69,281	1,875,383	600,653	153	210,063	2,755,533
Fund Balances						
Nonspendable	353,965	-	-	-	5,856	359,821
Restricted	-	4,820,902	-	-	1,742,666	6,563,568
Committed	-	-	-	-	901,102	901,102
Assigned	-	-	-	-	2,471,087	2,471,087
Unassigned	10,330,546	-	(263,750)	(151,860)	(338,367)	9,576,569
Total fund balances	10,684,511	4,820,902	(263,750)	(151,860)	4,782,344	19,872,147
Total liabilities, deferred inflows of resources, and fund balances	$ 11,130,859	$ 6,696,285	$ 608,865	$ 90,683	$ 5,427,819	$ 23,954,511

See notes to financial statements.

City of Mendota Heights
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2020

Total fund balances - governmental funds	$ 19,872,147
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	69,373,190
Less accumulated depreciation	(28,573,272)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
General obligation (G.O.) bond principal payable	(23,865,000)
Unamortized bond premium	(838,465)
OPEB payable	(832,431)
Net pension liability	(3,811,126)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(1,480,665)
Deferred outflows of resources related to pensions	1,360,363
Deferred outflows of resources related to OPEB	161,932
Deferred inflows of resources related to OPEB	(14,315)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	79,562
Special assessments	4,664
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	2,134,995
Deferred grants	536,312
Governmental funds do not report a liability for accrued interest until due and payable.	(250,782)
Internal service funds are used by management to charge the cost of engineering, compensated absences and City Hall expenses to individual funds. The net position of the funds are considered governmental and included in the government-wide Statement of Net Position.	601,966
Total net position - governmental activities	$ 34,459,075

See notes to financial statements.

City of Mendota Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General Fund	Special Assessments Debt Service	Capital Projects: Street Capital Projects
Revenues			
Property taxes	$ 7,959,743	$ 1,118,031	$ -
Tax increments	-	-	-
Special assessments	-	371,908	161,274
Licenses and permits	405,376	-	-
Intergovernmental	1,435,730	-	1,547,126
Charges for services	677,925	-	-
Fines and forfeitures	102,676	499	-
Miscellaneous revenue			
Investment income	96,400	38,173	8,637
Other	213,370	-	3,708
Total revenues	10,891,220	1,528,611	1,720,745
Expenditures			
Current			
General government	1,890,278	-	-
Public safety	4,885,438	-	-
Public works	2,632,290	-	-
Economic development	-	-	-
Debt service			
Principal	-	1,005,000	-
Interest and other charges	-	429,025	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	2,478	-	3,610,303
Total expenditures	9,410,484	1,434,025	3,610,303
Excess of revenues over (under) expenditures	1,480,736	94,586	(1,889,558)
Other Financing Sources (Uses)			
Issuance of debt	-	3,295,000	-
Bond premium	-	165,068	-
Refunded debt payment	-	(1,290,000)	-
Transfers in	47,550	1,795,000	1,868,242
Transfers out	(196,660)	(3,403,374)	(37,202)
Total other financing sources (uses)	(149,110)	561,694	1,831,040
Net change in fund balances	1,331,626	656,280	(58,518)
Fund Balances			
Beginning of year	9,352,885	4,164,622	(205,232)
End of year	$ 10,684,511	$ 4,820,902	$ (263,750)

See notes to financial statements.

Capital Projects		
Fire Hall Remodel	Other Governmental Funds	Total Governmental Funds
$ 1,959	$ 938,312	$ 10,018,045
-	15,656	15,656
-	-	533,182
-	-	405,376
-	254,076	3,236,932
-	320,967	998,892
-	1	103,176
16,852	43,460	203,522
-	1,444,204	1,661,282
18,811	3,016,676	17,176,063
-	439,231	2,329,509
2,311	169,053	5,056,802
-	256,119	2,888,409
-	15,244	15,244
-	260,000	1,265,000
5,410	309,490	743,925
-	7,830	7,830
3,343,335	-	3,343,335
-	276,253	3,889,034
3,351,056	1,733,220	19,539,088
(3,332,245)	1,283,456	(2,363,025)
-	-	3,295,000
-	-	165,068
-	-	(1,290,000)
-	234,518	3,945,310
-	(59,898)	(3,697,134)
-	174,620	2,418,244
(3,332,245)	1,458,076	55,219
3,180,385	3,324,268	19,816,928
$ (151,860)	$ 4,782,344	$ 19,872,147

City of Mendota Heights
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2020

Net change in fund balances - governmental funds	$ 55,219
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	7,166,854
Depreciation expense	(1,912,013)
Book value of disposed assets	(2,118)
Donated assets	40,500
Assets contributed to enterprise funds	(187,798)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	200,162
OPEB are not reported as expenditures in the governmental funds because they do not require the use of current financial resources; instead, they are expensed in the Statement of Activities.	42,987
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	1,265,000
Refunding bond payments are recognized as other financing uses in the governmental funds but as an increase in net assets in the Statement of Activities.	1,290,000
Premiums on the issuance of long-term debt provide current financial resources to governmental funds and have no effect on net position. These amounts are reported in the governmental funds as an other financing source and constitute long-term liabilities in the Statement of Net Position.	(165,068)
Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities.	68,402
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	49,352
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but have no effect on net position in the Statement of Activities.	
Bonds payable	(3,295,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	466,390
Activities of the internal service funds are presented separately from the governmental funds. However, the functions, from a government-wide perspective, are governmental.	5,001
Change in net position - governmental activities	$ 5,087,870

See notes to financial statements.

Budget and Actual - General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ 7,941,373	$ 7,959,743	$ 18,370
Licenses and permits	384,700	405,376	20,676
Intergovernmental	466,070	1,435,730	969,660
Charges for services	730,878	677,925	(52,953)
Fines and forfeitures	84,000	102,676	18,676
Miscellaneous revenues			
Investment income	35,000	96,400	61,400
Other	110,000	213,370	103,370
Total revenues	9,752,021	10,891,220	1,139,199
Expenditures			
Current			
General government	1,823,755	1,890,278	66,523
Public safety	5,196,561	4,885,438	(311,123)
Public works	2,779,255	2,632,290	(146,965)
Capital outlay			
Public works	-	2,478	2,478
Total expenditures	9,799,571	9,410,484	(389,087)
Excess of revenues over (under) expenditures	(47,550)	1,480,736	1,528,286
Other Financing Sources (Uses)			
Transfers in	47,550	47,550	-
Transfers out	-	(196,660)	(196,660)
Total other financing sources (uses)	47,550	(149,110)	(196,660)
Net change in fund balance	$ -	1,331,626	$ 1,331,626
Fund Balance			
Beginning of year		9,352,885	
End of year		$ 10,684,511	

See notes to financial statements.

City of Mendota Heights
Statement of Net Position - Proprietary Funds
December 31, 2020

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Assets				
Current assets				
Cash and investments	$ 409,339	$ 371,008	$ 780,347	$ 666,271
Special assessment receivable				
Delinquent	4,369	-	4,369	-
Deferred	16,965	-	16,965	-
Accounts receivable	598,281	144,950	743,231	-
Interest receivable	477	630	1,107	139
Due from other governments	4,473	-	4,473	-
Prepaid expenses	136,490	-	136,490	8,837
Total current assets	1,170,394	516,588	1,686,982	675,247
Noncurrent assets				
Capital assets not being depreciated				
Land	-	-	-	25,000
Capital assets being depreciated				
Buildings	-	-	-	2,279,024
Sewer main lines and storm sewers	15,247,721	5,128,241	20,375,962	-
Improvements other than buildings	-	-	-	40,781
Machinery and equipment	477,497	-	477,497	66,969
Total capital assets	15,725,218	5,128,241	20,853,459	2,411,774
Less accumulated depreciation	(5,553,674)	(596,209)	(6,149,883)	(1,774,195)
Net capital assets	10,171,544	4,532,032	14,703,576	637,579
Total assets	11,341,938	5,048,620	16,390,558	1,312,826
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	10,082	1,880	11,962	5,646
Deferred outflows of resources related to OPEB	320	59	379	274
Total deferred outflows of resources	10,402	1,939	12,341	5,920
Total assets and deferred outflows of resources	$ 11,352,340	$ 5,050,559	$ 16,402,899	$ 1,318,746
Liabilities and Net Position				
Current liabilities				
Accounts and contracts payable	$ 4,814	$ 38,513	$ 43,327	$ 5,574
Developers' escrow deposits	-	45,150	45,150	-
Salaries and benefits payable	4,072	901	4,973	2,916
Due to other governments	3,224	-	3,224	96
Noncurrent liabilities due within one year	20,203	-	20,203	400,225
Total current liabilities	32,313	84,564	116,877	408,811
Noncurrent liabilities				
Compensated absences	37,549	-	37,549	646,196
OPEB payable	5,055	925	5,980	4,329
Net pension liability	97,733	18,224	115,957	54,726
Less amount due within one year	(20,203)	-	(20,203)	(400,225)
Total noncurrent liabilities	120,134	19,149	139,283	305,026
Total liabilities	152,447	103,713	256,160	713,837
Deferred Inflows of Resources				
Deferred inflows of resources related to OPEB	355	65	420	304
Deferred inflows of resources related to pensions	4,713	879	5,592	2,639
Total deferred inflows of resources	5,068	944	6,012	2,943
Net Position				
Investment in capital assets	10,171,544	4,532,032	14,703,576	637,579
Unrestricted	1,023,281	413,870	1,437,151	(35,613)
Total net position	11,194,825	4,945,902	16,140,727	601,966
Total liabilities, deferred inflows of resources, and net position	$ 11,352,340	$ 5,050,559	$ 16,402,899	$ 1,318,746

See notes to financial statements.

City of Mendota Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2020

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Operating revenues				
Charges for services	$ 2,317,640	$ 578,799	$ 2,896,439	$ 216,940
Operating expenses				
Wages and salaries	147,762	22,827	170,589	71,691
Employee benefits	45,335	5,714	51,049	31,916
Materials and supplies	19,364	27	19,391	-
Repairs and maintenance	108,565	85,292	193,857	-
Professional services	55,936	30,786	86,722	4,013
Insurance	9,528	-	9,528	6,891
Utilities	26,623	-	26,623	36,266
Depreciation	200,912	51,283	252,195	36,505
Travel	12	-	12	-
Miscellaneous	22,727	29,912	52,639	43,313
Sewer charges - MCES	1,387,527	-	1,387,527	-
Total operating expenses	2,024,291	225,841	2,250,132	230,595
Operating income (loss)	293,349	352,958	646,307	(13,655)
Nonoperating revenues (expenses)				
Investment income	13,827	5,054	18,881	1,116
Fines and forfeitures	869	-	869	-
Special assessments	3,081	-	3,081	-
Gain on sale of asset	11,167	-	11,167	-
Other income	6,327	200	6,527	-
Total nonoperating revenues	35,271	5,254	40,525	1,116
Change in net position before capital contributions and transfers	328,620	358,212	686,832	(12,539)
Capital contributions	-	187,798	187,798	-
Transfers in	-	37,202	37,202	17,540
Transfers out	(11,150)	(291,768)	(302,918)	-
Change in net position	317,470	291,444	608,914	5,001
Net position				
Beginning of year	10,877,355	4,654,458	15,531,813	596,965
End of year	$ 11,194,825	$ 4,945,902	$ 16,140,727	$ 601,966
Net change in the net position reported above			$ 608,914	
Amounts reported for business-type activities in the Statement of Activities are different because:				
Transfers in of capital assets from governmental activities			187,798	
Contribution revenue reported above			(187,798)	
Change in net position of business-type activities			$ 608,914	

See notes to financial statements.

City of Mendota Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Cash Flows - Operating Activities				
Receipts from customers and users	$ 2,230,039	$ 561,415	$ 2,791,454	$ 216,940
Payments to suppliers	(1,749,160)	(319,408)	(2,068,568)	(92,164)
Payments to employees	(199,625)	(30,134)	(229,759)	(32,838)
Miscellaneous revenue	17,450	200	17,650	-
Net cash flows - operating activities	298,704	212,073	510,777	91,938
Cash Flows - Noncapital Financing Activities				
Transfer from other funds	-	37,202	37,202	17,540
Transfer to other funds	(11,150)	(291,768)	(302,918)	-
Net cash flows - noncapital financing activities	(11,150)	(254,566)	(265,716)	17,540
Cash Flows - Capital and Related Financing Activities				
Proceeds from sale of capital assets	11,167	-	11,167	-
Acquisition of capital assets	(262,686)	(26,616)	(289,302)	(14,457)
Net cash flows - capital and related Financing activities	(251,519)	(26,616)	(278,135)	(14,457)
Cash Flows - Investing Activities				
Interest and dividends received	13,651	5,100	18,751	1,151
Net change in cash and cash equivalents	49,686	(64,009)	(14,323)	96,172
Cash and Cash Equivalents				
Beginning of year	359,653	435,017	794,670	570,099
End of year	$ 409,339	$ 371,008	$ 780,347	$ 666,271
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	$ 293,349	$ 352,958	$ 646,307	$ (13,655)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Operating activities				
Miscellaneous revenue	17,450	200	17,650	-
Depreciation expense	200,912	51,283	252,195	36,505
Accounts receivable	(83,128)	(17,384)	(100,512)	-
Due from other governments	(4,473)	-	(4,473)	-
Prepaid items	(6,908)	-	(6,908)	(418)
Developers' excrow deposits	-	7,650	7,650	-
Accounts and contracts payable	(112,067)	(181,041)	(293,108)	(1,264)
Due to other governmental units	97	-	97	1
Salaries payable	858	217	1,075	888
OPEB payable	(1,665)	(252)	(1,917)	(1,238)
Pension related items	(9,583)	(1,558)	(11,141)	(4,630)
Compensated absences payable	3,862	-	3,862	75,749
Total adjustments	5,355	(140,885)	(135,530)	105,593
Net cash flows - operating activities	$ 298,704	$ 212,073	$ 510,777	$ 91,938
Noncash Investing, Capital, and Financing Activities				
Contributions of capital assets	$ -	$ 187,798	$ 187,798	$ -

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements present the City and its component units. 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 the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, the City has no component units.

B. Government-Wide and Fund Financial Statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

The Internal Service Funds are presented in the internal service fund financial statements. Because the principal user of internal services is the City's governmental activities, the financial statements of the Internal Service Fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

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

Description of Funds:

Major Governmental Funds:

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Assessments Debt Service Fund – This fund receives all special assessment payments and is dedicated for the repayment of debt incurred on a specific project.

Street Capital Projects Fund – This fund is used to account for the proceeds and disbursements of funds for street improvement expenditures.

Fire Hall Remodel Fund – This fund is used to account for the proceeds and disbursements associated with the Fire Hall remodel and expansion project.

Proprietary Funds:

Sewer Utility Fund – This fund is used to account for the City's sewer utility.

Storm Water Utility Fund – This fund is used to account for the City's storm water utility.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Additional Fund Types:

Internal Service Funds – These funds account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City's Internal Service Funds account for compensated absences and City Hall expenses.

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

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds and Internal Service Funds are charges to customers for sales and services. Operating expenses for the 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 nonoperating revenues and expenses.

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

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

1. Deposits and Investments

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

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

Minnesota Statutes requires all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

3. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. Inventory consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventory – land held for resale represents land owned by the City with the intent to sell to developers. This land is recorded at the lesser of historical cost or expected net realizable value.

4. Prepaid Items

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 recorded as an expenditure at the time of consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, easements, 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Assets	Years
Buildings	15-100
Other improvements	10-40
Machinery and equipment	3-25
Infrastructure	30-100

6. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences\Severance

The City allows employees to accrue vacation based on years of service to carry over to the next year. Accrued vacation shall be used in the year following the year which said time is earned and any time accrued will be paid out at termination. At the end of the year the vacation balance cannot exceed 200 hours.

All permanent full-time employees accrue personal leave at the rate of 4 hours per month, to a maximum of 320 hours. Any balances in excess of 320 hours will be converted to cash compensation or additional vacation time at a ratio of 50%.

All compensated absences pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to. The unused vacation and sick leave of the proprietary funds is included in accrued liabilities of the respective fund.

8. Long-Term Obligations

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

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.

9. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Equity

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

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.

- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Administrator or Finance Director based on the City Council's direction.

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

b. Minimum Fund Balance
The City will strive to maintain a General Fund unassigned fund balance of 75% of the following year's budgeted operating expenditures.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information
The City Council adopts an annual budget for the General Fund and certain special revenue and capital project funds. The amounts shown in the financial statements as "budget" represent the original budgeted amount and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator prepares and presents to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget included proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council deliberates on and adopts the budget on a basis consistent with accounting principles generally accepted in the United States of America and legally enacts the budget by passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The City Council must approve any budget appropriation transfers between departments and any increases in budget appropriations to the extent actual revenues exceed estimated revenues.
6. Reported budget amounts are as originally adopted or as amended by City Council approved supplemental appropriations and budget transfers.

Annual appropriations lapse at year-end. No revisions were made to the budgets during the year.

Note 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances
The following funds had deficit fund balances at December 31, 2020:

Street Capital Projects	$ 263,750
Fire Hall Remodel	151,860
Other Nonmajor Capital Projects Fund	
Infrastructure Reserve	4,552
Special Assessment Capital Project	325,646
TIF District No. 2	8,169

NOTE 3 – DEPOSITS AND INVESTMENTS

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

A. Deposits
In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)
In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risks – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City addresses custodial credit risk by having the authority from the City Council to maintain deposits with various financial institutions that are members of the Federal Reserve System. The City's policy states all deposits must be collateralized in compliance with *Minnesota Statutes* 118A. As of December 31, 2020, the City's bank balance was not exposed to custodial credit risk because it was insured through the Federal Deposit Insurance Corporation (FDIC) and fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

As of December 31, 2020, the City had deposits as follows:

Checking	$ 183,824
Certificates of deposit	14,280
Total deposits	$ 198,104

B. Investments
As of December 31, 2020, the City had the following investments:

Investment Type	Credit Ratings	Fair Value 12/31/20	Investment Maturities Less Than 1 Year	Investment Maturities 1 - 5 Years
Negotiable CD's	NR	$ 5,974,689	$ 3,947,006	$ 2,027,683
US Government Securities	AAA	714,969	-	714,969
Money Market Funds	NR	14,527,607	14,527,607	-
Total		$ 21,217,265	$ 18,474,613	$ 2,742,652

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy addresses credit quality by allowing the City to invest only in instruments permitted by *Minnesota Statutes* 118A.04-05.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's policy states the City will attempt to diversify its investments according to type and maturity. The policy states the portfolio will contain both short-term and long-term investments and will attempt to match its investments with anticipated cash flow requirements.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)
Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that to ensure safety when considering an investment it is verified to make certain funds in excess of insurance are not made at the same institution. The City's brokers carry SIPC and private insurance to cover the City's investment holdings; however, given the size of the City's portfolio in relation to the insurance, it is unlikely the City would receive the full value of their investments upon default of the counterparty.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states the City will hold investments with laddered maturities so that funds become available on a regular schedule.

The City has the following recurring fair value measurements as of December 31, 2020:

- $2,143,940 of investments are valued using calculated Net Asset Value (Level 1 inputs)
- $19,073,852 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments
The following is a summary of total deposits and investments:

Deposits (Note 3. A.)	$ 198,104
Investments (Note 3.B.)	21,217,265
Petty cash	900
Total cash and investments	$ 21,416,269

Deposits and investments are presented in the December 31, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 21,416,269

NOTE 4 – INTERFUND ACTIVITIES

A. Interfund Receivables and Payable

The following is a summary of the City's due to/due from other funds at December 31, 2020:

Fund	Due to	Due from	Reason
Special assessment capital project	$ 180,716	$ -	Cash deficit
Street capital projects	63,317	-	Cash deficit
TIF District No. 2	8,169		Cash deficit
Pre-1998 Non-Increment	-	8,169	Cash deficit
Water tower capital project	-	244,033	Cash deficit
Total	$ 252,202	$ 252,202	

The balances above will be repaid as financing becomes available.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2020, was as follows:

	Transfers In						
	General	Special Assessments Debt Service	Street Capital Projects	Other Governmental Funds	Storm Water Utility	Internal Service Funds	Total
Transfers out							
General	$ -	$ -	$ -	$ 179,120	$ -	$ 17,540	$ 196,660
Special assessments debt service	22,250	1,795,000	1,586,124	-	-	-	3,403,374
Street capital projects	-	-	-	-	37,202	-	37,202
Other governmental funds	4,500	-	-	55,398	-	-	59,898
Sewer utility	11,150	-	-	-	-	-	11,150
Storm Water Utility	9,650	-	282,118	-	-	-	291,768
Total	$ 47,550	$ 1,795,000	$ 1,868,242	$ 234,518	$ 37,202	$ 17,540	$ 4,000,052

The purpose of the above transfers is to distribute bond proceeds and to provide funding for capital improvement projects, capital outlay, and operating purposes.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance	Increases	Decreases	Balance
Governmental activities				
Capital assets not being depreciated				
Land and improvements	$ 8,682,370	$ 107,800	$ -	$ 8,790,170
Construction in progress	7,024,824	6,731,804	2,630,296	11,126,332
Total capital assets not being depreciated	15,707,194	6,839,604	2,630,296	19,916,502
Capital assets being depreciated				
Buildings and structures	4,763,741	101,942	-	4,865,683
Machinery and equipment	6,078,756	236,497	49,822	6,265,431
Other improvements	2,454,383	432,338	-	2,886,721
Infrastructure	35,796,699	2,053,928	-	37,850,627
Total capital assets being depreciated	49,093,579	2,824,705	49,822	51,868,462
Less accumulated depreciation for				
Buildings and structures	3,767,582	83,488	-	3,851,070
Machinery and equipment	3,719,615	320,618	47,704	3,992,529
Other improvements	1,795,790	79,581	-	1,875,371
Infrastructure	19,163,665	1,464,832	-	20,628,497
Total accumulated depreciation	28,446,652	1,948,519	47,704	30,347,467
Total capital assets being depreciated, net	20,646,927	876,186	2,118	21,520,995
Governmental activities capital assets, net	$ 36,354,121	$ 7,715,790	$ 2,632,414	$ 41,437,497

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	$ 217,421	$ 26,616	$ 244,037	$ -
Capital assets being depreciated				
Machinery and equipment	214,811	262,686	-	477,497
Sewer main lines and storm sewers	19,944,127	431,835	-	20,375,962
Total capital assets being depreciated	20,158,938	694,521	-	20,853,459
Less accumulated depreciation for				
Machinery and equipment	126,414	29,098	-	155,512
Sewer main lines and storm sewers	5,771,274	223,097	-	5,994,371
Total accumulated depreciation	5,897,688	252,195	-	6,149,883
Total capital assets being depreciated, net	14,261,250	442,326	-	14,703,576
Business-type activities capital assets, net	$ 14,478,671	$ 468,942	$ 244,037	$ 14,703,576

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

Governmental activities	
General government	$ 151,112
Public safety	96,678
Public works	1,664,223
Internal service funds	36,506
Total depreciation expense - governmental activities	$ 1,948,519
Business-type activities	
Sewer utility	$ 200,912
Storm water utility	51,283
Total depreciation expense - business-type activities	$ 252,195

NOTE 6 – LONG-TERM DEBT

A. G.O. Bonds

The City issues G.O. bonds to provide for financing street improvements, major capital equipment purchases and utility improvements. Debt service is funded through property taxes, special assessments, and utility charges.

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

B. Components of Long-Term Liabilities

	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities					
Government activities					
G.O. Improvement Bonds, including Refunding Bonds					
G.O. Improvement Bonds of 2012	2.00%-2.70%	$ 2,630,000	02/01/32	$ 2,075,000	$ 2,075,000
G.O. Improvement Bonds of 2013	2.00%-4.00%	1,685,000	02/01/34	1,080,000	135,000
G.O. Improvement Bonds, Series 2014A	0.85%-3.40%	1,030,000	02/01/35	710,000	75,000
G.O. Refunding Bond, Series 2014B	1.50%-3.00%	885,000	02/01/27	485,000	65,000
G.O Improvement Bonds 2015A	.90%-3.00%	1,200,000	02/01/36	965,000	75,000
G.O. Refunding Bond, Series 2015C	2.00%-2.50%	1,995,000	02/01/28	1,320,000	165,000
G.O. Reconstruction Bonds, Series 2016A	1.00%-2.50%	1,020,000	02/01/37	870,000	80,000
G.O. Improvement Bonds of 2017A	2.00%-2.50%	1,340,000	02/01/30	1,285,000	120,000
G.O. Improvement Bonds of 2018A	3.00%-4.00%	1,080,000	02/01/30	1,080,000	95,000
G.O. Improvement Bonds of 2019A	2.00%-3.00%	3,035,000	02/01/31	3,035,000	295,000
G.O. Improvement Bonds of 2020A	1.20%-2.00%	3,295,000	02/01/32	3,295,000	-
Total improvement bonds				16,200,000	3,180,000
G.O. Bonds, including refunding bonds					
G.O. Refunding Bonds 2015B	2.00%-3.00%	1,475,000	02/01/23	665,000	215,000
G.O. Capital Improvement Plan Bonds	3.00%-4.00%	7,000,000	02/01/35	7,000,000	360,000
Total G.O. Bonds				7,665,000	575,000
Net Premium on Bonds				838,465	-
Compensated absences payable				646,196	400,225
Total governmental activities				25,349,661	4,155,225
Business-type activities					
Compensated absences payable				37,549	20,203
Total all long-term liabilities				$ 25,387,210	$ 4,175,428

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

Debt Service Funds will be used to pay general government principal and interest liabilities. The General Fund and Sewer Utility Fund will pay for the corresponding compensated absence liability.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvements Bonds	$ 15,165,000	$ 3,295,000	$ 2,260,000	$ 16,200,000	$ 3,180,000
G.O. Bonds	7,960,000	-	295,000	7,665,000	575,000
Unamortized premium	741,799	165,068	68,402	838,465	-
Compensated absences payable	570,447	454,301	378,552	646,196	400,225
Total governmental activities	24,437,246	3,914,369	3,001,954	25,349,661	4,155,225
Business-type activities					
Compensated absences payable	33,687	24,653	20,791	37,549	20,203
Total government	$ 24,470,933	$ 3,939,022	$ 3,022,745	$ 25,387,210	$ 4,175,428

D. Long-Term Debt

The annual requirements to amortize all bonded debt outstanding follows:

	Governmental Activities					
	Improvement Bonds			G.O. Bonds		
Year Ending December 31,	Principal	Interest	Total	Principal	Interest	Total
2021	$ 3,180,000	$ 358,725	$ 3,538,725	$ 575,000	$ 242,300	$ 817,300
2022	1,360,000	298,053	1,658,053	595,000	222,150	817,150
2023	1,495,000	263,411	1,758,411	620,000	200,100	820,100
2024	1,455,000	227,835	1,682,835	405,000	180,750	585,750
2025	1,470,000	191,613	1,661,613	420,000	164,250	584,250
2026-2030	5,690,000	486,404	6,176,404	2,335,000	588,900	2,923,900
2031-2035	1,440,000	76,953	1,516,953	2,715,000	208,575	2,923,575
2036-2038	110,000	2,149	112,149	-	-	-
Total	$ 16,200,000	$ 1,905,143	$ 18,105,143	$ 7,665,000	$ 1,807,025	$ 9,472,025

In November 2020, the City issued $3,295,000 of General Obligation Refunding Bonds Series 2020A. A portion of the proceeds of this issue were used to redeem the 2022 through 2032 maturities of the City's 2012A G.O Bonds on February 1. 2021. These refunding transactions will reduce the City's total future debt service payments by $350,743 and result in present value savings of $325,581.

NOTE 7 – OPERATING LEASE

The City leases 10 squad cars under a noncancelable operating lease.

The following is a schedule by years of future minimum payments required under the leases as of December 31, 2020:

Year Ending December 31,	
2021	$ 41,262
2022	25,180
2023	14,166
Total	$ 80,608

NOTE 8 – CONDUIT DEBT

From time-to-time, the City has issued Industrial Development and Housing Mortgage Revenue Bonds in accordance with the Minnesota Municipal Industrial Development Act. These obligations are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The obligations are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the City, the State of Minnesota, nor any political subdivision thereof, is obligated in any manner for the repayment of the obligations. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

The aggregate amount of all conduit debt obligations outstanding as of December 31, 2020, was $15,993,997.

NOTE 9 – FUND BALANCE DETAIL

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

	General Fund	Special Assessment Debt Service	Street Capital Projects	Fire Hall Remodel	Other Governmental Funds	Total
Nonspendable						
Inventories	$ 18,280	$ -	$ -	$ -	$ -	$ 18,280
Prepaid items	335,685	-	-	-	5,856	341,541
Restricted						
Park dedication fees	-	-	-	-	765,150	765,150
Street light maintenance	-	-	-	-	34,873	34,873
Debt service	-	4,820,902	-	-	942,643	5,763,545
Committed						
Water system maintenance	-	-	-	-	676,889	676,889
Par 3 golf course	-	-	-	-	75,869	75,869
Emergency preparedness and civil defense	-	-	-	-	148,344	148,344
Assigned						
Capital projects	-	-	-	-	2,471,087	2,471,087
Unassigned	10,330,546	-	(263,750)	(151,860)	(338,367)	9,576,569
Total	$ 10,684,511	$ 4,820,902	$ (263,750)	$ (151,860)	$ 4,782,344	$ 19,872,147

NOTE 10 – RISK MANAGEMENT

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

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

Workers compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to LMCIT. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is not retrospectively rated. However, the actual premium is adjusted based on audited payroll amounts.

NOTE 11 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2020, was $330,962. The components of pension expense are noted in the following plan summaries.

NOTE 11 – PENSION PLANS (CONTINUED)

The General Fund and Sewer and Stormwater Funds typically liquidate the liability related to the pensions.

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided
PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase was fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2020 and the City was required to contribute 7.5% for Coordinated Plan members. The City′s contributions to the General Employees Fund for the year ended December 31, 2020, were $166,196. The City′s contributions were equal to the required contributions as set by state statute.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were $344,654. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of $1,774,655 for its proportionate share of the General Employees Fund′s net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $54,701. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City′s proportionate share of the net pension liability was based on the City′s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA′s participating employers. The City's proportionate share was 0.0296% at the end of the measurement period and 0.0291% for the beginning of the period.

City's proportionate share of the net pension liability	$ 1,774,655
State of Minnesota's proportionate share of the net pension liability associated with the City	54,701
Total	$ 1,829,356

For the year ended December 31, 2020, the City recognized pension expense of $47,603 for its proportionate share of General Employees Plan′s pension expense. Included in the amount, the City recognized $4,761 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 15,886	$ 6,714
Changes in actuarial assumptions	-	64,510
Net collective difference between projected and actual investment earnings	35,624	-
Changes in proportion	48,471	14,364
Contributions paid to PERA subsequent to the measurement date	83,098	-
Total	$ 183,079	$ 85,588

The $83,098 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	$ (89,924)
2022	20,834
2023	40,607
2024	42,876
Total	$ 14,393

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of $2,207,154 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was0.1686% at the end of the measurement period and 0.1643% for the beginning of the period.

The State of Minnesota also contributed $13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of $4.5 million in direct state aid that does meet the definition of a special funding situation and $9 million in fire state aid that does not meet the definition of a special funding situation. The $4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the State will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of $283,359 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized $16,110 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in fire state aid. The City also recognized $15,174 for the year ended December 31, 2020, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 93,745	$ 97,021
Changes in actuarial assumptions	684,674	1,239,401
Net collective difference between projected and actual investment earnings	101,553	-
Changes in proportion	142,593	66,886
Contributions paid to PERA subsequent to the measurement date	172,327	-
Total	$ 1,194,892	$ 1,403,308

The $172,327 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	$ (107,372)
2022	(538,154)
2023	131,034
2024	124,554
2025	9,195
Total	$ (380,743)

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25 % Per Year	2.50 % Per year
Salary increase	3.00 % Per Year	3.25 % Per year
Investment rate of return	7.50 %	7.50 %

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

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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

Police and Fire Fund

Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:
- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	100 %	

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	$ 2,844,157	$ 1,774,655	$ 892,402

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	$ 4,414,246	$ 2,207,154	$ 381,173

H. Pension Plan Fiduciary Net Position

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

Defined Contribution Pension Plan – Volunteer Fire Fighter′s Relief Association

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

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Contribution Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Mendota Heights Firefighter's Association, 2121 Dodd Road Mendota Heights, Minnesota 55120 or by calling 651-249-7640.

The City contributes to the Mendota Heights Volunteer Fire Department Relief Association (the "Association") that provides pension benefits to its members under a single employer defined contribution plan. Since fire department members are volunteers, contributions to the Association are not based on payroll but rather on years of active service. All active firefighters may apply for membership in the Association and shall become a member immediately upon approval by the Board of Trustees.

Under an Annual Contribution Agreement, the City's contribution to the Association is determined by multiplying $5,000 by the number of years of active service completed by members of the Association for the plan year, prorated by months for members who did not complete a full year of active service. The City also contributes a portion of the Association's administrative fees each year. For 2020, the total contribution was $152,500. Required and actual employer contributions to the plan during 2020 were $152,500. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2020, the state aid was $111,759. Members of the Association are not allowed to make voluntary contributions to the plan.

Members are not vested in their accounts until they attain 10 years of active service, at which time they become 60% vested. Thereafter, the vested portion of their accounts increases by 4% annually until they achieve 100% vesting after having served for 20 years.

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

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The City provides a single-employer defined benefit healthcare plan to eligible retirees (as required by Minnesota Statue 471.61) and police or firefighters disabled in the line of duty (as required by *Minnesota Statute* 299A.465). The required contributions are based on projected pay-as-you-go financing requirements. As of December 31, 2020, there were 13 retirees participating in the City's healthcare plan.

B. Benefits Provided
Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield and Delta Dental.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Contributions
The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2020, the City contributed $116,084.

D. Members
As of December 31, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Active employees	40
Total	53

E. Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	2.90%, net of investment expense
Inflation	2.50%
Healthcare cost trend increases	6.50% initially, grading to 5% over six years and then to 4.00% over the next 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2019 – January 1, 2020.

The discount rate used to measure the total OPEB liability was 2.90% based on 20 year municipal G.O. Bonds.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of $842,740 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date.

	Total OPEB Liability
Balance at January 1, 2019	$ 868,121
Changes for the year	
Service cost	17,009
Interest	31,249
Changes of assumptions	30,297
Differences between expected and actual experience	22,848
Benefit payments	(126,784)
Net changes	(25,381)
Balance at January 1, 2020	$ 842,740

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80% in 2019 to 2.90% in 2020.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.90% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease (1.90%)	Current (2.90%)	1% increase (3.90%)
$ 879,578	$ 842,740	$ 808,173

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

Total OPEB Liability/(Asset)		
1% decrease (5.50% decreasing to 3.0%)	Current (6.50% decreasing to 4.0%)	1% increase (7.50% decreasing to 5.0%)
$ 806,373	$ 842,740	$ 882,777

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of $52,395. At December 31, 2020, the Distract reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	$ 19,992	$ -
Assumption changes	26,509	15,039
Subsequent contributions	116,084	-
Total	$ 162,585	$ 15,039

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Expense Amount
2021	$ 4,137
2022	4,137
2023	4,137
2024	4,137
2025	4,137
Thereafter	10,777
Total	$ 31,462

NOTE 13 – JOINT VENTURES

A. Dakota Communications Center

The City is a member of the Dakota Communication Center (DCC). The DCC was created by a joint powers agreement between Dakota County and several cities. Its purposes include the establishment, operation, and maintenance of joint law enforcement, fire, EMS and other emergency communications systems. Members are obligated to pay their proportional share of operating and capital expenditures on an annual basis. The City paid $250,464 for 2020. Members do not maintain an equity interest other than if the DCC were to terminate. Withdrawing members forfeit any interest in the DCC. Information regarding the DCC can be obtained at the website www.mn-dcc.org.

B. Local Government Information Systems Association (LOGIS)

The consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is a legally separate entity; the entities appoint a voting majority of its board, and the consortium is fiscally independent of the City. For 2020, the City paid $261,690 for computer application support and computer hardware for the City's network. Complete financial statements of the consortium may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

NOTE 14 – CONTINGENCIES

The City has various claims and litigation that arise in the normal course of business. The City has evaluated the impact of these items for the December 31, 2020, financial statements and determined they do not have a material effect on financial position or changes in financial position.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019, cannot be determined at this time.

NOTE 15 – COMMITED CONTRACTS

At December 31, 2020, the City had commitments of $274,100 for uncompleted construction contracts.

NOTE 16 – TAX INCREMENT FINANCING

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

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

NOTE 16 – TAX INCREMENT FINANCING (CONTINUED)

During the year ended December 31, 2020, the City generated $15,655 in tax increment revenue and made $13,045 in payments to developers.

NOTE 17 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mendota Heights
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Service cost	$ 17,009	$ 22,733	$ 24,002
Interest	31,249	30,230	31,883
Differenced between expected and actual experience	22,848	-	-
Changes of assumptions	30,297	(20,053)	-
Benefit payments	(126,784)	(115,317)	(94,257)
Net change in total OPEB liability	(25,381)	(82,407)	(38,372)
Beginning of year	868,121	950,528	988,900
Total OPEB Liability	$ 842,740	$ 868,121	$ 950,528
Covered-employee payroll	$ 3,359,818	$ 3,460,084	$ 3,359,305
Net OPEB liability as a percentage of covered-employee payroll	25.08%	25.09%	28.30%

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

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liablility and the State's Proportionate Share of the Net Pension Liablility Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0322%	$ 1,668,771	$ -	$ 1,668,771	$ 1,859,307	89.75%	78.19%
2016	0.0315%	2,557,644	33,392	2,591,036	1,954,600	130.85%	68.91%
2017	0.0290%	1,851,341	23,303	1,874,644	1,870,160	98.99%	75.90%
2018	0.0281%	1,558,873	51,096	1,609,969	1,887,853	82.57%	79.53%
2019	0.0291%	1,608,874	49,998	1,658,872	2,058,880	78.14%	80.23%
2020	0.0296%	1,774,655	54,701	1,829,356	2,113,013	83.99%	79.06%

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

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liablility and the State's Proportionate Share of the Net Pension Liablility Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1530%	$ 1,738,438	N/A	$ 1,738,438	1,359,920	127.8%	86.61%
2016	0.1550%	6,220,420	N/A	6,220,420	1,496,272	415.7%	63.88%
2017	0.1500%	2,011,679	N/A	2,011,679	1,543,389	130.3%	85.43%
2018	0.1527%	1,613,882	N/A	1,613,882	1,609,556	100.3%	88.84%
2019	0.1643%	1,726,959	N/A	1,726,959	1,733,152	99.6%	89.26%
2020	0.1686%	2,207,154	$ 52,363	2,259,517	1,902,465	116.0%	87.19%

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

See notes to Required supplementary information.

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 149,420	$ 149,420	$ -	$ 1,992,267	7.50%
2016	139,806	139,806	-	1,864,080	7.50%
2017	137,806	137,806	-	1,837,413	7.50%
2018	146,272	146,272	-	1,950,293	7.50%
2019	157,416	157,416	-	2,098,880	7.50%
2020	166,196	166,196	-	2,215,947	7.50%

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

Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 237,655	$ 237,655	$ -	$ 1,467,006	16.20%
2016	245,917	245,917	-	1,518,006	16.20%
2017	251,584	251,584	-	1,552,988	16.20%
2018	266,168	266,168	-	1,643,012	16.20%
2019	311,718	311,718	-	1,839,044	16.95%
2020	344,654	344,654	-	1,947,198	17.70%

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

See notes to required supplementary information.

GENERAL EMPLOYEES FUND

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

GENERAL EMPLOYEES FUND (CONTINUED)

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

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

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

Changes in Plan Provisions
- There have been no changes since the prior valuation.

GENERAL EMPLOYEES FUND (CONTINUED)

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions
- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

POLICE AND FIRE FUND

2020 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions
- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions
- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

OPEB

2020 Changes
Changes in Actuarial Assumptions
- The discount rate decreased from 3.80% in 2019 to 2.90% in 2020.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2019 Changes
Changes in Actuarial Assumptions
- The discount rate increased from 3.30% in 2018 to 3.80% in 2019.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2018 Changes
Changes in Actuarial Assumptions
- The discount rate decreased from 4.00% in 2017 to 3.30% in 2018.

There are no assets accumulated in a trust.

SUPPLEMENTARY INFORMATION

City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020

	Special Revenue			Special Revenue
	Water Revenue	Special Park	Civil Defense	Street Lighting
Assets				
Cash and investments	$ 673,110	$ 764,235	$ 147,626	$ 33,717
Taxes receivable - delinquent	-	-	199	916
Special assessments receivable				
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	796	915	183	29
Due from other funds	-	-	-	-
Due from other governments	2,983	-	535	1,732
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
Total assets	$ 676,889	$ 765,150	$ 148,543	$ 36,394
Liabilities				
Accounts and contracts payable	$ -	$ -	$ -	$ 605
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-		-
Total liabilities	-	-	-	605
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	199	916
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	199	916
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	765,150	-	34,873
Committed	676,889	-	148,344	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	676,889	765,150	148,344	34,873
Total liabilities, deferred inflows of resources, and fund balances	$ 676,889	$ 765,150	$ 148,543	$ 36,394

City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020

	Special Revenue	Debt Service			Capital Projects		
	Par 3 Golf Course	Par 3 G.O. Bonds	Equipment Certficates	Fire Station Bonds	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve
Assets							
Cash and investments	$ 78,873	$ 390,045	$ 43,818	$ 493,912	$ 493,616	$ 75,865	$ 390,896
Taxes receivable - delinquent	-	1,787	24	4,493	42	18	-
Special assessments receivable							
Deferred	-	-	-	-	-	-	-
Accounts receivable	56	-	-	-	-	-	-
Interest receivable	52	359	57	333	555	92	481
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	804	-	13,329	-	-	-
Prepaid items	5,856	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-
Total assets	$ 84,837	$ 392,995	$ 43,899	$ 512,067	$ 494,213	$ 75,975	$ 391,377
Liabilities							
Accounts and contracts payable	$ 1,846	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	-	-
Due to other governments	734	-	14	-	3	80,509	-
Salaries and benefits payable	532	-	-	-	-	-	-
Total liabilities	3,112	-	14	-	3	80,509	-
Deferred Inflows of Resources							
Unavailable revenue - property taxes	-	1,787	24	4,493	42	18	-
Unavailable revenue - grants	-	-	-	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-	-	-	-
Total deferred inflows of resources	-	1,787	24	4,493	42	18	-
Fund Balances							
Nonspendable	5,856	-	-	-	-	-	-
Restricted	-	391,208	43,861	507,574	-	-	-
Committed	75,869	-	-	-	-	-	-
Assigned	-	-	-	-	494,168	-	391,377
Unassigned	-	-	-	-	-	(4,552)	-
Total fund balances	81,725	391,208	43,861	507,574	494,168	(4,552)	391,377
Total liabilities, deferred inflows of resources, and fund balances	$ 84,837	$ 392,995	$ 43,899	$ 512,067	$ 494,213	$ 75,975	$ 391,377

	Capital Projects			
	Water Tower Capital Project	Pilot Knob Improvement	Pre-1998 Non-Increment	Special Assessment Capital Project
Assets				
Cash and investments	$ 408,001	$ 959	$ 746,640	$ -
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Deferred	-	-	-	10,584
Accounts receivable	-	-	-	11,032
Interest receivable	780	-	640	145
Due from other funds	244,033	-	8,169	-
Due from other governments	-	-	277,023	1,374
Prepaid items	-	-	-	-
Land held for resale	-	-	96,100	-
Total assets	$ 652,814	$ 959	$ 1,128,572	$ 23,135
Liabilities				
Accounts and contracts payable	$ -	$ -	$ 4,803	$ -
Due to other funds	-	-	-	180,716
Due to other governments	-	-	-	157,481
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	4,803	338,197
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	192,000	-
Unavailable revenue - special assessments	-	-	-	10,584
Total deferred inflows of resources	-	-	192,000	10,584
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	652,814	959	931,769	-
Unassigned	-	-	-	(325,646)
Total fund balances	652,814	959	931,769	(325,646)
Total liabilities, deferred inflows of resources, and fund balances	$ 652,814	$ 959	$ 1,128,572	$ 23,135

Capital Projects	
TIF District No. 2	Total Nonmajor Governmental Funds
$ -	$ 4,741,313
-	7,479
-	10,584
-	11,088
-	5,417
-	252,202
-	297,780
-	5,856
-	96,100
$ -	$ 5,427,819
$ -	$ 7,254
8,169	188,885
-	238,741
-	532
8,169	435,412
-	7,479
-	192,000
-	10,584
-	210,063
-	5,856
-	1,742,666
-	901,102
-	2,471,087
(8,169)	(338,367)
(8,169)	4,782,344
$ -	$ 5,427,819

A - 40

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Special Revenue		
	Water Revenue	Special Park	Civil Defense
Revenues			
Property taxes	$ -	$ -	$ 24,781
Tax increments	-	-	-
Intergovernmental	-	-	-
Charges for services	131,453	-	-
Fines and forfeitures	-	-	-
Miscellaneous			
Investment income	6,385	7,343	1,465
Other	-	195,454	-
Total revenues	137,838	202,797	26,246
Expenditures			
Current			
General government	-	-	14,574
Public safety	-	-	-
Public works	-	30,071	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	-	-	-
Public works	2,307	54,818	-
Total expenditures	2,307	84,889	14,574
Excess of revenues over (under) expenditures	135,531	117,908	11,672
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(3,000)	(1,500)	-
Total other financing sources (uses)	(3,000)	(1,500)	-
Net change in fund balances	132,531	116,408	11,672
Fund Balances			
Beginning of year	544,358	648,742	136,672
End of year	$ 676,889	$ 765,150	$ 148,344

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Special Revenue			Debt Service			Capital Projects		
	Street Lighting	Par 3 Golf Course	Toward Zero Death	Par 3 G.O. Bonds	Equipment Certficates	Fire Station Bonds	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve
Revenues									
Property taxes	$ 49,730	$ -	$ -	$ 243,826	$ (14)	$ 619,700	$ 181	$ 108	$ -
Tax increments	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	169,053	-	-	-	-	-	-
Charges for services	-	173,314	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	1	-	-
Miscellaneous									
Investment income	231	418	-	2,877	455	2,670	4,453	741	3,862
Other	-	195	-	-	-	-	-	-	-
Total revenues	49,961	173,927	169,053	246,703	441	622,370	4,635	849	3,862
Expenditures									
Current									
General government	42,670	-	-	-	-	-	-	-	-
Public safety	-	-	169,053	-	-	-	-	-	-
Public works	-	145,077	-	-	-	-	-	80,971	-
Economic development	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	210,000	50,000	-	-	-	-
Interest and other charges	-	-	-	20,375	875	288,240	-	-	-
Capital outlay									
General government	-	-	-	-	-	-	-	-	-
Public works	-	48,526	-	-	-	-	129,517	-	-
Total expenditures	42,670	193,603	169,053	230,375	50,875	288,240	129,517	80,971	-
Excess of revenues over (under) expenditures	7,291	(19,676)	-	16,328	(50,434)	334,130	(124,882)	(80,122)	3,862
Other Financing Sources (Uses)									
(Uses)									
Transfers in	-	49,602	-	-	-	-	162,518	-	20,000
Transfers out	-	-	-	-	-	-	-	(2,398)	-
Total other financing sources (uses)	-	49,602	-	-	-	-	162,518	(2,398)	20,000
Net change in fund balances	7,291	29,926	-	16,328	(50,434)	334,130	37,636	(82,520)	23,862
Fund Balances									
Beginning of year	27,582	51,799	-	374,880	94,295	173,444	456,532	77,968	367,515
End of year	$ 34,873	$ 81,725	$ -	$ 391,208	$ 43,861	$ 507,574	$ 494,168	$ (4,552)	$ 391,377

Capital Projects					
Water Tower Capital Project	Pilot Knob Improvement	Pre-1998 Non-Increment	Special Assessment Capital Project	TIF District No. 2	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 938,312
-	-	-	-	15,656	15,656
-	-	85,023	-	-	254,076
-	-	16,200	-	-	320,967
-	-	-	-	-	1
6,259	-	5,138	1,163	-	43,460
74,901	-	1,139,302	34,352	-	1,444,204
81,160	-	1,245,663	35,515	15,656	3,016,676
-	-	381,987	-	-	439,231
-	-	-	-	-	169,053
-	-	-	-	-	256,119
-	-	-	-	15,244	15,244
-	-	-	-	-	260,000
-	-	-	-	-	309,490
-	-	7,830	-	-	7,830
-	-	-	41,085	-	276,253
-	-	389,817	41,085	15,244	1,733,220
81,160	-	855,846	(5,570)	412	1,283,456
-	-	-	2,398	-	234,518
-	-	(53,000)	-	-	(59,898)
-	-	(53,000)	2,398	-	174,620
81,160	-	802,846	(3,172)	412	1,458,076
571,654	959	128,923	(322,474)	(8,581)	3,324,268
$ 652,814	$ 959	$ 931,769	$ (325,646)	$ (8,169)	$ 4,782,344

A - 42

City of Mendota Heights
Combining Statement of Net Position - Internal Service Funds
December 31, 2020

	Compensated Absences	City Hall Sinking Fund	Total
Assets			
Current assets			
Cash and investments			
(including cash equivalents)	$ 629,076	$ 37,195	$ 666,271
Interest receivable	-	139	139
Prepaid expenses	-	8,837	8,837
Total current assets	629,076	46,171	675,247
Noncurrent assets			
Capital assets			
Land	-	25,000	25,000
Buildings	-	2,279,024	2,279,024
Improvements other than buildings	-	40,781	40,781
Machinery and equipment	-	66,969	66,969
Total capital assets	-	2,411,774	2,411,774
Less accumulated depreciation	-	(1,774,195)	(1,774,195)
Net capital assets	-	637,579	637,579
Total assets	629,076	683,750	1,312,826
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	-	274	274
Deferred outflows of resources related to pensions	-	5,646	5,646
Total deferred outflows of resources	-	5,920	5,920
Total assets and deferred outflows of resources	$ 629,076	$ 689,670	$ 1,318,746
Liabilities			
Current liabilities			
Accounts and contracts payable	$ -	$ 5,574	$ 5,574
Salaries and benefits payable	-	2,916	2,916
Due to other governments	-	96	96
Noncurrent liabilities due within one year	396,563	3,662	400,225
Total current liabilities	396,563	12,248	408,811
Noncurrent liabilities			
Compensated absences	629,076	17,120	646,196
OPEB payable	-	4,329	4,329
Net pension liability	-	54,726	54,726
Less amount due within one year	(396,563)	(3,662)	(400,225)
Total noncurrent liabilities	232,513	72,513	305,026
Total liabilities	629,076	84,761	713,837
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	-	304	304
Deferred inflows of resources related to pensions	-	2,639	2,639
Total deferred inflows of resources	-	2,943	2,943
Net Position			
Investment in capital assets	-	637,579	637,579
Unrestricted	-	(35,613)	(35,613)
Total net position	-	601,966	601,966
Total liabilities, deferred inflows of resources, and net position	$ 629,076	$ 689,670	$ 1,318,746

City of Mendota Heights
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds
Year Ended December 31, 2020

	City Hall Sinking Fund	Total
Operating revenues		
Charges for services	$ 216,940	$ 216,940
Operating expenses		
Wages and salaries	71,691	71,691
Employee benefits	31,916	31,916
Professional services	4,013	4,013
Insurance	6,891	6,891
Utilities	36,266	36,266
Depreciation	36,505	36,505
Miscellaneous	43,313	43,313
Total operating expenses	230,595	230,595
Operating loss	(13,655)	(13,655)
Nonoperating revenues		
Investment income	1,116	1,116
Loss before transfers	(12,539)	(12,539)
Transfers in	17,540	17,540
Change in net position	5,001	5,001
Net position		
Beginning of year	596,965	596,965
End of year	$ 601,966	$ 601,966

City of Mendota Heights
Combining Statement of Cash Flows - Internal Service Funds
Year Ended December 31, 2020

	Compensated Absences	City Hall Sinking Fund	Total
Cash Flows - Operating Activities			
Receipts from customers and users	$ -	$ 216,940	$ 216,940
Payments to suppliers	-	(92,164)	(92,164)
Payments to employees	73,161	(105,999)	(32,838)
Net cash flows - operating activities	73,161	18,777	91,938
Cash Flows - Noncapital Financing Activities			
Transfer from Other Funds	-	17,540	17,540
Cash Flows - Capital And Related Financing Activities			
Acquisition of capital assets	-	(14,457)	(14,457)
Cash Flows - Investing Activities			
Interest and dividends received	-	1,151	1,151
Net change in cash and cash equivalents	73,161	23,011	96,172
Cash and Cash Equivalents			
Beginning of year	555,915	14,184	570,099
End of year	$ 629,076	$ 37,195	$ 666,271
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities			
Operating loss	$ -	$ (13,655)	$ (13,655)
Adjustments to reconcile operating Loss to net cash flows - Operating activities			
Depreciation expense	-	36,505	36,505
Prepaid items	-	(418)	(418)
Accounts payable	-	(1,264)	(1,264)
Due to other governmental units	-	1	1
Salaries payable	-	888	888
OPEB payable	-	(1,238)	(1,238)
Pension related items	-	(4,630)	(4,630)
Compensated absences payable	73,161	2,588	75,749
Total adjustments	73,161	32,432	105,593
Net cash flows - operating activities	$ 73,161	$ 18,777	$ 91,938

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final budget - over (under)
Revenues			
Property taxes	$ 7,941,373	$ 7,959,743	$ 18,370
Licenses and permits	384,700	405,376	20,676
Intergovernmental revenue			
State grants and aids			
PERA aid	9,070	-	(9,070)
Fire aid	101,000	111,759	10,759
Police aid	135,000	181,932	46,932
Other grants and aids	221,000	1,142,039	921,039
Total intergovernmental revenue	466,070	1,435,730	969,660
Charges for services	730,878	677,925	(52,953)
Fines and forfeitures	84,000	102,676	18,676
Miscellaneous revenues			
Investment income	35,000	96,400	61,400
Other	110,000	213,370	103,370
Total miscellaneous revenues	145,000	309,770	164,770
Total revenues	9,752,021	10,891,220	1,139,199
Expenditures			
General government			
Mayor and council			
Salaries and benefits	24,371	24,171	(200)
Contracted services	24,000	9,925	(14,075)
Administration and finance			
Salaries and benefits	841,371	871,009	29,638
Materials and supplies	14,700	14,145	(555)
Contracted services	359,600	426,625	67,025

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020
(Continued)

	Budgeted Amounts Original And final	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
General government (continued)			
Elections			
Salaries and benefits	$ 84,562	$ 91,713	$ 7,151
Materials and supplies	14,300	21,430	7,130
Contracted services	7,800	5,902	(1,898)
Information technology			
Materials and supplies	104,580	13,983	(90,597)
Contracted services	113,350	188,752	75,402
Planning and zoning			
Salaries and benefits	148,021	148,673	652
Materials and supplies	4,500	1,305	(3,195)
Contracted services	51,000	33,192	(17,808)
Recycling			
Salaries and benefits	-	16,626	16,626
Contracted services	31,600	7,517	(24,083)
Miscellaneous			
Contracted services	-	15,310	15,310
Total general government	1,823,755	1,890,278	66,523
Public safety			
Police protection			
Salaries and benefits	3,396,741	3,188,399	(208,342)
Materials and supplies	216,500	178,577	(37,923)
Contracted services	743,866	684,091	(59,775)
Fire protection			
Salaries and benefits	317,171	315,042	(2,129)
Materials and supplies	101,700	150,039	48,339
Contracted services	420,583	369,290	(51,293)
Total public safety	5,196,561	4,885,438	(311,123)

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2020
(Continued)

	Budgeted Amounts Original And final	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
Public works			
Code enforcement			
Materials and supplies	$ 2,750	$ 4,417	$ 1,667
Contracted services	115,875	108,452	(7,423)
Street maintenance			
Salaries and benefits	1,065,441	1,070,097	4,656
Materials and supplies	133,200	108,681	(24,519)
Contracted services	505,962	402,333	(103,629)
Capital outlay	-	2,478	2,478
Parks			
Salaries and benefits	554,144	569,822	15,678
Materials and supplies	226,650	148,458	(78,192)
Contracted services	175,233	220,030	44,797
Total public works	2,779,255	2,634,768	(144,487)
Total expenditures	9,799,571	9,410,484	(389,087)
Excess of revenues over (under) expenditures	(47,550)	1,480,736	1,528,286
Other Financing Sources (Uses)			
Transfer in	47,550	47,550	-
Transfer out	-	(196,660)	(196,660)
Total other financing sources (uses)	47,550	(149,110)	(196,660)
Net change in fund balance	$ -	1,331,626	$ 1,331,626
Fund Balance			
Beginning of year		9,352,885	
End of year		$ 10,684,511	

City of Mendota Heights
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Grant Program Title	Federal CFDA Number	Expenditures
Department of Treasury		
Passed through Minnesota Management and Budget		
COVID - Coronavirus Relief Fund	21.019	$ 858,276
Election Assistance Commission		
Passed through Dakota County		
COVID - Election Security Grants	90.404	6,281
Department of Transportation		
Passed through Minnesota Management and Budget		
State and Community Highway Safety	20.600	21,409
National Priority Safety Programs	20.616	53,728
Total Highway Safety Cluster		75,137
Passed through Minnesota Management and Budget		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	103,354
Total Department of Transportation		178,491
Total federal expenditures		$ 1,043,048

Amounts passed through to subrecipients:

Highway Safety Cluster and Minimum Penalties for Repeat Offenders for Driving While Intoxicated

City of Apple Valley	20.600/20.616/20.608	$ 13,978
City of Burnsville	20.600/20.616/20.608	8,212
Dakota Communications Center	20.600/20.616/20.608	17,062
Dakota County	20.600/20.616/20.608	23,321
City of Eagan	20.600/20.616/20.608	36,861
City of Farmington	20.600/20.616/20.608	1,197
City of Hastings	20.600/20.616/20.608	11,851
City of Inver Grove Heights	20.600/20.616/20.608	15,979
City of Lakeville	20.600/20.616/20.608	26,628
City of Rosemount	20.600/20.616/20.608	11,345
City of South St. Paul	20.600/20.616/20.608	3,841
City of West St. Paul	20.600/20.616/20.608	891

See notes to schedule of expenditures of federal awards.

City of Mendota Heights
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mendota Heights, Minnesota and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the regulatory basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

NOTE 4 – AMOUNTS PASSED TO SUBRECIPIENTS

The City does not receive an allocation for each individual Department of Transportation grant that is awarded to individual subrecipients. Therefore, each subrecipient is presented with the total amount received for the Highway Safety Cluster and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated grants for 2020.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota Heights, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2020.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses identified as audit finding 2020-001.

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

City's Response to Findings
The City's response to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV Ltd.

Minneapolis, Minnesota
June 2, 2021

bergankdv

**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance In Accordance
With the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program
We have audited the City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program
In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
June 2, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:
- Material weakness(es) identified? Yes, Audit Finding 2020-001
- Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:
- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Programs

CFDA No.: 21.019
Name of Federal Program or Cluster: COVID- Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low risk auditee? No

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001

Criteria:
Internal control that supports the City's ability to initiate record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

During the course of our engagement, we proposed a material audit adjustment that would not have been identified as a result of the City's existing internal control system and, therefore, could have resulted in a material omission of the City's financial statements. The material omission detected as a result of audit procedures was corrected by management.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
We recommend that the City review the internal control process over the year-end closing process to ensure there are no adjustments needed and segregation or independent review be implemented whenever practical and cost effective.

Views of Responsible Officials and Planned Corrective Action:
City staff is aware of the lack of segregation of accounting duties and continue to make every effort to ensure that transactions are separated and monitored to the extent possible. Staff will continue to examine and implement methods and processes that will address this issue.

City of Mendota Heights
Schedule of Findings and Questioned Costs

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

bergankdv

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mendota Heights, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV Ltd.

Minneapolis, Minnesota
June 2, 2021

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

$______________
GENERAL OBLIGATION BONDS, SERIES 2021A
CITY OF MENDOTA HEIGHTS
COUNTY OF DAKOTA
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Mendota Heights, County of Dakota, Minnesota (the "Issuer"), of its $______________ General Obligation Bonds, Series 2021A, bearing a date of original issue of November 23, 2021 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are 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, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion 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.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX C

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 the 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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

[Appendix ___ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Mendota Heights, Minnesota (the "Issuer"), in connection with the issuance of its $______________ General Obligation Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on November 3, 2021 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated __________, 2021, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2021, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2022, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following 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 Bonds, or other material events affecting the tax status of the Bonds;
(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 Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
(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.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner 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 to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: __________________, 2021.

CITY OF MENDOTA HEIGHTS, MINNESOTA

By____
Its Mayor

By____
Its Clerk

APPENDIX E

TERMS OF PROPOSAL

$2,630,000* GENERAL OBLIGATION BONDS, SERIES 2021A
CITY OF MENDOTA HEIGHTS, MINNESOTA

Proposals for the purchase of $2,630,000* General Obligation Bonds, Series 2021A (the "Bonds") of the City of Mendota 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 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on November 3, 2021, 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 6:00 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 by the City pursuant to Minnesota Statutes, Sections 410.32(g), 412.301 and 475.67, and Chapters 429 and 475, for the purposes of: (i) acquiring a new fire truck; (ii) financing various street improvements within the City; and (iii) 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 November 23, 2021, 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:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$125,000	2027	$250,000	2031	$255,000
2024	360,000	2028	255,000	2032	130,000
2025	355,000	2029	255,000	2033	115,000
2026	250,000	2030	260,000	2034	20,000

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, 2022, 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 2023 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, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 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 November 23, 2021, 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 Taft Stettinius & Hollister LLP, 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 $2,598,440 plus accrued interest on the principal sum of $2,630,000 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 10:00 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 $52,600 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) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule</u>, 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 (5^{th}) 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 (5^{th}) 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) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, 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 Mendota Heights, Minnesota

PROPOSAL FORM

The City Council **November 3, 2021**
City of Mendota Heights, Minnesota (the "City")

RE: $2,630,000* General Obligation Bonds, Series 2021A (the "Bonds")
DATED: November 23, 2021

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 $2,598,440) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2023	________	% due	2027	________	% due	2031
________	% due	2024	________	% due	2028	________	% due	2032
________	% due	2025	________	% due	2029	________	% due	2033
________	% due	2026	________	% due	2030	________	% due	2034

* 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 2023 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 $52,600 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 November 23, 2021.

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 November 23, 2021 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 Mendota Heights, Minnesota, on November 3, 2021.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________