

CITY OF INVER GROVE HEIGHTS

A G E N D A

CITY COUNCIL WORK SESSION

MAY 2, 2016 6:00 PM

**INVER GROVE HEIGHTS CITY HALL
COUNCIL CHAMBERS**

A. CALL TO ORDER – MAYOR TOURVILLE

1. 2015 CAFR

2. HUNTING

3. VMCC LEASE

4. NWA FEES (UTILITY)

5. AIRPORT RELATIONS COMMISSION CONSOLIDATION

B. ADJOURN

CITY OF INVER GROVE HEIGHTS

REQUEST FOR COUNCIL ACTION

Review draft copies of the Comprehensive Annual Financial Report for the Year Ended December 31, 2015 and the Auditor’s Management Letter and Other Required Report

Meeting Date: May 2, 2016
 Item Type: Work Session
 Contact: Kristi Smith 651-450-2521
 Prepared by: Kristi Smith, Finance Director
 Reviewed by: N/A

Fiscal/FTE Impact:

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

PURPOSE/ACTION REQUESTED

To review draft copies of the Comprehensive Annual Financial Report (CAFR), the Auditor’s Management Letter and Other Required Report for the year ended December 31, 2015.

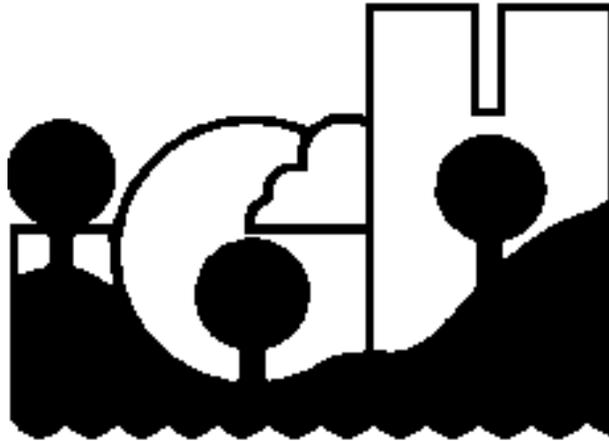
SUMMARY

Each year the City contracts with an independent Certified Public Accounting firm to audit the City’s Comprehensive Annual Financial Report. Abdo, Eick & Meyers, LLP. performed the audit for the 2015 CAFR. They have issued an unqualified (clean) opinion on the City’s financial statements. This is the highest form of assurance a Certified Public Accounting Firm can issue. Draft copies of the CAFR, Management Letter and Other Report are enclosed with this memo.

In reviewing the CAFR, I suggest reading the Letter of Transmittal which begins on page 5 in the Introductory Section of the report, Management’s Discussion and Analysis (MD&A which begins on page 23 in the Financial Section of the report, and the Notes to the Financial Statements which begin on page 57 in the Financial Section in the report.

Matt Vos and Steve McDonald from Abdo, Eick & Meyers, LLP. will be present at the work session to discuss these reports.

We will be submitting the CAFR to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting. This will be the 30th year that we have participated in this program. We will also put the CAFR on the City’s website.



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

**CITY OF INVER GROVE HEIGHTS,
MINNESOTA**

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CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

REPORT PREPARED BY:
FINANCE DEPARTMENT

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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May 2, 2016

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

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with audit standards generally accepted in the United States of America by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Inver Grove Heights for the fiscal year ended December 31, 2015.

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

The City of Inver Grove Heights' financial statements have been audited by Abdo, Eick & Meyers, LLP a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Inver Grove Heights for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Inver Grove Heights' financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Inver Grove Heights, incorporated in 1965, is a suburban community located about 12 miles south of the City of St. Paul, Minnesota in the eastern part of the state. This area is considered to be a major population and economic growth area in the state, and among one of the highly ranked economic growth areas in the country. The City of Inver Grove Heights currently occupies a land area of approximately 30 square miles and serves a population of 34,831. The City of Inver Grove Heights is empowered to levy a property tax on both real and personal properties located within its boundaries. While it is empowered by state statute to extend its corporate limits by annexation, Inver Grove Heights is still developing within its corporate limits and is bordered on all sides by other incorporated communities.

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

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

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

Factors Affecting Financial Condition

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

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

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

Relevant Financial Policies. In 2015 the City implemented GASB #68 *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27* and GASB #71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. **Implementation did not have any financial effect on the City.**

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

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

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

Major Initiatives.

Community Development

Inver Grove Heights had \$45.3M of new construction in 2015, compared to \$81.8 million in 2014, and \$55.5 million in 2013. Total residential construction was 32 dwelling units, including 28 single-family homes. In comparison, 52 single-family homes were built in 2014 and 89 in 2013. Residential additions and remodeling improved as homeowners reinvested in their homes. The City issued almost 800 building permits for residential additions and remodeling with a valuation of \$10.0 million. Inver Grove Heights had \$5.8 million of commercial and industrial construction in 2015, compared to \$29.0 million in 2014 and \$5.6 million in 2013. Institutional construction was high, generating \$17.7 million of construction compared to \$5.2 million in 2014 and \$3.0 million in 2013.

New commercial construction projects included Ideal Credit Union and two office warehouse buildings. Commercial additions included Power Dynamics, Inver Grove Ford, AMC Theatre, and IGH Distribution Center. Restaurant activity consisted of the new El Azteca Mexican Restaurant, the expansion and reopening of A & W Root Beer, and an addition to the Mississippi Pub. Simley High School Performing Arts Center and the interior remodeling of the Inver Hills Community College Activities Building were the major institutional construction projects.

The City processed 47 planning applications in 2015, about the same number as in 2014. Most significantly, final approvals were granted to 116 single-family lots in Blackstone Vista and Blackstone Ponds. Preliminary approval was given to Hannah Meadows with 46 single-family lots, 36 townhomes, and a future apartment building. These plats are expected to substantially increase residential construction in 2016. To serve this development, the City continued major extensions of sanitary sewer and municipal water trunk utilities and, working with Dakota County, approved the future realignment of Argenta Trail. Planning staff also worked on zoning ordinances pertaining to accessory dwelling units, supervised student housing, tobacco licensing, and solar and wind power generation.

In economic development activities, the Inver Grove Heights Economic Development Authority (EDA) had a busy year. The 'Open to Business' program, which provides technical and financial assistance to small businesses, was approved for a third year. In the Concord Neighborhood, the EDA acquired a residential property, continued negotiations for four additional properties, heard a presentation regarding an industrial market assessment, and received a Dakota County Community Development Agency Redevelopment Grant. In the Arbor Pointe Neighborhood, the EDA addressed City sign regulations, state highway informational signs, access, a potential roundabout, and past EDA activities. The EDA also conducted conversations with retail strip owners throughout the City, discussed commercial development and the City's role with such development, and initiated a discussion of commercial property maintenance regulations.

Police Department

The Police Department continues to deploy a community based policing philosophy striving for greater community involvement in all areas of public safety. We have continued to reach out to our community to improve communications with citizens, neighborhoods, and businesses. Officers participate in child safety fairs, children's safety camps, youth police academy, Town Hall meetings, Crime Free Multi-Housing, Neighborhood Watch Groups and many other events culminating in Minnesota Night to Unite in August, Inver Grove Heights Days in September, and a nine-week Citizen's Academy that starts in late September with the graduation in early November.

Programs that we continue to offer include Alcohol Compliance Checks, Domestic Abuse Response Team (DART), Business Check Program, Bicycle Patrol, Intensive Supervision Program (ISP), Critical Incident Stress Management (CISM) team, check diversion program and driving diversion program. We also continue to receive hundreds of volunteer hours each year from our Police Reserves, Police Chaplains and Explorer programs.

The Police Department is also involved in many partnership initiatives within Dakota County. Some of these initiatives are Domestic Preparedness including the Special Operations Team (SOT), Incident Management Team (IMT), Drug Task Force, MAAG (SWAT), as well as Traffic Safety Group projects. Another partnership the police department is involved in is the School Resource Officer (SRO) position with Independent School District No. 199 that will continue through the 2016-2018 school years.

Fire Department

The number of emergency calls stayed about the same in 2015 at 1,193. Of those total calls, 46% were for Emergency Medical Services (EMS). The rest involved a combination of many other classifications such as: fires, vehicle crashes, alarms (fire/carbon monoxide), etc. Inver Grove Heights Firefighters continued to step up to the higher number of calls. Recruitment and retention issues have not yet hit Inver Grove Heights as hard as it has some of our neighboring communities. One neighboring department continued to see losses in its department above 20% in 2015, and hired fewer back than they lost. In comparison, Inver Grove Heights only lost 7% and was able to fill back in with the same number that was lost. The number of applicants in 2015 was back up to over 45. Of those 45, twenty were interviewed and nine were added to a hiring list. Five of those nine were hired, with three of the five already coming in with a significant amount of training. However, the number of good applicants or the number of those coming in with training can vary significantly from year to year. Because of the many variables in number and type of applicants, along with the increasing time commitment required of being a paid-on-call firefighter, plans were developed throughout 2015 to move to a different response model, called a duty crew. All plans for the switch to duty crew were completed for a start date of January 4, 2016.

The Fire Department continues on its quest to build a new fire station. The station location study was completed showing a need for a third fire station to cover the south, a space needs analysis and preliminary design were also completed. Potential sites are being evaluated. Although a third fire station in the city has been discussed for more than a decade, there has been little formal action until now. The new station, if approved to move forward, will help reduce response times to the southern part of the city. By reducing response times to that area, the Fire Department will be able to improve its quality of care and safety and could also provide a benefit for both residences and businesses by helping them achieve significant reductions in insurance rates.

The Fire Explorer program for youth between the ages of 14 and 20 continues to be successful with an annual roster of 15-20 members. This program also serves as an excellent feeder program for the Fire Department, providing one of five recruits in each of the past four years. Advisors for the program include previous Explorers and active Firefighters who have children in the program.

Two new Engines were ordered and one of those engines, known as a Fast Attack Truck, was received in 2015. The other larger engine is scheduled for a March 2016 delivery. The Fire Department hired a full-time Operations Supervisor in September. This position took over the duties of several paid-on-call positions and was also assigned to supervise the new duty crew program in 2016. The Company Fire Inspection Program, which started at the end of 2012 for multi-family housing facilities, completed another year. Two firefighter company inspectors participated.

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

Public Works

Public Works continues to oversee the street reconstruction program, a street mill and overlay program and a street crack seal and seal coating program. These programs will ensure a well-maintained roadway infrastructure. The 2015 urban street reconstruction project rebuilt 1.13 miles of street and completed a mill and overlay on 0.12 mile of street. The crack seal and seal coat projects covered 8.77 and 6.90 miles of street, respectively.

In 2015, three trunk utility extension projects were completed; one of which was in cooperation with a developer. The projects included trunk water main trunk sanitary sewer and a sanitary sewer lift station. A small water main and sanitary sewer improvement and rehabilitation project was completed in conjunction with the street reconstruction project. The street reconstruction project also included a number of storm water quality improvement features.

Parks & Recreation

The City of Inver Grove Heights and Dakota County have been cooperatively working with developers in the Northwest Area to secure land to construct portions of the Mendota Lebanon Regional Greenway that when completed will be a public trail linking Mendota Heights to Lebanon Hills Regional Park in Eagan. The greenway is a part of the County's Greenway Master Plan and is owned and operated by Dakota County.

Utilizing \$700,000 from a \$2,000,000 appropriation from the 2014 State Bonding Bill the City and County are cooperatively working on construction of the Pine Bends Bluff Trailhead that will serve the Mississippi River Regional Trail, historic interpretation improvements at Swing Bridge Park, and a trail segment that will connect Swing Bridge Park to Heritage Village Park.

The City has worked with GreenCity GIS to inventory and track all of the amenities in the Park System. The technology will be made available to the public so they can become more aware of all of the facilities available for their recreation and leisure pursuits. The Park and Recreation Department has also upgraded our operations software to MaxGalaxy, a cloud based product that manages our reservations, registration, POS, and membership management of the VMCC/Grove. Finally, the City has begun the implementation of CarteGraph OMS to help us manage our assets, work flow, and work order processes. It is expected to take a few years to realize the potential the software will provide to managers, directors, and the Council.

The City is investing in projects that reduce our dependence on energy at both the VMCC/Grove and Municipal Campus. Solar panels will be installed on the roofs of both buildings and when operational will provide approximately 20% of the electricity needs for the two buildings. In addition investments in a state of the art building management system (BMS) at the VMCC/Grove will help staff manage the HVAC and refrigeration systems more effectively.

The City's popular Rich Valley Park is receiving some much needed attention as a new potable water well is being installed to serve the clean drinking water needs of the thousands of visitors that visit the park each year. Additionally, the Rich Valley Maintenance Building was updated with restrooms, a small office area, and eye wash station making the facility safer and more efficient for our staff.

Administration

2015 saw continued change in the Administration Department. The former Deputy City Clerk position was upgraded to City Clerk and a new person hired in that position. In addition, the former Human Resources Technician position was changed to Administrative Services Coordinator and a new person hired for that position.

New election equipment was purchased from Dakota County and the City was able to see it demonstrated during the District 199 School Board election process earlier in the year. Staff is working with Dakota County elections to familiarize themselves with it as well as the whole process for the Primary and General elections.

For the Future. The City's Comprehensive Plan sets forth goals, policies, and plans for the City's future growth and development over the next 20 years. The City will undertake an update of the Comprehensive Plan, last adopted in 2008, starting later this year. The comprehensive plan update will address land use, transportation, utilities, parks, housing and environmental issues.

A major focus of the Comprehensive Plan is the continued expansion of infrastructure and subsequent development in the northwest part of the City, an area of approximately five square miles. Construction of the first segment of sanitary sewer and municipal water occurred in 2009 with a second major extension now occurring in 2016 and 2017. The City also decided on an alignment of Argenta Trail, a future regional arterial roadway which will extend between two future interchanges at Interstate 494 and State Highway 55. These public improvements will serve the six residential developments that the City approved in the last two years, as well as future residential, commercial and office development.

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

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

The Fire Department continues to move forward with the planning stage for a third fire station. Once a site is agreed upon and purchased, the next phase will be to hire an architect for final design as well as a construction manager.

In 2016, it is anticipated that three trunk utility projects will start construction in the Northwest Area. The proposed Pavement Management Program will involve work on 16.50 miles of streets. The program will include reconstruction, crack seal and seal coat projects. There will be a small water and sewer improvement and rehabilitation project that will be completed in conjunction with the street reconstruction project.

The City has applied for a \$20,000 grant with Blue Cross Blue Shield with the hopes of engaging the community in a Master Planning process for North and South Valley Park(s). The City has also applied for a \$20,000 grant with Dakota County to develop a plan for the installation of a public trail along County Road 73 that would close one of the gaps found in our 2011 Trail Gap Study.

The Park Commission plans to research and develop alternative funding sources for the park system. Potential ideas include the implementation of a Utility Round Up program and the creation of a 501(c) (3) non-profit that would be designed to support the capital needs of the park and recreation system.

The VMCC will be getting a new roof this spring and the Grove will see new splash pool equipment in the fall. The VMCC/Grove continues to be a valuable asset in the community and one that continues to see increases in its utilization. With the lease of the VMCC expired and the Grove lease coming towards its end, the City and ISD 199 are working on the development of a new lease that will provide both the City and District with continued access to the facility along with improved financial support. The City and District will also be talking about how best to provide programs and social opportunities for the Senior Citizens of the community, a growing segment of our overall population.

Inver Wood Golf Course is going to see \$2,287,700 worth of investments to replace the aging irrigation system, attention to the 66-bunkers, and improvements in the driving range designed to increase revenue potential. In all, the project will be paid back over a 25-year period with increases to the revenue per round of \$0.70 annually. The improvements should help stabilize the golf course for the next 40 years.

The Department will also be looking to improve our customers service and efficiency during the 2017 budget process. With the loss of five full-time positions at the VMCC/Grove and increased use of the facility, rehiring a Guest Service Operations Supervisor will be necessary to respond to customer service needs. The City will also consider the hiring of a City Facilities Superintendent that can manage and oversee the physical building assets the City owns which has a value of approximately \$55,000,000.

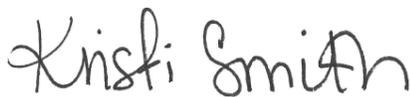
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Inver Grove Heights for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government has published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Kristi Smith
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Inver Grove Heights

Minnesota

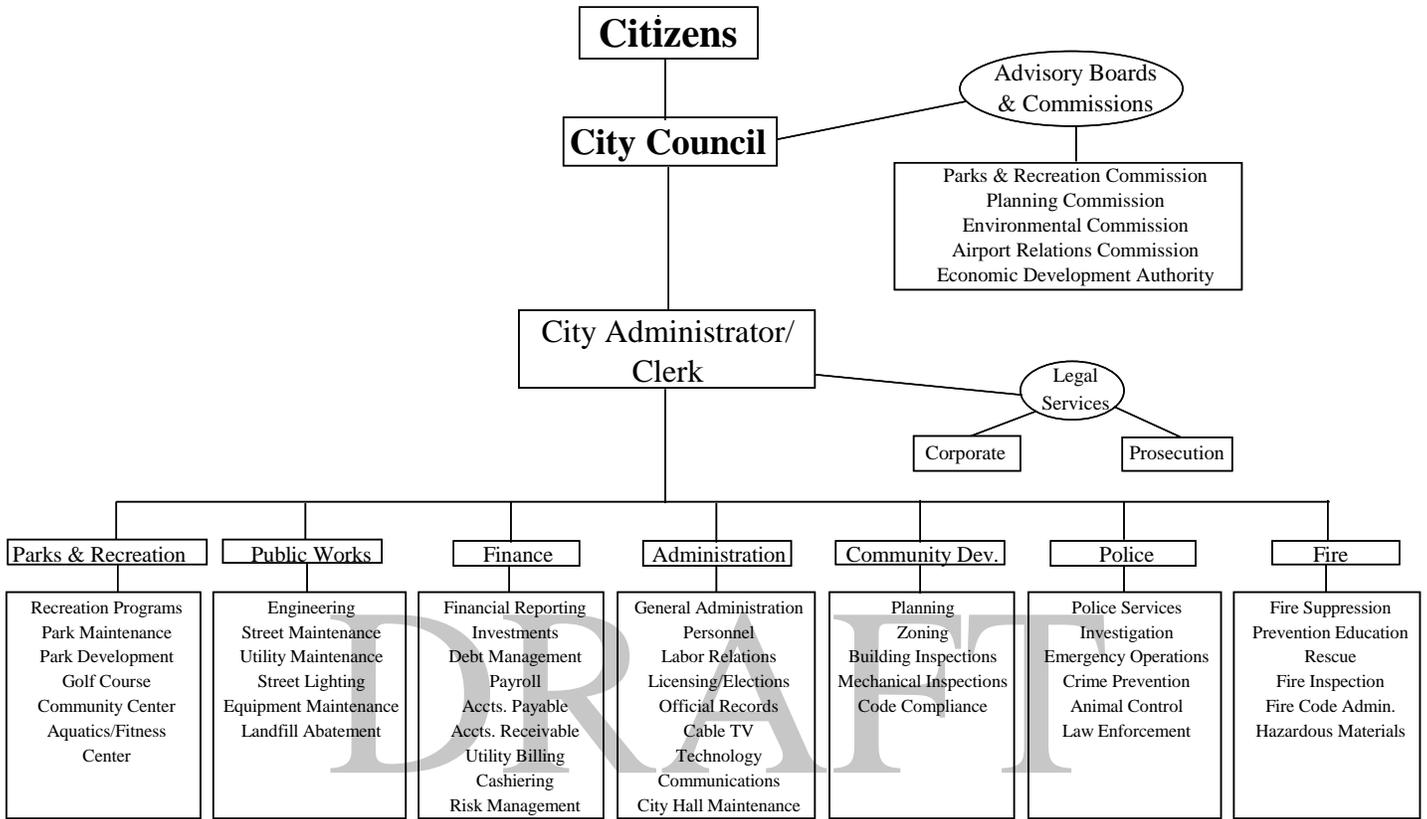
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

CITY OF INVER GROVE HEIGHTS, MINNESOTA

ORGANIZATION CHART



CITY OF INVER GROVE HEIGHTS, MINNESOTA
 ELECTED AND APPOINTED OFFICIALS
 FOR THE YEAR ENDED DECEMBER 31, 2015

ELECTED

Name	Title	Term Expires
George Tourville	Mayor	12/31/16
Tom Bartholomew	Council Member	12/31/16
Rosemary Piekarski Krech	Council Member	12/31/18
Jim Mueller	Council Member	12/31/16
Paul Hark	Council Member	12/31/18

APPOINTED

Name	Title
Joe Lynch	City Administrator
Kristi Smith	Director of Finance
Larry Stanger	Chief of Police
Judy Smith-Thill	Fire Chief
Scott Thureen	Director of Public Works
Thomas Link	Director of Community Development
Eric Carlson	Director of Parks and Recreation

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FINANCIAL SECTION

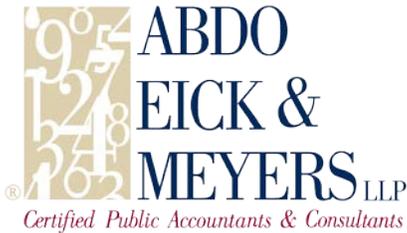
**CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inver Grove Heights, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and Community Center special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Change in Accounting Standards

As described in Note 10 to the financial statements, the city adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 23 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
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Management's Discussion and Analysis

As management of the City of Inver Grove Heights, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-12 of this report.

Financial Highlights

- The beginning unrestricted net position was decreased by \$8,491,712 to recognize the effects of GASB Statement No. 68 implementation.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$191,409,285 (net position). Of this amount, \$50,623,797 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position for governmental activities increased \$7,547,454 and business-type activities decreased -\$898,888, resulting in a total increase of \$8,446,342.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,134,892, an increase of \$8,239,955 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$9,922,952, or 50.6 percent of next year's budgeted expenses.
- The City's total debt increased \$7,297,092, (17.8 percent) during the current fiscal year. The increase was due to issuing General Obligation bonds and a Revenue bond in the Improvement Bonds fund and Sewer fund, respectively.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements start on page 35 of this report.

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

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

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

The City maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Improvement Bonds, Closed Bond, Local Improvement Construction, Pavement Management and the Host Community, which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 40 of this report.

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

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

The basic proprietary fund financial statements start on page 50 of this report.

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

The basic fiduciary fund financial statements can be found on page 56 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 57 of this report.

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

Required supplementary information can be found on page 96 of this report.

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

Combining and individual fund statements and schedules start on page 102 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 exceeded liabilities by \$191,409,285 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (69.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Inver Grove Heights' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Assets						
Current and other assets	\$ 59,467,826	\$ 49,845,032	\$ 9,622,794	\$ 22,798,836	\$ 21,686,347	\$ 1,112,489
Capital assets, net of depreciation	113,588,343	109,488,634	4,099,709	58,736,198	55,317,605	3,418,593
Total assets	173,056,169	159,333,666	13,722,503	81,535,034	77,003,952	4,531,082
Deferred outflows						
Deferred charge on refunding	81,157	101,033	(19,876)	250,903	270,080	(19,177)
Deferred pension resources	1,786,382	-	1,786,382	101,481	-	101,481
Total deferred outflows	1,867,539	101,033	1,766,506	352,384	270,080	82,304
Liabilities						
Noncurrent liabilities outstanding	38,024,413	25,261,655	12,762,758	21,533,854	17,503,314	4,030,540
Other liabilities	2,136,512	1,842,951	293,561	1,082,792	646,156	436,636
Total liabilities	40,160,925	27,104,606	13,056,319	22,616,646	18,149,470	4,467,176
Deferred inflows						
Deferred pension resources	2,413,808	-	2,413,808	210,462	-	210,462
Net position						
Net investment in capital assets	92,587,696	88,745,756	3,841,940	40,500,700	38,248,637	2,252,063
Restricted	7,697,092	6,560,238	1,136,854	-	-	-
Unrestricted	32,064,187	37,024,099	(4,959,912)	18,559,610	20,875,925	(2,316,315)
Total net position	\$ 132,348,975	\$ 132,330,093	\$ 18,882	\$ 59,060,310	\$ 59,124,562	\$ (64,252)

An additional portion of the City's net position (3.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$50,623,797) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Significant changes from the prior year are noted below:

City of Inver Grove Heights' Changes in Net Position

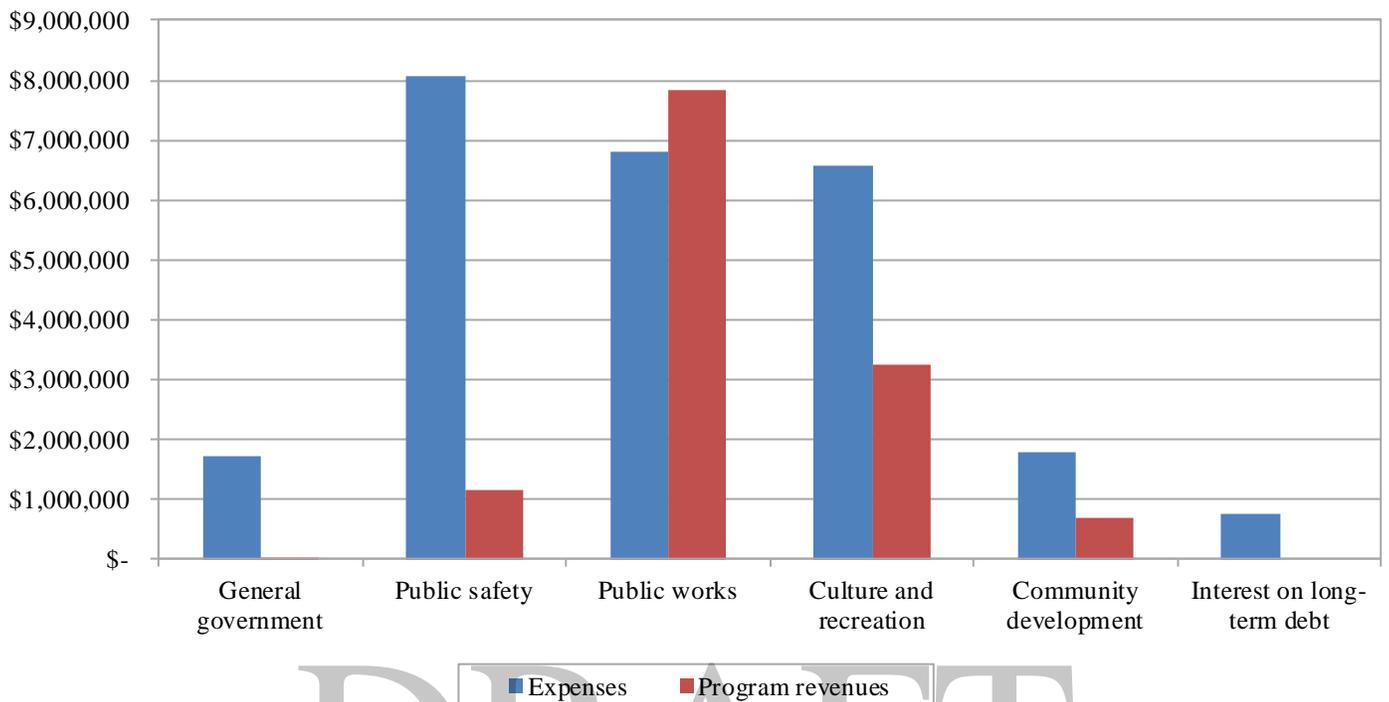
	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 8,081,101	\$ 8,007,248	\$ 73,853	\$ 7,622,667	\$ 7,285,643	\$ 337,024
Operating grants and contributions	1,012,882	1,170,083	(157,201)	12,587	1,418	11,169
Capital grants and contributions	3,860,088	6,587,288	(2,727,200)	1,463,961	1,177,104	286,857
General revenues						
Taxes						
Property taxes	16,657,367	15,070,818	1,586,549	-	-	-
Tax increment	2,020,664	1,931,061	89,603	-	-	-
Other taxes	204,582	196,319	8,263	-	-	-
Grants and contributions not restricted to specific programs	144,337	95,004	49,333	-	-	-
Unrestricted investment earnings	435,751	575,796	(140,045)	232,427	284,415	(51,988)
Gain on sale of capital assets	11,070	12,855	(1,785)	-	-	-
Total revenues	32,427,842	33,646,472	(1,218,630)	9,331,642	8,748,580	583,062
Expenses						
General government	1,717,909	1,764,065	(46,156)	-	-	-
Public safety	8,083,268	8,069,896	13,372	-	-	-
Public works	6,795,251	7,284,147	(488,896)	-	-	-
Culture and recreation	6,564,103	6,382,850	181,253	-	-	-
Community development	1,789,791	2,403,058	(613,267)	-	-	-
Interest on long-term debt	771,350	873,009	(101,659)	-	-	-
Water	-	-	-	2,381,673	2,722,584	(340,911)
Sewer	-	-	-	3,628,484	3,422,724	205,760
Golf course	-	-	-	1,581,313	1,537,243	44,070
Total expenses	25,721,672	26,777,025	(1,055,353)	7,591,470	7,682,551	(91,081)
Change in net position before transfers	6,706,170	6,869,447	(163,277)	1,740,172	1,066,029	674,143
Transfers (net)	841,284	1,112,503	(271,219)	(841,284)	(1,112,503)	271,219
Change in net position	7,547,454	7,981,950	(434,496)	898,888	(46,474)	945,362
Net position, January 1 as restated*	124,801,521	124,348,143	453,378	58,161,422	59,171,036	(1,009,614)
Net position, December 31	\$ 132,348,975	\$ 132,330,093	\$ 18,882	\$ 59,060,310	\$ 59,124,562	\$ (64,252)

* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$8,491,712 restatement of beginning net position. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See financial statement Note 10, starting on page 92.

Governmental activities. Governmental activities increased the City’s net position by \$7,547,454, mainly due to the net effect of transfers in.

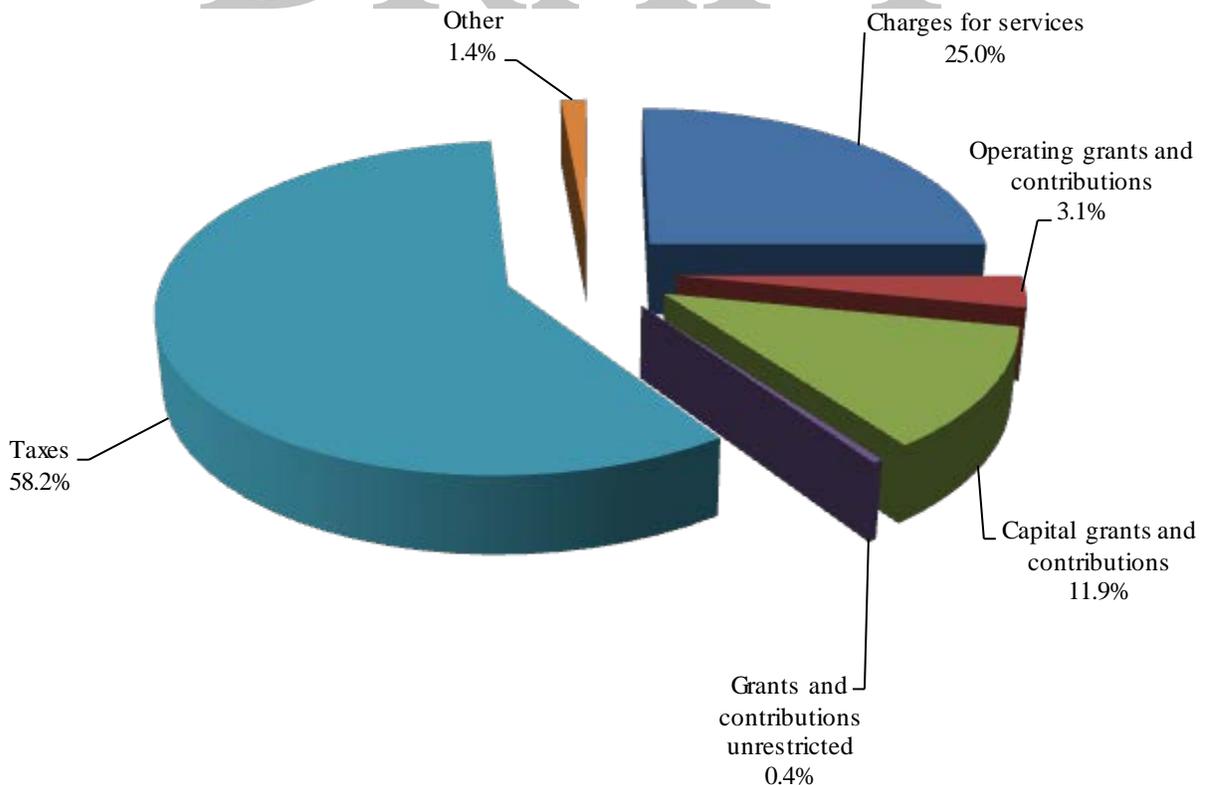
The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



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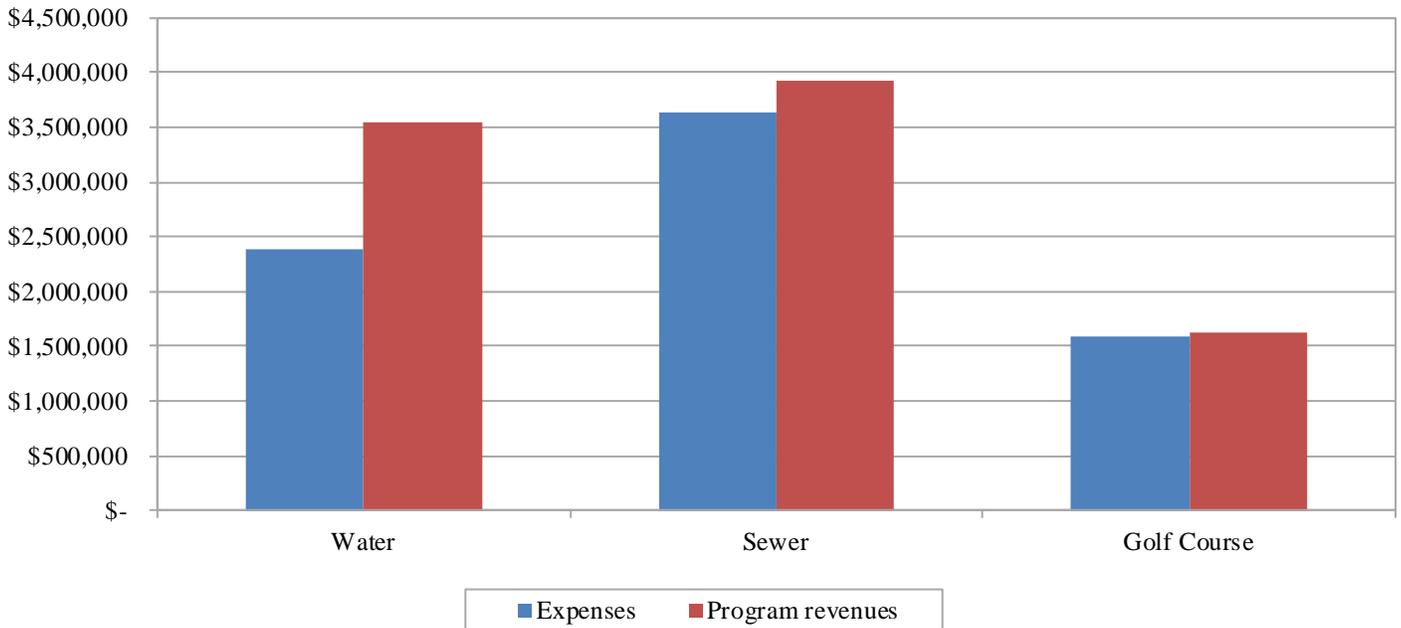
Revenues by Source - Governmental Activities



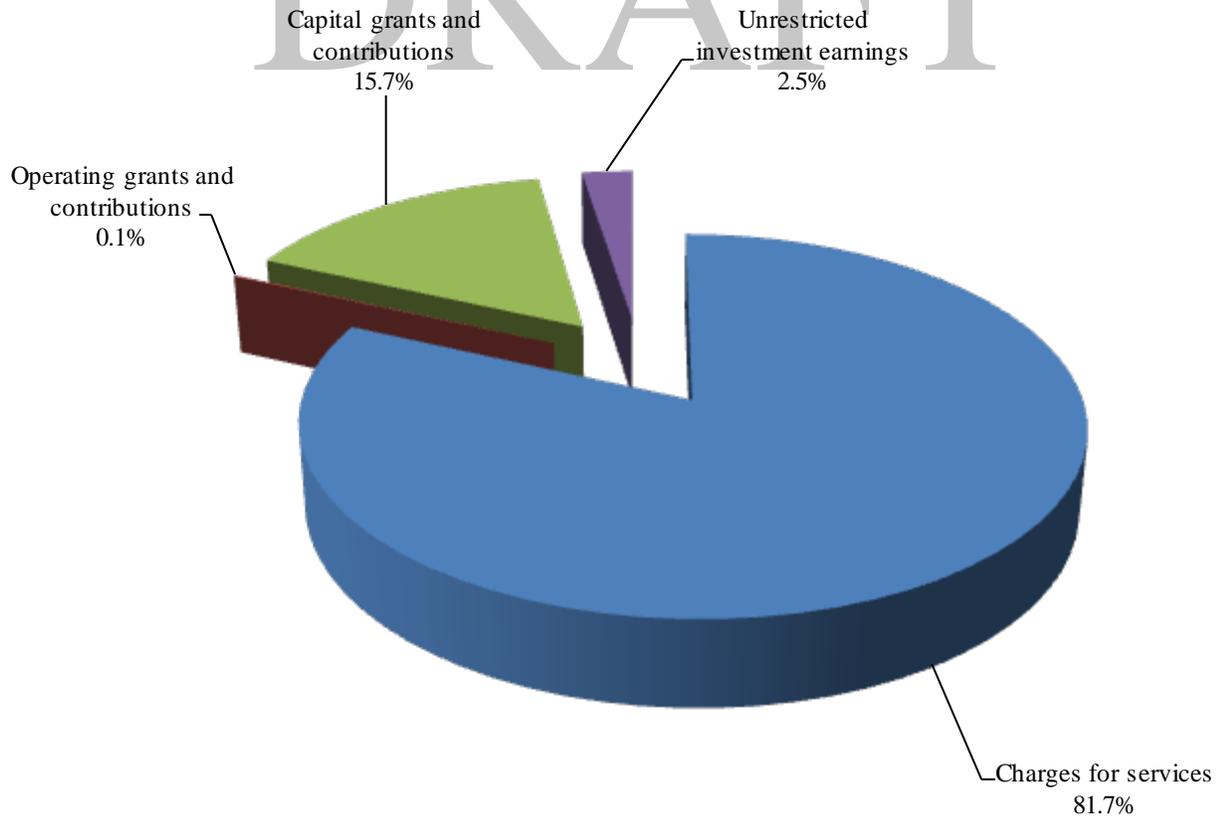
Business-type activities. The net position of business-type activities decreased by -\$898,888. This decrease was primarily the result of net transfers to governmental activities of \$841,284.

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

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds had combined ending fund balances of \$33,134,892, an increase of \$8,239,955 in comparison with the prior year. Approximately 24.1 percent of this total amount, \$7,973,478, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is either 1) nonspendable \$10,870, 2) restricted \$10,128,899, 3) committed \$955,348, or 4) assigned \$14,066,297. For further classification refer to Note 3E starting on page 77 of this report.

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

Major Fund	Fund Balances		Increase (Decrease)
	2015	December 31, 2014	
General	\$ 9,926,619	\$ 9,191,116	\$ 735,503
The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to the following year's budget. The fund balance is 50.7 percent of next year's budgeted expenses. The General fund continues to receive an annual transfer from the Host Community fund, which is the main reason for the increase in fund balance.			
Improvement Bonds	\$ 2,792,355	\$ 3,312,408	\$ (520,053)
The Improvement Bonds fund has a total fund balance of \$2,792,357, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$520,051 was the result of scheduled debt service payments.			
Closed Bond	\$ 2,322,687	\$ 2,548,905	\$ (226,218)
The Closed Bond fund has a total fund balance of \$2,322,687, of which all is assigned for capital improvements. The net decrease in fund balance of \$226,218 was due to an anticipated transfer out to spend down available reserves.			
Local Improvement Construction	\$ 2,486,282	\$ (2,058,299)	\$ 4,544,581
The Local Improvement Construction fund was established to account for the governmental portion of improvement projects. The increase was primarily the result of transfers in and bond proceeds. Currently \$6,437,054 of the 2015A and 2015B bonds issued are unspent. The balance is currently assigned for capital improvements.			
Pavement Management	\$ 2,599,272	\$ 1,523,454	\$ 1,075,818
The Pavement Management fund was established to account for the governmental portion of capital projects. The entire ending fund balance is assigned for capital improvements. The increase was primarily the result of transfers in.			
Host Community	\$ 4,536,162	\$ 3,717,746	\$ 818,416
Charges for services for 2015 totaled \$2,595,616. These were offset with transfers out of \$1,648,930 million to other funds for various needs of the funds including operations and capital projects. The balance of \$4,535,162 is assigned for capital improvements while \$1,000 is nonspendable.			
Community Center	\$ 149,247	\$ 149,247	\$ -
Charges for services for 2015 totaled \$2,237,734. The fund also received transfers in of \$774,389 to assist with operating and capital costs. The entire ending fund balance is reported as committed.			

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, unrestricted net position of the enterprise funds amounted to \$18,559,610. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year. The original budget called for no change in fund balance and the final budget anticipated use of \$128,800 of fund balance due to carryover requests from the 2014 budget. Revenues were more than budget by \$338,207, primarily due to the receipt of \$229,000 and \$96,141 in unbudgeted tax and intergovernmental receipts, respectively. Expenditures were \$535,845 less than budgeted amounts, primarily due to expenditures for public safety and public works coming in under budget by \$371,531 and \$76,608, respectively.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$172,324,541 (net of accumulated depreciation). This investment in capital assets includes land (tangible and intangible), buildings, improvements, machinery and equipment, park facilities, roads and bridges, and other infrastructure.

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

-
-
-

City of Inver Grove Heights' Capital Assets (net of depreciation)

Additional information on the City's capital assets can be found in Note 3B starting on page 70 of this report.

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 30,052,274	\$ 29,177,074	\$ 875,200	\$ 2,735,155	\$ 2,735,155	\$ -
Construction in progress	7,391,583	19,924,449	(12,532,866)	4,002,781	2,667,955	1,334,826
Infrastructure	47,288,875	47,053,427	235,448	-	-	-
Buildings and systems	20,300,749	5,468,244	14,832,505	50,462,846	48,354,990	2,107,856
Improvements other than buildings	4,464,267	4,694,074	(229,807)	1,226,074	1,368,481	(142,407)
Machinery and equipment	4,090,595	3,171,366	919,229	309,342	191,024	118,318
Total	\$ 113,588,343	\$ 109,488,634	\$ 4,099,709	\$ 58,736,198	\$ 55,317,605	\$ 3,418,593

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,411,870. All of the City's bonds are backed by the full faith and credit of the City. During the year, the City issued \$7,745,000 in G.O. Bonds, Series 2015A and \$4,185,000 in G.O. Sewer Revenue Bonds, Series 2015A.

The City maintains an "AA" rating from Standard and Poor's for general obligation debt.

State statutes limit the amount of G.O. debt a Minnesota city may issue to 3 percent of total estimated market value. The current debt limitation for the City is \$90,165,490. Only the \$17,171,870 in G.O. bonds is counted within the statutory limitation. The other debt of the City is either wholly or partially financed by revenues other than a general tax levy.

City of Inver Grove Heights' Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
G.O. bonds	\$ 17,171,870	\$ 9,780,150	\$ 7,391,720	\$ -	\$ -	\$ -
G.O. special assessments bonds	7,470,000	9,675,000	(2,205,000)	-	-	-
G.O. tax increment bonds	2,820,000	3,950,000	(1,130,000)	-	-	-
G.O. revenue bonds	-	-	-	19,950,000	17,045,000	2,905,000
Bond premium	305,432	163,761	141,671	458,629	237,225	221,404
Capital lease payable	-	-	-	29,120	56,823	(27,703)
Compensated absences payable	1,618,077	1,601,799	16,278	201,547	152,865	48,682
Pension liability	8,496,426	-	8,496,426	877,178	-	877,178
Other postemployment benefits payable	142,608	90,945	51,663	17,380	11,401	5,979
Total	<u>\$ 38,024,413</u>	<u>\$ 25,261,655</u>	<u>\$ 12,762,758</u>	<u>\$ 21,533,854</u>	<u>\$ 17,503,314</u>	<u>\$ 4,030,540</u>

Additional information on the City's long-term debt can be found in Note 3D starting on page 72 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's net tax capacity increased by 6.40 percent for taxes payable 2016 which was the same increase for taxes payable 2015. Residential property increased 7.10%, commercial property remained stable, and industrial property increased 24.20 percent. Without new construction the increase in tax capacity would have been 4.64 percent. The City's net levy increased \$1,641,184 for taxes payable 2016; however, due to the increase in tax capacity, the tax capacity rate increased 1.86 percent.
- \$500,000 of funding for the Pavement Management Program was reinstated in the 2015 budget after having been removed from the 2014 and 2013 budgets and an additional \$200,000 of funding was reinstated in the 2016 budget after having been removed from the 2015, 2014 and 2013 budgets.
- Water and sewer fees were increased 2.0 percent and 3.5 percent respectively for 2016, based on our long-range financial plan. A \$2.00 per 1,000 gallon sewer surcharge rate was also implemented for properties within the Northwest Area.
- Storm water utility fees were implemented on July 1, 2012 and have not been increased since implementation.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 47,886,027	\$ 21,414,637	\$ 69,300,664
Receivables			
Accrued interest	208,552	87,475	296,027
Taxes	1,403,671	-	1,403,671
Accounts	347,950	1,204,646	1,552,596
Special assessments	5,943,509	168,912	6,112,421
Due from other governments	258,642	775	259,417
Internal balances	85,232	(85,232)	-
Inventories	68,449	4,073	72,522
Prepaid items	135,868	3,550	139,418
Land held for resale	1,138,500	-	1,138,500
Pension asset	1,991,426	-	1,991,426
Capital assets			
Land and construction in progress	37,443,857	6,737,936	44,181,793
Depreciable assets (net of accumulated depreciation)	76,144,486	51,998,262	128,142,748
TOTAL ASSETS	173,056,169	81,535,034	254,591,203
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	81,157	250,903	332,060
Deferred pension resources	1,786,382	101,481	1,887,863
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,867,539	352,384	2,219,923
LIABILITIES			
Accounts and contracts payable	1,055,602	330,437	1,386,039
Accrued salaries payable	400,163	35,641	435,804
Due to other governments	253,030	222,649	475,679
Accrued interest payable	292,073	205,488	497,561
Deposits payable	28,157	44,570	72,727
Unearned revenue	107,487	244,007	351,494
Noncurrent liabilities			
Due within one year	3,619,939	1,457,321	5,077,260
Due in more than one year	34,404,474	20,076,533	54,481,007
TOTAL LIABILITIES	40,160,925	22,616,646	62,777,571
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	2,413,808	210,462	2,624,270
NET POSITION			
Net investment in capital assets	92,587,696	40,500,700	133,088,396
Restricted for			
Debt service	5,119,578	-	5,119,578
Equipment acquisition	551,476	-	551,476
Community development	915,678	-	915,678
Park improvements	1,110,360	-	1,110,360
Unrestricted	32,064,187	18,559,610	50,623,797
TOTAL NET POSITION	\$ 132,348,975	\$ 59,060,310	\$ 191,409,285

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,717,909	\$ 11,190	\$ -	\$ -
Public safety	8,083,268	629,828	543,678	-
Public works	6,795,251	3,552,354	442,014	3,827,488
Culture and recreation	6,564,103	3,184,781	27,190	32,600
Community development	1,789,791	702,948	-	-
Interest on long-term debt	771,350	-	-	-
Total governmental activities	<u>25,721,672</u>	<u>8,081,101</u>	<u>1,012,882</u>	<u>3,860,088</u>
Business-type activities				
Water	2,381,673	2,899,782	12,587	623,786
Sewer	3,628,484	3,088,659	-	840,175
Golf course	1,581,313	1,634,226	-	-
Total business-type activities	<u>7,591,470</u>	<u>7,622,667</u>	<u>12,587</u>	<u>1,463,961</u>
Total	<u>\$ 33,313,142</u>	<u>\$ 15,703,768</u>	<u>\$ 1,025,469</u>	<u>\$ 5,324,049</u>

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General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Lodging taxes

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - capital assets

Transfers - internal activities

Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 10)

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,706,719)	\$ -	\$ (1,706,719)
(6,909,762)	-	(6,909,762)
1,026,605	-	1,026,605
(3,319,532)	-	(3,319,532)
(1,086,843)	-	(1,086,843)
(771,350)	-	(771,350)
<u>(12,767,601)</u>	<u>-</u>	<u>(12,767,601)</u>
-	1,154,482	1,154,482
-	300,350	300,350
-	52,913	52,913
<u>-</u>	<u>1,507,745</u>	<u>1,507,745</u>
<u>(12,767,601)</u>	<u>1,507,745</u>	<u>(11,259,856)</u>
15,243,922	-	15,243,922
1,413,445	-	1,413,445
2,020,664	-	2,020,664
106,361	-	106,361
98,221	-	98,221
144,337	-	144,337
435,751	232,427	668,178
11,070	-	11,070
(14,518)	14,518	-
855,802	(855,802)	-
<u>20,315,055</u>	<u>(608,857)</u>	<u>19,706,198</u>
7,547,454	898,888	8,446,342
<u>124,801,521</u>	<u>58,161,422</u>	<u>182,962,943</u>
<u>\$ 132,348,975</u>	<u>\$ 59,060,310</u>	<u>\$ 191,409,285</u>

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FUND FINANCIAL STATEMENTS

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Improvement Bonds	Closed Bond	Local Improvement Construction
ASSETS				
Cash and temporary investments	\$ 9,310,108	\$ 2,679,218	\$ 2,297,922	\$ 4,474,229
Receivables				
Accrued interest	26,647	7,277	22,896	26,575
Taxes	1,233,506	83,657	3,229	63
Accounts	11,129	-	-	-
Special assessments	1,309	2,296,643	953,579	1,208,276
Due from other governments	11,380	21,630	-	198,878
Due from other funds	-	-	-	-
Prepaid items	3,667	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	<u>\$ 10,597,746</u>	<u>\$ 5,088,425</u>	<u>\$ 3,277,626</u>	<u>\$ 5,908,021</u>
LIABILITIES				
Accounts and contracts payable	\$ 129,376	\$ -	\$ -	\$ 256,675
Accrued salaries payable	317,987	-	-	-
Due to other governments	18,404	-	-	224,156
Due to other funds	-	-	-	1,746,421
Deposits payable	-	-	-	-
Unearned revenue	14,544	-	-	-
TOTAL LIABILITIES	<u>480,311</u>	<u>-</u>	<u>-</u>	<u>2,227,252</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - delinquent taxes	189,507	15,014	1,614	63
Unavailable revenues - special assessments	1,309	2,281,056	953,325	1,194,424
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>190,816</u>	<u>2,296,070</u>	<u>954,939</u>	<u>1,194,487</u>
FUND BALANCES				
Nonspendable	3,667	-	-	-
Restricted	-	2,792,355	-	4,297,324
Committed	-	-	-	-
Assigned	-	-	2,322,687	-
Unassigned	9,922,952	-	-	(1,811,042)
TOTAL FUND BALANCES	<u>9,926,619</u>	<u>2,792,355</u>	<u>2,322,687</u>	<u>2,486,282</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,597,746</u>	<u>\$ 5,088,425</u>	<u>\$ 3,277,626</u>	<u>\$ 5,908,021</u>

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

<u>Pavement Management</u>	<u>Host Community</u>	<u>Community Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,751,162	\$ 1,501,460	\$ 323,001	\$ 8,329,685	\$ 31,666,785
8,403	17,598	-	34,268	143,664
221	-	-	65,022	1,385,698
9,635	156,419	37,877	132,890	347,950
1,219,994	-	-	249,900	5,929,701
7,830	-	50,620	85	290,423
-	2,898,408	-	-	2,898,408
-	1,000	1,000	5,203	10,870
-	-	-	1,138,500	1,138,500
<u>\$ 3,997,245</u>	<u>\$ 4,574,885</u>	<u>\$ 412,498</u>	<u>\$ 9,955,553</u>	<u>\$ 43,811,999</u>
\$ 189,317	\$ 7,972	\$ 149,740	\$ 156,342	\$ 889,422
-	751	50,491	11,131	380,360
-	-	7,977	2,012	252,549
-	-	-	1,147,583	2,894,004
-	-	2,056	26,101	28,157
-	30,000	52,987	9,956	107,487
<u>189,317</u>	<u>38,723</u>	<u>263,251</u>	<u>1,353,125</u>	<u>4,551,979</u>
221	-	-	30,260	236,679
1,208,435	-	-	249,900	5,888,449
<u>1,208,656</u>	<u>-</u>	<u>-</u>	<u>280,160</u>	<u>6,125,128</u>
-	1,000	1,000	5,203	10,870
188,174	-	-	2,851,046	10,128,899
-	-	148,247	807,101	955,348
2,411,098	4,535,162	-	4,797,350	14,066,297
-	-	-	(138,432)	7,973,478
<u>2,599,272</u>	<u>4,536,162</u>	<u>149,247</u>	<u>8,322,268</u>	<u>33,134,892</u>
<u>\$ 3,997,245</u>	<u>\$ 4,574,885</u>	<u>\$ 412,498</u>	<u>\$ 9,955,553</u>	<u>\$ 43,811,999</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

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

Total fund balances - governmental funds	\$ 33,134,892
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	1,991,426
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	162,527,051
Less: accumulated depreciation	(69,041,204)
Internal service funds are used by the City to charge the cost of compensated absences, liability, property, and workers compensation insurance, vehicles and equipment, centralized purchase of consumable office supplies, maintaining facilities, and maintenance of computer systems. These balances are reported with governmental activities on the statement of net position.	34,856,360
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Bonds payable	(27,461,870)
Plus premium on bonds issued	(305,432)
Deferred charge on refunding	81,157
Other postemployment benefits payable	(142,608)
Pension liability	(8,496,426)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	236,679
Special assessments	5,888,449
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,786,382
Deferred inflows of pension resources	(2,413,808)
Governmental funds do not report a liability for accrued interest until due and payable.	(292,073)
Total net position - governmental activities	\$ 132,348,975

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Improvement Bonds	Closed Bond	Local Improvement Construction
REVENUES				
Taxes	\$ 15,245,100	\$ 1,186,617	\$ 4,161	\$ 36,611
Licenses and permits	844,006	-	-	-
Intergovernmental	705,941	1,852	-	58
Charges for services	718,523	-	-	-
Fines and forfeitures	120,029	-	-	-
Special assessments	6,873	907,074	32,491	281,008
Investment earnings	88,525	18,801	28,801	6,787
Miscellaneous	6,210	-	1,100	241,206
TOTAL REVENUES	17,735,207	2,114,344	66,553	565,670
EXPENDITURES				
Current				
General government	1,663,640	-	3,800	-
Public safety	8,342,569	-	-	-
Public works	3,789,292	-	9,429	-
Culture and recreation	1,812,977	-	-	-
Community development	1,184,177	-	-	-
Capital outlay				
Public safety	-	-	-	12,300
Public works	-	-	-	882,702
Culture and recreation	-	-	-	159,264
Community development	-	-	-	-
Debt service				
Principal	-	2,365,000	-	-
Interest and other charges	-	581,722	-	-
Bond issuance costs	-	131,221	-	-
TOTAL EXPENDITURES	16,792,655	3,077,943	13,229	1,054,266
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	942,552	(963,599)	53,324	(488,596)
OTHER FINANCING SOURCES (USES)				
Transfers in	793,318	255,000	-	246,773
Transfers out	(1,000,367)	-	(279,542)	(78,596)
Bonds issued	-	-	-	4,865,000
Premium on bonds issued	-	188,546	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(207,049)	443,546	(279,542)	5,033,177
NET CHANGE IN FUND BALANCES	735,503	(520,053)	(226,218)	4,544,581
FUND BALANCES, JANUARY 1	9,191,116	3,312,408	2,548,905	(2,058,299)
FUND BALANCES, DECEMBER 31	\$ 9,926,619	\$ 2,792,355	\$ 2,322,687	\$ 2,486,282

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

<u>Pavement Management</u>	<u>Host Community</u>	<u>Community Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 128,308	\$ -	\$ -	\$ 2,351,078	\$ 18,951,875
-	-	-	-	844,006
395,452	-	-	8,102	1,111,405
140	2,595,616	2,237,734	1,305,339	6,857,352
-	-	-	-	120,029
412,458	-	-	119,291	1,759,195
9,755	22,478	487	82,190	257,824
45,238	7,399	141,416	13,340	455,909
<u>991,351</u>	<u>2,625,493</u>	<u>2,379,637</u>	<u>3,879,340</u>	<u>30,357,595</u>
-	-	-	-	1,667,440
-	-	-	-	8,342,569
575,230	116,319	-	89,852	4,580,122
-	12,828	2,700,893	757,804	5,284,502
-	-	-	428,559	1,612,736
-	29,000	-	-	41,300
3,077,861	-	-	35,985	3,996,548
-	-	453,133	74,030	686,427
-	-	-	214,985	214,985
-	-	-	1,323,280	3,688,280
-	-	-	93,836	675,558
-	-	-	-	131,221
<u>3,653,091</u>	<u>158,147</u>	<u>3,154,026</u>	<u>3,018,331</u>	<u>30,921,688</u>
<u>(2,661,740)</u>	<u>2,467,346</u>	<u>(774,389)</u>	<u>861,009</u>	<u>(564,093)</u>
1,048,532	-	774,389	2,515,051	5,633,063
(190,974)	(1,648,930)	-	(1,564,152)	(4,762,561)
2,880,000	-	-	-	7,745,000
-	-	-	-	188,546
<u>3,737,558</u>	<u>(1,648,930)</u>	<u>774,389</u>	<u>950,899</u>	<u>8,804,048</u>
1,075,818	818,416	-	1,811,908	8,239,955
<u>1,523,454</u>	<u>3,717,746</u>	<u>149,247</u>	<u>6,510,360</u>	<u>24,894,937</u>
<u>\$ 2,599,272</u>	<u>\$ 4,536,162</u>	<u>\$ 149,247</u>	<u>\$ 8,322,268</u>	<u>\$ 33,134,892</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Total net change in fund balances - governmental funds	\$ 8,239,955
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	4,252,871
Depreciation expense	(3,626,010)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Capital assets transferred to enterprise funds	(14,518)
Capital assets transferred to internal service funds	(15,700,645)
Capital assets contributed from developers	2,691,318
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(14,375)
Depreciation on disposal of capital assets	9,804
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	3,688,280
Bonds issued	(7,745,000)
Current year amortization of deferred charges	(19,876)
Premium on bonds issued	(188,546)
Current year amortization of bond premium	46,875
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	8,430
Internal service funds are used by the City to charge the cost of compensated absences, liability, property, and workers compensation insurance, vehicles and equipment, centralized purchase of consumable office supplies, maintaining facilities, and maintenance of computer systems. These balances are reported with governmental activities in the statement of activities.	
	16,532,352
Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(888,682)
Property taxes	(69,262)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Other postemployment benefits	(51,663)
Long-term pension activity is not reported in governmental funds.	
Pension expense	366,356
Direct aid contributions	29,790
Change in net position - governmental activities	\$ 7,547,454

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 15,016,100	\$ 15,016,100	\$ 15,245,100	\$ 229,000
Licenses and permits	887,900	887,900	844,006	(43,894)
Intergovernmental	609,800	609,800	705,941	96,141
Charges for services	646,300	646,300	718,523	72,223
Fines and forfeitures	120,000	120,000	120,029	29
Special assessments	6,000	6,000	6,873	873
Interest on investment earnings	92,900	92,900	88,525	(4,375)
Miscellaneous	18,000	18,000	6,210	(11,790)
TOTAL REVENUES	17,397,000	17,397,000	17,735,207	338,207
EXPENDITURES				
Current				
General government	1,709,600	1,709,600	1,663,640	45,960
Public safety	8,637,700	8,714,100	8,342,569	371,531
Public works	3,847,100	3,865,900	3,789,292	76,608
Culture and recreation	1,790,400	1,803,400	1,812,977	(9,577)
Community development	1,214,900	1,235,500	1,184,177	51,323
TOTAL EXPENDITURES	17,199,700	17,328,500	16,792,655	535,845
EXCESS OF REVENUES OVER EXPENDITURES	197,300	68,500	942,552	874,052
OTHER FINANCING SOURCES (USES)				
Transfers in	792,600	792,600	793,318	718
Transfers out	(989,900)	(989,900)	(1,000,367)	(10,467)
TOTAL OTHER FINANCING SOURCES (USES)	(197,300)	(197,300)	(207,049)	(9,749)
NET CHANGE IN FUND BALANCES	-	(128,800)	735,503	864,303
FUND BALANCES, JANUARY 1	9,191,116	9,191,116	9,191,116	-
FUND BALANCES, DECEMBER 31	\$ 9,191,116	\$ 9,062,316	\$ 9,926,619	\$ 864,303

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNITY CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 2,194,300	\$ 2,194,300	\$ 2,237,734	\$ 43,434
Investment earnings	-	-	487	487
Miscellaneous	130,000	130,000	141,416	11,416
	<u>2,324,300</u>	<u>2,324,300</u>	<u>2,379,637</u>	<u>55,337</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Culture and recreation	2,707,700	2,728,100	2,700,893	27,207
Capital outlay				
Culture and recreation	400,000	671,000	453,133	217,867
	<u>3,107,700</u>	<u>3,399,100</u>	<u>3,154,026</u>	<u>245,074</u>
TOTAL EXPENDITURES				
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(783,400)	(1,074,800)	(774,389)	300,411
OTHER FINANCING SOURCES				
Transfers in	783,800	1,075,200	774,389	(300,811)
NET CHANGE IN FUND BALANCES	400	400	-	(400)
FUND BALANCES, JANUARY 1	149,247	149,247	149,247	-
FUND BALANCES, DECEMBER 31	<u>\$ 149,647</u>	<u>\$ 149,647</u>	<u>\$ 149,247</u>	<u>\$ (400)</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGE
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf course	Total	
ASSETS					
CURRENT ASSETS					
Cash and temporary investments	\$ 11,958,305	\$ 9,006,769	\$ 449,563	\$ 21,414,637	\$ 16,219,242
Receivables					
Accrued interest	50,946	34,858	1,671	87,475	64,888
Accounts	668,779	535,365	502	1,204,646	-
Special assessments	72,617	96,295	-	168,912	-
Due from other governments	-	775	-	775	-
Due from other funds	-	-	-	-	80,828
Inventories	-	-	4,073	4,073	68,449
Prepaid items	-	-	3,550	3,550	124,998
TOTAL CURRENT ASSETS	12,750,647	9,674,062	459,359	22,884,068	16,558,405
NONCURRENT ASSETS					
Capital assets					
Land	461,598	411,202	1,862,355	2,735,155	209,122
Construction in progress	1,048,085	2,869,231	85,465	4,002,781	-
Buildings and systems	46,117,065	31,696,821	869,226	78,683,112	17,409,502
Improvements other than buildings	98,108	-	4,547,114	4,645,222	240,717
Machinery and equipment	230,194	26,519	1,038,255	1,294,968	10,157,895
Less accumulated depreciation	(16,896,494)	(11,005,910)	(4,722,636)	(32,625,040)	(7,914,740)
Total capital assets (net of accumulated depreciation)	31,058,556	23,997,863	3,679,779	58,736,198	20,102,496
TOTAL ASSETS	43,809,203	33,671,925	4,139,138	81,620,266	36,660,901
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	250,903	-	250,903	-
Deferred pension resources	33,195	21,244	47,042	101,481	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,195	272,147	47,042	352,384	-

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf course	Total	
LIABILITIES					
CURRENT LIABILITIES					
Accounts and contracts payable	\$ 229,217	\$ 4,144	\$ 97,076	\$ 330,437	\$ 166,180
Accrued salaries payable	14,355	8,153	13,133	35,641	19,803
Due to other governments	32,938	189,458	253	222,649	481
Due to other funds	-	-	85,232	85,232	-
Accrued interest payable	34,083	171,405	-	205,488	-
Deposits payable	-	-	44,570	44,570	-
Unearned revenue	95,909	148,098	-	244,007	-
Compensated absences payable - current portion	28,920	16,259	33,022	78,201	768,069
Capital lease payable - current portion	-	-	29,120	29,120	-
Bonds payable - current portion	825,000	525,000	-	1,350,000	-
TOTAL CURRENT LIABILITIES	1,260,422	1,062,517	302,406	2,625,345	954,533
NONCURRENT LIABILITIES					
Compensated absences payable	49,149	28,698	45,497	123,344	850,008
Bonds payable	3,337,604	15,721,027	-	19,058,631	-
Pension liability	286,932	183,624	406,622	877,178	-
Other postemployment benefits payable	5,637	3,653	8,090	17,380	-
TOTAL NONCURRENT LIABILITIES	3,679,322	15,937,002	460,209	20,076,533	850,008
TOTAL LIABILITIES	4,939,744	16,999,519	762,615	22,701,878	1,804,541
DEFERRED INFLOWS OF RESOURCES					
Deferred pension resources	68,844	44,057	97,561	210,462	-
NET POSITION					
Net investment in capital assets	26,895,952	9,954,089	3,650,659	40,500,700	20,102,496
Unrestricted	11,937,858	6,946,407	(324,655)	18,559,610	14,753,864
TOTAL NET POSITION	\$ 38,833,810	\$ 16,900,496	\$ 3,326,004	\$ 59,060,310	\$ 34,856,360

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf course	Total	
OPERATING REVENUES					
Charges for services					
Water sales	\$ 2,832,394	\$ -	\$ -	\$ 2,832,394	\$ -
Sewer charges	-	3,052,071	-	3,052,071	-
Late fees	59,884	36,588	-	96,472	-
Water meter sales	7,504	-	-	7,504	-
Foot golf	-	-	8,863	8,863	-
Green fees	-	-	906,504	906,504	-
Golf cart rentals	-	-	354,343	354,343	-
Practice center	-	-	128,082	128,082	-
Golf shop	-	-	57,608	57,608	-
Food and beverage	-	-	139,909	139,909	-
Other	-	-	38,539	38,539	4,468,953
TOTAL OPERATING REVENUES	2,899,782	3,088,659	1,633,848	7,622,289	4,468,953
OPERATING EXPENSES					
Personnel services	530,579	340,582	818,006	1,689,167	882,149
Other current expenses	919,224	2,312,957	498,945	3,731,126	2,189,527
Depreciation	863,729	606,331	262,554	1,732,614	857,718
Other	-	-	-	-	235
TOTAL OPERATING EXPENSES	2,313,532	3,259,870	1,579,505	7,152,907	3,929,629
OPERATING INCOME (LOSS)	586,250	(171,211)	54,343	469,382	539,324
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	139,352	91,666	1,409	232,427	177,927
Miscellaneous revenues	12,587	-	378	12,965	118,086
Gain on sale of capital assets	-	-	-	-	11,070
Interest and amortization expense	(68,141)	(298,226)	(1,808)	(368,175)	-
Bond issuance costs	-	(70,388)	-	(70,388)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	83,798	(276,948)	(21)	(193,171)	307,083
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	670,048	(448,159)	54,322	276,211	846,407
CAPITAL CONTRIBUTIONS	623,786	840,175	-	1,463,961	-
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	-	14,518	-	14,518	15,700,645
TRANSFERS IN	-	-	100,000	100,000	-
TRANSFERS OUT	(719,802)	(236,000)	-	(955,802)	(14,700)
CHANGE IN NET POSITION	574,032	170,534	154,322	898,888	16,532,352
NET POSITION, JANUARY 1 AS RESTATED (NOTE 10)	38,259,778	16,729,962	3,171,682	58,161,422	18,324,008
NET POSITION, DECEMBER 31	\$ 38,833,810	\$ 16,900,496	\$ 3,326,004	\$ 59,060,310	\$ 34,856,360

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGE
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,898,246	\$ 3,116,045	\$ 1,647,555	\$ 7,661,846	\$ 4,469,094
Other operating receipts	12,587	-	378	12,965	118,086
Payments to suppliers	(957,571)	(2,171,470)	(488,210)	(3,617,251)	(2,058,364)
Payments to employees	(488,568)	(313,146)	(801,285)	(1,602,999)	(865,060)
	<u>1,464,694</u>	<u>631,429</u>	<u>358,438</u>	<u>2,454,561</u>	<u>1,663,756</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts on interfund balances	578,105	-	88,810	666,915	-
Payments on interfund balances	-	-	(55,628)	(55,628)	(37,586)
Transfers from other funds	-	-	100,000	100,000	-
Transfers to other funds	(719,802)	(236,000)	-	(955,802)	(14,700)
	<u>(141,697)</u>	<u>(236,000)</u>	<u>133,182</u>	<u>(244,515)</u>	<u>(52,286)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Connection fees received	170,640	218,011	-	388,651	-
Special assessments received	25,186	41,014	-	66,200	-
Acquisition of capital assets	(892,954)	(2,778,956)	(134,576)	(3,806,486)	(1,698,522)
Proceeds from sale of capital assets	-	-	-	-	11,070
Proceeds from bonds issued, net of issuance costs	-	4,368,613	-	4,368,613	-
Capital lease payments	-	-	(27,703)	(27,703)	-
Interest paid on debt	(91,050)	(301,760)	(1,808)	(394,618)	-
Principal paid on bonds	(805,000)	(475,000)	-	(1,280,000)	-
	<u>(1,593,178)</u>	<u>1,071,922</u>	<u>(164,087)</u>	<u>(685,343)</u>	<u>(1,687,452)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	135,647	87,537	399	223,583	172,642
	<u>135,647</u>	<u>87,537</u>	<u>399</u>	<u>223,583</u>	<u>172,642</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(134,534)	1,554,888	327,932	1,748,286	96,660
CASH AND CASH EQUIVALENTS, JANUARY 1					
	<u>12,092,839</u>	<u>7,451,881</u>	<u>121,631</u>	<u>19,666,351</u>	<u>16,122,582</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31					
	<u>\$ 11,958,305</u>	<u>\$ 9,006,769</u>	<u>\$ 449,563</u>	<u>\$ 21,414,637</u>	<u>\$ 16,219,242</u>

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Golf course	Total	
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 586,250	\$ (171,211)	\$ 54,343	\$ 469,382	\$ 539,324
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	863,729	606,331	262,554	1,732,614	857,718
Loss on disposal of capital assets	-	-	-	-	100,401
Other income related to operations	12,587	-	378	12,965	118,086
(Increase) decrease in assets/deferred outflows					
Accounts receivable	(24,434)	(3,527)	-	(27,961)	141
Due from other governments	4,057	-	7,822	11,879	-
Inventories	-	-	(457)	(457)	(4,385)
Prepaid items	-	-	(1,777)	(1,777)	(13,279)
Deferred pension resource	(33,195)	(21,244)	(47,042)	(101,481)	-
Increase (decrease) in liabilities/deferred inflows					
Accounts and contracts payable	(36,640)	(3,410)	13,040	(27,010)	50,085
Accrued salaries payable	3,719	1,780	2,991	8,490	811
Due to other governments	(1,707)	144,897	(71)	143,119	(1,424)
Deposits payable	-	-	5,885	5,885	-
Unearned revenue	18,841	30,913	-	49,754	-
Compensated absences payable	9,034	8,157	31,489	48,680	16,278
Pension liability	(8,449)	(6,647)	(70,866)	(85,962)	-
Other postemployment benefits payable	2,058	1,333	2,588	5,979	-
Deferred pension resource	68,844	44,057	97,561	210,462	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,464,694</u>	<u>\$ 631,429</u>	<u>\$ 358,438</u>	<u>\$ 2,454,561</u>	<u>\$ 1,663,756</u>

**SCHEDULE OF NONCASH CAPITAL AND
RELATED FINANCING ACTIVITIES**

Capital assets acquired on account	\$ 192,744	\$ -	\$ 76,677	\$ 269,421	\$ 60,216
Capital assets contributed from other funds	\$ -	\$ 14,518	\$ -	\$ 14,518	\$ 15,700,645
Capital contributions	\$ 447,588	\$ 613,194	\$ -	\$ 1,060,782	\$ -
Amortization of bond premium	\$ 16,201	\$ 16,396	\$ -	\$ 32,597	\$ -
Amortization of deferred charges on refunding	\$ -	\$ 19,177	\$ -	\$ 19,177	\$ -
Net disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ 100,401

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Agency</u>
ASSETS	
Cash and temporary investments	\$ 775,732
Due from other governments	<u>51,298</u>
TOTAL ASSETS	<u>\$ 827,030</u>
LIABILITIES	
Accounts payable	\$ 24,685
Due to other governments	51,298
Deposits payable	<u>751,047</u>
TOTAL LIABILITIES	<u>\$ 827,030</u>

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

Blended component unit

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

B. Government-wide and fund financial statements

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

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

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting and financial statement presentation

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

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

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

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

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

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

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

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

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

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

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

Investments for the City are reported at fair value and are based on quoted market prices at year-end.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

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

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

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

Accounts receivable

Accounts receivable include amounts billed for services, such as water, sewer, storm water and nuisance charges, provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. The City annually certifies delinquent water, sewer, storm water and nuisance accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

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

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements. At December 31, 2015, the total delinquent special assessment receivable balance is \$58,613.

Interfund receivables and payables

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

Inventories and prepaid items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Land held for resale

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

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

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

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

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

Assets	Useful Live in Years
Buildings and structures	20 to 50
Equipment and machinery	3 to 20
Distribution and collection systems	50
Streets and infrastructure	25

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the statement of net position of the government-wide and proprietary fund financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated absences

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other postemployment benefits

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 45, at January 1, 2015. The General fund is typically used to liquidate governmental other postemployment benefits payable.

In 2008, the City implemented the requirement of a new accounting pronouncement, GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. An actuarial valuation was calculated to determine the City's annual required contribution (ARC) liability. At that time the City deemed the ARC liability to be immaterial; however, based on the 2012 actuarial valuation, liabilities for other postemployment benefits have since been recorded. The liability is typically liquidated through the General fund, Water fund, Sewer fund, and Golf Course fund.

Long-term obligations

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

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

Pensions

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

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred inflows of resources

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

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

Net position

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

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

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

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

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

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

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

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General fund. Encumbrances outstanding at year-end expire and outstanding purchase orders are cancelled and not reported in the financial statements.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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

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

B. Excess of expenditures over appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations in the following special revenue funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Nonmajor			
Economic Development Authority	\$ 83,900	\$ 376,548	\$ 292,648
Convention and Visitors Bureau	93,500	100,236	6,736

The excess of expenditures over appropriations for this fund was funded by actual transfers in, which were in excess of budget.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2015:

Fund	Amount
Nonmajor governmental	
Permanent Improvement Revolving	\$ 138,432

Capital Projects fund deficits are expected to be eliminated with future fund revenues or transfers from other funds.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City’s carrying amount of deposits was negative \$86,604 and the bank balance was \$315,231. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance was covered by collateral held by the City’s agent in the City’s name.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

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

<u>Types of Investments</u>	<u>Credit Quality/ Rating (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Non Pooled investments			
Brokered certificates of deposit	N/A	less than 6 months	\$ 2,541,609
Brokered certificates of deposit	N/A	6 months to 1 year	734,603
Brokered certificates of deposit	N/A	1 to 3 years	2,936,423
Brokered certificates of deposit	N/A	more than 3 years	1,958,289
Municipal bonds	AA+	less than 6 months	1,876,434
Municipal bonds	AA+	6 months to 1 year	751,554
Municipal bonds	AA+	1 to 3 years	12,544,649
Municipal bonds	AA+	more than 3 years	8,248,609
U.S. government agency securities	AA+	1 to 3 years	9,566,638
U.S. government agency securities	AA+	more than 3 years	10,042,511
Pooled investments			
Broker money market	N/A	less than 6 months	227,018
Repurchase agreement	N/A	less than 6 months	18,734,663
Total investments			<u>\$ 70,163,000</u>

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the City's investment policy, the City will not directly invest more than five percent (5 percent) of the total portfolio in securities maturing more than five (5) years from the date of purchase, unless matched to a specific cash flow. The City was not exposed to interest rate risks due to the fact that their investments are not exposed to highly sensitive changes in interest rates.
- *Credit Risk*. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 60 of the notes to the financial statements. In accordance with its investment policy, the City will minimize credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
- *Concentration of Credit Risk*. Concentration of credit risk is defined as positions of five percent (5 percent) or more in the securities of a single issuer. The City's investment policy does not allow for an investment in any issuer or security type (except U.S. Treasury Bonds) that is in excess of fifty percent (50 percent) of the City's total investments. As of December 31, 2015, the following issuers exceeded 5 percent of the City's total investments: FHLMC (10.29 percent), FNMA (7.18 percent), and FFCB (7.47 percent).
- *Custodial Credit Risk- Deposits*. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Minnesota statutes and the City's investment policy states that in order to provide a level of security for all funds, the collateralization level will be 110 percent of market value not covered by insurance. As of December 31, 2015, all of the City's bank balance was covered by federal depository insurance or by perfected collateral held by the City's agent in the City's name.
- *Custodial Credit Risk - Investments*. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of December 31, 2015, all securities were held by the City or its agent in the City's name. The City does not have an investment policy for custodial credit risk.

The City's investments held by a broker-dealer were insured by SIPC or other supplemental insurance as of December 31, 2015. However, each investment brokerage firm may have a limit to their supplemental insurance coverage and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits; the portion of the supplemental policy applicable to the City's portfolio is unknown. The City accepts the risk due to the controls in place at the broker-dealer.

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

Carrying amount of deposits	\$ (86,604)
Investments	<u>70,163,000</u>
Total	<u><u>\$ 70,076,396</u></u>
As reported on the financial statements	
Statement of net position	
Cash and temporary investments	\$ 69,300,664
Fiduciary statement of net position	
Cash and temporary investments	<u>775,732</u>
Total	<u><u>\$ 70,076,396</u></u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 29,177,074	\$ 875,200	\$ -	\$ 30,052,274
Construction in progress	19,924,449	3,977,868	(16,510,734)	7,391,583
Total capital assets not being depreciated	49,101,523	4,853,068	(16,510,734)	37,443,857
Capital assets, being depreciated				
Infrastructure	93,937,287	2,471,664	-	96,408,951
Buildings and systems	22,615,635	15,961,659	(1,621,859)	36,955,435
Improvements other than buildings	8,526,222	139,413	-	8,665,635
Machinery and equipment	10,287,138	1,773,339	(990,068)	11,070,409
Total capital assets being depreciated	135,366,282	20,346,075	(2,611,927)	153,100,430
Less accumulated depreciation for				
Infrastructure	(46,883,860)	(2,236,216)	-	(49,120,076)
Buildings and systems	(17,147,391)	(1,028,753)	1,521,458	(16,654,686)
Improvements other than buildings	(3,832,148)	(369,220)	-	(4,201,368)
Machinery and equipment	(7,115,772)	(849,539)	985,497	(6,979,814)
Total accumulated depreciation	(74,979,171)	(4,483,728)	2,506,955	(76,955,944)
Total capital assets being depreciated, net	60,387,111	15,862,347	(104,972)	76,144,486
Governmental activities capital assets, net	<u>\$ 109,488,634</u>	<u>\$ 20,715,415</u>	<u>\$ (16,615,706)</u>	<u>\$ 113,588,343</u>

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

General government	\$ 54,658
Public safety	242,184
Public works	2,726,159
Culture and recreation	1,460,727
Total depreciation expense - governmental activities	<u>\$ 4,483,728</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 2,735,155	\$ -	\$ -	\$ 2,735,155
Construction in progress	2,667,955	3,808,507	(2,473,681)	4,002,781
Total capital assets not being depreciated	<u>5,403,110</u>	<u>3,808,507</u>	<u>(2,473,681)</u>	<u>6,737,936</u>
Capital assets being depreciated				
Buildings and systems	75,081,970	3,601,142	-	78,683,112
Improvements other than buildings	4,645,222	-	-	4,645,222
Machinery and equipment	1,110,628	215,239	(30,899)	1,294,968
Total capital assets being depreciated	<u>80,837,820</u>	<u>3,816,381</u>	<u>(30,899)</u>	<u>84,623,302</u>
Less accumulated depreciation for				
Buildings and systems	(26,726,980)	(1,493,286)	-	(28,220,266)
Improvements other than buildings	(3,276,741)	(142,407)	-	(3,419,148)
Machinery and equipment	(919,604)	(96,921)	30,899	(985,626)
Total accumulated depreciation	<u>(30,923,325)</u>	<u>(1,732,614)</u>	<u>30,899</u>	<u>(32,625,040)</u>
Total capital assets being depreciated, net	<u>49,914,495</u>	<u>2,083,767</u>	<u>-</u>	<u>51,998,262</u>
Business-type activities capital assets, net	<u>\$ 55,317,605</u>	<u>\$ 5,892,274</u>	<u>\$ (2,473,681)</u>	<u>\$ 58,736,198</u>

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

Water	\$ 863,729
Sewer	606,331
Golf course	<u>262,554</u>
Total depreciation expense - business-type activities	<u>\$ 1,732,614</u>

C. Construction commitments

The City has the following construction commitments at December 31, 2015 as follows:

Project	Spent to date	Remaining Commitment
47th Street Neighborhood Street Reconstruction	\$ 2,399,222	\$ 34,911
47th Street Area Water Improvement	842,052	3,588
NWA Utility Improvement	1,187,455	52,885
NWA 70th Street Lift Station	904,748	20,079

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term debt

Capital leases

The City is the lessee of golf carts under capital leases expiring in 2016. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset. The assets are depreciated over the lower of their related lease terms or the estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. The assets acquired through capital leases are as follows:

	Business-type Activities
Asset	
Machinery and equipment	\$ 157,875
Less: Accumulated depreciation	(149,981)
Total	\$ 7,894

The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

<u>Year Ending December 31,</u>	Business-type Activities
2016	\$ 29,583
Total minimum lease payments	29,583
Less: amount representing interest	(463)
Present value of minimum lease payments	\$ 29,120

General obligation (G.O.) bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Armory Bonds of 1996	\$ 656,500	6.73 %	03/01/96	12/31/16	\$ 56,870
G.O. Capital Bonds, Series 2009A	9,900,000	2.0-4.375	06/03/09	02/01/34	9,175,000
G.O. Utility Revenue Refunding Bonds, Series 2012A	395,000	2.0-2.15	04/24/12	02/01/17	195,000
G.O. Bonds, Series 2015A	7,745,000	2.00-3.00	09/17/15	02/01/31	7,745,000
Total G.O. bonds					\$ 17,171,870

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 371,870	\$ 551,512	\$ 923,382
2017	730,000	561,694	1,291,694
2018	730,000	544,619	1,274,619
2019	770,000	526,144	1,296,144
2020	805,000	505,819	1,310,819
2021-2025	4,710,000	2,204,931	6,914,931
2026-2030	5,595,000	1,214,250	6,809,250
2031-2034	3,460,000	264,297	3,724,297
Total	<u>\$ 17,171,870</u>	<u>\$ 6,373,266</u>	<u>\$ 23,545,136</u>

G.O. improvement (special assessment) bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement Bonds, Series 2008A	\$ 4,855,000	3.50 - 4.50 %	12/30/08	02/01/20	\$ 490,000
G.O. Improvement Bonds, Series 2010B	4,885,000	2.00 - 3.125	10/06/10	02/01/27	3,805,000.00
G.O. Refunding Bonds, Series 2010C	905,000	2.00 - 2.35	10/06/10	02/01/18	205,000
G.O. Improvement Refunding Bonds, Series 2011A	1,075,000	2.00 - 2.25	08/18/11	02/01/18	555,000
G.O. Improvement Refunding Bonds, Series 2014B	2,415,000	2.00	12/30/14	02/01/20	<u>2,415,000</u>
Total G.O. special assessment bonds					<u>\$ 7,470,000</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,325,000	\$ 168,604	\$ 1,493,604
2017	1,295,000	139,205	1,434,205
2018	1,265,000	112,869	1,377,869
2019	1,000,000	88,669	1,088,669
2020	600,000	68,331	668,331
2021-2025	1,465,000	180,953	1,645,953
2026-2027	520,000	16,406	536,406
Total	<u>\$ 7,470,000</u>	<u>\$ 775,037</u>	<u>\$ 8,245,037</u>

G.O. tax increment bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Tax Increment Refunding Bonds, Series 2011A	\$ 3,430,000	2.00 - 2.25 %	08/08/11	02/01/19	\$ 2,200,000
G.O. Tax Increment Refunding Bonds, Series 2014A	1,670,000	2.00	07/01/14	12/15/16	<u>620,000</u>
Total G.O. tax increment bonds					<u>\$ 2,820,000</u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,155,000	\$ 52,450	\$ 1,207,450
2017	550,000	29,200	579,200
2018	555,000	18,150	573,150
2019	560,000	6,300	566,300
Total	<u>\$ 2,820,000</u>	<u>\$ 106,100</u>	<u>\$ 2,926,100</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

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

	Water	Sewer
Net operating revenues	\$ 2,899,782	\$ 3,088,659
Principal and interest	896,050	776,760
Percentage of revenues	30.90 %	25.15 %

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds, Series 2007C	\$ 6,220,000	3.70 - 4.05 %	11/20/07	02/01/29	\$ 265,000
G.O. Sewer Revenue Bonds, Series 2010A	6,865,000	2.00 - 4.00	10/06/10	02/01/36	6,425,000
G.O. Utility Revenue Refunding Bonds, Series 2012A	6,315,000	2.00 - 2.15	04/24/12	02/01/22	4,060,000
G.O. Sewer Revenue Refunding Bonds, Series 2014B	5,015,000	2.00 - 3.00	12/30/14	02/01/20	5,015,000
G.O. Sewer Revenue Bonds, Series 2015A	4,185,000	3.00 - 4.00	09/17/15	02/01/31	4,185,000
Total G.O. revenue bonds					\$19,950,000

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,350,000	\$ 537,542	\$ 1,887,542
2017	1,560,000	523,463	2,083,463
2018	1,640,000	487,025	2,127,025
2019	1,185,000	453,038	1,638,038
2020	1,215,000	422,513	1,637,513
2021-2025	5,390,000	1,644,444	7,034,444
2026-2030	4,930,000	885,875	5,815,875
2031-2035	2,255,000	286,325	2,541,325
2036	425,000	8,500	433,500
Total	\$ 19,950,000	\$ 5,248,725	\$ 25,198,725

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. bonds	\$ 9,780,150	\$ 7,745,000	\$ (353,280)	\$ 17,171,870	\$ 371,870
G.O. special assessment bonds	9,675,000	-	(2,205,000)	7,470,000	1,325,000
G.O. tax increment bonds	3,950,000	-	(1,130,000)	2,820,000	1,155,000
Bond premium	163,761	188,546	(46,875)	305,432	-
Total bonds payable	23,568,911	7,933,546	(3,735,155)	27,767,302	2,851,870
Compensated absences payable	1,601,799	732,528	(716,250)	1,618,077	768,069
Pension liability					
GERF	-	4,735,491 *	-	4,735,491	-
PEPFF	-	3,760,935 *	-	3,760,935	-
Other postemployment benefits payable	90,945	68,334	(16,671)	142,608	-
Governmental activity long-term liabilities	<u>\$ 25,261,655</u>	<u>\$ 17,230,834</u>	<u>\$ (4,468,076)</u>	<u>\$ 38,024,413</u>	<u>\$ 3,619,939</u>
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 17,045,000	\$ 4,185,000	\$ (1,280,000)	\$ 19,950,000	\$ 1,350,000
Bond premium	237,225	254,001	(32,597)	458,629	-
Total bonds payable	17,282,225	4,439,001	(1,312,597)	20,408,629	1,350,000
Capital lease payable	56,823	-	(27,703)	29,120	29,120
Compensated absences payable	152,865	178,702	(130,020)	201,547	78,201
Pension liability					
GERF	-	1,107,987 *	(230,809)	877,178	-
Other postemployment benefits payable	11,401	8,069	(2,090)	17,380	-
Business-type activity long-term liabilities	<u>\$ 17,503,314</u>	<u>\$ 5,733,759</u>	<u>\$ (1,703,219)</u>	<u>\$ 21,533,854</u>	<u>\$ 1,457,321</u>

* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 10 on page 92 for further detail.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Components of fund balance

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

	<u>General</u>	<u>Improvement Bonds</u>	<u>Closed Bond</u>	<u>Local Improvement Construction</u>
Nonspendable				
Prepaid items	\$ 3,667	\$ -	\$ -	\$ -
Restricted for				
Debt service	-	2,792,355	-	-
Equipment acquisition	-	-	-	-
Community development	-	-	-	-
Park improvements	-	-	-	-
Capital improvements	-	-	-	4,297,324
Total Restricted	<u>-</u>	<u>2,792,355</u>	<u>-</u>	<u>4,297,324</u>
Committed to				
Convention and Visitors Bureau	-	-	-	-
Recreation	-	-	-	-
Economic development	-	-	-	-
Community Center	-	-	-	-
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to				
Capital improvements	-	-	2,322,687	-
Unassigned	<u>9,922,952</u>	<u>-</u>	<u>-</u>	<u>(1,811,042)</u>
Total	<u>\$ 9,926,619</u>	<u>\$ 2,792,355</u>	<u>\$ 2,322,687</u>	<u>\$ 2,486,282</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

CONTINUED

	<u>Pavement Management</u>	<u>Host Community</u>	<u>Community Center</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable					
Prepaid items	\$ -	\$ 1,000	\$ 1,000	\$ 5,203	\$ 10,870
Restricted for					
Debt service	-	-	-	302,279	3,094,634
Equipment acquisition	-	-	-	551,476	551,476
Community development	-	-	-	886,931	886,931
Community development	-	-	-	1,110,360	1,110,360
Capital improvements	188,174	-	-	-	4,485,498
Total Restricted	<u>188,174</u>	<u>-</u>	<u>-</u>	<u>2,851,046</u>	<u>10,128,899</u>
Committed to					
Convention and Visitors Bureau	-	-	-	119,882	119,882
Recreation	-	-	-	450,751	450,751
Economic development	-	-	-	236,468	236,468
Community Center	-	-	148,247	-	148,247
Total Committed	<u>-</u>	<u>-</u>	<u>148,247</u>	<u>807,101</u>	<u>955,348</u>
Assigned to					
Capital improvements	2,411,098	4,535,162	-	4,797,350	14,066,297
Unassigned	-	-	-	(138,432)	7,973,478
Total	<u>\$ 2,599,272</u>	<u>\$ 4,536,162</u>	<u>\$ 149,247</u>	<u>\$ 8,322,268</u>	<u>\$ 33,134,892</u>

F. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Host Community	Golf Course	To eliminate cash deficit	\$ 4,404
Internal Service	Golf Course	To eliminate cash deficit	80,828
Host Community	Nonmajor governmental	To loan funds for land purchase	1,000,000
Host Community	Nonmajor governmental	To eliminate cash deficit	147,583
Host Community	Local Improvement Construction	To eliminate cash deficit	1,746,421
Total			<u>\$ 2,979,236</u>

The Host Community fund made advances to the nonmajor governmental EDA fund, which will be paid back when the land for resale has sold. The Internal Service Central Equipment fund made advances to the Golf Course which will be paid back in annual installments.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

Fund	Transfer in			
	General	Improvement Bonds	Local Improvement Construction	Pavement Management
Transfer out				
General	\$ -	\$ -	\$ 9,067	\$ 500,000
Closed Bond	-	255,000	13,426	-
Local Improvement Construction	-	-	-	5,302
Pavement Management	-	-	1,972	-
Host Community	316,000	-	92,181	500,000
Nonmajor Governmental	5,318	-	78,400	43,230
Water	236,000	-	51,727	-
Sewer	236,000	-	-	-
Internal Service Funds	-	-	-	-
Total	\$ 793,318	\$ 255,000	\$ 246,773	\$ 1,048,532

Fund	Transfer in - Continued			Total
	Community Center	Nonmajor Governmental	Golf Course	
Transfer out				
General	\$ -	\$ 491,300	\$ -	\$ 1,000,367
Closed Bond	-	11,116	-	279,542
Local Improvement Construction	-	73,294	-	78,596
Pavement Management	-	189,002	-	190,974
Host Community	321,256	319,493	100,000	1,648,930
Nonmajor Governmental	453,133	984,071	-	1,564,152
Water	-	432,075	-	719,802
Sewer	-	-	-	236,000
Internal Service Funds	-	14,700	-	14,700
Total	\$ 774,389	\$ 2,515,051	\$ 100,000	\$ 5,733,063

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The City annually budgets transfers for specific purposes and includes transfers to cover funds annual operations, transfers for debt service payments, transfers made as part of capital improvement plans and other transfers made for various reasons. The City made the following one-time non-budgeted transfers for the year ended December 31, 2015:

- Transfers from the General fund to the Local Improvement Construction fund and nonmajor governmental funds were adopted as part of the General fund by resolution. Transfers are for construction projects.
- Transfers from the Closed Bond fund to the Local Improvement Construction fund and nonmajor governmental funds were adopted by approval of the project budget for construction projects.
- Transfers from the nonmajor Tax Increment Financing fund to nonmajor Tax Increment Financing Bonds fund were created to help support debt service.
- Transfers from the Local Improvement Construction fund to the Pavement Management fund and the nonmajor governmental funds were adopted by approval of the project budget for construction projects.
- Transfers from the Pavement Management fund to the Local Improvement Construction fund and the nonmajor governmental funds were adopted by approval of the project budget for construction projects.
- Transfers from the Host Community fund to the Local Improvement Construction fund, Pavement Management fund and the nonmajor governmental funds were adopted by approval of the project budget for construction projects.
- Transfers from the nonmajor governmental funds to the other nonmajor governmental funds were adopted by approval of the project budget for construction projects.
- Transfers from the Water and Sewer funds to the Local Improvement Construction fund, Pavement Management funds and the nonmajor governmental funds were adopted by resolution for construction projects and the allocation of resources for debt and interfund loan payments.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits provided

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

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

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

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

PEPFF benefits

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$488,967, \$459,894 and \$455,647, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPPF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPPF members in calendar year 2015. The City's contributions to the PEPPF for the years ending December 31, 2015, 2014 and 2013 were \$499,560, \$456,641 and \$417,235, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$5,612,669 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1083 percent which was a decrease of 0.0139 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$415,460 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,731	\$ 282,974
Changes in actuarial assumptions	342,857	
Net difference between projected and actual earnings on plan investments	-	499,632
Changes in proportion	-	564,049
Contributions to GERF subsequent to the measurement date	247,745	-
Total	\$ 649,333	\$ 1,346,655

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$247,745 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (292,368)
2017	(292,368)
2018	(493,162)
2019	132,831

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$3,760,935 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.3310 percent which was an increase of 0.0020 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$391,056 for its proportionate share of PEPFF's pension expense. The City also recognized \$29,790 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,977	\$ 609,901
Changes in actuarial assumptions	714,862	
Net difference between projected and actual earnings on plan investments	-	667,714
Changes in proportion	22,359	-
Contributions to PEPFF subsequent to the measurement date	252,461	-
Total	\$ 993,659	\$ 1,277,615

Deferred outflows of resources totaling \$252,461 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (214,977)
2017	(214,977)
2018	(214,977)
2019	226,022
2020	(117,508)

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

G. Pension liability sensitivity

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

	City Proportionate Share of Net Pension Liability		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF	\$ 8,825,109	\$ 5,612,669
PEPFF	7,330,101	3,760,935	812,181

H. Pension plan fiduciary net position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

Note 5: DEFINED CONTRIBUTION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specify the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2015, 2014 and 2013 were \$1,768, \$1,500 and \$1,500, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,768	\$ 1,768	5.00%	5.00%	5.00%

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

A. Plan description

All members of the Inver Grove Heights Fire Department (the Department) are covered by a defined benefit plan administered by the Inver Grove Heights Firefighters Relief Association (the Association). As of December 31, 2014, the plan covered 65 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$180,645 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. In addition, the City made voluntary contributions of \$25,000 to the plan.

D. Pension costs

At December 31, 2015, the City reported a net pension asset of \$1,991,426 for the plan. The net pension asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Hildi, Inc. applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$54,286.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

At December 31, 2015, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 29,259
Contributions to plan subsequent to the measurement date	<u>215,612</u>
Total	<u>\$ 244,871</u>

Deferred outflows of resources totaling \$215,612 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2016	\$ 7,315
2017	7,315
2018	7,315
2019	7,314

E. Actuarial assumptions

The total pension asset at December 31, 2014 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent at age 50	
Salary increases	2.50% per year
Cost of living increases	0.00% per year
Investment rate of return	6.00%
20 year municipal bond yield	3.50%

The 6 percent long-term expected rate of return on pension plan investments was based on the plan's target investment allocation along with long-term expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	13.00 %	2.00 %
Fixed income	22.00	4.00
Equities	63.00	7.50
Other	<u>2.00</u>	6.00
Total	<u><u>100.00 %</u></u>	

F. Discount rate

The discount rate used to measure the total pension liability was 6.0 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

G. Pension asset sensitivity

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

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined benefit plan	\$ 1,886,303	\$ 1,991,426	\$ 2,090,946

H. Pension plan fiduciary net position

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

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

B. Funding policy

Retirees receiving benefits contribute 100 percent of their premium costs. Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners, Inc. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2015, the City contributed \$18,761 to the plan. As of January 1, 2015, there were four retirees receiving health benefits from the City's health plan.

C. Annual other postemployment benefit (OPEB) cost and net OPEB obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years using a 4.0 percent discount rate. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan.

Annual required contribution	\$ 78,226
Interest on net OPEB obligation	4,094
Adjustment to annual required contribution	(5,917)
 Annual OPEB cost (expense)	 76,403
Contributions made	(18,761)
 Increase in net OPEB obligation	 57,642
Net OPEB obligation - January 1, 2015	102,346
 Net OPEB obligation - December 31, 2015	\$ 159,988

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the following three years:

Year Ending	Three Year Trend Information			
	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/15	\$ 76,403	18,761	24.6 %	\$ 159,988
12/31/14	74,743	45,224	60.5	102,346
12/31/13	75,313	39,924	53.0	72,827

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$610,231, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,318,280, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.3 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Postemployment Benefit Plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

At the January 1, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 8.0 percent to 9.0 percent, long-term, similar to a pension plan) or unfunded (3.0 percent, shorter term, based on City's general assets). Both rates included a 2.5 percent inflation assumption. The post retirement benefit increase is the same as the insurance rate increase as the liability is only implicit rate. The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.25 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after nine years. The UAAL is being amortized on a level percentage of projected payroll on a closed basis. The remaining amortization period was 30 years.

Note 8: OPERATING LEASES

The City leases the Aquatic and Fitness Center to Independent School District 199 under an operating lease. The lease commenced July 1, 2001 and terminates on June 30, 2021. The annual rent is payable in two installments due July 15 and January 15. The 2015 revenue was \$248,500.

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

Asset	
Buildings	\$ 17,689,059
Less: Accumulated depreciation	<u>(13,591,460)</u>
 Total	 <u><u>\$ 4,097,599</u></u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 8: OPERATING LEASES - CONTINUED

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 249,500
2017	307,500
2018	350,000
2019	350,000
2020	350,000
2021	175,000
	<hr/>
Total	<u><u>\$ 1,782,000</u></u>

Note 9: OTHER INFORMATION

A. Risk management

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

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

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

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

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

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 9: OTHER INFORMATION - CONTINUED

B. Contingencies

Tax increment financing districts

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

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

C. Conduit debt obligations

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

As of December 31, 2015, there were two series of Housing Revenue Bonds outstanding as follows:

Series	Amount Issued	Balance Outstanding 12/31/2015
2005 Senior Housing Revenue Refunding Bonds	\$32,290,000	\$24,935,000
2006 Nursing Home Revenue Refunding Bonds	23,265,000	20,160,000
Total	\$55,555,000	\$45,095,000

Note 10: CHANGE IN ACCOUNTING STANDARDS

The City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2015 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4 and Note 6.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 10: CHANGE IN ACCOUNTING STANDARDS - CONTINUED

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 132,330,093	\$ (7,528,572)	\$ 124,801,521
Business-type activities	\$ 59,124,562	\$ (963,140)	\$ 58,161,422
Business-type activities			
Water	\$ 38,555,159	\$ (295,381)	\$ 38,259,778
Sewer	16,920,233	(190,271)	16,729,962
Golf course	3,649,170	(477,488)	3,171,682
Total business-type activities	\$ 59,124,562	\$ (963,140)	\$ 58,161,422

- (1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at January 1, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability -
 General Employees Retirement Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.1083 %	\$ 5,612,669	\$ -	\$ 5,612,669	\$ 6,363,714	88.2 %	78.2 %

Note: This schedule was implemented in 2015, and therefore only contains one year of information.

Schedule of Employer's Public Employees Retirement Association Contributions – General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 488,967	\$ 488,967	\$ -	\$ 6,519,560	7.5 %

Note: This schedule was implemented in 2015, and therefore only contains one year of information.

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.3310 %	\$ 3,760,935	\$ -	\$ 3,760,935	\$ 3,030,963	124.1 %	86.6 %

Note: This schedule was implemented in 2015, and therefore only contains one year of information.

Schedule of Employer's Public Employees Retirement Association Contributions – Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 499,560	\$ 499,560	\$ -	\$ 3,083,704	16.2 %

Note: This schedule was implemented in 2015, and therefore only contains one year of information.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

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

	2015
Total pension liability	
Service cost	\$ 149,070
Interest	149,666
Benefit payments, including refunds of employee contributions	(55,673)
Net change in total pension liability	243,063
Total pension liability - January 1, 2014	2,367,683
Total pension liability - December 31, 2014 (a)	\$ 2,610,746
Plan fiduciary net position	
Contributions - employer	25,000
Contributions - state	180,645
Net investment income	221,943
Benefit payments, including refunds of employee contributions	(55,673)
Administrative expense	(6,752)
Net change in plan fiduciary net position	365,163
Plan fiduciary net position - January 1, 2014	4,237,009
Plan fiduciary net position - December 31, 2014 (b)	\$ 4,602,172
Fire Relief's net pension liability (asset) - December 31, 2014 (a-b)	\$ (1,991,426)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	176.28%
Covered-employee payroll	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A

Notes to Schedule:

Benefit changes. In 2015, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes of assumptions. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/15	\$ 215,612	\$ 215,612	\$ -
12/31/14	205,645	205,645	-

Note: This schedule was implemented in 2015 relating to a measurement date of 12/31/14. Addition information will be added prospectively.

Schedule of Funding Progress for the Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Rate	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/15	\$ -	\$ 610,231	\$ 610,231	- %	\$ 8,318,280	7.3 %
01/01/12	-	655,379	655,379	-	8,098,632	8.1

Note: This schedule was implemented in 2012, and therefore only contains two years of actuarial valuation dates.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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NONMAJOR GOVERNMENTAL FUNDS

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and temporary investments	\$ 737,773	\$ 286,435	\$ 7,305,477	\$ 8,329,685
Receivables				
Accrued interest	2,809	1,051	30,408	34,268
Taxes	6,930	16,306	41,786	65,022
Accounts	3,116	-	129,774	132,890
Special assessments	-	-	249,900	249,900
Due from other governments	-	-	85	85
Prepaid items	5,203	-	-	5,203
Land held for resale	1,138,500	-	-	1,138,500
TOTAL ASSETS	\$ 1,894,331	\$ 303,792	\$ 7,757,430	\$ 9,955,553
LIABILITIES				
Accounts and contracts payable	\$ 34,724	\$ -	\$ 121,618	\$ 156,342
Accrued salaries payable	11,131	-	-	11,131
Due to other governments	115	-	1,897	2,012
Due to other funds	1,000,000	-	147,583	1,147,583
Deposits payable	26,101	-	-	26,101
Unearned revenue	9,956	-	-	9,956
TOTAL LIABILITIES	1,082,027	-	271,098	1,353,125
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - delinquent taxes	-	1,513	28,747	30,260
Unavailable revenues - special assessments	-	-	249,900	249,900
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,513	278,647	280,160
FUND BALANCES				
Nonspendable	5,203	-	-	5,203
Restricted	-	302,279	2,548,767	2,851,046
Committed	807,101	-	-	807,101
Assigned	-	-	4,797,350	4,797,350
Unassigned	-	-	(138,432)	(138,432)
TOTAL FUND BALANCES	812,304	302,279	7,207,685	8,322,268
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,894,331	\$ 303,792	\$ 7,757,430	\$ 9,955,553

CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 106,361	\$ 222,667	\$ 2,022,050	\$ 2,351,078
Intergovernmental	8,000	100	2	8,102
Charges for services	252,981	248,500	803,858	1,305,339
Special assessments	-	-	119,291	119,291
Investment earnings	7,726	3,285	71,179	82,190
Miscellaneous	13,340	-	-	13,340
TOTAL REVENUES	388,408	474,552	3,016,380	3,879,340
EXPENDITURES				
Current				
Public works	-	-	89,852	89,852
Culture and recreation	705,046	-	52,758	757,804
Community development	161,563	-	266,996	428,559
Capital outlay				
Public works	-	-	35,985	35,985
Culture and recreation	9,440	-	64,590	74,030
Community development	214,985	-	-	214,985
Debt service				
Principal	-	1,323,280	-	1,323,280
Interest and other charges	-	93,836	-	93,836
TOTAL EXPENDITURES	1,091,034	1,417,116	510,181	3,018,331
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(702,626)	(942,564)	2,506,199	861,009
OTHER FINANCING SOURCES (USES)				
Transfers in	625,764	958,116	931,171	2,515,051
Transfers out	(5,318)	-	(1,558,834)	(1,564,152)
TOTAL OTHER FINANCING SOURCES (USES)	620,446	958,116	(627,663)	950,899
NET CHANGE IN FUND BALANCES	(82,180)	15,552	1,878,536	1,811,908
FUND BALANCES, JANUARY 1	894,484	286,727	5,329,149	6,510,360
FUND BALANCES, DECEMBER 31	\$ 812,304	\$ 302,279	\$ 7,207,685	\$ 8,322,268

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

Recreation accounts for recreation activities of the City.

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2015

	Convention and Visitors Bureau	Recreation	Economic Development Authority	Total
ASSETS				
Cash and temporary investments	\$ 120,667	\$ 499,436	\$ 117,670	\$ 737,773
Receivables				
Accrued interest	484	2,070	255	2,809
Taxes	6,930	-	-	6,930
Accounts	1,660	1,456	-	3,116
Prepaid items	4,855	-	348	5,203
Land held for resale	-	-	1,138,500	1,138,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 134,596</u></u>	<u><u>\$ 502,962</u></u>	<u><u>\$ 1,256,773</u></u>	<u><u>\$ 1,894,331</u></u>
LIABILITIES				
Accounts and contracts payable	\$ 9,859	\$ 5,403	\$ 19,462	\$ 34,724
Accrued salaries payable	-	10,636	495	11,131
Due to other governments	-	115	-	115
Due to other funds	-	-	1,000,000	1,000,000
Deposits payable	-	26,101	-	26,101
Unearned revenue	-	9,956	-	9,956
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u><u>9,859</u></u>	<u><u>52,211</u></u>	<u><u>1,019,957</u></u>	<u><u>1,082,027</u></u>
FUND BALANCES				
Nonspendable	4,855	-	348	5,203
Committed	119,882	450,751	236,468	807,101
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u><u>124,737</u></u>	<u><u>450,751</u></u>	<u><u>236,816</u></u>	<u><u>812,304</u></u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 134,596</u></u>	<u><u>\$ 502,962</u></u>	<u><u>\$ 1,256,773</u></u>	<u><u>\$ 1,894,331</u></u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Convention and Visitors Bureau	Recreation	Economic Development Authority	Total
REVENUES				
Lodging taxes	\$ 106,361	\$ -	\$ -	\$ 106,361
Intergovernmental	7,000	1,000	-	8,000
Charges for services	-	252,981	-	252,981
Investment earnings	1,211	6,004	511	7,726
Miscellaneous	1,660	11,680	-	13,340
TOTAL REVENUES	<u>116,232</u>	<u>271,665</u>	<u>511</u>	<u>388,408</u>
EXPENDITURES				
Current				
Culture and recreation	100,236	604,810	-	705,046
Community development	-	-	161,563	161,563
Capital outlay				
Culture and recreation	-	9,440	-	9,440
Community development	-	-	214,985	214,985
TOTAL EXPENDITURES	<u>100,236</u>	<u>614,250</u>	<u>376,548</u>	<u>1,091,034</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,996</u>	<u>(342,585)</u>	<u>(376,037)</u>	<u>(702,626)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	331,900	293,864	625,764
Transfers out	(5,318)	-	-	(5,318)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,318)</u>	<u>331,900</u>	<u>293,864</u>	<u>620,446</u>
NET CHANGE IN FUND BALANCES	10,678	(10,685)	(82,173)	(82,180)
FUND BALANCES, JANUARY 1	<u>114,059</u>	<u>461,436</u>	<u>318,989</u>	<u>894,484</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 124,737</u></u>	<u><u>\$ 450,751</u></u>	<u><u>\$ 236,816</u></u>	<u><u>\$ 812,304</u></u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
CONVENTION AND VISITORS BUREAU SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Lodging taxes	\$ 90,000	\$ 90,000	\$ 106,361	\$ 16,361
Intergovernmental	-	8,000	7,000	(1,000)
Investment earnings	-	-	1,211	1,211
Miscellaneous	-	-	1,660	1,660
	<u>90,000</u>	<u>98,000</u>	<u>116,232</u>	<u>18,232</u>
TOTAL REVENUES	90,000	98,000	116,232	18,232
EXPENDITURES				
Current				
Culture and recreation	<u>93,500</u>	<u>93,500</u>	<u>100,236</u>	<u>(6,736)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,500)	4,500	15,996	11,496
OTHER FINANCING USES				
Transfers out	<u>(4,500)</u>	<u>(4,500)</u>	<u>(5,318)</u>	<u>(818)</u>
NET CHANGE IN FUND BALANCES	(8,000)	-	10,678	10,678
FUND BALANCES, JANUARY 1	<u>114,059</u>	<u>114,059</u>	<u>114,059</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 106,059</u>	<u>\$ 114,059</u>	<u>\$ 124,737</u>	<u>\$ 10,678</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 1,000	\$ 1,000
Charges for services	242,700	242,700	252,981	10,281
Investment earnings	5,100	5,100	6,004	904
Miscellaneous	6,000	6,000	11,680	5,680
TOTAL REVENUES	253,800	253,800	271,665	17,865
EXPENDITURES				
Current				
Culture and recreation	624,500	624,500	604,810	19,690
Capital outlay				
Culture and recreation	-	-	9,440	(9,440)
TOTAL EXPENDITURES	624,500	624,500	614,250	10,250
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(370,700)	(370,700)	(342,585)	28,115
OTHER FINANCING SOURCES				
Transfers in	331,900	331,900	331,900	-
NET CHANGE IN FUND BALANCES	(38,800)	(38,800)	(10,685)	28,115
FUND BALANCES, JANUARY 1	461,436	461,436	461,436	-
FUND BALANCES, DECEMBER 31	\$ 422,636	\$ 422,636	\$ 450,751	\$ 28,115

CITY OF INVER GROVE HEIGHTS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 2,300	\$ 2,300	\$ 511	\$ (1,789)
EXPENDITURES				
Current				
Community development	83,900	83,900	161,563	(77,663)
Capital outlay				
Community development	-	-	214,985	(214,985)
TOTAL EXPENDITURES	83,900	83,900	376,548	(292,648)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(81,600)	(81,600)	(376,037)	(294,437)
OTHER FINANCING SOURCES				
Transfers in	500	500	293,864	293,364
NET CHANGE IN FUND BALANCES	(81,100)	(81,100)	(82,173)	(1,073)
FUND BALANCES, JANUARY 1	318,989	318,989	318,989	-
FUND BALANCES, DECEMBER 31	\$ 237,889	\$ 237,889	\$ 236,816	\$ (1,073)

NONMAJOR DEBT SERVICE FUNDS

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

MSABC Bonds accounts for the City's share of these bonds which were used to finance construction of the armory which are repaid primarily from general property taxes.

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

Tax Increment Financing Bonds accounts for resources accumulated and payments for principal and interest on long term general obligation special assessment debt.

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2015

	MSABC Bonds	Storm Water Bonds	Tax Increment Financing Bonds	Total
ASSETS				
Cash and temporary investments	\$ 41,463	\$ 244,972	\$ -	\$ 286,435
Receivables				
Accrued interest	267	784	-	1,051
Taxes	4,709	11,597	-	16,306
	<u>46,439</u>	<u>257,353</u>	<u>-</u>	<u>303,792</u>
TOTAL ASSETS				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - delinquent taxes	\$ 445	\$ 1,068	\$ -	\$ 1,513
FUND BALANCES				
Restricted	<u>45,994</u>	<u>256,285</u>	<u>-</u>	<u>302,279</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 46,439</u>	<u>\$ 257,353</u>	<u>\$ -</u>	<u>\$ 303,792</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	MSABC Bonds	Storm Water Bonds	Tax Increment Financing Bonds	Total
REVENUES				
Taxes	\$ 64,649	\$ 158,018	\$ -	\$ 222,667
Intergovernmental	100	-	-	100
Charges for services	-	-	248,500	248,500
Investment earnings	629	1,726	930	3,285
TOTAL REVENUES	65,378	159,744	249,430	474,552
EXPENDITURES				
Debt service				
Principal	53,280	140,000	1,130,000	1,323,280
Interest and other charges	7,419	8,868	77,549	93,836
TOTAL EXPENDITURES	60,699	148,868	1,207,549	1,417,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,679	10,876	(958,119)	(942,564)
OTHER FINANCING SOURCES				
Transfers in	-	-	958,116	958,116
NET CHANGE IN FUND BALANCES	4,679	10,876	(3)	15,552
FUND BALANCES, JANUARY 1	41,315	245,409	3	286,727
FUND BALANCES, DECEMBER 31	<u>\$ 45,994</u>	<u>\$ 256,285</u>	<u>\$ -</u>	<u>\$ 302,279</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

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

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

Equipment Acquisition accounts for major equipment purchases.

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

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

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

Storm Water Management accounts for storm water projects.

Tree Preservation accounts for financial resources assigned for tree preservation.

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

ADA accounts for financial resources assigned for building repairs and maintenance.

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

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

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2015

	Capital Facilities	Equipment Acquisition	Parks Acquisition and Development	State Aid Construction	Capital Improvement Revolving
ASSETS					
Cash and temporary investments	\$ 836,095	\$ 549,303	\$ 1,661,796	\$ 877,153	\$ 399,422
Receivables					
Accrued interest	5,232	2,173	6,764	2,813	1,638
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Special assessments	-	-	51,210	-	-
Due from other governments	-	-	-	-	-
TOTAL ASSETS	\$ 841,327	\$ 551,476	\$ 1,719,770	\$ 879,966	\$ 401,060
LIABILITIES					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - taxes	-	-	-	-	-
Unavailable revenues - special assessments	-	-	51,210	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	51,210	-	-
FUND BALANCES					
Restricted	-	551,476	1,110,360	-	-
Assigned	841,327	-	558,200	879,966	401,060
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	841,327	551,476	1,668,560	879,966	401,060
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 841,327	\$ 551,476	\$ 1,719,770	\$ 879,966	\$ 401,060

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Storm Water Management	Tree Preservation	Parks Capital Replacement	Americans with Disabilities Act	Community Projects	Permanent Improvement Revolving	Tax Increment Financing	Total
\$ 591,610	\$ 10,222	\$ 1,008,738	\$ 72,353	\$ 298,438	\$ -	\$ 1,000,347	\$ 7,305,477
3,297	49	3,637	237	1,196	-	3,372	30,408
-	-	-	-	-	-	41,786	41,786
129,774	-	-	-	-	-	-	129,774
3,342	-	-	-	-	195,348	-	249,900
-	-	-	-	-	85	-	85
<u>\$ 728,023</u>	<u>\$ 10,271</u>	<u>\$ 1,012,375</u>	<u>\$ 72,590</u>	<u>\$ 299,634</u>	<u>\$ 195,433</u>	<u>\$ 1,045,505</u>	<u>\$ 7,757,430</u>
\$ 857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,761	\$ 121,618
1,897	-	-	-	-	-	-	1,897
-	-	-	-	-	138,517	9,066	147,583
2,754	-	-	-	-	138,517	129,827	271,098
-	-	-	-	-	-	28,747	28,747
3,342	-	-	-	-	195,348	-	249,900
3,342	-	-	-	-	195,348	28,747	278,647
-	-	-	-	-	-	886,931	2,548,767
721,927	10,271	1,012,375	72,590	299,634	-	-	4,797,350
-	-	-	-	-	(138,432)	-	(138,432)
721,927	10,271	1,012,375	72,590	299,634	(138,432)	886,931	7,207,685
<u>\$ 728,023</u>	<u>\$ 10,271</u>	<u>\$ 1,012,375</u>	<u>\$ 72,590</u>	<u>\$ 299,634</u>	<u>\$ 195,433</u>	<u>\$ 1,045,505</u>	<u>\$ 7,757,430</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Capital Facilities	Equipment Acquisition	Parks Acquisition and Development	State Aid Construction	Capital Improvement Revolving
REVENUES					
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	317,000	-	-
Special assessments	-	-	-	-	-
Investment earnings	15,598	5,855	15,599	7,879	4,463
TOTAL REVENUES	15,598	5,855	332,599	7,879	4,463
EXPENDITURES					
Current					
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay					
Public works	-	-	-	-	-
Culture and recreation	-	-	64,590	-	-
TOTAL EXPENDITURES	-	-	64,590	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,598	5,855	268,009	7,879	4,463
OTHER FINANCING SOURCES (USES)					
Transfers in	-	7,500	-	189,002	-
Transfers out	(479,087)	-	(33,567)	(15,547)	(10,354)
TOTAL OTHER FINANCING SOURCES (USES)	(479,087)	7,500	(33,567)	173,455	(10,354)
NET CHANGE IN FUND BALANCES	(463,489)	13,355	234,442	181,334	(5,891)
FUND BALANCES, JANUARY 1	1,304,816	538,121	1,434,118	698,632	406,951
FUND BALANCES, DECEMBER 31	\$ 841,327	\$ 551,476	\$ 1,668,560	\$ 879,966	\$ 401,060

Storm Water Management	Tree Preservation	Parks Capital Replacement	Americans with Disabilities Act	Community Projects	Permanent Improvement Revolving	Tax Increment Financing	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,386	\$ 2,020,664	\$ 2,022,050
-	-	-	-	-	2	-	2
486,858	-	-	-	-	-	-	803,858
1,426	-	-	-	-	117,865	-	119,291
7,438	58	8,495	474	3,580	-	1,740	71,179
495,722	58	8,495	474	3,580	119,253	2,022,404	3,016,380
87,204	-	-	-	2,648	-	-	89,852
-	7,911	44,847	-	-	-	-	52,758
-	-	-	-	-	-	266,996	266,996
11,650	-	-	24,335	-	-	-	35,985
-	-	-	-	-	-	-	64,590
98,854	7,911	44,847	24,335	2,648	-	266,996	510,181
396,868	(7,853)	(36,352)	(23,861)	932	119,253	1,755,408	2,506,199
-	-	200,000	33,800	-	73,294	427,575	931,171
(11,166)	-	(50,997)	-	-	-	(958,116)	(1,558,834)
(11,166)	-	149,003	33,800	-	73,294	(530,541)	(627,663)
385,702	(7,853)	112,651	9,939	932	192,547	1,224,867	1,878,536
336,225	18,124	899,724	62,651	298,702	(330,979)	(337,936)	5,329,149
<u>\$ 721,927</u>	<u>\$ 10,271</u>	<u>\$ 1,012,375</u>	<u>\$ 72,590</u>	<u>\$ 299,634</u>	<u>\$ (138,432)</u>	<u>\$ 886,931</u>	<u>\$ 7,207,685</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budget Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 14,918,500	\$ 14,918,500	\$ 15,146,879	\$ 228,379	\$ 13,610,505
Cable franchise fees	97,600	97,600	98,221	621	97,628
Total	<u>15,016,100</u>	<u>15,016,100</u>	<u>15,245,100</u>	<u>229,000</u>	<u>13,708,133</u>
Licenses and permits					
Business	881,900	881,900	835,061	(46,839)	1,239,617
Nonbusiness	6,000	6,000	8,945	2,945	2,037
Total	<u>887,900</u>	<u>887,900</u>	<u>844,006</u>	<u>(43,894)</u>	<u>1,241,654</u>
Intergovernmental					
Federal					
Other	32,800	32,800	15,942	(16,858)	29,025
State					
Property tax credits	-	-	1,809	1,809	1,200
Police and fire aid	419,000	419,000	493,774	74,774	465,613
PERA aid	20,200	20,200	20,190	(10)	20,190
Other	-	-	46,951	46,951	4,137
County	53,000	53,000	42,465	(10,535)	51,598
Local	84,800	84,800	84,810	10	81,527
Total	<u>609,800</u>	<u>609,800</u>	<u>705,941</u>	<u>96,141</u>	<u>653,290</u>
Charges for services					
General government	2,200	2,200	2,023	(177)	5,895
Public safety	95,000	95,000	65,505	(29,495)	83,293
Public works	271,200	271,200	390,917	119,717	388,434
Rentals	245,900	245,900	229,335	(16,565)	217,837
Community development	32,000	32,000	30,743	(1,257)	40,401
Total	<u>646,300</u>	<u>646,300</u>	<u>718,523</u>	<u>72,223</u>	<u>735,860</u>
Fines and forfeitures	<u>120,000</u>	<u>120,000</u>	<u>120,029</u>	<u>29</u>	<u>135,382</u>
Special assessments	<u>6,000</u>	<u>6,000</u>	<u>6,873</u>	<u>873</u>	<u>13,099</u>
Investment earnings	<u>92,900</u>	<u>92,900</u>	<u>88,525</u>	<u>(4,375)</u>	<u>90,341</u>
Miscellaneous					
Donations	11,800	11,800	165	(11,635)	338
Other	6,200	6,200	6,045	(155)	16,898
Total	<u>18,000</u>	<u>18,000</u>	<u>6,210</u>	<u>(11,790)</u>	<u>17,236</u>
TOTAL REVENUES	<u>17,397,000</u>	<u>17,397,000</u>	<u>17,735,207</u>	<u>338,207</u>	<u>16,594,995</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budget Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES					
Current					
General government					
Mayor and City Council					
Personnel services	\$ 49,800	\$ 49,800	\$ 49,448	\$ 352	\$ 41,430
Supplies	300	300	121	179	314
Other services and charges	93,700	93,700	105,382	(11,682)	103,464
Total	<u>143,800</u>	<u>143,800</u>	<u>154,951</u>	<u>(11,151)</u>	<u>145,208</u>
City administration					
Personnel services	516,100	516,100	487,554	28,546	459,951
Supplies	45,200	45,200	48,200	(3,000)	45,023
Other services and charges	103,000	103,000	110,785	(7,785)	109,924
Total	<u>664,300</u>	<u>664,300</u>	<u>646,539</u>	<u>17,761</u>	<u>614,898</u>
Elections					
Personnel services	24,500	24,500	230	24,270	40,095
Supplies	1,300	1,300	-	1,300	410
Other services and charges	4,200	4,200	(183)	4,383	5,848
Total	<u>30,000</u>	<u>30,000</u>	<u>47</u>	<u>29,953</u>	<u>46,353</u>
Financial administration					
Personnel services	635,500	635,500	627,354	8,146	619,239
Supplies	108,100	108,100	107,355	745	106,139
Other services and charges	127,900	127,900	127,394	506	106,881
Total	<u>871,500</u>	<u>871,500</u>	<u>862,103</u>	<u>9,397</u>	<u>832,259</u>
Total general government	<u>1,709,600</u>	<u>1,709,600</u>	<u>1,663,640</u>	<u>45,960</u>	<u>1,638,718</u>
Public safety					
Police					
Personnel services	4,593,400	4,593,400	4,383,777	209,623	4,213,357
Supplies	322,700	345,600	322,480	23,120	326,332
Other services and charges	1,546,000	1,556,500	1,466,049	90,451	1,430,599
Total	<u>6,462,100</u>	<u>6,495,500</u>	<u>6,172,306</u>	<u>323,194</u>	<u>5,970,288</u>
Fire					
Personnel services	1,259,400	1,290,400	1,227,862	62,538	1,103,952
Supplies	198,700	210,700	227,050	(16,350)	182,719
Other services and charges	717,500	717,500	715,351	2,149	702,540
Total	<u>2,175,600</u>	<u>2,218,600</u>	<u>2,170,263</u>	<u>48,337</u>	<u>1,989,211</u>
Total public safety	<u>8,637,700</u>	<u>8,714,100</u>	<u>8,342,569</u>	<u>371,531</u>	<u>7,959,499</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budget Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public works					
Streets and highways					
Personnel services	\$ 177,700	\$ 177,700	\$ 187,454	\$ (9,754)	\$ 178,093
Supplies	23,400	23,400	23,030	370	23,616
Other services and charges	31,900	31,900	20,952	10,948	14,638
Total	<u>233,000</u>	<u>233,000</u>	<u>231,436</u>	<u>1,564</u>	<u>216,347</u>
Engineering					
Personnel services	778,300	778,300	768,631	9,669	739,236
Supplies	58,800	58,800	55,962	2,838	47,888
Other services and charges	124,500	143,300	167,552	(24,252)	129,704
Total	<u>961,600</u>	<u>980,400</u>	<u>992,145</u>	<u>(11,745)</u>	<u>916,828</u>
Street maintenance					
Personnel services	820,100	820,100	777,131	42,969	807,019
Supplies	439,000	439,000	443,902	(4,902)	471,600
Other services and charges	1,206,200	1,206,200	1,195,935	10,265	1,100,881
Total	<u>2,465,300</u>	<u>2,465,300</u>	<u>2,416,968</u>	<u>48,332</u>	<u>2,379,500</u>
Street lighting					
Other services and charges	187,200	187,200	148,743	38,457	154,879
Total public works	<u>3,847,100</u>	<u>3,865,900</u>	<u>3,789,292</u>	<u>76,608</u>	<u>3,667,554</u>
Culture and recreation					
Parks and recreation					
Personnel services	917,500	917,500	912,906	4,594	854,243
Supplies	172,900	172,900	184,532	(11,632)	135,287
Other services and charges	700,000	713,000	715,539	(2,539)	688,332
Total culture and recreation	<u>1,790,400</u>	<u>1,803,400</u>	<u>1,812,977</u>	<u>(9,577)</u>	<u>1,677,862</u>
Community development					
Community development					
Personnel services	305,600	305,600	313,023	(7,423)	293,759
Supplies	15,000	15,000	15,111	(111)	14,926
Other services and charges	29,100	29,100	39,456	(10,356)	26,219
Total	<u>349,700</u>	<u>349,700</u>	<u>367,590</u>	<u>(17,890)</u>	<u>334,904</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Community development - continued					
Planning					
Personnel services	\$ 237,300	\$ 237,300	\$ 233,336	\$ 3,964	\$ 237,733
Supplies	18,000	18,000	17,870	130	18,137
Other services and charges	87,200	103,200	66,006	37,194	43,484
Total	<u>342,500</u>	<u>358,500</u>	<u>317,212</u>	<u>41,288</u>	<u>299,354</u>
Inspections					
Personnel services	408,100	408,100	399,410	8,690	400,607
Supplies	34,100	34,100	30,645	3,455	26,239
Other services and charges	80,500	85,100	69,320	15,780	69,053
Total	<u>522,700</u>	<u>527,300</u>	<u>499,375</u>	<u>27,925</u>	<u>495,899</u>
Total community development	<u>1,214,900</u>	<u>1,235,500</u>	<u>1,184,177</u>	<u>51,323</u>	<u>1,130,157</u>
TOTAL EXPENDITURES	<u>17,199,700</u>	<u>17,328,500</u>	<u>16,792,655</u>	<u>535,845</u>	<u>16,073,790</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>197,300</u>	<u>68,500</u>	<u>942,552</u>	<u>874,052</u>	<u>521,205</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	792,600	792,600	793,318	718	1,106,467
Transfers out	(989,900)	(989,900)	(1,000,367)	(10,467)	(547,069)
Insurance recovery	-	-	-	-	300
TOTAL OTHER FINANCING SOURCES (USES)	<u>(197,300)</u>	<u>(197,300)</u>	<u>(207,049)</u>	<u>(9,749)</u>	<u>559,698</u>
NET CHANGE IN FUND BALANCES	-	(128,800)	735,503	864,303	1,080,903
FUND BALANCES, JANUARY 1	<u>9,191,116</u>	<u>9,191,116</u>	<u>9,191,116</u>	<u>-</u>	<u>8,110,213</u>
FUND BALANCES, DECEMBER 31	<u>\$ 9,191,116</u>	<u>\$ 9,062,316</u>	<u>\$ 9,926,619</u>	<u>\$ 864,303</u>	<u>\$ 9,191,116</u>

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Compensated Absences	Risk Management	Central Equipment	Central Stores
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,505,571	\$ 814,563	\$ 12,443,945	\$ 498,979
Receivables				
Accrued interest	6,057	3,212	49,631	2,008
Due from other funds	-	-	80,828	-
Inventories	-	-	68,449	-
Prepaid items	-	124,998	-	-
	<u>1,511,628</u>	<u>942,773</u>	<u>12,642,853</u>	<u>500,987</u>
TOTAL CURRENT ASSETS				
NONCURRENT ASSETS				
Capital assets				
Land	-	-	209,122	-
Buildings and systems	-	-	1,708,857	-
Improvements other than buildings	-	-	240,717	-
Machinery and equipment	-	-	9,358,983	6,997
Less accumulated depreciation	-	-	(7,293,396)	(6,997)
	<u>-</u>	<u>-</u>	<u>4,224,283</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	-	-	4,224,283	-
	<u>1,511,628</u>	<u>942,773</u>	<u>16,867,136</u>	<u>500,987</u>
TOTAL ASSETS				
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	-	3,431	101,282	8,022
Accrued salaries payable	-	387	10,066	-
Due to other governments	-	-	60	-
Compensated absences payable - current	716,250	988	25,936	-
	<u>716,250</u>	<u>4,806</u>	<u>137,344</u>	<u>8,022</u>
TOTAL CURRENT LIABILITIES				
NONCURRENT LIABILITIES				
Compensated absences payable	795,378	839	32,428	-
	<u>795,378</u>	<u>839</u>	<u>32,428</u>	<u>-</u>
TOTAL LIABILITIES				
	<u>1,511,628</u>	<u>5,645</u>	<u>169,772</u>	<u>8,022</u>
NET POSITION				
Investment in capital assets	-	-	4,224,283	-
Unrestricted	-	937,128	12,473,081	492,965
	<u>-</u>	<u>937,128</u>	<u>12,473,081</u>	<u>492,965</u>
TOTAL NET POSITION				
	<u>\$ -</u>	<u>\$ 937,128</u>	<u>\$ 16,697,364</u>	<u>\$ 492,965</u>

<u>City Facilities</u>	<u>Technology</u>	<u>Total</u>
\$ 156,110	\$ 800,074	\$ 16,219,242
747	3,233	64,888
-	-	80,828
-	-	68,449
-	-	124,998
<u>156,857</u>	<u>803,307</u>	<u>16,558,405</u>
-	-	209,122
15,700,645	-	17,409,502
-	-	240,717
285,900	506,015	10,157,895
(274,956)	(339,391)	(7,914,740)
<u>15,711,589</u>	<u>166,624</u>	<u>20,102,496</u>
<u>15,868,446</u>	<u>969,931</u>	<u>36,660,901</u>
3,102	50,343	166,180
199	9,151	19,803
29	392	481
5,379	19,516	768,069
<u>8,709</u>	<u>79,402</u>	<u>954,533</u>
<u>12,717</u>	<u>8,646</u>	<u>850,008</u>
<u>21,426</u>	<u>88,048</u>	<u>1,804,541</u>
15,711,589	166,624	20,102,496
135,431	715,259	14,753,864
<u>\$ 15,847,020</u>	<u>\$ 881,883</u>	<u>\$ 34,856,360</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	Compensated Absences	Risk Management	Central Equipment	Central Stores
OPERATING REVENUES				
Charges for services	\$ 141,851	\$ 734,700	\$ 2,399,700	\$ 88,200
OPERATING EXPENSES				
Personnel services	158,366	16,516	322,375	-
Other current expenses	-	731,611	665,333	84,342
Depreciation	-	-	798,932	-
Other	-	-	(1)	-
TOTAL OPERATING EXPENSES	158,366	748,127	1,786,639	84,342
OPERATING INCOME (LOSS)	(16,515)	(13,427)	613,061	3,858
NONOPERATING REVENUES				
Investment earnings	16,515	8,122	137,864	5,382
Miscellaneous	-	114,248	3,507	331
Gain on sale of capital assets	-	-	11,070	-
TOTAL NONOPERATING REVENUES	16,515	122,370	152,441	5,713
INCOME (LOSS) BEFORE TRANSFERS	-	108,943	765,502	9,571
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	-	-	-	-
TRANSFERS OUT	-	-	-	-
CHANGE IN NET POSITION	-	108,943	765,502	9,571
NET POSITION, JANUARY 1	-	828,185	15,931,862	483,394
NET POSITION, DECEMBER 31	\$ -	\$ 937,128	\$ 16,697,364	\$ 492,965

<u>City Facilities</u>	<u>Technology</u>	<u>Total</u>
<u>\$ 358,402</u>	<u>\$ 746,100</u>	<u>\$ 4,468,953</u>
73,525	311,367	882,149
404,864	303,377	2,189,527
17,153	41,633	857,718
-	236	235
<u>495,542</u>	<u>656,613</u>	<u>3,929,629</u>
<u>(137,140)</u>	<u>89,487</u>	<u>539,324</u>
2,279	7,765	177,927
-	-	118,086
-	-	11,070
<u>2,279</u>	<u>7,765</u>	<u>307,083</u>
(134,861)	97,252	846,407
15,700,645	-	15,700,645
<u>(14,700)</u>	<u>-</u>	<u>(14,700)</u>
15,551,084	97,252	16,532,352
<u>295,936</u>	<u>784,631</u>	<u>18,324,008</u>
<u>\$ 15,847,020</u>	<u>\$ 881,883</u>	<u>\$ 34,856,360</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Compensated Absences	Risk Management	Central Equipment	Central Stores
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 141,851	\$ 734,700	\$ 2,399,700	\$ 88,200
Other operating receipts	-	114,248	3,507	331
Payments to suppliers	-	(747,035)	(665,025)	(80,439)
Payments to employees	(151,377)	(16,231)	(317,593)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(9,526)	85,682	1,420,589	8,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments on interfund balances	-	-	(37,586)	-
Transfers to other funds	-	-	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	-	(37,586)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(1,614,038)	-
Proceeds from sale of capital assets	-	-	11,070	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(1,602,968)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	15,961	7,597	134,566	5,153
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,435	93,279	(85,399)	13,245
CASH AND CASH EQUIVALENTS, JANUARY 1	1,499,136	721,284	12,529,344	485,734
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,505,571	\$ 814,563	\$ 12,443,945	\$ 498,979
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (16,515)	\$ (13,427)	\$ 613,061	\$ 3,858
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	798,932	-
Loss on disposal of capital assets	-	-	-	-
Other income related to operations	-	114,248	3,507	331
(Increase) decrease in assets				
Accounts receivable	-	-	-	-
Prepaid items	-	(15,773)	-	-
Inventories	-	-	(4,385)	-
Increase (decrease) in liabilities				
Accounts and contracts payable	-	349	5,050	3,903
Accrued salaries payable	-	(39)	862	-
Due to other governments	-	-	(358)	-
Compensated absences payable	6,989	324	3,920	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (9,526)	\$ 85,682	\$ 1,420,589	\$ 8,092

City		
Facilities	Technology	Total
\$ 358,402	\$ 746,241	\$ 4,469,094
-	-	118,086
(310,542)	(255,323)	(2,058,364)
<u>(74,427)</u>	<u>(305,432)</u>	<u>(865,060)</u>
<u>(26,567)</u>	<u>185,486</u>	<u>1,663,756</u>
-	-	(37,586)
<u>(14,700)</u>	<u>-</u>	<u>(14,700)</u>
<u>(14,700)</u>	<u>-</u>	<u>(52,286)</u>
-	(84,484)	(1,698,522)
<u>-</u>	<u>-</u>	<u>11,070</u>
-	(84,484)	(1,687,452)
<u>2,307</u>	<u>7,058</u>	<u>172,642</u>
(38,960)	108,060	96,660
<u>195,070</u>	<u>692,014</u>	<u>16,122,582</u>
<u>\$ 156,110</u>	<u>\$ 800,074</u>	<u>\$ 16,219,242</u>
\$ (137,140)	\$ 89,487	\$ 539,324
17,153	41,633	857,718
100,401	-	100,401
-	-	118,086
-	141	141
-	2,494	(13,279)
-	-	(4,385)
(6,044)	46,827	50,085
(1,508)	1,496	811
(35)	(1,031)	(1,424)
<u>606</u>	<u>4,439</u>	<u>16,278</u>
<u>\$ (26,567)</u>	<u>\$ 185,486</u>	<u>\$ 1,663,756</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2015

	Escrow	Grant Pass Through	Total
ASSETS			
Cash and temporary investments	\$ 775,732	\$ -	\$ 775,732
Due from other governments	-	51,298	51,298
TOTAL ASSETS	<u>\$ 775,732</u>	<u>\$ 51,298</u>	<u>\$ 827,030</u>
LIABILITIES			
Accounts payable	\$ 24,685	\$ -	\$ 24,685
Due to other governments	-	51,298	51,298
Deposits payable	751,047	-	751,047
TOTAL LIABILITIES	<u>\$ 775,732</u>	<u>\$ 51,298</u>	<u>\$ 827,030</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

	12/31/2014	Additions	Deletions	12/31/2015
ESCROW				
ASSETS				
Cash and temporary investments	\$ 4,041,640	\$ 1,229,441	\$ (4,495,349)	\$ 775,732
LIABILITIES				
Accounts payable	\$ 7,780	\$ 32,537	\$ (15,632)	\$ 24,685
Due to other governments	109	-	(109)	-
Deposits payable	4,033,751	1,196,904	(4,479,608)	751,047
TOTAL LIABILITIES	\$ 4,041,640	\$ 1,229,441	\$ (4,495,349)	\$ 775,732
GRANT PASS THROUGH				
ASSETS				
Cash and temporary investments	\$ -	\$ 205,080	\$ (205,080)	\$ -
Due from other governments	48,728	51,298	(48,728)	51,298
TOTAL ASSETS	\$ 48,728	\$ 256,378	\$ (253,808)	\$ 51,298
LIABILITIES				
Due to other governments	\$ 48,728	\$ 207,650	\$ (205,080)	\$ 51,298
TOTAL - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 4,041,640	\$ 1,434,521	\$ (4,700,429)	\$ 775,732
Due from other governments	48,728	51,298	(48,728)	51,298
TOTAL ASSETS	\$ 4,090,368	\$ 1,485,819	\$ (4,749,157)	\$ 827,030
LIABILITIES				
Accounts payable	\$ 7,780	\$ 32,537	\$ (15,632)	\$ 24,685
Due to other governments	48,837	207,650	(205,189)	51,298
Deposits payable	4,033,751	1,196,904	(4,479,608)	751,047
TOTAL LIABILITIES	\$ 4,090,368	\$ 1,437,091	\$ (4,700,429)	\$ 827,030

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STATISTICAL SECTION (UNAUDITED)

CITY OF INVER GROVE HEIGHTS
INVER GROVE HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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STATISTICAL SECTION (UNAUDITED)

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

Contents	<u>Pages</u>
Financial Trends	139-149
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	151-157
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	
Debt Capacity	158-164
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	165-167
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	168-173
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
SUMMARY FINANCIAL REPORT
GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 18,951,875	\$ 17,190,552	10.25 %
Licenses and permits	844,006	1,241,654	(32.03)
Intergovernmental	1,111,405	4,124,588	(73.05)
Charges for services	6,857,352	6,389,688	7.32
Fines and forfeits	120,029	135,382	(11.34)
Special assessments	1,759,195	2,295,620	(23.37)
Investment earnings	257,824	359,937	(28.37)
Miscellaneous	455,909	234,831	94.14
	<u>\$ 30,357,595</u>	<u>\$ 31,972,252</u>	(5.05) %
TOTAL REVENUES			
Per Capita	\$ 875	\$ 928	(5.74) %
EXPENDITURES			
Current			
General government	\$ 1,667,440	\$ 1,641,093	1.61 %
Public safety	8,342,569	7,959,499	4.81
Public works	4,580,122	4,466,294	2.55
Culture and recreation	5,284,502	5,174,615	2.12
Community development	1,612,736	1,499,946	7.52
Capital outlay			
Public safety	41,300	127,117	(67.51)
Public works	3,996,548	3,839,083	4.10
Culture and recreation	686,427	612,844	12.01
Community development	214,985	918,702	(76.60)
Debt service			
Principal	3,688,280	6,249,919	(40.99)
Interest and other charges	675,558	888,890	(24.00)
Bond issuance costs	131,221	83,755	56.67
	<u>\$ 30,921,688</u>	<u>\$ 33,461,757</u>	(7.59) %
TOTAL EXPENDITURES			
Per Capita	\$ 891	\$ 971	(8.26) %
Total Long-term Indebtedness	\$ 27,767,302	\$ 23,568,911	17.81 %
Per Capita	800	684	16.96
General Fund Balance - December 31	\$ 9,926,619	\$ 9,191,116	8.00 %
Per Capita	286	267	7.22

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 NET POSITION BY COMPONENT
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 32,775,616	\$ 50,998,343	\$ 60,697,315	\$ 57,281,127
Restricted	16,063,647	18,675,449	12,005,964	18,781,144
Unrestricted	34,566,375	28,104,726	27,450,326	24,988,115
Total governmental activities net position	<u>\$ 83,405,638</u>	<u>\$ 97,778,518</u>	<u>\$ 100,153,605</u>	<u>\$ 101,050,386</u>
Business-type activities				
Net investment in capital assets	\$ 32,434,034	\$ 31,672,726	\$ 39,534,301	\$ 43,737,884
Restricted	455,035	449,310	452,585	658,585
Unrestricted	13,658,080	14,467,523	14,769,882	14,451,156
Total business-type activities net position	<u>\$ 46,547,149</u>	<u>\$ 46,589,559</u>	<u>\$ 54,756,768</u>	<u>\$ 58,847,625</u>
Total primary government				
Net investment in capital assets	\$ 65,209,650	\$ 82,671,069	\$ 100,231,616	\$ 101,019,011
Restricted	16,518,682	19,124,759	12,458,549	19,439,729
Unrestricted	48,224,455	42,572,249	42,220,208	39,439,271
Total primary government net position	<u>\$ 129,952,787</u>	<u>\$ 144,368,077</u>	<u>\$ 154,910,373</u>	<u>\$ 159,898,011</u>

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

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

Fiscal Year

2010	2011	Restated 2012 (1)	2013	2014	2015
\$ 74,158,575	\$ 72,950,086	\$ 83,551,495	\$ 85,313,175	\$ 88,745,756	\$ 92,587,696
12,453,322	14,658,567	6,562,002	5,419,184	6,560,238	7,697,092
25,315,734	20,841,229	35,453,954	33,615,784	37,024,099	32,064,187
<u>\$ 111,927,631</u>	<u>\$ 108,449,882</u>	<u>\$ 125,567,451</u>	<u>\$ 124,348,143</u>	<u>\$ 132,330,093</u>	<u>\$ 132,348,975</u>
\$ 45,236,978	\$ 56,914,506	\$ 34,833,936	\$ 38,002,856	\$ 38,248,637	\$ 40,500,700
658,415	452,053	-	-	-	-
12,609,019	9,876,848	18,909,882	21,168,180	20,875,925	18,559,610
<u>\$ 58,504,412</u>	<u>\$ 67,243,407</u>	<u>\$ 53,743,818</u>	<u>\$ 59,171,036</u>	<u>\$ 59,124,562</u>	<u>\$ 59,060,310</u>
\$ 119,395,553	\$ 129,864,592	\$ 118,385,431	\$ 123,316,031	\$ 126,994,393	\$ 133,088,396
13,111,737	15,110,620	6,562,002	5,419,184	6,560,238	7,697,092
37,924,753	30,718,077	54,363,836	54,783,964	57,900,024	50,623,797
<u>\$ 170,432,043</u>	<u>\$ 175,693,289</u>	<u>\$ 179,311,269</u>	<u>\$ 183,519,179</u>	<u>\$ 191,454,655</u>	<u>\$ 191,409,285</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities				
General government	\$ 1,792,165	\$ 1,771,417	\$ 1,737,716	\$ 2,026,218
Public safety	5,439,604	6,346,833	6,336,979	7,042,090
Public works	8,493,389	7,156,773	7,572,473	6,319,903
Culture and recreation	5,603,770	5,445,672	6,069,640	6,316,467
Community development	870,424	737,322	1,150,747	1,206,108
Interest on long-term debt	1,521,443	1,602,568	1,559,182	1,820,910
	<u>23,720,795</u>	<u>23,060,585</u>	<u>24,426,737</u>	<u>24,731,696</u>
Total governmental activities expenses				
Business-type activities				
Water	1,983,305	2,155,438	2,292,462	2,312,751
Sewer	2,213,214	2,265,611	2,459,592	2,606,924
Golf course	1,715,543	1,803,911	1,794,455	1,732,070
	<u>5,912,062</u>	<u>6,224,960</u>	<u>6,546,509</u>	<u>6,651,745</u>
Total business-type activities expenses				
Total primary government expenses				
	<u>\$ 29,632,857</u>	<u>\$ 29,285,545</u>	<u>\$ 30,973,246</u>	<u>\$ 31,383,441</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 461,018	\$ 503,160	\$ 521,732	\$ 532,763
Public safety	426,361	417,614	441,372	535,041
Public works	3,888,741	2,567,160	2,836,092	2,616,135
Culture and recreation	2,920,599	2,717,820	3,010,263	3,073,540
Community development	1,089,944	892,214	768,835	551,990
Operating grants and contributions	757,674	700,540	731,289	438,040
Capital grants and contributions	1,830,082	8,760,506	6,873,396	3,541,500
	<u>11,374,419</u>	<u>16,559,014</u>	<u>15,182,979</u>	<u>11,289,009</u>
Total governmental activities program revenues				
Business-type activities				
Charges for services				
Water	2,807,351	2,963,389	2,927,775	3,000,199
Sewer	2,359,705	2,512,190	2,598,373	2,662,849
Golf course	1,564,199	1,580,115	1,507,717	1,420,419
Operating grants and contributions	1,945	-	-	-
Capital grants and contributions	465,000	-	-	-
	<u>7,198,200</u>	<u>7,055,694</u>	<u>7,033,865</u>	<u>7,083,467</u>
Total business-type activities program revenues				
Total primary government program revenues				
	<u>\$ 18,572,619</u>	<u>\$ 23,614,708</u>	<u>\$ 22,216,844</u>	<u>\$ 18,372,476</u>

Fiscal Year

2010	2011	Restated 2012 (1)	2013	2014	2015
\$ 1,996,947	\$ 1,873,647	\$ 1,835,043	\$ 1,789,711	\$ 1,764,065	\$ 1,717,909
7,335,691	7,399,743	7,840,331	7,806,417	8,069,896	8,083,268
8,655,734	7,135,787	10,021,043	6,225,122	7,284,147	6,795,251
6,296,071	6,990,333	6,320,509	6,417,200	6,382,850	6,564,103
1,216,039	1,202,751	1,786,359	1,784,117	2,403,058	1,789,791
1,945,392	2,230,632	1,612,457	1,026,367	873,009	771,350
<u>27,445,874</u>	<u>26,832,893</u>	<u>29,415,742</u>	<u>25,048,934</u>	<u>26,777,025</u>	<u>25,721,672</u>
2,367,258	2,393,558	2,967,411	2,550,172	2,722,584	2,381,673
2,728,937	3,018,197	3,253,964	3,342,170	3,422,724	3,628,484
1,905,427	2,014,668	1,926,395	1,653,246	1,537,243	1,581,313
<u>7,001,622</u>	<u>7,426,423</u>	<u>8,147,770</u>	<u>7,545,588</u>	<u>7,682,551</u>	<u>7,591,470</u>
<u>\$ 34,447,496</u>	<u>\$ 34,259,316</u>	<u>\$ 37,563,512</u>	<u>\$ 32,594,522</u>	<u>\$ 34,459,576</u>	<u>\$ 33,313,142</u>
\$ 495,545	\$ 557,450	\$ 578,465	\$ 578,465	\$ 13,086	\$ 11,190
413,967	456,068	540,587	540,587	625,566	629,828
3,435,705	2,810,312	3,176,747	3,176,747	3,257,758	3,552,354
2,673,480	2,677,946	2,864,888	2,864,888	2,966,749	3,184,781
436,696	667,667	720,775	391,311	1,144,089	702,948
861,740	876,505	938,347	952,499	1,170,083	1,012,882
9,618,339	5,382,914	5,320,013	2,971,574	6,587,288	3,860,088
<u>17,935,472</u>	<u>13,428,862</u>	<u>14,139,822</u>	<u>11,476,071</u>	<u>15,764,619</u>	<u>12,954,071</u>
2,762,005	2,879,883	3,304,846	3,304,846	3,304,846	2,899,782
2,697,623	2,776,965	2,875,891	2,875,891	2,875,891	3,088,659
1,436,476	1,405,244	2,819,818	1,292,377	1,104,906	1,634,226
-	-	-	1,961	1,418	12,587
1,852,464	28,889	92,036	1,188,808	1,177,104	1,463,961
<u>8,748,568</u>	<u>7,090,981</u>	<u>9,092,591</u>	<u>8,663,883</u>	<u>8,464,165</u>	<u>9,099,215</u>
<u>\$ 26,684,040</u>	<u>\$ 20,519,843</u>	<u>\$ 23,232,413</u>	<u>\$ 20,139,954</u>	<u>\$ 24,228,784</u>	<u>\$ 22,053,286</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Net revenues (expenses)				
Governmental activities	\$ (12,346,376)	\$ (6,501,571)	\$ (9,243,758)	\$ (13,442,687)
Business-type activities	1,286,138	830,734	487,356	431,722
 Total primary government net revenues (expenses)	<u>\$ (11,060,238)</u>	<u>\$ (5,670,837)</u>	<u>\$ (8,756,402)</u>	<u>\$ (13,010,965)</u>
 General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	\$ 11,889,473	\$ 13,416,439	\$ 14,512,035	\$ 14,904,906
Tax increments	1,433,288	1,549,967	1,755,275	1,944,714
Lodging taxes	78,841	85,177	79,675	67,680
Franchise taxes	65,012	71,693	78,252	84,045
Grants and contributions not restricted to specific programs	327,880	678,553	394,342	146,602
Other general revenues	43,189	129,155	75,684	73,453
Unrestricted investment earnings	2,325,566	2,780,813	1,817,888	540,070
Gain on sale of capital assets	9,944	15,626	21,950	6,800
Transfers	(1,978,760)	1,357,789	(7,116,256)	(3,428,802)
 Total governmental activities	<u>14,194,433</u>	<u>20,085,212</u>	<u>11,618,845</u>	<u>14,339,468</u>
Business-type activities				
Unrestricted investment earnings	471,744	569,465	563,597	230,333
Transfers	1,978,760	(1,357,789)	7,116,256	3,428,802
 Total business-type activities	<u>2,450,504</u>	<u>(788,324)</u>	<u>7,679,853</u>	<u>3,659,135</u>
 Total primary government	<u>\$ 16,644,937</u>	<u>\$ 19,296,888</u>	<u>\$ 19,298,698</u>	<u>\$ 17,998,603</u>
 Change in net position				
Governmental activities	\$ 1,848,057	\$ 13,583,641	\$ 2,375,087	\$ 896,781
Business-type activities	3,736,642	42,410	8,167,209	4,090,857
 Total primary government	<u>\$ 5,584,699</u>	<u>\$ 13,626,051</u>	<u>\$ 10,542,296</u>	<u>\$ 4,987,638</u>

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

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

Fiscal Year

2010	2011	Restated 2012 (1)	2013	2014	2015
\$ (9,510,402)	\$ (13,404,031)	\$ (15,275,920)	\$ (13,572,863)	\$ (11,012,406)	\$ (12,767,601)
1,746,946	(335,442)	944,821	1,118,295	781,614	1,507,745
<u>\$ (7,763,456)</u>	<u>\$ (13,739,473)</u>	<u>\$ (14,331,099)</u>	<u>\$ (12,454,568)</u>	<u>\$ (10,230,792)</u>	<u>\$ (11,259,856)</u>
\$ 15,188,210	\$ 15,043,355	\$ 14,943,650	\$ 14,607,605	\$ 15,070,818	\$ 16,657,367
1,931,921	1,969,395	1,922,302	1,861,618	1,931,061	2,020,664
67,329	77,882	79,790	88,151	105,877	106,361
86,148	88,755	90,442	90,442	90,442	98,221
130,042	134,220	300,636	162,694	95,004	144,337
93,539	159,354	-	-	-	-
669,074	1,165,824	375,830	(210,750)	575,796	435,751
-	210,741	1,561	17,780	12,855	11,070
2,221,384	(8,923,244)	(1,388,301)	(4,263,985)	1,112,503	841,284
<u>20,387,647</u>	<u>9,926,282</u>	<u>16,325,910</u>	<u>12,353,555</u>	<u>18,994,356</u>	<u>20,315,055</u>
131,225	151,193	274,251	44,938	284,415	232,427
(2,221,384)	8,923,244	1,388,301	4,263,985	(1,112,503)	(841,284)
<u>(2,090,159)</u>	<u>9,074,437</u>	<u>1,662,552</u>	<u>4,308,923</u>	<u>(828,088)</u>	<u>(608,857)</u>
<u>\$ 18,297,488</u>	<u>\$ 19,000,719</u>	<u>\$ 17,988,462</u>	<u>\$ 16,662,478</u>	<u>\$ 18,166,268</u>	<u>\$ 19,706,198</u>
\$ 10,877,245	\$ (3,477,749)	\$ 1,049,990	\$ (1,219,308)	\$ 7,981,950	\$ 7,547,454
(343,213)	8,738,995	2,607,373	5,427,218	(46,474)	898,888
<u>\$ 10,534,032</u>	<u>\$ 5,261,246</u>	<u>\$ 3,657,363</u>	<u>\$ 4,207,910</u>	<u>\$ 7,935,476</u>	<u>\$ 8,446,342</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
General fund				
Reserved	\$ -	\$ 3,585	\$ 108,185	\$ 98,333
Unreserved	3,854,788	5,189,802	5,274,733	5,598,129
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total General fund	<u>\$ 3,854,788</u>	<u>\$ 5,193,387</u>	<u>\$ 5,382,918</u>	<u>\$ 5,696,462</u>
All other governmental funds				
Reserved	\$ 12,208,969	\$ 13,436,456	\$ 4,452,887	\$ 5,295,327
Unreserved, reported in				
Special revenue funds	865,890	936,324	874,094	870,678
Capital project funds	21,132,746	24,452,102	14,692,627	12,270,926
Debt service funds	-	-	5,856,321	5,146,914
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total all other governmental funds	<u>\$ 34,207,605</u>	<u>\$ 38,824,882</u>	<u>\$ 25,875,929</u>	<u>\$ 23,583,845</u>

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

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

Fiscal Year

2010	2011	Restated 2012 (1)	2013	2014	2015
\$ 2,745	N/A	N/A	N/A	N/A	N/A
5,773,572	N/A	N/A	N/A	N/A	N/A
N/A	\$ 24,021	\$ 9,159	\$ 4,399	\$ 57,292	\$ 3,667
N/A	-	45,800	76,800	22,000	-
N/A	6,326,550	7,232,157	8,029,014	9,111,824	9,922,952
<u>\$ 5,776,317</u>	<u>\$ 6,350,571</u>	<u>\$ 7,287,116</u>	<u>\$ 8,110,213</u>	<u>\$ 9,191,116</u>	<u>\$ 9,926,619</u>
\$ 5,342,811	N/A	N/A	N/A	N/A	N/A
772,562	N/A	N/A	N/A	N/A	N/A
19,084,320	N/A	N/A	N/A	N/A	N/A
3,794,637	N/A	N/A	N/A	N/A	N/A
N/A	\$ 621	\$ 1,001,348	\$ 19,644	\$ 21,450	\$ 7,203
N/A	6,874,221	4,234,679	3,088,157	4,137,256	10,128,899
N/A	596,070	630,787	1,038,100	1,023,281	955,348
N/A	20,691,467	15,858,720	13,113,187	13,249,048	14,066,297
N/A	(2,144,267)	(3,026,964)	(3,246,835)	(2,727,214)	(1,949,474)
<u>\$ 28,994,330</u>	<u>\$ 26,018,112</u>	<u>\$ 18,698,570</u>	<u>\$ 14,012,253</u>	<u>\$ 15,703,821</u>	<u>\$ 23,208,273</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes	\$ 13,438,211	\$ 15,047,852	\$ 16,264,650	\$ 17,075,882
Licenses and permits	1,149,773	976,524	818,150	635,156
Intergovernmental	1,593,055	4,370,962	2,164,334	2,289,629
Charges for services	5,831,282	5,353,359	5,933,025	5,578,401
Fines and forfeitures	178,512	196,372	228,450	211,425
Special assessments	816,970	2,119,996	2,586,684	2,274,280
Investment earnings	1,949,004	2,269,014	1,284,695	299,861
Miscellaneous	792,241	600,513	690,453	826,337
Total revenues	<u>25,749,048</u>	<u>30,934,592</u>	<u>29,970,441</u>	<u>29,190,971</u>
Expenditures				
Current				
General government	1,719,222	1,740,388	1,895,023	1,982,238
Public safety	5,454,799	6,506,134	6,825,682	7,043,048
Public works	6,328,727	4,820,017	4,975,347	5,230,215
Culture and recreation	4,778,548	4,769,974	5,043,447	4,976,319
Community development	1,051,464	1,145,706	1,269,484	1,224,278
Capital outlay	9,151,931	11,096,576	19,897,612	16,794,084
Debt service				
Principal	7,510,635	3,701,631	3,828,761	4,121,035
Interest and other charges	1,374,273	1,615,311	1,603,807	1,581,586
Bond issuance costs	-	-	-	-
Total expenditures	<u>37,369,599</u>	<u>35,395,737</u>	<u>45,339,163</u>	<u>42,952,803</u>
Deficiency of revenues under expenditures	<u>(11,620,551)</u>	<u>(4,461,145)</u>	<u>(15,368,722)</u>	<u>(13,761,832)</u>
Other financing sources (uses)				
Transfers in	7,797,287	9,227,808	13,430,166	10,943,426
Transfers out	(8,568,904)	(8,323,973)	(12,293,469)	(9,049,622)
Bond proceeds	9,950,000	9,510,000	5,375,000	9,900,000
Discount on bonds issued	(82,464)	-	-	(10,512)
Premium on bonds issued	-	3,186	42,603	-
Refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Principal paid on refunded bonds	-	-	(3,945,000)	-
Insurance recovery	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>9,095,919</u>	<u>10,417,021</u>	<u>2,609,300</u>	<u>11,783,292</u>
Net change in fund balances	<u>\$ (2,524,632)</u>	<u>\$ 5,955,876</u>	<u>\$ (12,759,422)</u>	<u>\$ (1,978,540)</u>
Debt service as a percentage of noncapital expenditures	<u>31.49%</u>	<u>22.27%</u>	<u>15.77%</u>	<u>18.44%</u>

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

Fiscal Year

2010	2011	Restated 2012 (1)	2013	2014	2015
\$ 17,198,981	\$ 17,258,994	\$ 17,091,099	\$ 16,627,528	\$ 17,190,552	\$ 18,951,875
515,398	815,420	750,483	951,948	1,241,654	844,006
3,347,225	3,948,793	4,170,433	2,143,879	4,124,588	1,111,405
6,183,014	5,560,114	6,168,808	6,241,363	6,389,688	6,857,352
141,962	115,075	125,164	148,113	135,382	120,029
2,887,090	2,397,132	1,945,973	1,500,383	2,295,620	1,759,195
527,014	991,558	213,053	(183,005)	359,937	257,824
1,546,668	847,598	1,383,500	261,540	234,831	455,909
<u>32,347,352</u>	<u>31,934,684</u>	<u>31,848,513</u>	<u>27,691,749</u>	<u>31,972,252</u>	<u>30,357,595</u>
1,873,064	1,852,938	1,697,773	1,623,512	1,641,093	1,667,440
7,202,451	7,304,412	7,644,656	7,750,149	7,959,499	8,342,569
4,949,744	6,081,929	5,995,442	4,168,764	4,466,294	4,580,122
5,019,535	5,346,020	4,932,946	4,926,142	5,174,615	5,284,502
1,269,570	1,212,442	1,298,078	1,612,680	1,499,946	1,612,736
16,080,562	6,819,201	8,003,440	3,440,919	5,497,746	4,939,260
3,828,462	4,215,622	3,194,586	4,632,042	6,249,919	3,688,280
1,993,944	2,278,893	1,476,542	1,112,013	888,890	675,558
-	-	-	-	83,755	131,221
<u>42,217,332</u>	<u>35,111,457</u>	<u>34,243,463</u>	<u>29,266,221</u>	<u>33,461,757</u>	<u>30,921,688</u>
<u>(9,869,980)</u>	<u>(3,176,773)</u>	<u>(2,394,950)</u>	<u>(1,574,472)</u>	<u>(1,489,505)</u>	<u>(564,093)</u>
14,723,247	12,099,659	11,122,977	9,003,530	7,171,496	5,633,063
(11,114,442)	(10,853,484)	(11,829,020)	(10,907,954)	(5,917,699)	(4,762,561)
11,770,000	-	-	-	-	7,745,000
(18,485)	-	-	-	-	-
-	58,634	13,500	-	118,912	188,546
-	4,505,000	395,000	-	4,650,000	-
-	-	-	-	(1,761,033)	-
-	(5,240,000)	-	(400,000)	-	-
-	-	-	15,676	300	-
-	205,000	-	-	-	-
<u>15,360,320</u>	<u>774,809</u>	<u>(297,543)</u>	<u>(2,288,748)</u>	<u>4,261,976</u>	<u>8,804,048</u>
<u>\$ 5,490,340</u>	<u>\$ (2,401,964)</u>	<u>\$ (2,692,493)</u>	<u>\$ (3,863,220)</u>	<u>\$ 2,772,471</u>	<u>\$ 8,239,955</u>
<u>22.24%</u>	<u>23.32%</u>	<u>16.27%</u>	<u>21.65%</u>	<u>24.25%</u>	<u>16.36%</u>

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Tax Increments	Lodging Tax	Franchise Tax	Total
2006	\$ 11,861,070	\$ 1,433,288	\$ 78,841	\$ 65,012	\$ 13,438,211
2007	13,341,015	1,549,967	85,177	71,693	15,047,852
2008	14,351,448	1,755,275	79,675	78,252	16,264,650
2009	14,979,443	1,944,714	67,680	84,045	17,075,882
2010	15,113,583	1,931,921	67,329	86,148	17,198,981
2011	15,122,962	1,969,395	77,882	88,755	17,258,994
2012	14,998,565	1,922,302	79,790	90,442	17,091,099
2013	14,587,317	1,861,618	85,530	93,063	16,627,528
2014	15,063,172	1,931,061	98,691	97,628	17,190,552
2015	16,726,629	2,020,664	106,361	98,221	18,951,875

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year Ended December 31, (1)	Tax Capacity				Total Taxable Assessed Value
	Real Property		Personal Property	Less Tax Exempt Real Property	
	Residential Property	Commercial Property			
2006	\$ 28,092,798	\$ 6,785,382	\$ 546,827	\$ 2,706,324	\$ 32,718,683
2007	30,713,810	7,675,026	591,752	3,308,206	35,672,382
2008	31,628,857	8,479,372	590,408	3,709,772	36,988,865
2009	31,596,479	9,301,789	595,548	3,735,276	37,758,540
2010	28,706,695	9,408,125	601,227	3,681,380	35,034,667
2011	26,997,619	9,019,537	642,312	3,833,236	32,826,232
2012	24,584,767	9,012,637	664,866	3,795,448	30,466,822
2013	22,793,327	9,065,568	706,136	3,788,856	28,776,175
2014	23,523,484	9,252,706	711,742	3,914,916	29,573,016
2015	25,635,739	9,263,633	726,252	3,824,454	31,801,170

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

Source: Dakota County Assessor.

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Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
35.546	\$ 3,103,721,900	1.14 %
36.514	3,424,105,600	1.14
37.403	3,550,439,300	1.15
37.878	3,586,873,800	1.16
41.757	3,311,984,400	1.17
43.162	3,128,770,600	1.17
44.883	2,893,900,109	1.18
46.312	2,720,514,055	1.20
46.128	2,798,175,018	1.20
48.131	3,005,516,326	1.19

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS

Fiscal Year	City of Inver Grove Heights		
	Operating Millage	Debt Service Millage	Total Direct Rate
2007	33.979 %	2.535 %	36.514 %
2008	34.972	2.431	37.403
2009	35.838	2.040	37.878
2010	39.507	2.250	41.757
2011	40.142	3.020	43.162
2012	41.628	3.255	44.883
2013	42.231	4.081	46.312
2014	41.949	4.179	46.128
2015	44.793	3.338	48.131
2016	43.621	5.645	49.266

Source: Dakota County Treasurer - Auditor.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners (e.g. the rates for School District No. 199 apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the school district).

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

Dakota County	Overlapping Rates (1)				Special (2) Districts	Total Direct & Overlapping Rates
	School District No. 199	School District No. 196	School District No. 197			
25.127 %	16.607 %	23.607 %	19.838 %	4.416 %	126.109 %	
25.184	19.764	21.136	18.914	4.393	126.794	
25.821	19.303	21.109	18.051	4.328	126.490	
27.269	21.795	25.391	18.850	4.421	139.483	
29.146	24.987	26.954	19.687	4.669	148.605	
31.426	28.363	28.440	21.857	5.021	159.990	
33.421	27.556	27.956	24.429	5.341	165.015	
31.827	33.418	27.606	23.863	4.993	167.835	
29.633	34.864	23.271	24.063	4.567	164.529	
28.570	30.272	24.317	22.170	4.614	159.209	

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT AND NINE YEARS AGO

Taxpayer	2015			2006		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
Xcel Energy (Northern States Power)	\$ 1,972,488	1	5.54 %	\$ 1,492,449	1	4.21 %
Flint Hills	491,464	2	1.38	-		-
ML Casa IV LP (I & G Southview LLC)	480,617	3	1.35	-		-
PHM Inver Grove Inc	347,218	4	0.97	343,950	4	0.97
Lake Cove Village Partnership	345,227	5	0.97	359,304	3	1.01
Vansouth Ltd. Partnership	284,646	6	0.80	223,269	9	0.63
Salem Green Ltd. Partnership	269,833	7	0.76	250,000	7	0.71
Farmers Union Central Exchange (Cenex)	248,314	8	0.70	277,702	5	0.78
Brentwood Hills Ltd. Partnership	238,367	9	0.67	275,000	6	0.78
Pearlwood Estates Ltd	219,768	10	0.62	412,500	2	1.16
Southview Gables				412,500	2	1.16
Pine Bend Landfill, Inc.				248,436	8	0.70
Individual				206,250	10	0.58
Total	<u>\$ 4,897,942</u>		<u>13.76 %</u>	<u>\$ 4,501,360</u>		<u>12.69 %</u>

Source: Dakota County Treasurer - Auditor.

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy for Fiscal Year	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2006	\$ 12,428,187	\$ 11,987,163	96.45 %	\$ 99,319	\$ 12,086,482	97.25 %
2007	13,920,446	13,785,797	99.03	134,307	13,920,104	100.00
2008	14,908,875	14,464,183	97.02	217,045	14,681,228	98.47
2009	15,420,973	14,752,509	95.67	197,189	14,949,698	96.94
2010	15,689,990	14,872,404	94.79	167,249	15,039,653	95.86
2011	15,632,796	14,836,938	94.91	133,075	14,970,013	95.76
2012	14,958,691	14,850,595	99.28	67,699	14,918,294	99.73
2013	14,551,809	14,394,161	98.92	141,552	14,535,713	99.89
2014	15,056,760	14,777,176	98.14	209,651	14,986,827	99.54
2015	16,468,844	16,445,209	99.86	-	16,445,209	99.86

Source: Dakota County Treasurer - Auditor.

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation (G.O.) Bonds (1)	G.O. Tax Increment Bonds	G.O. Special Assessments Bonds	G.O. Revenue Bonds (1)	Capital Leases			
2006	\$ 12,791,596	\$ 19,422,494	\$ 9,510,000	\$ 3,005,000	\$ -	\$ 44,729,090	3.48 %	\$ 1,347
2007	18,549,965	18,504,648	10,635,000	2,675,000	-	50,364,613	3.70	1,517
2008	17,861,204	13,495,593	14,085,000	2,340,000	-	47,781,797	3.46	1,422
2009	26,575,170	12,343,913	12,440,000	1,990,000	-	53,349,083	3.29	1,573
2010	32,241,708	11,128,847	16,055,000	1,620,000	-	61,045,555	3.76	1,802
2011	30,800,655	9,924,586	13,655,000	1,235,000	157,875	55,773,116	4.77	1,651
2012	12,288,258	8,540,273	12,252,929	24,356,205	108,445	57,546,110	4.97	1,704
2013	10,171,859	6,105,000	10,456,544	21,040,004	83,245	47,856,652	4.02	1,400
2014	9,790,308	3,982,550	9,796,053	17,282,225	56,823	40,907,959	3.79	1,187
2015	17,363,296	2,836,275	7,567,731	20,408,629	29,120	48,205,051	3.94	1,389

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

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

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less Amounts Restricted for Debt Service	Net Bonded Debt	Percentage of Estimated Market Value (1) of Taxable Property	Per Capita (2)
2006	\$ 44,729,090	\$ 1,073,623	\$ 43,655,467	1.41 %	\$ 1,315
2007	50,364,613	880,062	49,484,551	1.45	1,491
2008	47,781,797	850,429	46,931,368	1.32	1,396
2009	53,349,083	1,110,181	52,238,902	1.46	1,540
2010	61,045,555	805,606	60,239,949	1.82	1,778
2011	55,615,241	482,331	55,132,910	1.76	1,632
2012	57,437,665	5,055,559	52,382,106	1.81	1,551
2013	47,773,407	4,662,906	43,110,501	1.58	1,261
2014	40,851,136	6,000,117	34,851,019	1.25	1,011
2015	48,175,931	5,119,578	43,056,353	1.43	1,240

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

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

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 DECEMBER 31, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Dakota County	\$ 38,910,000	7.7565 %	\$ 301,805,415
School District # 199	64,175,000	93.098	5,974,564,150
School District # 196	69,650,000	5.3602	373,337,930
School District # 197	49,465,000	0.8437	41,733,621
Metropolitan Council	206,140,000	1.0265	211,602,710
Total overlapping debt	428,340,000		6,903,043,826
City of Inver Grove Heights direct debt	27,767,302	100	2,776,730,200
Total direct and overlapping debt	\$ 456,107,302		\$9,679,774,026

Source: Dakota County Treasurer/Auditor.

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

(1) The percentage of overlapping debt applicable is estimated using taxable market property values. Applicable percentages were estimated by determining the portion of the county's taxable market value that is within the City's boundaries and dividing it by the County's total taxable market value.

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	\$ 62,473,730	\$ 68,482,112	\$ 106,625,237	\$ 107,716,655
Total net debt applicable to limit	<u>13,865,219</u>	<u>17,669,903</u>	<u>17,010,755</u>	<u>25,464,989</u>
Legal debt margin	<u>\$ 48,608,511</u>	<u>\$ 50,812,209</u>	<u>\$ 89,614,482</u>	<u>\$ 82,251,666</u>
Total net debt applicable to the limit as a percent of debt limit	22.19%	25.80%	15.95%	23.64%

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

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

Fiscal Year					
2010	2011	2012 (1)	2013	2014	2015
\$ 99,474,529	\$ 93,976,981	\$ 86,930,669	\$ 81,615,422	\$ 83,945,251	\$ 90,165,490
<u>31,436,102</u>	<u>31,282,986</u>	<u>8,878,622</u>	<u>7,685,804</u>	<u>6,181,018</u>	<u>14,077,236</u>
<u>\$ 68,038,427</u>	<u>\$ 62,693,995</u>	<u>\$ 78,052,047</u>	<u>\$ 73,929,618</u>	<u>\$ 77,764,233</u>	<u>\$ 76,088,254</u>
31.60%	33.29%	10.21%	9.42%	7.36%	15.61%

Legal Debt Margin Calculation for Fiscal Year 2015

Taxable market value	<u>\$ 3,005,516,326</u>
Debt limit (3 percent of market value)	<u>\$ 90,165,490</u>
Debt applicable to limit	
General obligation bonds	17,171,870
Less: amount available in debt service funds	<u>(3,094,634)</u>
Total net debt applicable to limit	<u>14,077,236</u>
Legal debt margin	<u>\$ 76,088,254</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Water G.O. Revenue Bonds

Fiscal Year	Water Charges and other (2)	Less Operating Expense (1)	Net Available Revenue	Debt Service			Coverage
				Principal (5)	Interest	Total	
2013	\$ 3,054,386	\$ 1,461,176	\$ 1,593,210	\$ 685,000	\$ 331,270	\$ 1,016,270	156.77 %
2014	2,818,851	1,771,162	1,047,689	745,000	169,423	914,423	114.57
2015	2,899,782	1,449,803	1,449,979	805,000	91,050	896,050	161.82

Sewer G.O. Revenue Bonds

Fiscal Year	Sewer Charges and other (3)	Less Operating Expense (1)	Net Available Revenue	Debt Service			Coverage
				Principal (6)	Interest	Total	
2013	\$ 3,016,134	\$ 2,287,807	\$ 728,327	\$ 235,000	\$ 445,141	\$ 680,141	107.08 %
2014	3,052,651	2,299,419	753,232	465,000	434,060	899,060	83.78
2015	3,088,659	2,653,539	435,120	475,000	301,760	776,760	56.02

Golf Course G.O. Revenue Bonds

Fiscal Year	Golf Course Charges and Others (4)	Less Operating Expense (1)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 1,555,519	\$ 1,331,260	\$ 224,259	\$ 320,000	\$ 133,035	\$ 453,035	49.50 %
2007	1,579,503	1,442,783	136,720	330,000	125,035	455,035	30.05
2008	1,475,051	1,446,906	28,145	335,000	114,310	449,310	6.26
2009	1,408,208	1,392,570	15,638	350,000	102,585	452,585	3.46
2010	1,435,930	1,579,430	(143,500)	370,000	88,585	458,585	(31.29)
2011	1,401,052	1,690,209	(289,157)	385,000	73,415	458,415	(63.08)
2012	1,560,687	1,566,754	(6,067)	1,235,000	57,053	1,292,053	(0.47)

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

- (1) Excludes depreciation expense.
- (2) There are no water fund debt service requirements before 2012.
- (3) There are no sewer fund debt service requirements before 2013.
- (4) There are no golf course debt service requirements after 2012.
- (5) Excludes refunded principal paid through cash held with fiscal agent (\$2,380,000 in 2013, \$2,885,000 in 2014).
- (6) Excludes refunded principal paid through escrow agent (\$4,780,000 in 2014).

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income	Per Capita Personal Income (1)	Unemployment Rate
2006	33,195	\$1,286,339,445	\$ 38,751 (2)	3.6 %
2007	33,195	1,362,123,630	41,034 (2)	4.2
2008	33,608	1,379,070,672	41,034 (2)	5.0
2009	33,917	1,623,369,371	47,863 (2)	7.4
2010	33,880	1,621,598,440	47,863	7.3
2011	33,774	1,170,302,874	34,651	6.2
2012	33,774	1,159,022,358	34,317	5.3
2013	34,189	1,190,529,358	34,822	4.7
2014	34,458	1,080,533,964	31,358	3.9
2015	34,709	1,222,173,308	35,212	3.5

Data Sources

Metropolitan Council (www.metrocouncil.org)

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

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

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

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

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

	2015			2006		
	Employees	Rank	Percent of City Employment (1)	Employees	Rank	Percent of City Employment (1)
Cenex / CHS Cooperatives	1,000	1	2.65 %	1,000	1	5.02 %
Independent School District 199	570	2	1.51	525	2	2.64
Inver Hills Community College	484	3	1.28	425	4	2.13
Gertens	470	4	1.25	-		-
Evergreen Industries	450	5	1.19	300	5	1.51
Travel Tags	350	6	0.93	430	3	2.16
Total Construction	250	7	0.66	-		-
Wal-Mart	230	8	0.61	270	6	1.36
Cub Foods	160	9	0.42	-		-
City of Inver Grove Heights	127	10	0.34	135	10	0.68
BFI Waste Services	-	-	-	140	7	0.70
Southview Chevrolet	-	-	-	135	8	0.68
Lofton Label	-	-	-	133	9	0.67
Total	<u>4,091</u>		<u>10.84 %</u>	<u>3,493</u>		<u>17.55 %</u>

Source: Minnesota Department of Trade and Economic Development, MNPro.com

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function	2006	2007	2008	2009	2010	2011
General government	31	31	30	29	29	27
Public safety						
Police						
Officers	33	34	34	33	33	33
Civilians	8	9	9	8	6	6
Fire						
Firefighters and officers	-	1	1	1	1	1
Civilians	1	1	2	2	2	2
Public works						
Engineering	8	8	7	8	8	8
Maintenance	16	16	15	15	15	15
Culture and recreation	29	26	25	25	25	24
Water and Sewer	9	9	9	9	9	9
 Total	 135	 135	 132	 130	 128	 125

Source: City budgets and personnel records.

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
27	29	29	28
33	32	32	35
5	5	5	6
2	2	2	3
2	2	2	2
8	6	6	6
15	15	15	15
23	22	22	25
<u>9</u>	<u>7</u>	<u>7</u>	<u>7</u>
124	120	120	127

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	2006	2007	2008	2009	2010	2011
Police						
Physical arrests (1)	1,749	1,223	983	762	308	383
Traffic violations	5,090	4,765	4,715	4,535	4,195	2,616
Fire						
Calls answered	706	802	1,055	1,143	1,256	1,170
Public works						
Resurfacing (miles)	7.61	7.12	4.94	4.29	2.45	2.53
Culture and recreation						
Athletic field permits issued	2,442	2,515	2,591	2,746	2,828	2,884
Community center admissions	113,997	132,550	149,547	165,500	181,206	198,940
Rounds of golf purchased	50,975	51,480	45,933	46,075	49,936	50,531
Driving range buckets (2)	28,057	28,050	25,360	25,368	24,505	20,548
Water						
New connections	74	28	31	17	6	10
Water main breaks	3	6	4	3	7	4
Average daily consumption (millions of gallons)	3.10	3.16	3.12	3.05	2.73	2.75

Sources: City department records.

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

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

2012	2013	2014	2015
327	346	353	418
2,237	2,244	1,653	1,285
1,243	1,159	1,249	1,193
2.45	0.83	1.75	1.25
2,941	2,794	2,849	2,877
206,968	231,137	230,717	227,791
52,581	47,027	50,667	52,997
25,216	17,608	17,167	19,901
147	105	50	37
6	6	10	3
3.08	2.79	2.65	2.75

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CITY OF INVER GROVE HEIGHTS, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	2006	2007	2008	2009	2010	2011
Public safety						
Police						
Stations	1	1	1	1	1	1
Patrol units	20	20	20	21	21	21
Fire stations						
Stations	2	2	2	2	2	2
Fire trucks	-	-	11	11	10	10
Other vehicles	-	-	5	5	4	4
Public works						
Highways and streets						
Streets (miles) (3)	144	144	144	147	147	147
Street lights (1)	61	61	61	61	61	33
Traffic signals (2)	2	2	2	2	2	2
Culture and recreation						
Parks acreage	567	885	885	885	885	885
Parks	26	27	27	27	27	27
Swimming pools	4	4	4	4	4	4
Tennis courts	11	11	11	11	11	11
Community centers	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1
Utilities						
Water						
Miles of water main (3)	154	155	155	155	155	155
Wells	6	6	6	6	7	7
Fire hydrants	1,561	1,570	1,580	1,585	1,595	1,598
Maximum daily capacity (millions of gallons)	8	7	11	11	13	13
Sewer						
Miles of sanitary sewer	113	114	114	116	116	124
Miles of storm sewers	76	91	94	99	105	117

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Source: City department records.

- (1) The majority of street lights in the City are owned by the utility companies.
- (2) The majority of traffic lights in the City are owned by Dakota County and or the State of Minnesota.
- (3) Prior to 2012, calculations included privately owned water mains and streets.

2012	2013	2014	2015
1	1	1	1
21	21	21	21
2	2	2	2
10	10	10	10
4	4	4	4
134	135	140	141
33	33	33	33
2	2	2	2
885	844	844	844
27	28	28	28
4	4	4	4
11	11	11	11
1	1	1	1
1	1	1	1
148	152	158	156
7	7	7	7
1,605	1,554	1,683	1,711
13	13	13	13
128	125	125	132
120	98	99	102

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Management Letter

City of Inver Grove Heights
Inver Grove Heights, Minnesota

For the Year Ended
December 31, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Inver Grove Heights, Minnesota, (the City) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 8, 2015. Professional standards also require that we communicate to you the following information related to our audit.

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

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

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

Significant Audit Findings

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of Minnesota statutes. 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. We noted no instances of noncompliance with Minnesota statutes.

Summary of Prior Year Findings

2014-001 Material audit adjustments

Condition: During our audit, a material adjustment was needed to correct the year-end account for unbilled 2013 storm water charges which were inadvertently adjusted out of receivables.

Criteria: Such adjustments were needed to correct year end balances. Amounts reported in the City's accounting system need to agree to the underlying supporting documentation

Current year status:

The City has made the necessary adjustments in the current year related to these specific balances.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the City changed accounting policies related to accounting and financial reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB) Statements No. 68 and 71 in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is disclosed in Note 10. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Matters

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

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

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

Other Audit Findings or Issues

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

Financial Position and Results of Operations

Our principal observations and recommendations are summarized below. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended December 31, 2015.

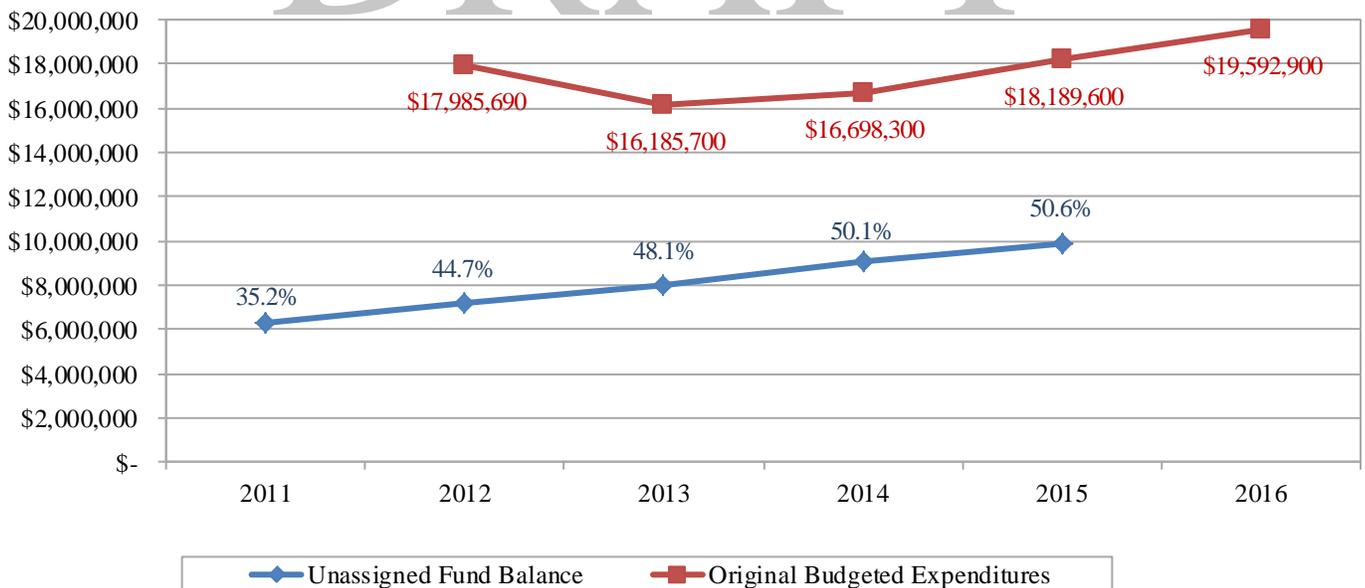
General Fund

The General fund is used to account for resources traditionally associated with government, which are not required legally or by sound principal management to be accounted for in another fund. The General fund balance increased \$735,503 from 2014. We recommend that the fund balance be maintained at a level sufficient to fund operations until the major revenue sources are received in June. The City's fund balance policy for the General fund identifies a target unassigned fund balance of 40 to 45 percent of next year's budgeted expenditures. The City's ending fund balance is above this target level as shown in the chart below.

The purposes and benefits of a strong fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the governmental fund expenditures.
- The City is vulnerable to legislative actions at the State and Federal level. The State continually adjusts the local government aid formulas. An adequate fund balance will provide a temporary buffer against aid adjustments and levy limits.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate City Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in maintaining, improving or obtaining its bond rating. The result may be better interest rates in future bond sales.

Fund Balance as a Percent of Next Year's Budgeted Expenditures



The 2015 General fund operations are summarized as follows:

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 17,397,000	\$ 17,735,207	\$ 338,207
Expenditures	<u>17,328,500</u>	<u>16,792,655</u>	<u>535,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,500</u>	<u>942,552</u>	<u>874,052</u>
Other financing sources (uses)			
Transfers in	792,600	793,318	718
Transfers out	<u>(989,900)</u>	<u>(1,000,367)</u>	<u>(10,467)</u>
Total other financing sources (uses)	<u>(197,300)</u>	<u>(207,049)</u>	<u>(9,749)</u>
Net change in fund balances	(128,800)	735,503	864,303
Fund balances, January 1	<u>9,191,116</u>	<u>9,191,116</u>	<u>-</u>
Fund balances, December 31	<u><u>\$ 9,062,316</u></u>	<u><u>\$ 9,926,619</u></u>	<u><u>\$ 864,303</u></u>

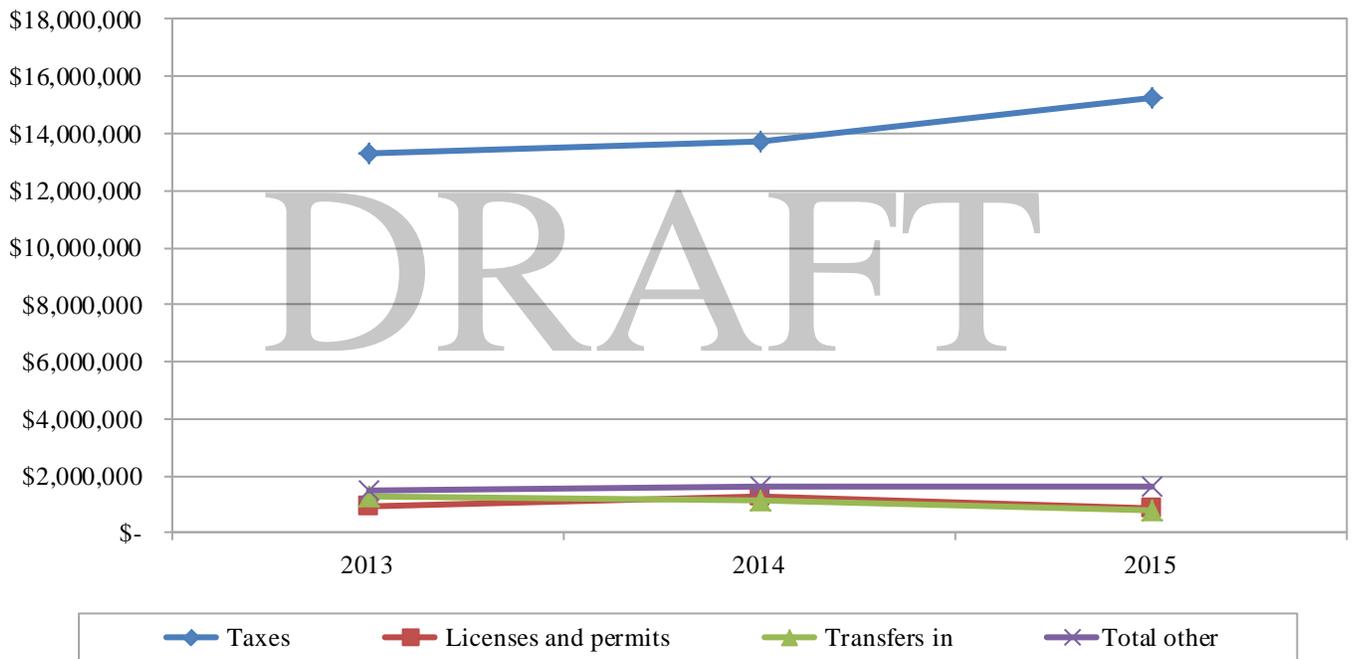
Some of the line items with significant variances are highlighted below:

- The largest revenue variance is within taxes, which is \$229,000 more than budgeted due to collections of delinquent property taxes as well as penalties and interest and excess TIF.
- Revenues from public works charges for services are \$119,717 more than budgeted. The majority of this variance was due to a larger demand for engineering services than anticipated.
- Revenues from intergovernmental are \$96,141 more than budgeted. The majority of this variance was due to more police and fire aid than anticipated. Of the \$96,141, \$15,612 is a related variance for expenditures that flows through the City to the Fire Relief Association.
- In total, expenditures are \$535,845 less than anticipated. The largest expenditure variance is within the public safety police department, which is \$371,531 less than budgeted. The majority of this variance was due to personnel services, which varied from budget by \$209,623.
- Public works expenditures were also less than budget by \$76,608 primarily due to street maintenance variances.

A comparison between General fund 2013, 2014, and 2015 revenues and other financing sources is presented below:

Source	2013	2014	2015	Percent of Total	Per Capita
Taxes	\$13,305,153	\$13,708,133	\$15,245,100	82.3 %	\$ 439
Licenses and permits	951,948	1,241,654	844,006	4.6	24
Intergovernmental	646,002	653,290	705,941	3.8	20
Charges for services	627,432	735,860	718,523	3.9	21
Fines and forfeitures	148,113	135,382	120,029	0.6	3
Special assessments	4,610	13,099	6,873	-	-
Investment earnings	10,723	90,341	88,525	0.5	3
Miscellaneous	42,103	17,236	6,210	-	-
Transfers in	1,287,928	1,106,467	793,318	4.3	23
Insurance recovery	15,676	300	-	-	-
Total revenues and other financing sources	<u>\$17,039,688</u>	<u>\$17,701,762</u>	<u>\$18,528,525</u>	<u>100.0 %</u>	<u>\$ 533</u>

A graphical presentation of 2013, 2014, and 2015 revenues and other financing sources follows:



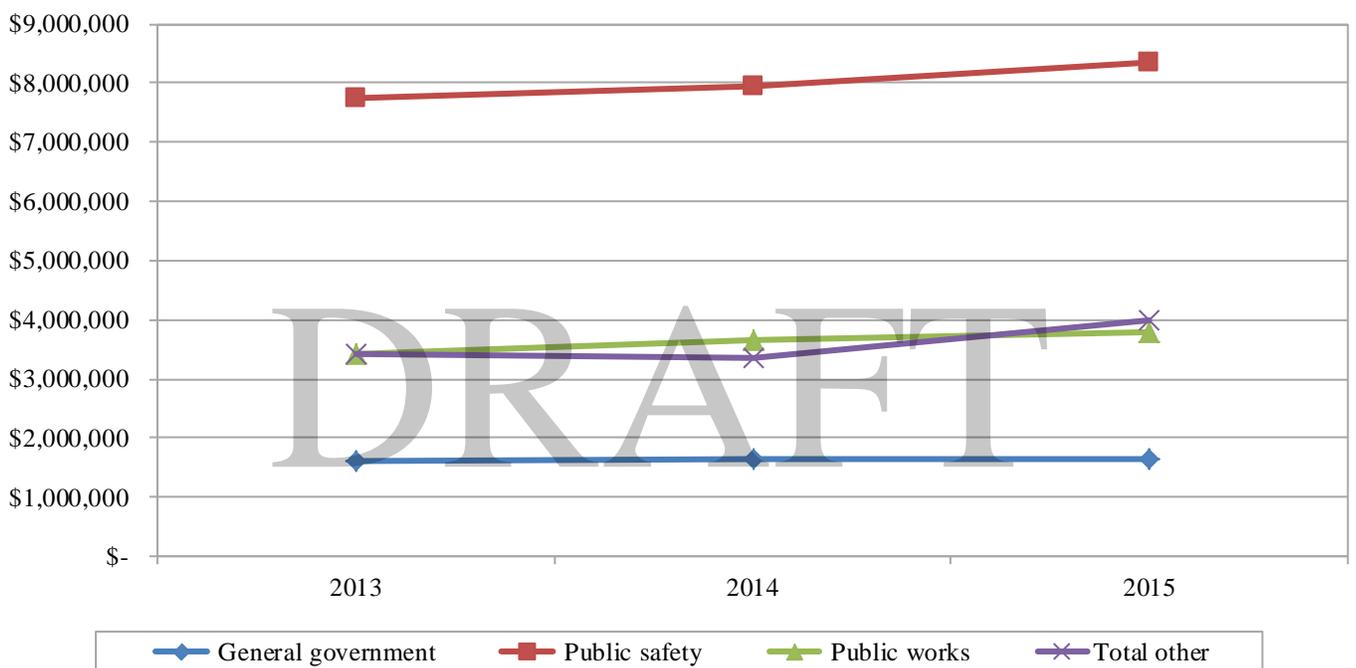
Some of the line items with significant changes are highlighted below:

- Within revenues from taxes, the increase from 2014 to 2015 was mostly a result of an increase in the General fund levy from \$13,599,119 in 2014 to \$14,908,500 in 2015.
- Revenues from licenses and permits decreased due to less demand for building permits in 2015.

A comparison between General fund expenditures and transfers out for 2013, 2014, and 2015 is presented below:

Source	2013	2014	2015	Percent of Total	Per Capita
General government	\$ 1,621,152	\$ 1,638,718	\$ 1,663,640	9.3 %	\$ 47
Public safety	7,746,524	7,959,499	8,342,569	46.9	240
Public works	3,418,863	3,667,554	3,789,292	21.3	109
Culture and recreation	1,567,825	1,677,862	1,812,977	10.2	52
Community development	1,199,255	1,130,157	1,184,177	6.7	34
Capital outlay	10,940	-	-	-	-
Transfers out	652,032	547,069	1,000,367	5.6	29
Total expenditures and transfers out	\$ 16,216,591	\$ 16,620,859	\$ 17,793,022	100.0 %	\$ 511

The expenditures and transfers out summarized above are presented graphically as follows:



Some of the line items with significant changes are highlighted below:

- Public safety expenditures have increased from 2014 by \$383,070 (4.8 percent), largely as a result of personnel services for police and fire, which increased \$170,420 and \$123,910, respectively.
- Public works expenditures have increased from 2014 \$121,738 (3.3 percent), largely as a result of street maintenance expenditures.
- Culture and recreation expenditures have increase from 2014 \$135,115 (8.1 percent), largely as a result of parks and recreation personnel services and supplies expenditures.

Special Revenue Funds

Special revenue funds receive revenue from specific sources and expenditures are for specific purposes. A summary of the special revenue fund balances is shown below:

Fund	Fund Balances December 31,		Increase (Decrease)
	2014	2015	
Major			
Community Center	\$ 149,247	\$ 149,247	\$ -
Nonmajor			
Convention and Visitors Bureau	114,059	124,737	10,678
Recreation	461,436	450,751	(10,685)
Economic Development Authority (EDA)	318,989	236,816	(82,173)
Total	\$ 1,043,731	\$ 961,551	\$ (82,180)

Capital Projects Funds

The fund balances of all capital projects funds are summarized below:

Capital Projects Fund	Fund Balances December 31,		Increase (Decrease)
	2014	2015	
Major			
Closed Bond	\$ 2,548,905	\$ 2,322,687	\$ (226,218)
Local Improvement Construction	(2,058,299)	2,486,282	4,544,581
Pavement Management	1,523,454	2,599,272	1,075,818
Host Community	3,717,746	4,536,162	818,416
Nonmajor			
Capital Facilities	1,304,816	841,327	(463,489)
Equipment Acquisition	538,121	551,476	13,355
Parks Acquisition and Development	1,434,118	1,668,560	234,442
State Aid Construction	698,632	879,966	181,334
Capital Improvement Revolving	406,951	401,060	(5,891)
Storm Water Management	336,225	721,927	385,702
Tree Preservation	18,124	10,271	(7,853)
Parks Capital Replacement	899,724	1,012,375	112,651
ADA	62,651	72,590	9,939
Community Projects	298,702	299,634	932
Permanent Improvement Revolving	(330,979)	(138,432)	192,547
Tax Increment Financing	(337,936)	886,931	1,224,867
Total	\$ 11,060,955	\$ 19,152,088	\$ 8,091,133

The City should monitor the deficit fund balance, reviewing planned project sources for this fund to consider whether it will be available within a sufficient timeframe to cover current activity.

- Total expenditures within the above capital project funds are roughly \$9 million.
- Within total revenues, significant revenue sources include:
 - Intergovernmental revenues (primarily state MSA funding) are approximately \$395,000
 - Charges for services are \$3.40 million (\$317,000 park dedication fees, \$486,858 storm water management fees, and \$2,595,616 for host community fees)
 - Tax increment revenues totaled \$2.02 million
- A significant consideration to the overall change to fund balance relates to transfers. The amount transferred in (net of transfers out) was roughly \$4.33 million, the most significant activity as follows:
 - 1) \$5.62 million transfers from the Water and Sewer funds for capital projects and
 - 2) \$500,000 each from the General fund and Host Community fund for operations.

Debt Service Funds

Debt Service funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than enterprise fund debt). Debt Service funds may have one or a combination of the following revenue sources pledged to retire debt as follows:

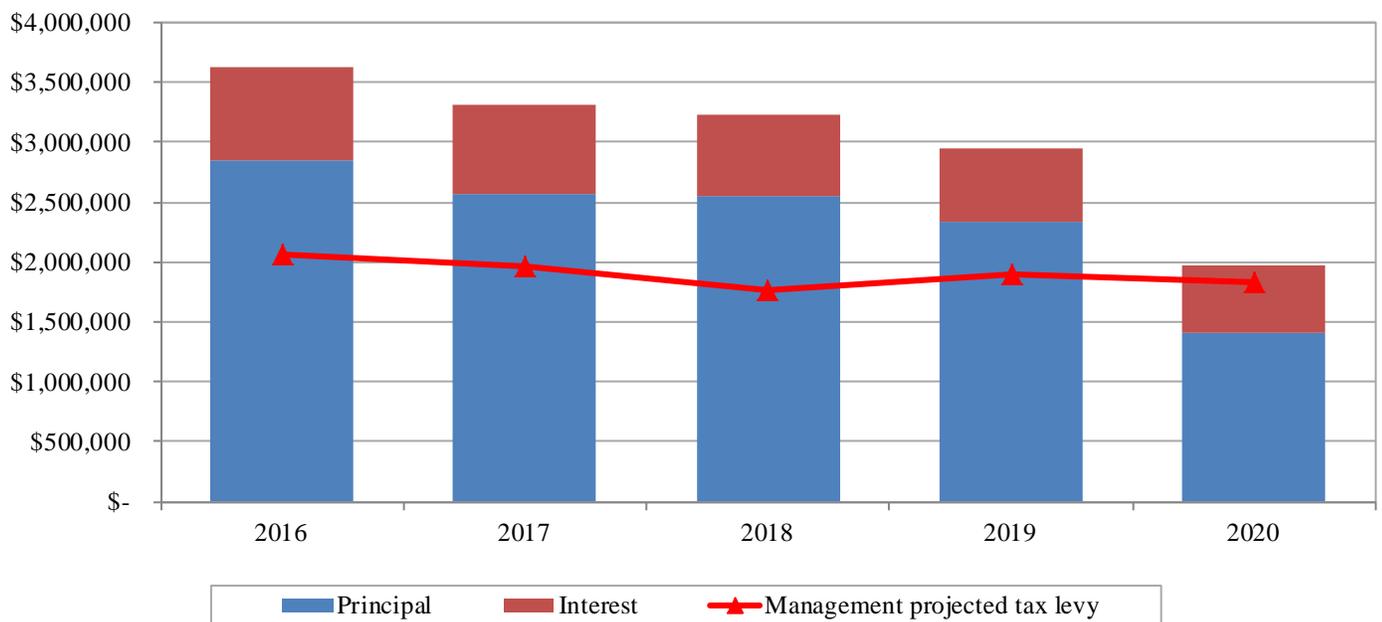
- Property taxes - Primarily for general City benefit projects such as parks and municipal buildings. Property taxes may also be used to fund special assessment bonds which are not fully assessed.
- Tax increments - Pledged exclusively for tax increment/economic development districts.
- Capitalized interest portion of bond proceeds - After the sale of bonds, the project may not produce revenue (tax increments or special assessments) for a period of one to two years. Bonds are issued with this timing difference considered in the form of capitalized interest.
- Special assessments - Charges to benefited properties for various improvements.

In addition to the above pledged assets, other funding sources may be received by Debt Service funds as follows: residual project proceeds from the related capital projects fund, investment earnings, state or federal grants, and transfers from other funds.

The following is a summary of the cash, total assets and bonds outstanding at year end for the governmental Debt Service funds:

Debt Service Fund	Cash Balance	Total Assets	Bonds Outstanding
Major			
Improvement Bonds	\$ 2,679,218	\$ 5,088,425	\$ 24,390,000
Nonmajor			
MSABC Bonds	41,463	46,439	56,870
Storm Water Bonds	244,972	257,353	195,000
TIF Bonds	-	-	2,820,000
Total	\$ 2,965,653	\$ 5,392,217	\$ 27,461,870
Total interest payments			\$ 7,254,403

Debt Service Scheduled Principal and Interest for the Next 5 Years

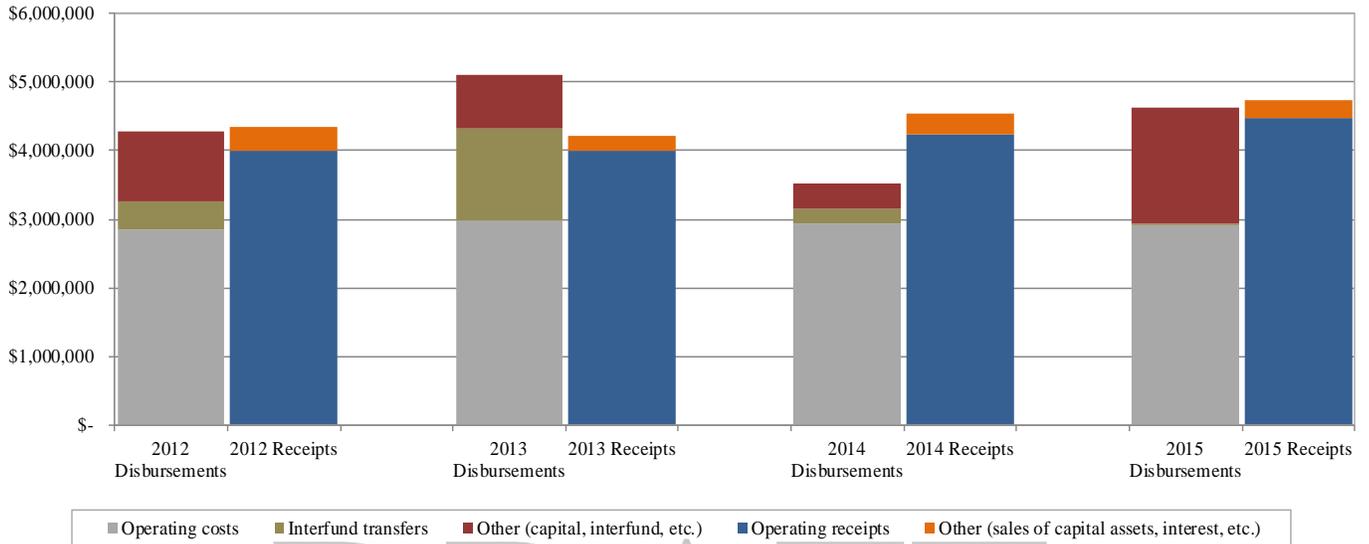


Internal Service Funds

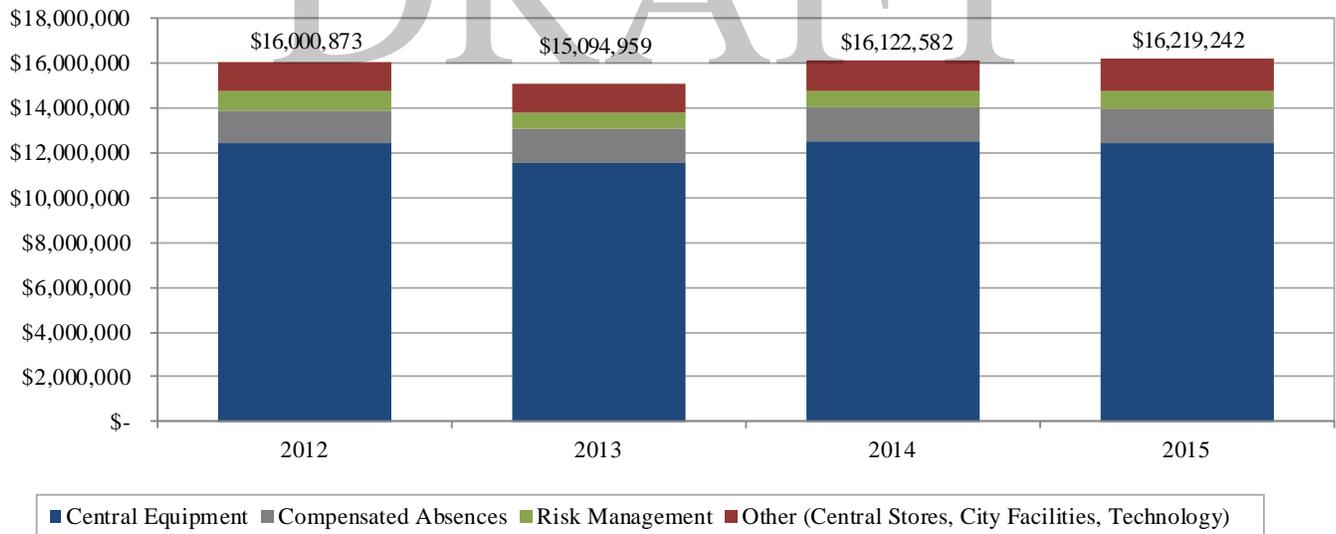
Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for compensated absences, risk management, central equipment maintenance, office supplies and equipment, city facilities, and technology. Because these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.

The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:

Internal Service Fund Cash Flow



Internal Service Fund Cash Balance



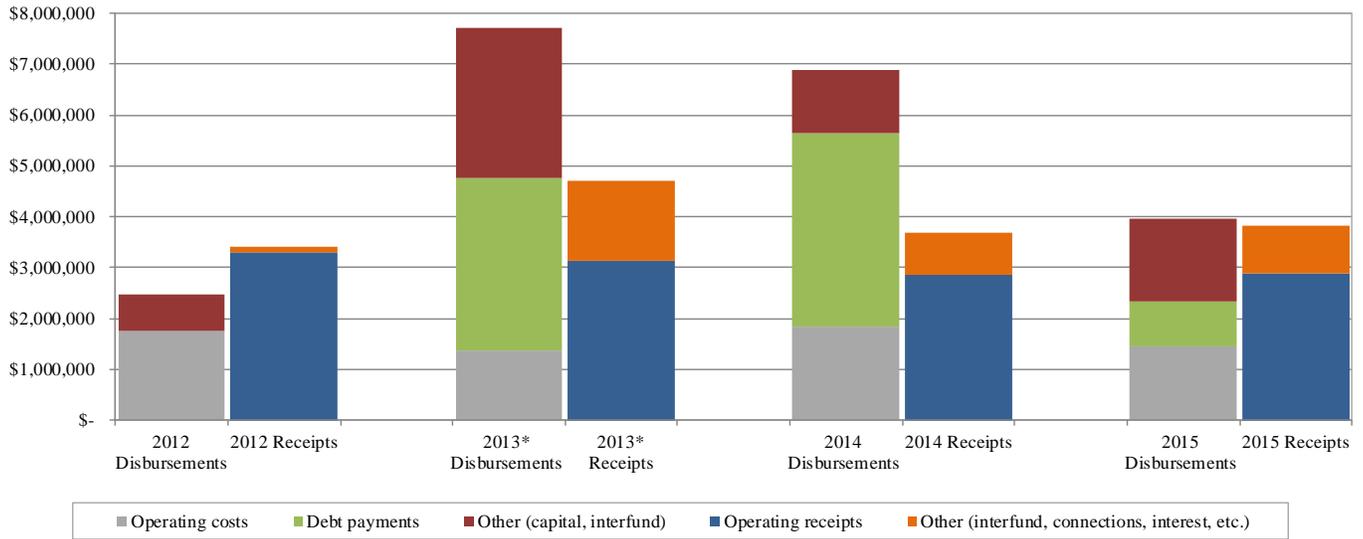
Some of the items with significant changes in the above charts are highlighted below:

- Except for 2015, operating receipts (blue) have been sufficient to cover operating costs (grey) for all years presented.
- For 2015, the total spent on capital acquisition totaled \$1,698,522.

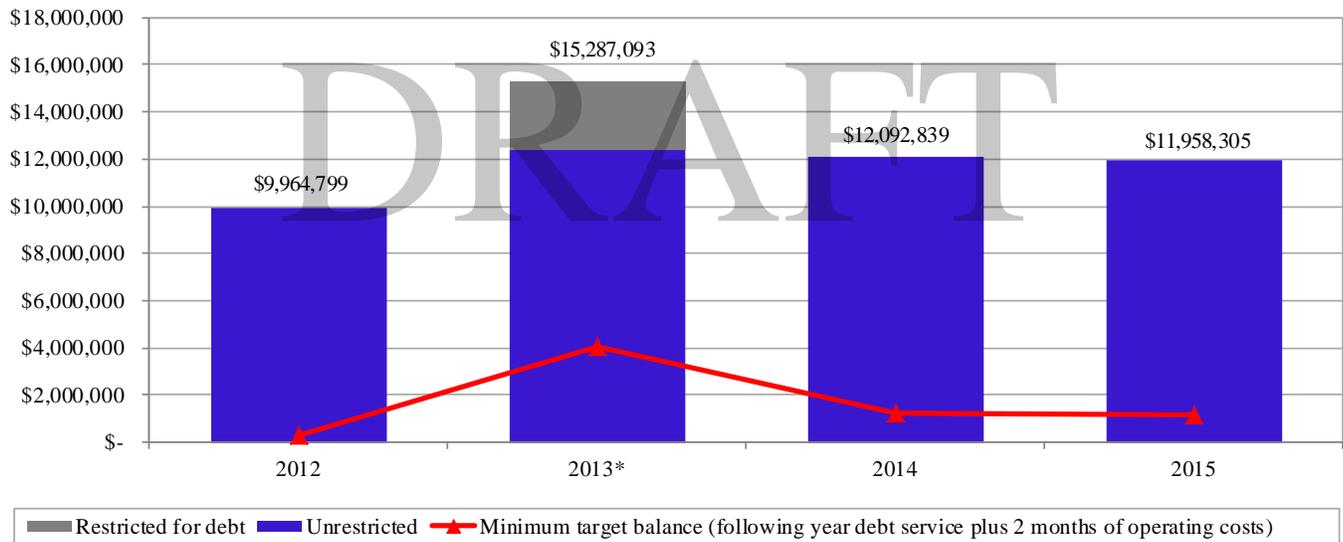
We recommend that the rates be reviewed annually to ensure that they are sufficient to cover operating costs and planned project costs.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:

Water Fund Cash Flow



Water Fund Cash Balance



	2012	2013*	2014	2015
Bonds payable, net of premium	\$ -	\$ 8,630,004	\$ 4,983,804	\$ 4,162,604

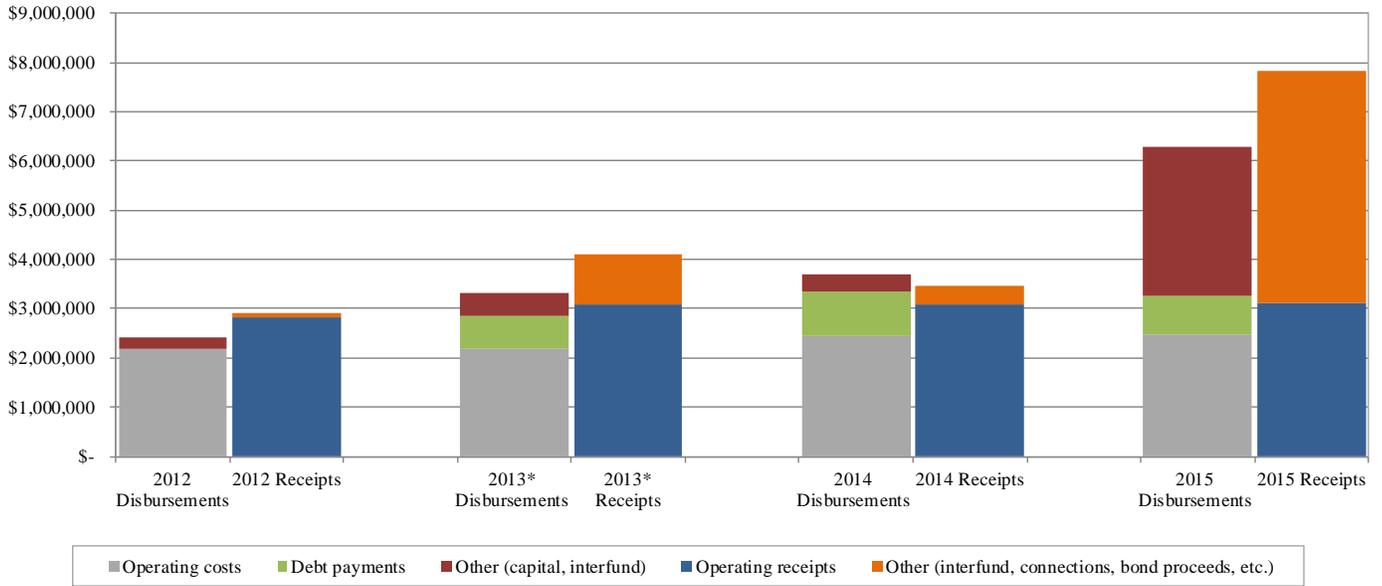
* In 2013, the Water Revenue Bonds debt service fund and the Water Connection and Water System Improvements capital projects funds were reclassified from governmental to enterprise funds. The impact on beginning cash was \$8,319,507.

Some of the items with significant changes in the above charts are highlighted below:

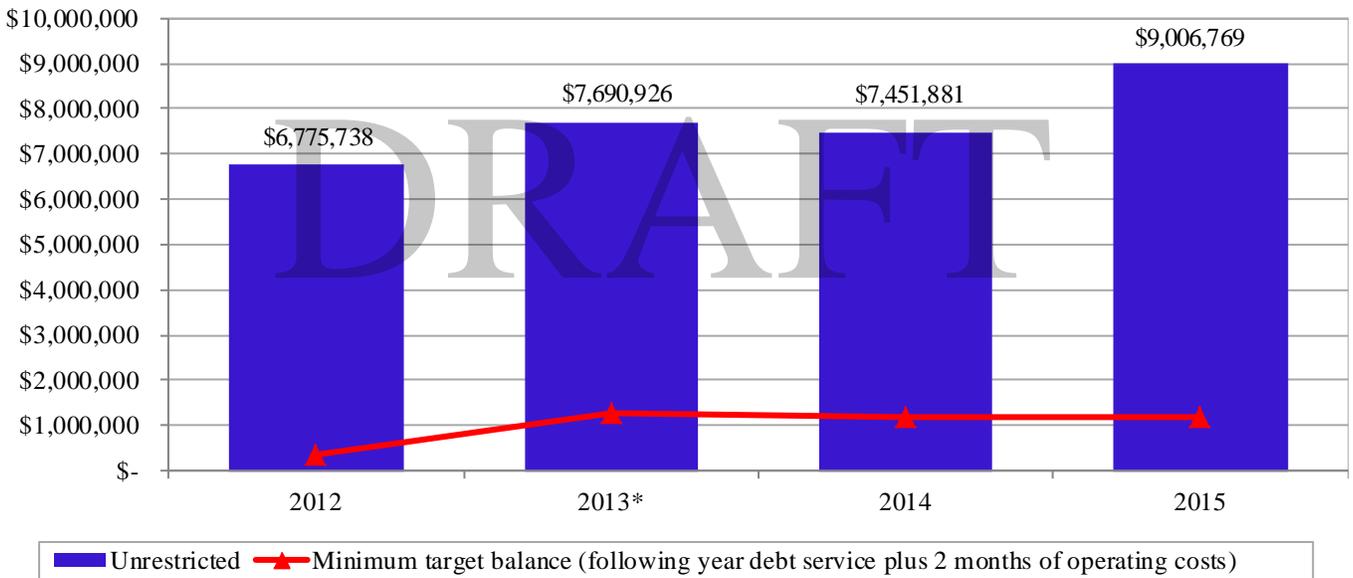
- Excluding the portion of debt payments covered by cash held with fiscal agent, operating receipts (blue) were sufficient to cover operating costs (grey) and debt payments (green) in each of the four years shown above.
- Cash received from connection fees (included in orange) were \$124,763 in 2015.

We recommend that the rates be reviewed annually to ensure that they are sufficient to cover operating costs, annual scheduled debt payments, and planned project costs.

Sewer Fund Cash Flow



Sewer Fund Cash Balance



	2012	2013*	2014	2015
Bonds payable, net of premium	\$ -	\$ 12,410,000	\$ 12,298,421	\$ 16,246,027

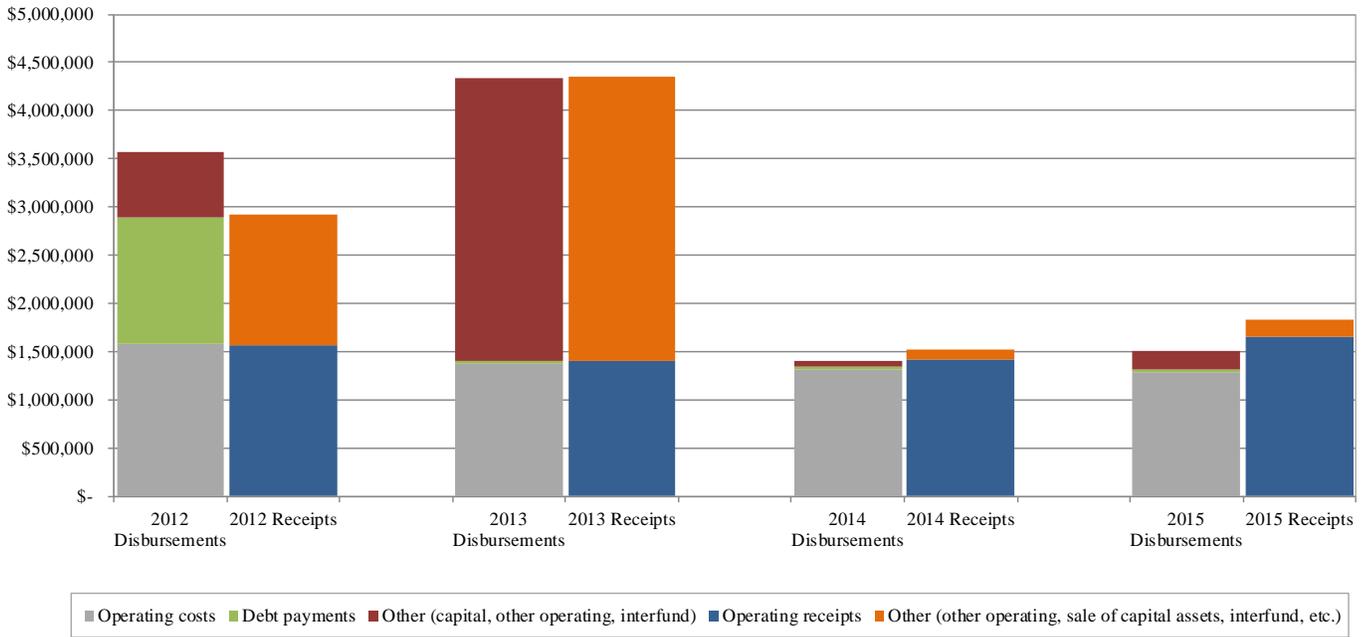
* In 2013, the Sewer Revenue Bonds debt service fund and the Sewer Connection capital projects fund were reclassified from governmental to enterprise funds. The impact on beginning cash was \$110,947.

Some of the items with significant changes in the above charts are highlighted below:

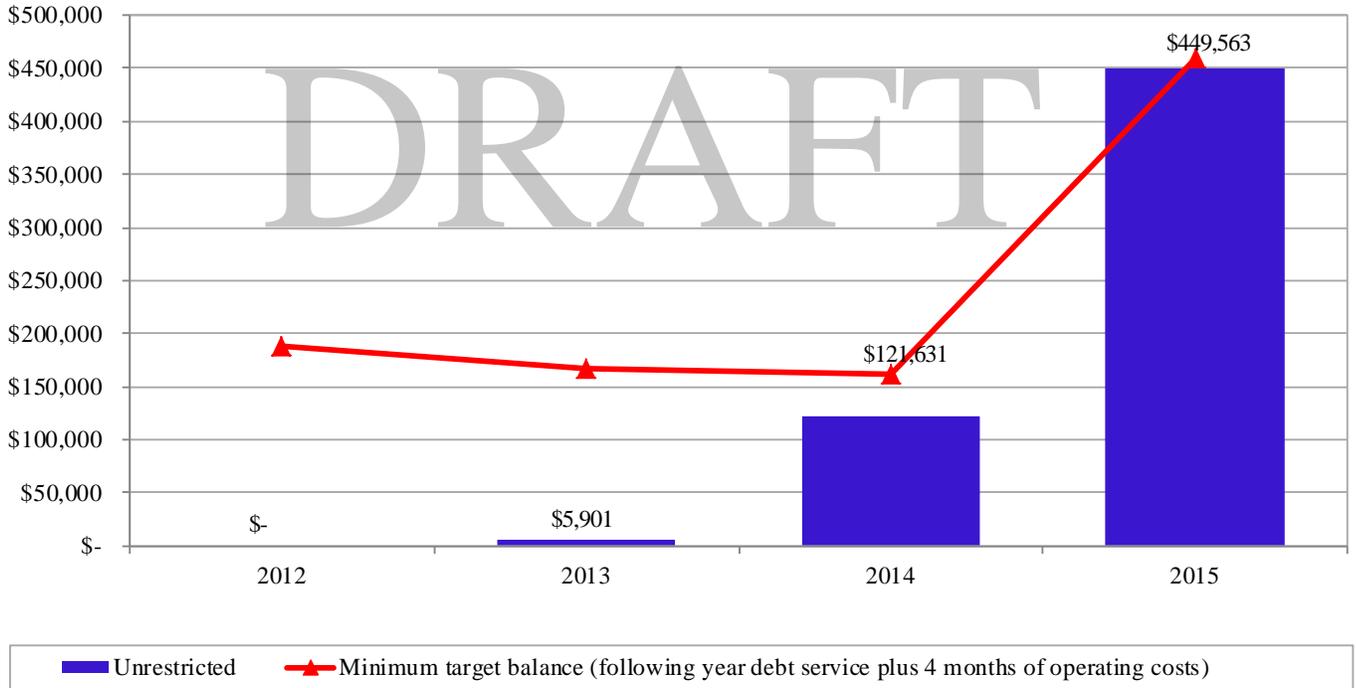
- Except for 2014 and 2015, operating receipts (blue) have been sufficient to cover operating costs (grey) and debt payments (green).
- Cash received from connection fees (included in orange) were \$218,011 in 2015.
- At the end of 2015, \$1,951,350 remains for unspent bond proceeds.

As noted with the Water fund, we recommend that the rates be reviewed annually to ensure that they are sufficient to cover operating costs, annual scheduled debt payments, and planned project costs.

Golf Course Fund Cash Flow



Golf Course Fund Cash Balance



	2012	2013	2014	2015
Capital lease payable	<u>\$ 108,445</u>	<u>\$ 83,245</u>	<u>\$ 56,823</u>	<u>\$ 29,120</u>
Interfund loan	<u>\$ 3,007,682</u>	<u>\$ 78,075</u>	<u>\$ 78,075</u>	<u>\$ 85,232</u>

Some of the items with significant changes in the above charts are highlighted below:

- In 2014 and 2015, operating receipts (blue) have been sufficient to cover operating costs (grey) and debt payments (green). The net cash from operations for 2015 was \$358,438.

Future Accounting Standard Changes

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

GASB Statement No. 72 - Fair Value Measurement and Application

Summary

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Effective Date and Transition

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement No. 73 - Accounting and financial reporting for pension and related assets that are not within the scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statements No. 67 and No. 68

Summary

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

Future Accounting Standard Changes - Continued

Effective Date and Transition

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

Summary

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

Effective Date and Transition

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

Future Accounting Standard Changes - Continued

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension*

Summary

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

Future Accounting Standard Changes - Continued

Effective Date

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Summary

The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

Effective Date

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

Future Accounting Standard Changes - Continued

How the Changes in This Statement Will Improve Financial Reporting

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB Statement No. 77 - *Tax Abatement Disclosures*

Summary

Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Future Accounting Standard Changes - Continued

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements.
- The specific taxes being abated.
- The gross dollar amount of taxes abated during the period.

Effective Date and Transition

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB Statement No. 78 - Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

Summary

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Future Accounting Standard Changes - Continued

GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants*

Summary

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015.

How the Changes in This Statement Will Improve Financial Reporting

This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

GASB Statement No. 80 - *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*

Summary

The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Future Accounting Standard Changes - Continued

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

⁽¹⁾ *Note.* From GASB Pronouncements Summaries. Copyright 2015 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

* * * * *

Restriction on Use

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

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

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

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

DRAFT

Other Required Report

City of Inver Grove Heights
Inver Grove Heights, Minnesota

For the Year Ended
December 31, 2015

DRAFT

CITY OF INVER GROVE HEIGHTS, MINNESOTA
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FOR THE YEAR ENDED DECEMBER 31, 2015

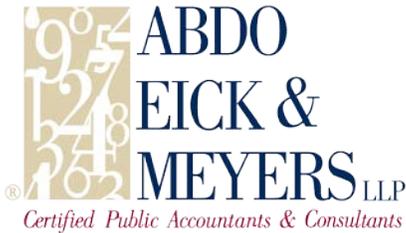
Page No.

OTHER REQUIRED REPORT

Independent Auditor's Report on Minnesota Legal Compliance

2

DRAFT



INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inver Grove Heights, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated NEED DATE.

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

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

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

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

Memo

To: Joe Lynch, City Administrator
From: Steve Apfelbacher and Jessica Cook
Date: April 28, 2016
Subject: Financial Impact of Northwest Area Utility Extensions

Background

When the City of Inver Grove Heights contemplated extending sewer and water utilities to the Northwest Area, the City Council decided not to assess property owners out of concern of forcing existing owners to sell their property to pay for the assessments. The City directed Ehlers to devise a system of connection fees to pay for the improvements as development occurred. Since this system was established in 2007, several key assumptions have changed:

- 1) The great recession hit and demand for higher density housing and commercial development, as zoned in the City's comprehensive plan, has declined.
- 2) Project design and construction costs have increased significantly with detailed plans and terrain challenges.
- 3) The current development plan is not contiguous, causing the City to extend pipe across vacant parcels from which fees are not collected.

Update on Current Development Activity

In 2015, the City embarked on the second major extension of the utilities to serve the Blackstone housing developments and surrounding properties. The housing developments planned to date in the expanded service area are:

Planned Development	# Units
Blackstone Vista	78
Blackstone Ridge	79
Blackstone Ponds	104
Blackstone Highlands	37
TOTAL*	298

*The proposed IMH development is not included because the status of the 82-unit project is uncertain.

The estimated sewer and water connection fee revenue generated by these developments is \$3.27 million. However, the estimated cost to extend water and sewer to serve these units is \$14.9 million, resulting in an \$11.67 million shortfall.

The City issued bonds in 2015 to finance a portion of the sewer project. It was contemplated that the remaining portion of the sewer project and all of the water projects would be paid for with cash from the utility funds. The chart below shows the total project cost, the portion funded in 2015, and the remaining funding needs for 2016.

	Total Project Cost	Paid For or Financed in 2015	Remaining 2016 Project Cost to be Funded
Water	\$6,306,584	\$329,272	\$5,977,312
Sewer	\$8,600,022	\$4,368,613	\$4,264,400
Total	\$14,906,606	\$4,697,885	\$10,241,712

Development fees are proving to be an unreliable and inadequate funding source to pay 100% of the costs of extending the utilities. To compound the situation, developers are indicating the City’s connection fees are too high and are negotiating fee reductions. The City needs to identify a reliable and adequate funding source to complete the 2015-2016 sewer and water projects, as well as funds to repay the outstanding sewer revenue bonds the City has issued.

Short-term Recommendations

Following is a list of short-term recommendations that, taken together, will provide funding for the Northwest Area over the next five years plus address developer concerns.

- **Address Developer Concerns.** Developers indicate that the City’s sewer and water development charges for the Northwest Area are too high. A comparison of the City’s connection charges for sewer, water, and storm water is attached. The comparison shows fees for a single family home and a sample commercial property, as compared with neighboring and developing suburbs. Many of the other cities may have assessed a portion of the costs, which would allow them to charge lower fees.

Recommendation #1: Reduce the water connection fee by \$2,315. This could be accomplished by temporarily suspending collection of Water Treatment Plant Fee and Water Core Connection Fee for properties in the Northwest Area, pending completion of the Strategic Water and Sewer System Management Plan. The Plan is a study of the City’s entire water and sewer systems to develop a comprehensive needs assessment for the future.

Recommendation #2: Educate developers and appraisers on the City’s fee structure so that they do not overpay for the land. They are purchasing unimproved

property, unlike land in other communities where property owners have been assessed. At the first point of contact with the planning or engineering departments, staff should explain that the fees are high because improvements have not been assessed or paid for by current landowners.

- **Fund Water Project Costs.** The water portion of the Northwest Area capital project cost has been paid with cash advances from the water fund.

Recommendation #3: We recommend that the City continue to pay for 2015-2016 improvement projects with approximately \$5 million in cash from the water operating fund. The cash, together with fees and existing cash balance, will be sufficient to pay the remaining \$5,977,312 in project costs.

- **Fund Sewer Project Costs.** Sewer bonds issued in 2015 did not fund the full cost to complete all sewer extensions to serve the Blackstone developments. Another \$4,264,400 in sewer improvements will need to be paid for by the City in 2016.

Recommendation #4: Staff and Ehlers propose the City use \$4,264,400 in cash comprised of \$3,544,400 from the sewer operating fund, and \$720,000 from the general fund. The \$720,000 represents the amount revenue exceeded expenses in the general fund in 2015.

- **Fund Annual Debt Service on Sewer Bonds for Five Years.** Projected revenues from the Blackstone developments are not sufficient to pay the outstanding debt service on the sewer revenue bonds. Annual debt service increases to \$1.24 million by 2018. Projected fees from Blackstone projects are expected to be an average of \$345,000 per year over the next five years.

Recommendation #5: The City may use \$3.27 million in the water system improvement fund to pay annual debt service over the next five years. The funds in the Water System Improvement Fund include payments received from Tax Increment District No. 3-1 that paid a portion of the water treatment plant cost, and do not represent fees paid by water customers.

Using cash on hand to pay debt service still leaves an annual shortfall in the Northwest Area Sewer Fund of approximately \$110,000 per year. State law requires the City to charge sufficient sewer fees to cover the debt service. (Insufficient sewer rates will also negatively impact the City's bond rating.)

Recommendation #6: Ehlers proposes a city-wide 3.5% increase on sewer utility rates which could generate approximately \$110,000 per year.

The above recommendations provide short-term financial solutions for the next five years. The new revenues from the sewer rate increase plus the infusion of cash will allow the fund to break even for the next five years, but does not address the current negative cash balance of \$1.5 million.

Long-Term Recommendations

Additional actions will need to be taken to address the long-term payment of bonds and future utility extensions. The annual debt service for sewer continues at \$1.25 million. This level of debt service requires approximately 200 residential units to be constructed each year thereafter. Furthermore, recent experience has demonstrated that the cost of extending utilities into the Northwest Area is more than three times the cost originally anticipated. Therefore we are uncomfortable relying on previous cost estimates to make long-term financial projections. We will need revised cost estimates to provide a long-term financial plan that demonstrates how the City will pay to complete the extension of utilities into the remaining unserved portions of the Northwest Area. We understand that the engineering staff is in the process of obtaining studies to evaluate the location and cost of future extensions.

In addition, Ehlers has not reviewed the financial situation of the Northwest Area storm water fund since 2007 and therefore is not able to provide an opinion on the financial sustainability of the Northwest Area Storm Water Fund.

Recommendation #7: We would advise the City to not approve additional extensions to the water and sewer system in the Northwest area until the engineering reports are complete and we can provide a valid long-term financial plan supported by the City for how to pay for both the existing utility infrastructure and future extensions.

Recommendation #8: Future city-wide sewer rate increases should be considered to address the current negative cash balance and position the City to handle future annual deficits anticipated in 2021 and beyond.

Recommendation #9: The 2010C Sewer Revenue Bonds will be callable on February 1, 2018. The City can consider restructuring the debt at that time to reduce annual payments.

Comparison of 2016 Sewer, Water and Stormwater Development Fees for a Single Family Home

Assumes 3 single family units per net developable acre.

	Sewer	Water	Subtotal Water and Sewer	Stormwater	TOTAL	Comments
Chanhassen	\$ 2,302	\$ 6,882	\$ 9,184	\$ 2,667	\$ 11,851	Properties may also be assessed for trunk lines
Cottage Grove (Upper Ravine Area)	\$ 2,184	\$ 2,731	\$ 4,915	\$ 1,380	\$ 6,295	
Eagan	\$ 110	\$ 2,251	\$ 2,361	Determined on a site by site basis	N/A	Water Quality Dedication fee equal to cost of land and excavation for required pond
Farmington	\$ 1,308	\$ 3,681	\$ 4,990	\$ 4,022	\$ 9,012	
Hastings	\$ 1,430	\$ 3,075	\$ 4,505	\$ -	\$ 4,505	
Inver Grove Heights	\$ 1,175	\$ 4,280	\$ 5,455	None - costs paid for with storm water taxing districts.	N/A	
Inver Grove Heights (Northwest Area)	\$ 6,257	\$ 6,183	\$ 12,440	\$ 3,995	\$ 16,435	
Proposed Inver Grove Heights (Northwest Area)	\$ 6,257	\$ 3,868	\$ 10,125	\$ 3,995	\$ 14,120	Excludes water treatment fee and water core connection fee.
Lakeville	\$ 1,152	\$ 4,100	\$ 5,252	\$ 7,754	\$ 13,006	
Medina (Independence Beach and Morningside)	\$ 4,410	\$ 4,410	\$ 8,820	Developer required to construct all of the improvements. HOA required to maintain.	N/A	
Rogers	\$ 5,685	\$ 4,425	\$ 10,110	\$ 817	\$ 10,927	
Rosemount	\$ 1,558	\$ 4,342	\$ 5,900	\$ 3,820	\$ 9,720	
Savage	\$ 4,069	\$ 4,893	\$ 8,962	\$ 3,804	\$ 12,766	Storm water fee \$5,634 if no on-site ponding
Shakopee	\$ 1,359	\$ 6,104	\$ 7,463	\$ 3,111	\$ 10,574	
Woodbury (Water District No. 2, Sewer District No. 12)	\$ 1,815	\$ 3,810	\$ 5,625	\$ 5,335	\$ 10,960	Additional charges apply if site doesn't allow for on-site stormwater management
Average (excluding Eagan and Inver Grove Heights)	\$ 2,197	\$ 4,230	\$ 6,426	\$ 3,634	\$ 9,961	

Comparison of 2016 Sewer, Water and Stormwater Development Fees for Commercial Building

Assumes industrial development with 160 SAC units and 6.0 Net Developable Acres and 3" water meter

	Sewer	Water	Subtotal Water and Sewer	Stormwater	TOTAL	Comments
Chanhassen	\$ 380,320	\$1,101,120	\$ 1,481,440	\$ 124,452	\$ 1,605,892	
Cottage Grove (Upper Ravine Area)	\$ 19,830	\$ 33,066	\$ 52,896	\$ 56,232	\$ 109,128	
Farmington	\$ 100,230	\$ 389,314	\$ 489,544	\$ 135,756	\$ 625,300	
Hastings	\$ 228,800	\$ 492,000	\$ 720,800	\$ -	\$ 720,800	
Inver Grove Heights	\$ 267,595	\$ 275,260	\$ 542,855	\$ -	\$ 542,855	None - costs paid for with storm water taxing districts.
Inver Grove Heights (Northwest Area)	\$ 823,435	\$ 651,094	\$ 1,474,529	\$ 78,090	\$ 1,552,619	
Proposed Inver Grove Heights (Northwest Area)	\$ 823,435	\$ 529,164	\$ 1,352,599	\$ 78,090	\$ 1,430,689	Excludes water treatment fee and water core connection fee.
Lakeville	\$ 184,320	\$ 328,000	\$ 512,320	\$ 65,340	\$ 577,660	
Medina	\$ 172,000	\$1,212,000	\$ 1,384,000	\$ -	\$ 1,384,000	Developer required to construct and maintain all of the stormwater improvements.
Rogers	\$ 518,050	\$ 573,100	\$ 1,091,150	\$ 14,700	\$ 1,105,850	
Rosemount	\$ 198,450	\$ 68,450	\$ 266,900	\$ 54,810	\$ 321,710	
Savage	\$ 437,605	\$ 441,906	\$ 879,510	\$ 81,544	\$ 961,055	City fees are calculated on gross acreage
Shakopee	\$ 99,682	\$ 846,166	\$ 945,848	\$ 63,373	\$ 1,009,221	Assumes development is in Valley View Industrial Park
Woodbury (Water District No. 2, Sewer District No. 12)	\$ 34,500	\$ 75,120	\$ 109,620	\$ 96,024	\$ 205,644	Additional charges apply if site doesn't allow for on-site stormwater management
Average (excluding Inver Grove Heights)	\$ 220,115	\$ 486,292	\$ 706,407	\$ 76,915		



Q1: Are You A Hunter?

<ul style="list-style-type: none"> ▪ Yes ➢ (54%) 	<ul style="list-style-type: none"> ▪ No ➢ (46%)
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Q2: Do you think hunting should be allowed within City limits?

<ul style="list-style-type: none"> ▪ Yes ➢ (68%) 	<ul style="list-style-type: none"> ▪ No ➢ (32%)
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Q3: If Yes, what restrictions should be placed on hunters?

<ul style="list-style-type: none"> ▪ No Restrictions ➢ (20.5%) ▪ Proximity to Buildings ➢ (60.8%) ▪ Proximity to Roads ➢ (58.4%) ▪ Type of Weapon Used ➢ (76.5%) 	<ul style="list-style-type: none"> ▪ Time of Day ➢ (65.1%) ▪ Hunters Per Acre ➢ (53.6%) ▪ Other-Please Describe ➢ (39.8%)
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Q4: Describe the problems you have encountered with wildlife:

<ul style="list-style-type: none"> ▪ Deer: ➢ 25.6% ▪ Plants, Grass, Etc.: ➢ 21.07% ▪ Geese: ➢ 10.4% ▪ Turkeys: ➢ 7.73% ▪ Cars/Property Damage: ➢ 12.0% 	<ul style="list-style-type: none"> ▪ Ticks - Lyme's Disease: ➢ 2.67% ▪ Coyotes: ➢ 6.3% ▪ Humans: ➢ 2.4% ▪ No Problems: ➢ 14.4%
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Q5: Are You Aware of any Best Practices to Control Wildlife?

<ul style="list-style-type: none"> ▪ Allow Hunting ➢ 51% ▪ Don't Allow Feeding: ➢ 13% ▪ Controlled Hunt: ➢ 13% ▪ Fences/Other Deterrents: ➢ 18% ▪ Relocate Them: ➢ 5%
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Current Shot Gun Hunting Regulations:

- Pursuant to specific authorization granted by the city council from time to time for a special goose hunting activity for the purpose of reducing the Canadian goose population. (Ord. 1162, 9-24-2007)

Current Bow Hunting Regulations:

- There shall be **no shooting or discharge of any bow and arrow within three hundred feet (300') of any residential or commercial structure.** (See Next Slide)
- There shall be no shooting or discharge of any bow and arrow within two hundred feet (200') of any driveway not owned by the person engaged in the shooting or discharge, unless the owner of the driveway consents in writing and files the written consent with the city police department prior to the shooting or discharge.
- There shall be **no shooting or discharge of any bow and arrow within two hundred feet (200') of any public street or private roadway.**

Current Bow Hunting Regulations:

Average Development Activities 2006 – 2015:

- **Commercial:**
 - 11 New Commercial Buildings Annually
 - 18,987 Square Feet Annually
- **Residential:**
 - 35 New Single Family Homes Annually
 - 34 New Multiple Family Dwelling Units Annually

Actual (Estimated) Population Growth:

- 2001: Estimated – 28,550
- 2006: Estimated - 31800
- 2016: Estimated - 34,000

Projected Growth 2006 – 2040:

CTU_NAME	YEAR	POPULATION	HOUSEHOLDS
Inver Grove Heights	2010	33880	13476
Inver Grove Heights	2020	37300	15400
Inver Grove Heights	2030	42000	17600
Inver Grove Heights	2040	46700	19800

Source: Metropolitan Council Website



Annual Police Calls for Service in Response to Wildlife Concerns:

<ul style="list-style-type: none"> ▪ Deer Only: ➤ 2011 – 48 ➤ 2012 – 53 ➤ 2013 – 61 ➤ 2014 – 71 ➤ 2015 – 89 	<ul style="list-style-type: none"> ▪ Geese/Turkeys: ➤ 2011 – 3 ➤ 2012 – 2 ➤ 2013 – 2 ➤ 2014 – 1 ➤ 2015 – 2
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Current Deer Feeding Ordinance:

- **5-10-2: PROHIBITION OF FEEDING DEER:**
Within that portion of the city designated as the prohibited deer feeding area on the map attached to the ordinance codified herein, no person shall engage in the feeding of deer or allow the feeding of deer on that person's property. The map is on file with the city clerk and is hereby incorporated by reference and made a part of this section.



Deer Feeding Ordinance

- **For purposes of this section, feeding of deer shall mean that the following circumstances have occurred:**
 - A. Providing salt blocks, birdseed mixtures, grain, fruits, vegetables, nuts, hay or other edible material;
 - B. In a manner that attracts or is designed to attract deer on a regular basis; **provided, however, feeding of deer does not include any of the following:**
- **1. Providing living food sources**, such as fruit trees, growing crops or other live vegetation; or
- **2. Providing birdseed mixtures, grain, fruits, vegetables, nuts, or other edible material** in a birdfeeder that is designed to preclude deer access to the storage space within the birdfeeder; or
- **3. Providing birdseed mixtures, grain, fruits, vegetables, nuts, or other edible material** located at a height more than five feet (5') above the ground; or
- **4. Leaving in or on top of the ground, crops or other vegetation** that have been spoiled or killed by frost conditions; or
- **5. Placing or allowing to be kept on the ground**, any combination of birdseed mixtures, grains, fruits, vegetables or nuts in a total aggregate amount of less than four (4) pounds at any one time; there shall not be more than one such feeding location per tax parcel. (Ord. 1267, 5-13-2013)

CITY OF INVER GROVE HEIGHTS

REQUEST FOR COUNCIL ACTION

Discuss Draft Facility Use Agreement with ISD 199 for the VMCC/Grove

Meeting Date: May 2, 2016
 Item Type: Work Study Session
 Contact: Eric Carlson – 651.450.2587
 Prepared by: Eric Carlson
 Reviewed by: Joe Lynch
 Kristi Smith

Fiscal/FTE Impact:	
<input type="checkbox"/>	None
<input type="checkbox"/>	Amount included in current budget
<input type="checkbox"/>	Budget amendment requested
<input type="checkbox"/>	FTE included in current complement
<input type="checkbox"/>	New FTE requested – N/A
<input checked="" type="checkbox"/>	Other

PURPOSE/ACTION REQUESTED

The Council is asked to comment on the draft Facility Use Agreement for the VMCC/Grove between the City of Inver Grove Heights (City) and Independent School District 199 (District).

SUMMARY

The Veterans Memorial Community Center (VMCC) opened in 1996 and the City and District had a 20-year lease in place that provided certain access rights to the District in exchange for some financial payments to the City. Under this lease, all payments have been used to help support the operational expenses of the facility. The lease for the VMCC expired in 2013 and the City and District signed a 2-year extension which expires at the end of 2016.

The Grove Aquatic and Fitness Center (Grove) opened in 2001 and the City and District have a 20-year lease that provides certain access rights to the District in exchange for some financial payments to the City. Under this lease, all payments must be used to retire the debt which was TIF bond financed. Based on some refinancing activity accomplished by the City the TIF bonds associated with the Grove will be retired at the end of 2016. The current lease expires in 2021.

Based on the fact that the VMCC lease has expired and the TIF Bonds will be paid off at the end of the year for the Grove, staff from the District and City have been meeting to develop a new Use Agreement that will cover the entire VMCC/Grove. The attached Use Agreement has been reviewed by staff and legal counsel. Highlights of the Use Agreement include:

- Use Agreement replaces two separate documents and creates one single document
- Provides priority scheduling to District after City programs have been scheduled
- Clearly defines which portions of the facility District is provided access too
- Provides for a 10-year agreement
- Provides for all payments by the District to be used for operational expenses
- Provides for a flat usage payment which allows for access to portions of the facility without further charge
- Provides for an hourly rate for portions of the facility based on actual usage

The Council is asked to provide any necessary comments. It is our understanding ISD 199 Finance Committee has reviewed and is comfortable with the document. The entire School Board is scheduled to review the document on May 9th. The item will be placed on your Regular Agenda for review and approval at a future date.

DRAFT USE AGREEMENT
VETERANS MEMORIAL COMMUNITY CENTER
GROVE AQUATIC & FITNESS CENTER
NATIONAL GUARD ARMORY

DOCUMENT TO FOLLOW ON FRIDAY

**ORIGINAL LEASE FOR VETERANS MEMORIAL
COMMUNITY CENTER**

LEASE AGREEMENT
BETWEEN CITY OF INVER GROVE HEIGHTS
AND INDEPENDENT SCHOOL DISTRICT NO. 199
FOR ARMORY AND FOR INVER GROVE HEIGHTS
VETERANS MEMORIAL COMMUNITY CENTER

Execution Copy

Dated May 22, 1995

LEASE AGREEMENT

This Lease Agreement is made and entered into between the City of Inver Grove Heights, Minnesota, hereinafter referred to as Lessor, and Independent School District No. 199, Inver Grove Heights, Minnesota, hereinafter referred to as Lessee.

RECITALS

The parties recite and declare:

1. Lessor is the sole owner of the Inver Grove Heights Veterans Memorial Community Center, to be located on Lot 2, Block 1, Inver Grove Heights Civic Center Addition, in Inver Grove Heights, Minnesota, (the Community Center).
2. Lessor will be entering into an agreement with the State of Minnesota Department of Military Affairs (National Guard) regarding rental use of the Armory to be located on Lot 1, Block 1, Inver Grove Heights Civic Center Addition in Inver Grove Heights, Minnesota (the Armory).
3. The Community Center and Armory are on adjoining lots and will be sharing parking facilities.
4. Lessor desires to lease the use of the Community Center and to sublet use of the Armory to suitable lessees for educational and recreational purposes.
5. Lessee desires to lease from time to time portions of the Community Center and Armory for the purposes of conducting components of its Curricular Program including classrooms located within the Armory, its Extra Curricular Activities Program and its Community Education Program.
6. The parties desire to enter into this Lease Agreement which defines their rights, duties, and liabilities relating to the Community Center and Armory.
7. The Community Center comprises Ice Rinks A and B and other space.

In consideration of the mutual covenants contained in this Lease Agreement, and other good and sufficient consideration, the parties agree as follows:

SECTION ONE
SUBJECT AND PURPOSE

- 1.1 **Subject.** For the purposes stated in Sections 1.2 and 1.4, Lessor hereby grants Lessee the right and privilege to lease the Community Center and Armory on the terms and conditions set forth in this Lease Agreement.
- 1.2 **Purpose.** Subject to payment of the rental amounts set forth in Sections Two and Three, Lessor grants Lessee for Lessee's exclusive use the following lease rights:
- 1.2.1 After determination of and selection by Lessor of the space and times needed by Lessor for its programs, the Lessee shall have the right of first refusal to lease non-ice time in the Community Center (excluding the office areas) for Lessee's Curricular Program, its Extra Curricular Activities Program, and its Community Education Program during those times when Ice Rinks A and B are not being used for ice time;
 - 1.2.2 After determination of and selection by Lessor of the space and times needed by Lessor for its programs, the Lessee shall have the right of first refusal to lease approximately 9,120 square feet of basketball/volleyball court area in the Armory;
 - 1.2.3 After determination of and selection by Lessor of the space and times needed by Lessor for its programs, the Lessee shall have the right of first refusal to lease meeting or classroom space located in the Armory;
 - 1.2.4 After determination of and selection by Lessor of the space and times needed by Lessor for its programs, the Lessee shall have the right of first refusal to lease approximately 1,800 square feet in the Armory in the learning center room, small library area, and training area;
 - 1.2.5 Lessee shall have the right of first refusal to lease ice time on Ice Rinks A and B from September 1 to April 30 during the hours from 8:00 a.m. until 6:15 p.m. on the days of Monday through Friday in accordance with the terms of Section Three;
 - 1.2.6 Lessee may participate in the planning of the Community Center and Armory so these facilities are suitable for gender equity, and Lessee may continue participation in the Community Center Advisory Committee (CCAC) in accordance with Section Seven;
 - 1.2.7 Lessee shall have the right of first refusal to purchase the Community Center in accordance with Section Four;

- 1.2.8 Lessee shall have all the leasehold rights specified in Exhibit E which is attached and incorporated herein by reference as if fully set forth herein. The time periods set forth on Exhibit E are hereby scheduled and reserved for Lessee and are preeminent to any determination of and selection by Lessor of the space and times needed by Lessor for its programs, including any determination of and selection by Lessor of spaces and times under Sections 1.2.1, 1.2.2, 1.2.3 and 1.2.4.
- 1.3 Conditions. The Lessee's use of the space in the Community Center and Armory as described above will be subject to all of the conditions contained in this Lease Agreement and as contained in the rental agreements that specify the times and dates of actual use, subject to the operating rules and regulations promulgated by Lessor.
- 1.4 Special Access Without Charge. Lessor shall provide to Lessee access to the Community Center or any portion thereof as requested by the Lessee and mutually agreed upon by the parties without charge for up to two (2) daily events per year, for example, but without limitation, banquets, fundraisers, alumni gatherings, and so forth. Provided, however, Lessee shall pay Lessor any charges for setting up chairs and tables, for clean-up, for security and for removing chairs and tables; or, in the alternative, Lessee shall be responsible for providing such services for such events.
- 1.5 Senior Citizen - American Legion - Multi-purpose Community Rooms. Notwithstanding anything to the contrary contained herein, senior citizen groups and American Legion organizations shall have the first priority on terms established by Lessor to use those certain spaces in the Community Center described as the Senior Citizen - American Legion - Multi-purpose Community Rooms.
- 1.6 Availability of Rink B For Non-Ice Time Use. ~~Notwithstanding anything to the contrary contained herein, the availability of Rink B to Lessee for non-ice activities shall not begin until the date scheduled by Lessor for ice removal and such availability shall cease on that date scheduled by Lessor for ice installation.~~ Lessor shall give Lessee thirty (30) days advance notice of the dates scheduled for ice installation and ice removal.

SECTION TWO TERM AND RENT

- 2.1 Lessor grants the rights described in Section One for a term of twenty (20) years, commencing December 1, 1995 and terminating on November 30, 2015, or sooner as provided in this Lease Agreement. The annual rental is One Hundred Thousand Dollars (\$100,000), payable in two (2) equal installments commencing July 15, 1995, and December 15, 1995, and thereafter continuing on each July 15 and December 15 until July 15, 2014 and December 15, 2014, plus the hourly rate charges of renting specific times as provided in Section Three below, all during the term of this Lease Agreement. Provided, however, in the event the Lessor retires the debt on the building prior to the

year 2015, then the annual rent obligation of \$100,000 and this Lease Agreement shall terminate; and the parties shall meet to attempt to renegotiate rental terms.

- 2.2 All rental payments shall be made to Lessor at the addresses specified in Exhibit A.
- 2.3 Lessee shall pay the rents as specified in this Section Two and in Section Three, below.
- 2.4 As schedules and seasonal programs become known to Lessee, the Lessee shall submit to Lessor a written projection of Lessee's planned use of the Armory and Community Center for the next school year and the summer session following the next school year, if any. If Lessor cannot accommodate the Lessee's use projections, then it shall notify Lessee within twenty (20) business days after receipt of Lessee's projected uses. Designees of the parties shall attempt to resolve any conflicts. Subject to the terms of this Lease Agreement, a resolution to any continuing conflicts shall be decided by a majority vote of all members of the CCAC established under Section Seven below.

SECTION THREE ADDITIONAL RENT

- 3.1 Ice Time On Ice Rinks A and B In The Community Center. On or before May 15th, of each year, the Lessor and Lessee shall finalize and sign any rental agreement that is to exist for Ice Rinks A and B for practices, hockey, physical education skating and other ice-time use for the following ice usage season specifying all applicable terms and conditions for the rental of ice time. The process for finalizing and signing any such agreement shall include the following steps:
 - 3.1.1 On or before March 1st of each year, the Lessor shall set rates that it will charge the Lessee for ice time usage and cause this determination to be communicated to the Lessee. These rates will be established by the Lessor after receipt of recommendation and consultation with the CCAC. Any recommendation of the CCAC shall be by majority vote of all members of the CCAC.
 - 3.1.2 If the Lessor's rates are no more than 5% ^{above} of "market rates" as the term "market rates" is defined at Exhibit B which is incorporated herein by reference as if fully set forth, then the Lessee will enter into the lease agreement for ice rental for the next following season.
 - 3.1.3 If the rates set by the Lessor are more than 5% above the "market rates" as defined in Exhibit B, then the Lessee has the option of accepting or rejecting an agreement for ice time for the next following season. If the Lessee rejects the proposed agreement, then the parties are free to enter into lease agreements with any other party as they may each respectively deem appropriate each at their sole discretion.

- 3.2 Hourly Rates For Armory. With respect to rental of the Armory under Sections 1.2.2, 1.2.3, 1.2.4, 1.2.8 and Exhibit E, additional lease agreements for specific times and dates will be by mutual agreement between the parties in writing executed by the Lessee's Superintendent and the Lessor's Administrator. Lessee understands that the National Guard has a time based prorata charge for use of the Armory that the National Guard will be imposing on Lessor. The Lessee and Lessor agree that this charge will be passed through to Lessee and paid by Lessee for the times the Lessee is using the Armory. In addition, Lessee will pay Lessor a staffing charge per hour equal to one-half of the per hour direct and indirect cost of the building supervisor that Lessor will make available at the facility. From Lessor's records, the CCAC shall annually calculate the direct and indirect cost of the building supervisor that Lessor makes available at the facility. These hourly rental charges are in addition to the annual lease amount set forth in Section 2.1.
- 3.3 Rental Of Community Center Except For Ice Time. With respect to rental of the Community Center (except for ice time) under Sections 1.2.1, 1.2.8 and Exhibit E, additional lease agreements for specific times and dates will be by mutual agreement between the parties in writing executed by the Lessee's Superintendent and the Lessor's Administrator.
- 3.3.1 Hourly Rates For Non-Ice Time In The Community Center During School Hours On School Days. ~~If the time rented by Lessee for non-ice use in the Community Center is between 8:00 a.m. and 6:15 p.m. on Monday through Friday on school days, then no hourly fee is owed to Lessor, other than the staffing charge per hour equal to one-half of the per hour direct and indirect cost of the building supervisor that Lessor will make available at the facility. From Lessor's records, the CCAC shall annually calculate the direct and indirect cost of the building supervisor that Lessor makes available at the facility. This staffing charge is in addition to the annual lease amount set forth in Section 2.1.~~
- 3.3.2 Hourly Rates For Non-Ice Time In The Community Center Outside Of School Hours and School Days. If the time rented in the Community Center by Lessee for non-ice time is not within the time periods set forth in Section 3.3.1, then Lessee shall pay Lessor for such hourly use at the standard hourly rates that Lessor charges other users for such facilities. Such standard hourly rates shall be set annually by Lessor on or before March 1st after recommendation and consultation with the CCAC. This hourly rental rate is in addition to the annual lease amount set forth in Section 2.1.
- 3.4 Staffing Charges. Notwithstanding anything to the contrary contained in Sections 3.2 and 3.3.1 relating to the payment of staffing charges, the following Section 3.4.1 shall be controlling for calendar year 1996 and the following Section 3.4.2 shall be controlling for calendar year 1997.

- 3.4.1 Staffing Charges for 1996. For calendar year 1996, Lessor shall not impose staffing charges under Section 3.2 and 3.3.1 for the first 240 total hours of Lessee's combined hourly uses under Sections 3.2 and 3.3.1. When the combined hours exceed 240 hours, the respective staffing charges for hourly use thereafter become payable.
- 3.4.2 Staffing Charges For 1997. For calendar year 1997, Lessor shall not impose staffing charges under Section 3.2 and 3.3.1 for the first 240 total hours of Lessee's combined hourly uses under Sections 3.2 and 3.3.1. When the combined hours exceed 240 hours, the respective staffing charges for hourly use thereafter become payable.
- 3.4.3 Staffing Charges For 1998 And Thereafter. Beginning in 1998 and annually thereafter during the term of this Lease Agreement, the CCA^c will determine the number of rental hours, if any, under Sections 3.2 and 3.3.1 for which staffing charges will not be imposed.

SECTION FOUR RIGHT OF FIRST REFUSAL TO PURCHASE

- 4.1 In the event Lessor shall receive a bona fide offer to purchase the Community Center during the term of this Lease Agreement, and the offer of purchase shall be satisfactory to Lessor, Lessor shall give Lessee the privilege of purchasing the Community Center at the price and on the terms of the offer so made. The privilege shall be given by a notice sent to Lessee by registered mail at the address stated on Exhibit A, requiring Lessee to accept the offer in writing and to sign a suitable contract to purchase the Community Center within the period of ninety (90) days after the mailing of the notice.
- 4.2 Failure of Lessee to accept the offer to purchase by signing a contract within the period provided shall nullify and void the privilege to Lessee, and Lessor shall be free to sell the Community Center to any other person, firm, or corporation. Any subsequent sale of the Community Center, except Lessee, shall be subject to this Lease Agreement and any renewals or extensions of this Lease Agreement.
- 4.3 In the event that the Lessee chooses to exercise its right of first refusal to purchase in accord with the terms of the bona fide offer to the Lessor, then the Lessee shall be given credit for the annual lease payments of \$100,000 as specified in Section Two of this Lease Agreement in accord with the provisions of Exhibit C attached and incorporated herein by reference as if fully set forth.

SECTION FIVE DESTRUCTION OR CESSATION

- 5.1 In the event that the Community Center is ever completely destroyed or permanently

abandoned during the term of this Lease Agreement, or if the Lessor ceases operating all the Ice Rinks A and B for more than one hockey season during the term of this Lease Agreement, then the Lessee shall be entitled to a credit for annual lease payments of \$100,000 made under Section Two in accord with the provisions of Exhibit C which is incorporated herein by reference as if fully set forth.

SECTION SIX
NONAPPROPRIATIONS PROVISION

- 6.1 In the event Lessee does not appropriate money sufficient to continue performance by Lessee of the annual lease payment of \$100,000, as evidenced by the passage of a resolution by the Lessee, all as permitted by law, then this Lease Agreement shall be terminated as of the following June 30th; provided, however, Lessee shall pay to Lessor any Section Two rent monies which are due July 15th and December 15th in the year prior to the June 30th termination and which have not been paid. Lessee shall give notice of non-appropriation not less than sixty (60) days after adopting the resolution terminating the levy which provides the revenue to make the Section Two annual lease payment of \$100,000.
- 6.2 Lessee presently intends to continue this Lease Agreement for its entire term and to pay all rents specified in Sections Two and Three.

SECTION SEVEN
COMMUNITY CENTER ADVISORY COMMITTEE

- 7.1 The Community Center Advisory Committee (CCAC) is hereby created for the following purposes:
- a.) to make recommendations to the Lessor regarding the operation and maintenance of the Community Center and the Armory
 - b.) to make recommendations to Lessor regarding "market rates" for ice time pursuant to Section 3.1.1 and Exhibit B
 - c.) to make recommendations to Lessor regarding standard hourly rates for non-ice time in the Community Center pursuant to Section 3.3.2
 - d.) based on Lessor's records, to calculate annually the direct and indirect cost of the building supervisor that Lessor makes available to the facilities. Such calculations are to occur pursuant to Section 3.2 and 3.3.1
 - e.) to decide scheduling conflicts, subject to the Lease Agreement and pursuant to Section 2.4

- f.) to approve substitution of programs pursuant to Exhibit E
- g.) pursuant to Section 3.4.3, to determine for 1998 and annually thereafter the number of rental hours, if any, under Sections 3.2 and 3.3.1 for which staffing charges will not be imposed.

All votes of the CCAC shall be determined by a majority vote of all members of the CCAC.

- 7.2 The Lessor retains the sole discretionary authority to accept or reject in whole or in part the recommendations of the CCAC regarding the rates for ice-time and the standard rates for non-ice time. The Lessor retains the sole discretionary authority to accept or reject in whole or in part the recommendations of the CCAC regarding the operation and maintenance of the Community Center and Armory.
- 7.3 The composition of the CCAC shall be as stated in the attached Exhibit D which is incorporated by reference as if fully set forth herein. The CCAC shall consist of five (5) members. Three (3) of the members will represent Lessor and two (2) members will represent Lessee. The CCAC may adopt bylaws establishing its procedures for functioning as an advisory committee. Copies of these bylaws will be forwarded to the Lessor and Lessee.
- 7.4 The Lessor shall provide to the CCAC and to Lessee all of the financial data and information and records regarding the Armory and Community Center on a reasonable basis and consistent with the spirit of collaboration and cooperation.

SECTION EIGHT **GENERAL PROVISIONS**

- 8.1 **Amendments.** This Lease Agreement contains all of the agreements of the parties with respect to the subject matter and cannot be amended or modified except by written mutual agreement.
- 8.2 **Severability.** The invalidity, illegality, or unenforceability of any provision of this Lease Agreement shall not render the other provisions invalid, illegal, or unenforceable.
- 8.3 **Captions.** The headings of the sections of this Lease Agreement are descriptive and for convenience only, and are not a part of this Lease Agreement, and shall have no effect on the construction or interpretation of this Lease Agreement.
- 8.4 **Applicable Law.** This Lease Agreement shall be construed and interpreted in accordance with the laws of the State of Minnesota.
- 8.5 **Counterparts.** This Lease Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

- 8.6 Quiet Enjoyment. Lessor agrees to permit Lessee, upon faithful performance of the terms and covenants of this Lease Agreement, to peaceably and quietly have, hold, and enjoy use of the Community Center for the purpose and for the term stated above.
- 8.7 Furnishing of Services. Lessor shall furnish all utilities that are necessary and customary in the operation of an ice arena and community center.
- 8.8 Intoxicating Liquors. During those times when the Lessee is using the Community Center, Lessor will not cause or allow beer, wine, or liquors of any kind to be sold, given away, or used in the Community Center except upon the express written consent of the Lessee.
- 8.9 Control of Building. The Armory and Community Center and the keys thereof, shall be at all times under the charge and control of a building manager who shall be appointed by Lessor.
- 8.10 Entire Agreement. This Lease Agreement shall constitute the entire agreement between the parties. Any prior understanding or representation of any kind preceding the date of the Lease Agreement shall not be binding upon either party except to the extent incorporated in this Lease Agreement.
- 8.11 Rules. Lessor reserves the rights to establish operating rules and regulations regarding the use of and access to the Armory and Community Center. Lessee agrees to comply with such operating rules and regulations. Lessee shall use its best efforts to enforce such rules and regulations with respect to its students, faculty, coaches, invitees, players and those persons Lessee has authorized to use the facilities.
- 8.12 Assumption of Risk. Lessee acknowledges that use of Ice Rinks A and B as well as other areas within the Armory and Community Center carries a risk of personal injury. Lessee assumes all risk with respect to use of the Community Center and Armory and Ice Rinks A and B, including risks relating to the condition and maintenance of the ice surface.
- 8.13 Insurance. Lessee shall procure and file with the Lessor and Lessee shall maintain a policy of general liability insurance to cover use of the Community Center and Armory and Ice Rinks A and B therein. The Lessor shall be named as an additional insured under the policy. The minimum policy limits shall be \$600,000 for any number of claims arising out of a single occurrence or such other amount equal to the statutory liability limits as set by Minnesota Statute Chapter 466 as amended from time to time.
- 8.14 Limitation on Damages. If the Community Center or Armory are not useable due to repairs, remodeling or retrofitting or because of unexpected circumstances such as strikes, acts of God, electrical malfunctions, fire, refrigeration malfunctions or other casualties, then the Lessee agrees that damages are limited to a refund of the per hour

rental amount actually paid by Lessee for the specific times the facilities are not useable. In such case, the Lessor will refund the per hour rental amount actually paid by Lessee for the specific times the facilities are not useable.

- 8.15 **Binding Effect.** This Lease Agreement shall be binding upon the parties and their successors and assigns. Lessee shall not assign, sublet or transfer this Lease Agreement or the areas leased hereunder without the written consent of Lessor.
- 8.16 **Supervision.** During the rental times, Lessee shall supervise, control and monitor activities at the Community Center and Armory. Lessee shall supervise, control and monitor its students, players, invitees and authorized users while they are present in the Community Center and Armory. Lessee agrees that no one shall be present on the ice until the Community Center Manger or designee gives approval. No pucks shall be on the ice until the players or participants are allowed on the ice. Absolutely no players or pucks shall be on the ice during resurfacing. Coaches or other adult supervisors must ensure that players and participants leave the ice surface immediately upon being advised that the rental period is over. Coaches or other adult supervisors must be present at all times with their teams or other participants or players. No teams, players or participants shall be allowed on the ice without the presence of an adult coach or supervisor.
- 8.17 **Disclaimer.** Lessor is not responsible for any personal property of Lessee or its students, faculty, coaches, players, participants, invitees and authorized users. Lessor disclaims any responsibility for damages caused by the theft or vandalism of such personal property.
- 8.18 **Damages to Facilities.** If Lessee or its students, faculty or coaches damage the Armory or Community Center, Lessee is responsible for repairing such damage or paying Lessor for such damage.
- 8.19 **Beginning Date For Use Of Armory and Community Center.** Notwithstanding anything to the contrary contained herein, Lessee's use of the Armory and Community Center shall not commence until certificates of occupancy have been issued for such respective facilities by the City of Inver Grove Heights Building Official.
- 8.20 **Tournaments.** If Lessee's teams are in tournaments and need practice times or game times that have not been previously scheduled by Lessee, the Lessor shall use its best efforts to make rental times available for such practices or games.
- 8.21 **National Guard Use.** The Lessee understands and acknowledges that use of the Armory is by way of Lessor subletting the leasehold rights that Lessor has received from the National Guard. Lessee agrees to comply with all rules, regulations and restrictions imposed by the National Guard regarding use of the Armory. Notwithstanding anything to the contrary contained in this Lease Agreement, Lessee agrees that the National Guard has the first right and priority to use the Armory.

- 8.22 Equipment Set-up and Removal. Lessee is responsible for setting-up and taking-down the equipment, nets, poles, tables, chairs and other personal property that Lessee may use in the Armory and Community Center. If neither Lessor nor another third party is using the facility between the times that Lessee is using the facility, such equipment, nets, poles, tables, chairs and other personal property may remain in place; however, if the space is needed for Lessor's programs or for use by another third party or if the space has to be cleaned, then immediately after Lessee's use of the space, the above-referenced items shall be taken-down and removed to storage areas.

SECTION NINE TERMINATION

- 9.1 Termination. This Lease Agreement shall terminate upon the occurrence of any of the following events, whichever occurs first:
- a.) November 30, 2015.
 - b.) Pursuant to Section 6.1, on June 30th after failure of Lessee to appropriate the \$100,000 annual lease amount specified in Section Two.
 - c.) Defeasance of bonded indebtedness by the Lessor for the Community Center.
 - d.) Complete destruction or permanent abandonment of the Community Center or if the Lessor ceases operating all the Ice Rinks A and B for more than one hockey season.

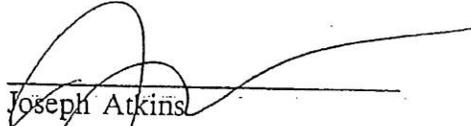
SECTION TEN OTHER REVENUE

- 10.1 Food, Beverage and Concession Stand Revenue. Lessor reserves the exclusive right to operate food, beverage and other concessions at the Armory and Community Center and Lessor solely shall retain the revenue from such operations. No merchandise shall be sold at the Armory or Community Center without Lessor's written consent.
- 10.2 Parking. Lessee shall not charge for parking at the Armory and Community Center without the express written consent of Lessor. During the times that Lessee is renting the Armory and Community Center, Lessor shall not charge for parking without the express written consent of Lessee; provided, however, Lessor reserves the right to charge for parking at other times.

IN WITNESS WHEREOF, each party to this Lease Agreement has caused it to be signed on the date indicated below.

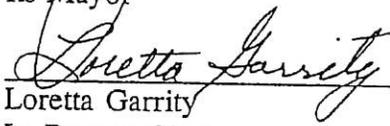
CITY OF INVER GROVE HEIGHTS,
MINNESOTA

By:



Joseph Atkins
Its Mayor

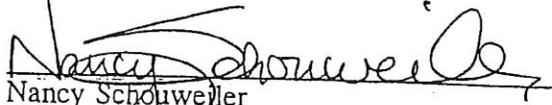
By:



Loretta Garrity
Its Deputy Clerk

INDEPENDENT SCHOOL DISTRICT
NO. 199, INVER GROVE HEIGHTS,
MINNESOTA

By:



Nancy Schouweiler
Its Chair

By:



Jill Lewis
Its Clerk

Dated: May 22, 1995.

Dated: May 22, 1995.

EXHIBIT A

MAILING ADDRESSES FOR NOTICES

City of Inver Grove Heights
Attention: City Administrator
8150 Barbara Avenue
Inver Grove Heights, MN 55077

Independent School District No. 199
Attention: School Superintendent
2990 - 80th Street East
Inver Grove Heights, MN 55076-3235

EXHIBIT B
MARKET RATES

The term "market rates" shall be defined according to the following process:

1. The Community Center Advisory Committee (CCAC) shall survey all ice arenas in the communities listed below during the period from September 1st to April 30th for the different time periods and in accord with the fee schedules used by the various ice arenas.
2. The survey data shall then be compiled in a chart showing all of the different ranges of cost.
3. If there are any variables in the data which need to be reconciled, the CCAC shall do so in good faith.
4. The rates within various categories of time usage, e.g. prime time and off time, shall then be arithmetically averaged.
5. This arithmetic average with each category rounded upward to the nearest dollar shall be defined as the "market rate."

The communities that will be subject to the survey are as follows:

Cottage Grove, Minnesota	Edina, Minnesota
Eagan, Minnesota	Burnsville, Minnesota
Lakeville, Minnesota	Minnetonka, Minnesota
Rosemount, Minnesota	Minneapolis Parade, Minnesota
South St. Paul, Minnesota	
West St. Paul, Minnesota	

In the event that a competing ice arena is established in the City of Inver Grove Heights, then that arena will be included in the survey.

6. The communities included within the survey area may be modified by mutual agreement of the Lessor and Lessee only.

EXHIBIT C

CREDIT FOR LEASE PAYMENTS

C. 1 Credit Under Section Four Of Lease Agreement For Right Of First Refusal.

In the event that the Lessor receives a bona fide offer to purchase the Community Center in accordance with Section Four, and in the event that the Lessee exercises its right of first refusal to purchase in accordance with Section Four, then any annual lease payments of \$100,000 made by the Lessee under Section Two within the current year and the preceding two years from the Lessee's notice of execution of its right of first refusal to purchase shall be credited against the purchase price on a dollar for dollar basis up to a maximum of \$300,000.

Any Section Two annual lease payments in addition to those described herein will also be credited to the purchase price at a discounted amount that shall be computed by multiplying each separate yearly original amount paid by 90% and then continuing to multiply each derived amount by 90% up to the number of years between payment of the original amount and the purchase date. The number of multiplications shall be equal to the years between the payment of the original amount and the date of purchase.

C.2 Credit Under Section Five Of Lease Agreement Relating To Destruction Or Cessation.

In the event that the provisions of Section Five are invoked, the Lessee shall be entitled to a dollar for dollar credit for any Section Two annual lease payments of \$100,000 that it has made up to a maximum of \$300,000. The credit shall only be payable to the Lessee by the Lessor in the event that there are any insurance proceeds, sale proceeds, or other net revenues after operating expenses and debt service flowing from the Community Center.

EXHIBIT E

LESSEE'S LIST OF ADDITIONAL RIGHTS WITHIN FACILITIES

1. Store athletic equipment in available storage areas assigned by Lessor.
2. Lessee may enforce all School District rules of student conduct and the rules of the Minnesota State High School League during the times Lessee is using the facilities.
3. Hang banners and other symbols of school spirit in the Community Center at locations specified by Lessor.
4. Use sound system and scoreboard system in the Community Center.
5. Use available tables and chairs for adult classes and student activity.
6. Use AV equipment, if available, for adult classes and meetings.
7. Use large coffee pots, if available, for adult programs.
8. Use Locker Rooms A and B daily during October through March in the Community Center.
9. Players of both gender shall have the ability to store their hockey equipment overnight in Locker Rooms A and B in the Community Center.
10. Indoor practices from March 15th to April 30th for baseball, track, boys tennis, and softball in the field house area (Rink B area) from 2:30 p.m. to 6:15 p.m.
11. Girls and boys basketball practice during November through March in the Armory (drill floor) from 2:30 p.m. to 6:15 p.m.
12. Indoor practices and matches for girls tennis in the Community Center (Rink B area) from 2:30 p.m. to 6:15 p.m. during the time period beginning the last two weeks in August and continuing through September.
13. Volleyball practice in the Community Center (Rink B area) and in the Armory (drill floor area) from 2:30 p.m. to 6:15 p.m. during the time period beginning the last two weeks in August and continuing through September.

EXHIBIT E

LESSEE'S LIST OF ADDITIONAL RIGHTS
WITHIN FACILITIES

(Continued)

14. Regular classroom space in the Armory from 7:00 a.m. to 3:00 p.m. beginning the last two weeks in August and continuing through the first week of June on weekdays.
15. Physical education activities (except for ice time) between the hours of 7:00 a.m. and 3:00 p.m. on school days in the Armory (drill floor area) and in the Community Center on the Rink B area when ice is not present during the time period beginning the last two weeks of August and continuing through the first week of June.
16. Graduation exercises.

The parties understand that over the course of the twenty (20) year lease term, the Lessee may wish to change the types of activities stated in Paragraphs 10 through 15 above. Lessee shall have the right to substitute other programs for those activities stated in Paragraphs 10 through 15 provided all the following conditions are met:

- a.) Such programs are scheduled for the same time periods as the programs that are being discontinued; and
- b.) Such programs are part of Lessee's Curricular Program or its Extra Curricular Activities Program or its Community Education Program; and
- c.) The substitution is approved by the CCAC.

EXHIBIT D

COMPOSITION OF COMMUNITY CENTER ADVISORY COMMITTEE

The Lessor's three (3) members on the CCAC shall be the City Administrator, Director of Parks and Recreation and the Director of Finance. Such members may be removed with or without cause by the City Council of Lessor.

The Lessee's two (2) members on the CCAC shall be the Superintendent and the Activities - Athletic Director. Such members may be removed with or without cause by the School Board of Lessee.

All action and recommendations of the CCAC shall be by a majority vote of all members.

The CCAC shall meet at least on a quarterly basis.

The duties of the CCAC shall be as described in Section 7.1 of the Lease Agreement.

All actions and recommendations of the CCAC shall be reported to both Lessor and Lessee.

The votes taken shall be made by the members or by those designees selected by the members to attend a particular meeting.

VMCC LEASE ADDENDUM

**ADDENDUM TO LEASE AGREEMENT BETWEEN THE CITY OF INVER GROVE
HEIGHTS AND INDEPENDENT SCHOOL DISTRICT NO. 199
FOR ARMORY AND FOR INVER GROVE HEIGHTS VETERANS
MEMORIAL COMMUNITY CENTER**

THIS ADDENDUM TO LEASE AGREEMENT (Addendum) is made this 20th day of April, 2015, by and between **INDEPENDENT SCHOOL DISTRICT #199**, a Minnesota public school corporation (“School”) and the **CITY OF INVER GROVE HEIGHTS**, a Minnesota municipal corporation (“City”).

RECITALS

- A. The City is the owner and manager of the Veterans Memorial Community Center (“VMCC”).
- B. The City and School entered into a “Lease Agreement between City of Inver Grove Heights and Independent School District No. 199 for Armory and for Inver Grove Heights Veterans Memorial Community Center” dated May 22, 1995 (hereafter referred to as the “Lease”).
- C. The City and School desire to extend the term of the Lease for two (2) years.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties mutually agree as follows:

AMENDMENTS

Amendment No. 1 to Lease. Section 2.1 of the Lease is hereby amended to read as follows:

2.1 Lessor grants the rights described in Section One for a term of twenty-two (22) years, commencing December 1, 1995 and terminating on November 30, 2017, or sooner as provided in this Lease Agreement. The annual rental is One Hundred Thousand Dollars (\$100,000) payable in two (2) equal installments commencing July 15, 1995, and December 15, 1995, and thereafter continuing on each July 15 and December 15 until July 15, 2016 and December 15, 2016, plus the hourly rate charges of renting specific times as provided in Section Three below, all during the term of this Lease Agreement.

Amendment No. 2 to Lease. Section 9.1 of the Lease is hereby amended to read as follows:

9.1 **Termination.** This Lease Agreement shall terminate upon the occurrence of any of the following events, whichever occurs first:

- a.) November 30, 2017.
- b.) Pursuant to Section 6.1, on June 30th after failure of Lessee to appropriate the \$100,000 annual lease amount specified in Section Two.
- c.) Complete destruction or permanent abandonment of the Community Center or if Lessor ceases operating all the Ice Rinks A and B for more than one hockey season.

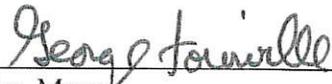
By signing this Addendum, the parties acknowledge that they have read, understand, and agree to abide by all its conditions as stipulated.

INDEPENDENT SCHOOL DISTRICT #199

By: 
Its: Chair

By: 
Its: Clerk

CITY OF INVER GROVE HEIGHTS

By: 
Its: Mayor

By: 
Its: Clerk

ORIGINAL LEASE FOR AQUATIC AND FITNESS CENTER

LEASE AGREEMENT
BETWEEN CITY OF INVER GROVE HEIGHTS
AND INDEPENDENT SCHOOL DISTRICT NO. 199
FOR INVER GROVE HEIGHTS
AQUATIC AND FITNESS CENTER

Execution Copy

Dated: December 6, 1999

LEASE AGREEMENT

This Lease Agreement is made and entered into between the City of Inver Grove Heights, Minnesota, hereinafter referred to as Lessor, and Independent School District No. 199, Inver Grove Heights, Minnesota, hereinafter referred to as Lessee.

RECITALS

The parties recite and declare:

1. Lessor is the sole owner of the Inver Grove Heights Aquatic And Fitness Center, to be located on Lot 2, Block 1, Inver Grove Heights Civic Center Addition, in Inver Grove Heights, Minnesota, (the Aquatic And Fitness Center).
2. Lessor desires to lease the use of the Aquatic And Fitness Center for educational and recreational purposes.
3. Lessee desires to lease from time to time portions of the Aquatic And Fitness Center for the purposes of conducting components of its Curricular Program, Co-Curricular Program and its Extra Curricular Activities Program.
4. The parties desire to enter into this Lease Agreement which defines their rights, duties, and liabilities relating to the Aquatic And Fitness Center.

In consideration of the mutual covenants contained in this Lease Agreement, and other good and sufficient consideration, the parties agree as follows:

SECTION ONE SUBJECT AND PURPOSE

- 1.1 Subject. For the purposes stated in Sections 1.2, Lessor hereby grants Lessee the right and privilege to lease the Aquatic And Fitness Center on the terms and conditions set forth in this Lease Agreement.
- 1.2 Purpose. Subject to payment of the rental amounts set forth in Section Two and Exhibit B, Lessor grants Lessee for Lessee's exclusive use the following lease rights:
 - 1.2.1 Lessee shall have all the leasehold rights specified in Exhibit A which is attached and incorporated herein by reference as if fully set forth herein. The time periods set forth on Exhibit A are hereby scheduled and reserved for Lessee and are preeminent to any determination of and selection by Lessor of the space and times needed by Lessor for its programs subject to the conditions stated on Exhibit A.

- 1.3 **Conditions.** The Lessee's use of the space in the Aquatic And Fitness Center as described above will be subject to all of the conditions contained in this Lease Agreement and subject to the operating rules and regulations promulgated by Lessor.

SECTION TWO
TERM AND RENT

- 2.1 Lessor grants the rights described in Section One for a term of twenty (20) years, commencing July 1, 2001 and terminating on June 30, 2021, or sooner as provided in this Lease Agreement. The annual rental is set forth on Exhibit B payable in two (2) equal installments commencing July 15, 2001, and January 15, 2002, and thereafter continuing on each July 15 and January 15 until July 15, 2020 and January 15, 2021.
- 2.2 All rental payments shall be made to Lessor at Inver Grove Heights City Hall, Attention: City Administrator, 8150 Barbara Avenue, Inver Grove Heights, Minnesota 55077.
- 2.3 Lessee shall pay the rents as specified in this Section Two and on Exhibit B.
- 2.4 As schedules, meets and programs become known to Lessee, the Lessee shall submit to Lessor the exact times of Lessee's use of the Aquatic And Fitness Center consistent with the time periods shown on Exhibit A.

SECTION THREE
COMMUNITY CENTER ADVISORY COMMITTEE

- 3.1 The Community Center Advisory Committee (CCAC), previously created by the parties for the Inver Grove Heights Veterans Memorial Community Center, shall have the following additional duties:
- a.) to make recommendations to the Lessor regarding the operation and maintenance of the Aquatic And Fitness Center; and
 - b.) to make recommendations to the Lessor regarding the promulgation of operating rules and regulations for the Aquatic And Fitness Center.
- 3.2 The Lessor retains the sole discretionary authority to accept or reject in whole or in part the recommendations of the CCAC regarding the operation and maintenance of the Aquatic And Fitness Center and the operating rules and regulations.

SECTION FOUR
GENERAL PROVISIONS

- 4.1 **Amendments.** This Lease Agreement contains all of the agreements of the parties with respect to the subject matter and cannot be amended or modified except by written mutual agreement.
- 4.2 **Severability.** The invalidity, illegality, or unenforceability of any provision of this Lease Agreement shall not render the other provisions invalid, illegal, or unenforceable.

- 4.3 Captions. The headings of the sections of this Lease Agreement are descriptive and for convenience only, and are not a part of this Lease Agreement, and shall have no effect on the construction or interpretation of this Lease Agreement.
- 4.4 Applicable Law. This Lease Agreement shall be construed and interpreted in accordance with the laws of the State of Minnesota.
- 4.5 Counterparts. This Lease Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.
- 4.6 Quiet Enjoyment. Lessor agrees to permit Lessee, upon faithful performance of the terms and covenants of this Lease Agreement, to peaceably and quietly have, hold, and enjoy use of the Aquatic And Fitness Center for the purpose and for the term stated above.
- 4.7 Furnishing of Services. Lessor shall furnish all utilities that are necessary and customary in the operation of an aquatics and fitness center.
- 4.8 Intoxicating Liquors. During those times when the Lessee is using the Aquatic And Fitness Center, Lessor will not cause or allow beer, wine, or liquors of any kind to be sold, given away, or used in areas of the Aquatic and Fitness Center, other than the banquet facilities, except upon the express written consent of the Lessee.
- 4.9 Control of Building. The Aquatic And Fitness Center and the keys thereof, shall be at all times under the charge and control of a building manager who shall be appointed by Lessor.
- 4.10 Entire Agreement. This Lease Agreement shall constitute the entire agreement between the parties. Any prior understanding or representation of any kind preceding the date of the Lease Agreement shall not be binding upon either party except to the extent incorporated in this Lease Agreement.
- 4.11 Rules. Lessor reserves the rights to establish operating rules and regulations regarding the use of and access to the Aquatic And Fitness Center. Lessee agrees to comply with such operating rules and regulations. Lessee shall use its best efforts to enforce such rules and regulations with respect to its students, faculty, coaches, invitees, swimmers and those persons Lessee has authorized to use the facilities.
- 4.12 Assumption of Risk. Lessee acknowledges that use of the Aquatic And Fitness Center carries a risk of personal injury. Lessee assumes all risk with respect to use of the Aquatic And Fitness Center.
- 4.13 Insurance. Lessee shall procure and file with the Lessor and Lessee shall maintain a policy of general liability insurance to cover use of the Aquatic And Fitness Center. The Lessor shall be named as an additional insured under the policy. The minimum policy limits shall be \$1,000,000 for any number of claims arising out of a single occurrence or such other amount

equal to the statutory liability limits as set by Minnesota Statute Chapter 466 as amended from time to time.

- 4.14 Unavailability of Use. If the Aquatic And Fitness Center is not useable due to repairs, remodeling or retrofitting or because of unexpected circumstances such as strikes, acts of God, electrical malfunctions, fire, heating malfunctions or other casualties, then the Lessor and Lessee agree that Lessee's use of the facility shall be rescheduled.
- 4.15 Binding Effect. This Lease Agreement shall be binding upon the parties and their successors and assigns. Lessee shall not assign, sublet or transfer this Lease Agreement or the areas leased hereunder without the written consent of Lessor.
- 4.16 Supervision. During the rental times, Lessee shall supervise, control and monitor its students, swimmers, invitees and authorized users while they are present in the lap pool and dive well area, as well as the locker room area. Additionally, Lessee shall supervise the mezzanine area for thirty (30) minutes subsequent to any rental time. Coaches or other adult supervisors must ensure that swimmers and participants leave the pool immediately upon being advised that the rental period is over. Coaches or other adult supervisors must be present at all times in the lap pool and dive well area with their teams or other participants or swimmers. No teams, swimmers or participants shall be allowed in the lap pool or dive well area without the presence of an adult coach or supervisor.
- During the special events, Lessee shall supervise, control and monitor its students, swimmers, invitees and authorized users while they are present in the leisure pool area and in the locker room area.
- Lessee shall require that its coaches and adult supervisors arrive at the Aquatic And Fitness Center no later than the time that the Lessee has informed its students and swimmers to arrive at the Aquatic And Fitness Center.
- 4.17 Disclaimer. Lessor is not responsible for any personal property of Lessee or its students, faculty, coaches, swimmers, participants, invitees and authorized users. Lessor disclaims any responsibility for damages caused by the theft or vandalism of such personal property.
- 4.18 Damages to Facilities. If Lessee or its students, faculty or coaches damage the Aquatic And Fitness Center, Lessee is responsible for repairing such damage or paying Lessor for such damage.
- 4.19 Beginning Date For Use Of Aquatic And Fitness Center. Notwithstanding anything to the contrary contained herein, Lessee's use of the Aquatic And Fitness Center shall not commence until a certificate of occupancy has been issued for such facility by the City of Inver Grove Heights Building Official. If the certificate of occupancy is issued after July 1, 2001, then the rent payable for the first lease year shall be pro-rated and the commencement date shall be the date the certificate of occupancy was issued. The remaining term of the lease shall remain the same.

- 4.20 Equipment Set-up and Removal. Lessee is responsible for setting-up and taking-down the equipment, lane dividers, nets, poles, tables, chairs and other personal property that Lessee may use in the Aquatic And Fitness Center.

SECTION FIVE
TERMINATION

- 5.1 Termination. This Lease Agreement shall terminate upon the occurrence of any of the following events, whichever occurs first:
- a.) June 30, 2021.
 - b.) Complete destruction or permanent abandonment of the Aquatic And Fitness Center.
 - c.) Pursuant to Section 9.1, on June 30th after failure of the Commissioner of the Minnesota Department of Children, Families, and Learning to approve the Lessee's application for a capital levy for lease payments sufficient to continue performance by Lessee of the annual lease payment.

SECTION SIX
OTHER REVENUE

- 6.1 Food, Beverage and Concession Stand Revenue. Lessor reserves the exclusive right to operate food, beverage and other concessions at the Aquatic And Fitness Center and Lessor solely shall retain the revenue from such operations. No merchandise shall be sold at the Aquatic And Fitness Center without Lessor's written consent.
- 6.2 Parking. Lessee shall not charge for parking at the Aquatic And Fitness Center without the express written consent of Lessor. During the times that Lessee is renting the Aquatic And Fitness Center, Lessor shall not charge for parking without the express written consent of Lessee; provided, however, Lessor reserves the right to charge for parking at other times.

SECTION SEVEN
EARLY OCCUPANCY

- 7.1 Early Occupancy. If a certificate of occupancy for the Aquatic And Fitness Center is issued prior to July 1, 2001, then Lessor shall cooperate with Lessee to schedule the types of activities identified on Exhibit A for the time period from issuance of the certificate of occupancy to June 15, 2001. If the parties can mutually agree to a schedule for Lessee's use of the Aquatic And Fitness Center for the activities listed on Exhibit A during the time from issuance of the certificate of occupancy to June 15, 2001, then Lessee's use of the facility during such time shall be without charge to Lessee.

SECTION EIGHT
RIGHT OF FIRST REFUSAL TO PURCHASE

- 8.1 Right of First Refusal to Purchase. In the event Lessor shall receive a bona fide offer to purchase the Aquatic And Fitness Center during the term of this Lease Agreement, and the offer shall be satisfactory to Lessor, Lessor shall give Lessee the privilege of purchasing the Aquatic And Fitness Center at the price and on the terms of the offer so made. The privilege shall be given by a notice sent to Lessee by certified mail, and require Lessee to accept or reject the offer in writing and to sign a suitable contract to purchase the Aquatic And Fitness Center within the period of ninety (90) days after the mailing of the notice.

The notice shall be mailed to the following address:

Independent School District No. 199, Inver Grove Heights
Superintendent
2990 - 80th Street East
Inver Grove Heights, MN 55076-3235

- 8.2 Failure to Exercise. Failure of Lessee to accept the offer to purchase by signing a contract within the period provided shall nullify and void the privilege to Lessee stated in Section 8.1, and Lessor shall be free to sell the Aquatic And Fitness Center to any other person, firm, or corporation.
- 8.3 Credits Against Purchase Price. In the event that the Lessee chooses to exercise its right of first refusal to purchase in accord with the terms of the bona fide offer to the Lessor, then the Lessee shall be given credit for the annual Lease payments under Section Two of this Lease Agreement to the extent and in accord with the provisions of Exhibit C, which is attached hereto and incorporated herein by reference.

SECTION NINE
FAILURE OF STATE TO APPROVE CAPITAL LEVY

- 9.1 Failure of State To Approve Capital Levy. In the event the Commissioner of the Minnesota Department of Children, Families, and Learning does not approve the Lessee's application for a capital levy for lease payments sufficient to continue performance by Lessee of the annual lease payment, then this lease shall be terminated as of the following June 30th, provided, however, Lessee shall pay to Lessor any Section Two rent monies which are due July 15th and January 15th in the years prior to the June 30th termination and which have not been paid. Lessee shall give notice of non-appropriation not less than sixty (60) days after adopting the resolution terminating the levy which provides the revenue to make the Section Two annual lease payment.

IN WITNESS WHEREOF, each party to this Lease Agreement has caused it to be signed on the date indicated below.

CITY OF INVER GROVE HEIGHTS,
MINNESOTA

By: [Signature]
Its: Mayor

By: [Signature]
Its: Deputy Clerk

Dated: 12/13/99

INDEPENDENT SCHOOL DISTRICT
NO. 199, INVER GROVE HEIGHTS,
MINNESOTA

By: [Signature] ←
Its: Chair

By: [Signature]
Its: Clerk

Dated: 1/4/00

EXHIBIT A

LEASEHOLD RIGHTS

Lessee may conduct the following activities on the dates and times in the areas noted under the special conditions so listed:

NO.	ACTIVITY	DATES AND TIMES	AREA LEASED	SPECIAL CONDITIONS
1.	Girl's Varsity Swim Team	From Approximately mid-August to mid-November Daily hours from 3:00 p.m. to 6:15 p.m. Monday through Friday inclusive	Exclusive use of the lap pool and diving well during the rental period Exclusive use of the varsity locker room area during the rental period	Lessee is responsible to keep the locker room in an orderly and neat appearance
2.	Boy's Varsity Swim Team	From approximately late November through early March Daily hours from 3:00 p.m. to 6:15 p.m. Monday through Friday inclusive	Exclusive use of the varsity locker room area during the rental period Exclusive use of the lap pool and diving well during the rental period	Lessee is responsible to keep the locker room in an orderly and neat appearance
3.	Synchronized Swimming	From approximately early March through early June Daily hours from 3:00 p.m. to 6:15 p.m. Monday through Friday inclusive	Exclusive use of the varsity locker room area during the rental period	Lessee is responsible to keep the locker room in an orderly and neat appearance

**EXHIBIT A
LEASEHOLD RIGHTS
(continued)**

NO.	ACTIVITY	DATES AND TIMES	AREA LEASED	SPECIAL CONDITIONS
4.	Synchronized Swim Meets and Competitive Swim Meets	Lessee will submit to the City a list of all "home meets" for the upcoming season as soon as the dates are set, but no later than six (6) months before the first meet date. The School District's Activities Director's Office shall submit the dates to the City Facilities Manager's Office.	Exclusive use of the lap pool and diving area during "home meets". Exclusive use of the varsity locker room area during "home meets."	With respect to gate revenue, Lessee shall receive the gate revenues in an amount to cover the costs of hosting the event, but not to exceed \$150.00. The gate revenues in excess of (a) the costs of hosting the event or (b) \$150.00, whichever is less, shall then be split equally between Lessor and Lessee. Lessor and Lessee shall annually review the actually staffing costs and adjust the \$150.00 level accordingly as the parties may mutually determine. All other revenue generated by or associated with the meets, such as concessions, shall be paid to Lessor, not to Lessee.
5.	Physical Education Swim Classes	Lessor shall then reserve for Lessee the dates and times for the meets. During the second trimester of the school year. Daily hours from 8:00 a.m. to 9:30 a.m. and from 1:30 p.m. to 3:00 p.m.	Exclusive use of the lap pool during the rental periods. Exclusive use of the varsity locker room during the rental periods.	If Lessee intends to utilize the rental periods, the School District's Activities Director's Office must notify the City Facilities Manager's Office at least six (6) months before the scheduled usage. If such notice is not given by Lessee, then the Lessee is not entitled to use the areas during such times.

**EXHIBIT A
LEASEHOLD RIGHTS
(continued)**

NO.	ACTIVITY	DATE AND TIMES	AREA LEASED	SPECIAL CONDITIONS
6.	Special Events	<p>Three (3) special events for the Middle School; and one (1) special event for each elementary school in the District. Provided, however, the total number of special events shall not exceed eight (8).</p> <p>The dates and times of all special events must be coordinated with the City's Facility Manager by the District's Activities Director's Office.</p> <p>A schedule of the dates and times of all special events must be submitted by the District's Activities Director's Office to the City's Facility Manager at least six (6) months prior to the first scheduled event.</p>	<p>Exclusive use of the leisure pool area during the rental periods.</p>	<p>Lessee is responsible for supervision of all students and others that attend the special events.</p> <p>Lessor's approval of the dates and times for the special events is subject to the availability of lifeguard staff.</p> <p>Lessee shall pay the lifeguard costs associated with the special events.</p>

5/28/11
264,000

EXHIBIT B
LEASE PAYMENTS

LEASE YEAR	SEMI-ANNUAL PAYMENT DATES AND AMOUNTS		TOTAL ANNUAL PAYMENT
1.	\$110,000 (7-15-2001)	\$125,000 (1-15-2002)	\$235,000
2.	\$110,500 (7-15-2002)	\$125,500 (1-15-2003)	\$236,000
3.	\$111,000 (7-15-2003)	\$126,000 (1-15-2004)	\$237,000
4.	\$111,500 (7-15-2004)	\$126,500 (1-15-2005)	\$238,000
5.	\$112,000 (7-15-2005)	\$127,000 (1-15-2006)	\$239,000
6.	\$112,500 (7-15-2006)	\$127,500 (1-15-2007)	\$240,000
7.	\$113,000 (7-15-2007)	\$128,000 (1-15-2008)	\$241,000
8.	\$113,500 (7-15-2008)	\$128,500 (1-15-2009)	\$242,000
9.	\$114,000 (7-15-2009)	\$129,000 (1-15-2010)	\$243,000
10.	\$114,500 (7-15-2010)	\$129,500 (1-15-2011)	\$244,000
11.	\$115,000 (7-15-2011)	\$130,000 (1-15-2012)	\$245,000

EXHIBIT B
LEASE PAYMENTS
(continued)

LEASE YEAR	SEMI-ANNUAL PAYMENT DATES AND AMOUNTS		TOTAL ANNUAL PAYMENT
12.	\$115,500 (7-15-2012)	\$130,500 (1-15-2013)	\$246,000
13.	\$116,000 (7-15-2013)	\$131,000 (1-15-2014)	\$247,000
14.	\$116,500 (7-15-2014)	\$131,500 (1-15-2015)	\$248,000
15.	\$117,000 (7-15-2015)	\$132,000 (1-15-2016)	\$249,000
16.	\$117,500 (7-15-2016)	\$132,500 (1-15-2017)	\$250,000
17.	\$175,000 (7-15-2017)	\$175,000 (1-15-2018)	\$350,000
18.	\$175,000 (7-15-2018)	\$175,000 (1-15-2019)	\$350,000
19.	\$175,000 (7-15-2019)	\$175,000 (1-15-2020)	\$350,000
20.	\$175,000 (7-15-2020)	\$175,000 (1-15-2021)	\$350,000

EXHIBIT C

CREDIT FOR LEASE PAYMENTS

Credit under Section 8.3 of Lease Agreement For Right of First Refusal.

In the event that the Lessor receives a bona fide offer to purchase the Aquatic And Fitness Center in accordance with Section 8.1, and in the event that the Lessee exercises its right of first refusal to purchase in accordance with Section 8.1, then any annual lease payments up to \$250,000 annually made by the Lessee under Section Two within the current year and the preceding two years from the Lessee's notice of execution of its right of first refusal to purchase shall be credited against the purchase price on a dollar for dollar basis up to a maximum of \$750,000.

Any Section Two annual lease payments in addition to those described herein will also be credited to the purchase price at a discounted amount that shall be computed by multiplying each separate yearly original amount paid by 90% and then continuing to multiply each derived amount by 90% up to the number of years between payment of the original amount and the purchase date. The number of multiplications shall be equal to the years between the payment of the original amount and the date of purchase.



Memo

To: Joe Lynch, City Administrator
From: Steve Apfelbacher and Jessica Cook
Date: April 28, 2016
Subject: Financial Impact of Northwest Area Utility Extensions

Background

When the City of Inver Grove Heights contemplated extending sewer and water utilities to the Northwest Area, the City Council decided not to assess property owners out of concern of forcing existing owners to sell their property to pay for the assessments. The City directed Ehlers to devise a system of connection fees to pay for the improvements as development occurred. Since this system was established in 2007, several key assumptions have changed:

- 1) The great recession hit and demand for higher density housing and commercial development, as zoned in the City's comprehensive plan, has declined.
- 2) Project design and construction costs have increased significantly with detailed plans and terrain challenges.
- 3) The current development plan is not contiguous, causing the City to extend pipe across vacant parcels from which fees are not collected.

Update on Current Development Activity

In 2015, the City embarked on the second major extension of the utilities to serve the Blackstone housing developments and surrounding properties. The housing developments planned to date in the expanded service area are:

Planned Development	# Units
Blackstone Vista	78
Blackstone Ridge	79
Blackstone Ponds	104
Blackstone Highlands	37
TOTAL*	298

*The proposed IMH development is not included because the status of the 82-unit project is uncertain.

The estimated sewer and water connection fee revenue generated by these developments is \$3.27 million. However, the estimated cost to extend water and sewer to serve these units is \$14.9 million, resulting in an \$11.67 million shortfall.

The City issued bonds in 2015 to finance a portion of the sewer project. It was contemplated that the remaining portion of the sewer project and all of the water projects would be paid for with cash from the utility funds. The chart below shows the total project cost, the portion funded in 2015, and the remaining funding needs for 2016.

	Total Project Cost	Paid For or Financed in 2015	Remaining 2016 Project Cost to be Funded
Water	\$6,306,584	\$329,272	\$5,977,312
Sewer	\$8,600,022	\$4,368,613	\$4,264,400
Total	\$14,906,606	\$4,697,885	\$10,241,712

Development fees are proving to be an unreliable and inadequate funding source to pay 100% of the costs of extending the utilities. To compound the situation, developers are indicating the City’s connection fees are too high and are negotiating fee reductions. The City needs to identify a reliable and adequate funding source to complete the 2015-2016 sewer and water projects, as well as funds to repay the outstanding sewer revenue bonds the City has issued.

Short-term Recommendations

Following is a list of short-term recommendations that, taken together, will provide funding for the Northwest Area over the next five years plus address developer concerns.

- **Address Developer Concerns.** Developers indicate that the City’s sewer and water development charges for the Northwest Area are too high. A comparison of the City’s connection charges for sewer, water, and storm water is attached. The comparison shows fees for a single family home and a sample commercial property, as compared with neighboring and developing suburbs. Many of the other cities may have assessed a portion of the costs, which would allow them to charge lower fees.

Recommendation #1: Reduce the water connection fee by \$2,315. This could be accomplished by temporarily suspending collection of Water Treatment Plant Fee and Water Core Connection Fee for properties in the Northwest Area, pending completion of the Strategic Water and Sewer System Management Plan. The Plan is a study of the City’s entire water and sewer systems to develop a comprehensive needs assessment for the future.

Recommendation #2: Educate developers and appraisers on the City’s fee structure so that they do not overpay for the land. They are purchasing unimproved

property, unlike land in other communities where property owners have been assessed. At the first point of contact with the planning or engineering departments, staff should explain that the fees are high because improvements have not been assessed or paid for by current landowners.

- **Fund Water Project Costs.** The water portion of the Northwest Area capital project cost has been paid with cash advances from the water fund.

Recommendation #3: We recommend that the City continue to pay for 2015-2016 improvement projects with approximately \$5 million in cash from the water operating fund. The cash, together with fees and existing cash balance, will be sufficient to pay the remaining \$5,977,312 in project costs.

- **Fund Sewer Project Costs.** Sewer bonds issued in 2015 did not fund the full cost to complete all sewer extensions to serve the Blackstone developments. Another \$4,264,400 in sewer improvements will need to be paid for by the City in 2016.

Recommendation #4: Staff and Ehlers propose the City use \$4,264,400 in cash comprised of \$3,544,400 from the sewer operating fund, and \$720,000 from the general fund. The \$720,000 represents the amount revenue exceeded expenses in the general fund in 2015.

- **Fund Annual Debt Service on Sewer Bonds for Five Years.** Projected revenues from the Blackstone developments are not sufficient to pay the outstanding debt service on the sewer revenue bonds. Annual debt service increases to \$1.24 million by 2018. Projected fees from Blackstone projects are expected to be an average of \$345,000 per year over the next five years.

Recommendation #5: The City may use \$3.27 million in the water system improvement fund to pay annual debt service over the next five years. The funds in the Water System Improvement Fund include payments received from Tax Increment District No. 3-1 that paid a portion of the water treatment plant cost, and do not represent fees paid by water customers.

Using cash on hand to pay debt service still leaves an annual shortfall in the Northwest Area Sewer Fund of approximately \$110,000 per year. State law requires the City to charge sufficient sewer fees to cover the debt service. (Insufficient sewer rates will also negatively impact the City's bond rating.)

Recommendation #6: Ehlers proposes a city-wide 3.5% increase on sewer utility rates which could generate approximately \$110,000 per year.

The above recommendations provide short-term financial solutions for the next five years. The new revenues from the sewer rate increase plus the infusion of cash will allow the fund to break even for the next five years, but does not address the current negative cash balance of \$1.5 million.

Long-Term Recommendations

Additional actions will need to be taken to address the long-term payment of bonds and future utility extensions. The annual debt service for sewer continues at \$1.25 million. This level of debt service requires approximately 200 residential units to be constructed each year thereafter. Furthermore, recent experience has demonstrated that the cost of extending utilities into the Northwest Area is more than three times the cost originally anticipated. Therefore we are uncomfortable relying on previous cost estimates to make long-term financial projections. We will need revised cost estimates to provide a long-term financial plan that demonstrates how the City will pay to complete the extension of utilities into the remaining unserved portions of the Northwest Area. We understand that the engineering staff is in the process of obtaining studies to evaluate the location and cost of future extensions.

In addition, Ehlers has not reviewed the financial situation of the Northwest Area storm water fund since 2007 and therefore is not able to provide an opinion on the financial sustainability of the Northwest Area Storm Water Fund.

Recommendation #7: We would advise the City to not approve additional extensions to the water and sewer system in the Northwest area until the engineering reports are complete and we can provide a valid long-term financial plan supported by the City for how to pay for both the existing utility infrastructure and future extensions.

Recommendation #8: Future city-wide sewer rate increases should be considered to address the current negative cash balance and position the City to handle future annual deficits anticipated in 2021 and beyond.

Recommendation #9: The 2010C Sewer Revenue Bonds will be callable on February 1, 2018. The City can consider restructuring the debt at that time to reduce annual payments.

Comparison of 2016 Sewer, Water and Stormwater Development Fees for a Single Family Home

Assumes 3 single family units per net developable acre.

	Sewer	Water	Subtotal Water and Sewer	Stormwater	TOTAL	Comments
Chanhassen	\$ 2,302	\$ 6,882	\$ 9,184	\$ 2,667	\$ 11,851	Properties may also be assessed for trunk lines
Cottage Grove (Upper Ravine Area)	\$ 2,184	\$ 2,731	\$ 4,915	\$ 1,380	\$ 6,295	
Eagan	\$ 110	\$ 2,251	\$ 2,361	Determined on a site by site basis	N/A	Water Quality Dedication fee equal to cost of land and excavation for required pond
Farmington	\$ 1,308	\$ 3,681	\$ 4,990	\$ 4,022	\$ 9,012	
Hastings	\$ 1,430	\$ 3,075	\$ 4,505	\$ -	\$ 4,505	
Inver Grove Heights	\$ 1,175	\$ 4,280	\$ 5,455	None - costs paid for with storm water taxing districts.	N/A	
Inver Grove Heights (Northwest Area)	\$ 6,257	\$ 6,183	\$ 12,440	\$ 3,995	\$ 16,435	
Proposed Inver Grove Heights (Northwest Area)	\$ 6,257	\$ 3,868	\$ 10,125	\$ 3,995	\$ 14,120	Excludes water treatment fee and water core connection fee.
Lakeville	\$ 1,152	\$ 4,100	\$ 5,252	\$ 7,754	\$ 13,006	
Medina (Independence Beach and Morningside)	\$ 4,410	\$ 4,410	\$ 8,820	Developer required to construct all of the improvements. HOA required to maintain.	N/A	
Rogers	\$ 5,685	\$ 4,425	\$ 10,110	\$ 817	\$ 10,927	
Rosemount	\$ 1,558	\$ 4,342	\$ 5,900	\$ 3,820	\$ 9,720	
Savage	\$ 4,069	\$ 4,893	\$ 8,962	\$ 3,804	\$ 12,766	Storm water fee \$5,634 if no on-site ponding
Shakopee	\$ 1,359	\$ 6,104	\$ 7,463	\$ 3,111	\$ 10,574	
Woodbury (Water District No. 2, Sewer District No. 12)	\$ 1,815	\$ 3,810	\$ 5,625	\$ 5,335	\$ 10,960	Additional charges apply if site doesn't allow for on-site stormwater management
Average (excluding Eagan and Inver Grove Heights)	\$ 2,197	\$ 4,230	\$ 6,426	\$ 3,634	\$ 9,961	

Comparison of 2016 Sewer, Water and Stormwater Development Fees for Commercial Building

Assumes industrial development with 160 SAC units and 6.0 Net Developable Acres and 3" water meter

	Sewer	Water	Subtotal Water and Sewer	Stormwater	TOTAL	Comments
Chanhassen	\$ 380,320	\$1,101,120	\$ 1,481,440	\$ 124,452	\$ 1,605,892	
Cottage Grove (Upper Ravine Area)	\$ 19,830	\$ 33,066	\$ 52,896	\$ 56,232	\$ 109,128	
Farmington	\$ 100,230	\$ 389,314	\$ 489,544	\$ 135,756	\$ 625,300	
Hastings	\$ 228,800	\$ 492,000	\$ 720,800	\$ -	\$ 720,800	
Inver Grove Heights	\$ 267,595	\$ 275,260	\$ 542,855	\$ -	\$ 542,855	None - costs paid for with storm water taxing districts.
Inver Grove Heights (Northwest Area)	\$ 823,435	\$ 651,094	\$ 1,474,529	\$ 78,090	\$ 1,552,619	
Proposed Inver Grove Heights (Northwest Area)	\$ 823,435	\$ 529,164	\$ 1,352,599	\$ 78,090	\$ 1,430,689	Excludes water treatment fee and water core connection fee.
Lakeville	\$ 184,320	\$ 328,000	\$ 512,320	\$ 65,340	\$ 577,660	
Medina	\$ 172,000	\$1,212,000	\$ 1,384,000	\$ -	\$ 1,384,000	Developer required to construct and maintain all of the stormwater improvements.
Rogers	\$ 518,050	\$ 573,100	\$ 1,091,150	\$ 14,700	\$ 1,105,850	
Rosemount	\$ 198,450	\$ 68,450	\$ 266,900	\$ 54,810	\$ 321,710	
Savage	\$ 437,605	\$ 441,906	\$ 879,510	\$ 81,544	\$ 961,055	City fees are calculated on gross acreage
Shakopee	\$ 99,682	\$ 846,166	\$ 945,848	\$ 63,373	\$ 1,009,221	Assumes development is in Valley View Industrial Park
Woodbury (Water District No. 2, Sewer District No. 12)	\$ 34,500	\$ 75,120	\$ 109,620	\$ 96,024	\$ 205,644	Additional charges apply if site doesn't allow for on-site stormwater management
Average (excluding Inver Grove Heights)	\$ 220,115	\$ 486,292	\$ 706,407	\$ 76,915		

Joe Lynch

From: Allan Hunting
Sent: Thursday, November 05, 2015 12:51 PM
To: Joe Lynch
Subject: Last night ANAC meeting

Joe,

The Airport Noise Abatement Commission held their regularly scheduled November meeting last night. The only item on the agenda was to discuss the request of Mr. Shibata to address turning radii at MSP. Only 2 members showed up for the meeting. I received 3 e-mails prior to the meeting of those that would not be there. A quorum of 4 members was needed. Since there was no quorum, an official meeting was not held. Members in attendance were Barry Greive and Patricia Todd.

Allan Hunting | City Planner

Tel: 651-450-2554 | Fax: 651-259-8044

City of Inver Grove Heights | 8150 Barbara Ave | Inver Grove Heights | Minnesota | 55077

ahunting@invergroveheights.org | www.invergroveheights.org

has been with the City for ten (10) years. Carrie will start out at the top salary for this position, \$65,000 due to her experience and in conjunction with her current salary. She is currently at the top of the pay range for her current position, \$62,500. This will only be a \$2,500 increase from her current pay. This position is exempt compared to the one she currently occupies and therefore would not earn any overtime. It is also a non-union position where her current one is a union position. As you may remember, we changed this position description and the salary range from the previous one of Human Resources Coordinator. The range for this new position is approximately \$10,000 less than the previous one.

Public Safety

The "1st Wednesday of the month" Outdoor Warning Siren test took place on November 4. All sirens in the City functioned properly.

Airport Relations Committee

The Airport Noise Abatement Commission tried to hold their regularly scheduled November meeting on Wednesday, November 4th. The only item on the agenda was to discuss the request of Mr. Rue Shibata to address turning radii at MSP. Only 2 members showed up for the meeting. Staff received 3 e-mails prior to the meeting of those that would not be there. A quorum of 4 members was needed. Since there was no quorum, an official meeting was not held. Members in attendance were Barry Greive and Patricia Todd. This is the second meeting in a row, first a Special meeting followed by this regular meeting, where this group has failed to achieve a quorum. This group has not met this year and did not meet last year due to the same problem. I implore you again to consider either disbanding this group or make their responsibilities a part of the Planning Commission. There are not enough meaningful issues often enough to have this group function, even on a quarterly basis.

Advisory Commission Vacancies

There are currently two (2) vacancies on the Environmental Commission and there will be one on the Planning Commission. The Environmental Commission meets only when needed and can wait until the official application and appointment process in May, but because of the nature of the times and amount of activity taking place lately, we should try to fill that Vacancy right away. We currently have received one application for this group. Council could open the position up immediately and seek applicants and make this appointment after a period of time to receive applications or you could make the appointment based upon receipt of this application. Mr. Paul Mandell has applied to become a Member of the Planning Commission.

Advisory Commission function

I have written to Council twice before about the performance (or lack thereof) and function of the Airport Relations Committee. This group met only once in 2014, compared to the required four meetings. It has not had the ability to meet many times over the past due to the lack of a quorum. The original group membership was seven (7) and most recently has been reduced to five, with three (3) required to hold an official meeting. As was noted in May of this year, almost half of the regularly scheduled meetings over the last five (5) years could not be held because of a lack of quorum. We do not receive the same number of applicants for this Committee as we do for others and of those appointed most recently, several have either never attended or stop shortly after their first meeting because of the infrequency of the meetings and the lack of diversity of issues or approach to management of any issues (of which there have not been many!). I again urge you to either combine this group with our Planning Commission and leave it to that group to deal with issues, when they come up, or disband the group and leave it to staff to continue to represent the City at the MAC and NOC meetings and present information or findings to either the Planning Commission or City Council periodically –perhaps once a quarter. We are not managing this group well and are less than effective with any kind of voice, even if we do raise issues, because of the ineffectiveness of this group over time.

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