

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

**Prepared by:  
Finance Department**

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**INTRODUCTORY**  
**SECTION**

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# City of Inver Grove Heights

[www.ci.inver-grove-heights.mn.us](http://www.ci.inver-grove-heights.mn.us)

July 17, 2012

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, 2011.

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 Kern, DeWenter, Viere, Ltd. 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, 2011, 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, 2011, 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 33,880. 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 15. 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.** The City implemented GASB #54 in 2011 establishing a requirement to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other governmental aids are received in the second half of the City's fiscal year. The City also established specific guidelines used to classify fund balances into categories based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

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.** The City saw \$39 million of new construction in 2011. Residential construction in 2011 included 20 single family residences and 950 building permits for \$10.4 million of residential remodeling. The City also experienced \$12 million in commercial and industrial development. The City has extended City utility services to open up the northwest area of the community for development. This has resulted in the construction of a 100 unit senior housing complex and a 125,000 square foot Target store. An additional 200,000 square feet of retail commercial space is planned for the second phase of the Target development. Major site preparation has been completed for a 400,000 square foot office warehouse development though building construction has been delayed because of economic conditions.

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), Motorcycle Patrol, Business Check Program, Bicycle Patrol, Intensive Supervision Program (ISP), Critical Incident Stress Management (CISM) team, check diversion program and driving diversion program. We will 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 include Drug Task Force, MAAG (SWAT), Special Operations Team (SOT), Incident Management Team (IMT) and Traffic Safety Group projects. Our newest partnership is with Independent School District No. 199 which created a School Resource Officer (SRO) position for the 2010-2011 school year will continue through the 2011-2012 school year.

The Fire Department received a federal grant for various pieces of safety equipment and personnel training. The grant allowed for vehicle rescue and stabilization equipment, advanced firefighter training, message boards to be used during incidents on roadways, rehabilitation equipment to be used at emergency scenes, computers for the emergency vehicles, and an emergency back-up generator for one of the fire stations. Purchases for all equipment will not be completed until 2012.

The Fire Department continued to work closely with neighboring cities to share services. All fire departments in Dakota County provide mutual aid coverage on an as-requested basis. A new automatic mutual aid agreement was established with the South Metro Fire Department to assist them in covering their cities of West St. Paul and South St. Paul. Our Fire Department is called into those two cities at the same time South Metro is paged for a confirmed structure fire. The automatic mutual aid agreement with the Eagan Fire Department was continued in 2011. The automatic mutual aid agreement that was developed with the Rosemount Fire Department in 2010 for coverage in the northern part of their city was expanded. Our Fire Department now calls Rosemount Fire into the southern part of our City strictly for a tender truck because of the lack of hydrants. Fire Department members also continue to serve on the County Incident Management Team and Special Operations Team. All these shared services will continue throughout 2012.

Public Works continues to pursue an aggressive street reconstruction program, a milling and overlay program and a crack seal and seal coating program. These programs will ensure a well-maintained roadway infrastructure. The 2011 urban street reconstruction project rebuilt 1.44 miles of street and completed a mill and overlay on 0.39 miles of street in the South Grove neighborhood. The crack seal and seal coat projects covered 14.79 and 10.65 miles of street, respectively.

A 0.56 mile section of Blaine Avenue, south of 50<sup>th</sup> Street East, was partially reconstructed. A short section of 65<sup>th</sup> Street East, between the new access to Cameron's Liquor and Concord Boulevard, was reconstructed to provide a turn lane.

The City Council approved a 5-year Capital Improvement Plan for the Park Maintenance Fund increasing funding to help make some much needed improvements to the park system over the next five years. With the help of a grant from Dakota County, the City reviewed the entire trail system and identified "gaps" we have that should be constructed to help connect the trail system to parks, neighborhoods, schools, and local businesses.

The Rock Island Swing Bridge opened in June and was very well received by the public. The City and Dakota County are working cooperatively to construct a trailhead facility on the south side of 66<sup>th</sup> St that will provide for on-site parking and a restroom facility with a picnic area with construction expected in 2013. Dakota County will be working on the another regional trail that will be located in the NW area of Inver Grove Heights through a Master Plan process that will wrap up in the middle of 2013.

The City also was able to install 40 way-finding signs throughout the City to help people using the trail system find their way around the City and locate points of interest.

The Random Acts of Fitness program caught residents of the City walking, jogging, biking, and generally exercising. The program was designed to reward people for staying fit and being active. With 4,500 volunteer hours the recreation staff was able to provide a wide variety of programs to residents with over 8,600 people registering for our programs and countless others participating in special events and community functions that bring the community together and help make Inver Grove Heights a great place to live, work, play, and learn.

In February the City celebrated the 10-year anniversary of the Grove Aquatic & Fitness Center with special events throughout the week. Significant improvements were made to the locker room facilities and other portions of the building which included paint, signage, and a new HAVC unit in the splash pool. With the departure of our Manager of Arena and Building Maintenance we transitioned to hiring a contracted cleaning service to clean portions of the building beginning in 2012.

In 2011 the Inver Wood Golf Course operated with self serve vending option at the driving range which allowed the range to be open more frequently and meant a reduction in staff costs. The comfort station was also converted to self service vending in order to reduce staff costs. The course entertained over 50,000 rounds of golf with approximately 20% of those being booked using a new on-line tee-time service that is a part of our new point-of-sale system. The interior of the clubhouse receive new carpet and paint and the second phase of a four phase cart path improvement project was completed. Overall operating revenue did not exceed operating expenses for the year and a strategic rate increase is planned for 2012.

On June 1, 2009 the Inver Grove Heights City Council broke ground on the Public Safety Addition and City Hall Renovation. Phase one was completed and Police personnel and City Hall staff moved into the Public Safety Addition in early August 2010. Phase two of the project, remodel of City Hall was begun in September of 2010 and completed in September of 2011 with City Hall staff moving into the renovated space in early November. Fire Administration relocated to their space shortly thereafter.

The new facility has several energy efficient features including geothermal heating and cooling, high performance windows and a white roof. The existing building was opened in 1982 and served a population of about 17,000. The current population is nearly 34,000 and is expected to grow to about 45,000 by 2025. The addition and renovation nearly doubles the size of the building with much of that added space dedicated to covered parking for public safety vehicles.

**For the future.** The City adopted an update of its Comprehensive Plan in 2010. The Plan sets forth goals, policies and plans for the City's future growth and development for the next twenty years. 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 water was constructed in 2009. Storm water plans have also been completed for the same area. The City has updated its land use, environmental and financial ordinances in preparation for these utility extensions and subsequent development.

The City is also concentrating on redevelopment and economic development activities. The City recently updated its 1998 Concord Boulevard Neighborhood Plan, an area adjacent to the Mississippi River. The plan recognizes the considerable public investments in the neighborhood in the last decade, refines the neighborhood land use plan and identifies specific redevelopment sites. The City is now undertaking a market strategy study and design guidelines in anticipation of seeking a developer in 2013. The City received a Metropolitan Council Livable Communities Grant to assist with the guideline and market study.

In addition to the Concord Neighborhood, the City Council continued to work on other economic development issues in 2011. The City reaffirmed and reconstituted its dormant Economic Development Authority, which subsequently created an acquisition policy, researched the creation of small business loan program, and acquired excess City golf course property for future development. City staff worked with Progress Plus, a public-private non-profit foundation, on various economic development activities, especially marketing, business inquiries, databases and research.

The City Council created a Housing Committee in 2011. The Committee will undertake a housing audit in 2012 and explore the regulation of rental units in the City.

Beginning in 2011, the Fire Department began conducting a fire station location study to look for an appropriate site for a possible third fire station. In 2012 a full-time Assistant Chief will be hired as the second full-time operational employee of the department. Scheduled with the completion of the city hall remodel project, the Administration of the Fire Department will move from the fire station to the new Public Safety Addition.

In 2012, in addition to the Pavement Management Program that will involve work on 21.96 miles of street, the Public Works Department will have a project to construct a pedestrian trail along, and complete a mill and overlay of 66<sup>th</sup> Street East, between Concord Boulevard and the Rock Island Swing Bridge Pier.

The City will partner with Mn/DOT to extend the west frontage road for TH 52, from 96<sup>th</sup> Street east to the railroad tracks adjacent to the Inver Grove Storage property. The City will also partner with the developer of the Argenta Hills residential housing development and Mn/DOT to construct turn lanes on TH 3 at its intersection with the access to that development.

We are preparing plans for the replacement of the Asher Water Tower. The schedule calls for the demolition of the existing water tower in 2012 and construction of the new tower in 2013 and 2014.

With the debt retired on the Inver Wood Golf Course, work will begin on creating a positive net operating return annually. A policy will be created for Council review and approval on how to manage any excess revenue created at the course. Future consideration will need to be made for capital improvements on the course along with capital equipment purchases.

The City will begin a year-long study of the Park and Recreation System that will end in mid-2013. The review will be heavily influenced by residents and they will help prioritize the most wanted amenities needed for the future of our parks. An important outcome of the process is to determine what the financial commitment is that residents are willing to make towards the park system so that the City can deliver the park and recreation system created as a part of the park and recreation systems plan.

As the community continues to age, the City and Community Education have begun to review what our active older adults want for services and facilities. It is anticipated that we will need to work collaboratively to provide for this growing segment of the population.

## **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, 2010. This was the twenty fifth 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



# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danson*

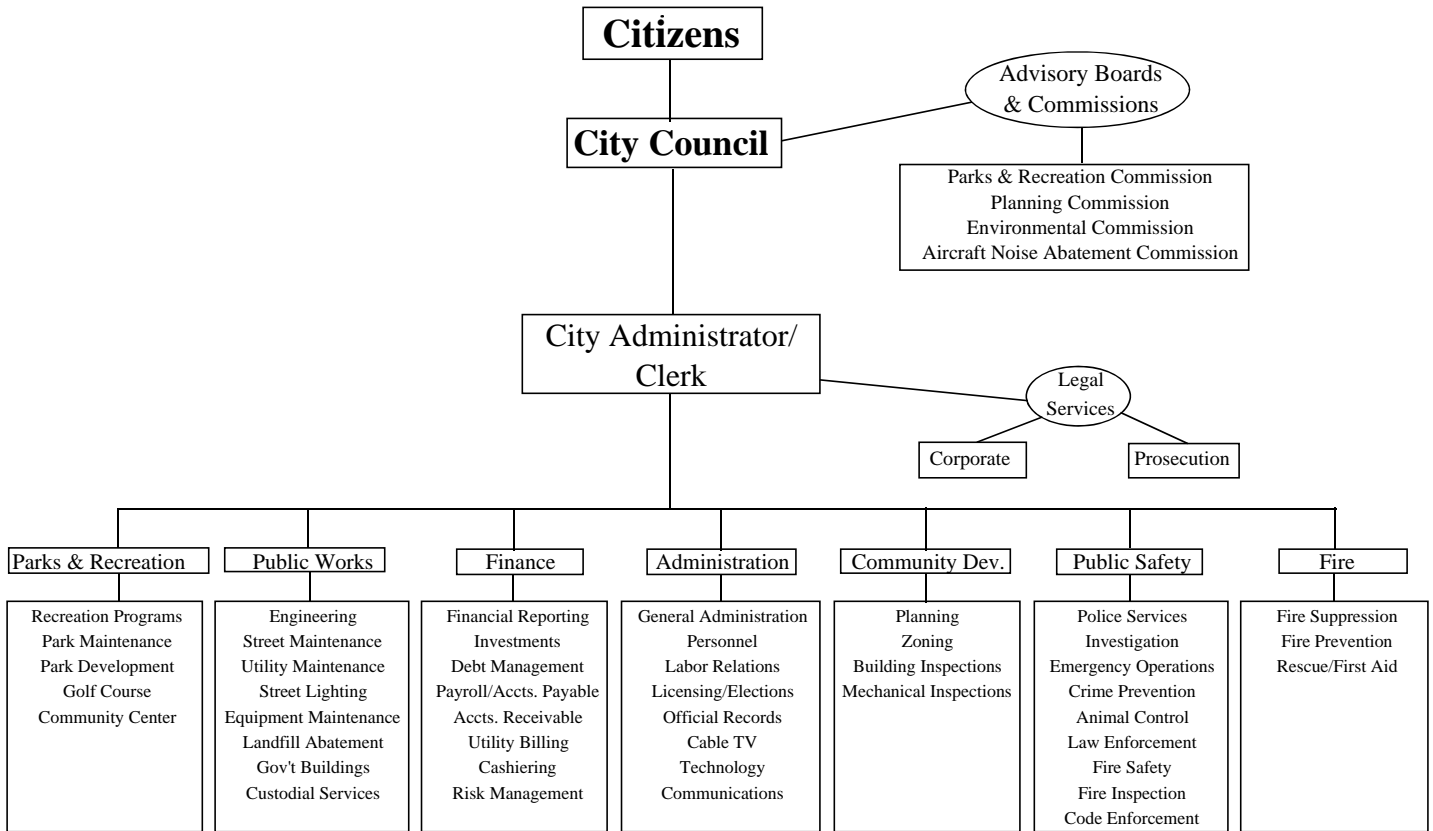
President

*Jeffrey R. Emer*

Executive Director

# City of Inver Grove Heights, Minnesota

## Functional Organization Chart



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**ELECTED AND APPOINTED OFFICIALS**

**December 31, 2011**

**Elected Officials**

	<u>Term Expires</u>
Mayor: George Tourville	December 31, 2012
Council Members: Vance Grannis III	December 31, 2012
Bill Kelin	December 31, 2012
Dennis Madden	December 31, 2014
Rosemary Piekarski-Krech	December 31, 2014

**Appointed Officials**

City Administrator/Clerk	Joe P. Lynch
Director of Finance	Open at December 31
Interim Chief of Police	Larry Stanger
Fire Chief	Judy Smith-Thill
Director of Public Works	Scott Thureen
Director of Community Development	Thomas Link
Director of Parks and Recreation	Eric Carlson

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**FINANCIAL**  
**SECTION**

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*Expert advice. When you need it.<sup>SM</sup>*

## **INDEPENDENT AUDITOR'S REPORT**

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

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, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2010 financial statements and, in our report dated April 29, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 of Inver Grove Heights, Minnesota, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying combining and individual fund statements and schedules identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and are derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

The information listed under the Introductory and Statistical Section in the Table of Contents is not necessary for a fair presentation of the basic financial statements, but is presented as additional analytical data. This information has not been subjected to any audit procedures and, accordingly, we express no opinion on it.

*Kern, DeWenter, Viere, Ltd.*

KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota  
July 17, 2012



# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

As management of the City, we offer readers of the City of Inver Grove Heights' (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. 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 3-10 of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$175,693,289 (net assets). Of this amount, \$56,095,338 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,261,246 as a result of operations. \$3,477,749 of this was a decrease from governmental activities and there was an increase from business-type activities of \$8,738,995.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,368,683, a decrease of \$2,401,964 in comparison with the prior year. Approximately \$4,182,283 of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,326,550, or 40.7% of total General Fund expenditures.
- The City's total debt decreased by \$5,430,314 (9.8 percent) during the current fiscal year. A key factor in this decrease was the refunding of \$1,875,000 of General Obligation (G.O.) Improvement Bonds, Series 2006A and \$3,365,000 of G.O. Tax Increment Refunding Bonds, Series 2003D.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-Wide Financial Statements.** The government-wide financial statements 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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).

# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government 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, and community development. The business-type activities of the City include water, sanitary sewer and golf course.

The government-wide financial statements can be found on pages 32-33 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 two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in 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 of 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 29 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, two debt service funds and four capital projects funds, which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 34-41 of this report.

# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

**Proprietary Funds.** 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.

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, sanitary sewer and golf 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 basic proprietary fund financial statements can be found on pages 42-44 of this report.

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

The basic fiduciary fund financial statement can be found on page 45 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 can be found on pages 47-73 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 78-87 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$175,693,289 at the close of the most recent fiscal year.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

By far the largest portion of the City's net assets (61.2%) 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 its 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' Net Assets**

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 58,170,177	\$ 63,188,618	\$ 13,415,094	\$ 13,712,047	\$ 71,585,271	\$ 76,900,665
Capital assets	108,481,575	113,914,329	55,588,068	46,802,256	164,069,643	160,716,585
Total assets	<u>166,651,752</u>	<u>177,102,947</u>	<u>69,003,162</u>	<u>60,514,303</u>	<u>235,654,914</u>	<u>237,617,250</u>
Long-term liabilities outstanding	55,844,920	59,425,555	1,560,686	1,565,278	57,405,606	60,990,833
Other liabilities	2,356,950	5,749,761	199,069	444,613	2,556,019	6,194,374
Total liabilities	<u>58,201,870</u>	<u>65,175,316</u>	<u>1,759,755</u>	<u>2,009,891</u>	<u>59,961,625</u>	<u>67,185,207</u>
Net assets:						
Invested in capital assets, net of related debt	72,950,086	74,158,575	54,261,630	45,236,978	107,446,716	98,825,553
Restricted	11,699,182	12,453,322	452,053	658,415	12,151,235	13,111,737
Unrestricted	23,800,614	25,315,734	12,529,724	12,609,019	56,095,338	58,494,753
Total net assets	<u>\$ 108,449,882</u>	<u>\$ 111,927,631</u>	<u>\$ 67,243,407</u>	<u>\$ 58,504,412</u>	<u>\$ 175,693,289</u>	<u>\$ 170,432,043</u>

An additional portion of the City's net assets (6.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$56,095,338) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental Activities**

Governmental activities decreased the City's net assets by \$3,477,749 and business-type activities increased net assets by \$8,738,995. Key elements of this decrease are:

- Culture and recreation expenses increased primarily due to \$401,852 in capital outlay in the Community Center Special Revenue Fund.
- Net transfers out increased primarily due to \$8,034,103 in capital assets transferred to the sewer business-type activity and \$1,847,316 in capital assets transferred to the water business-type activity for the following projects:
  - Sewer Enterprise Fund
    - Project 03-15, Northwest Water and Sewer Extension, \$7,933,328
    - Project 08-11, South Sanitary Sewer – East Segment, \$90,407
    - Project 11-09D, 2011 Urban Street Reconstruction, \$10,368

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

- Water Enterprise Fund
  - Project 03-15, Northwest Water and Sewer Extension, \$1,212,887
  - Project 07-17, Clark Extension T.H. 52 - Briggs Drive, \$9,440
  - Project 10-09D, 2010 Urban Street Reconstruction, \$618,839
  - Project 10-12, 59<sup>th</sup> Street East Improvements, \$6,150
  -

**City of Inver Grove Heights Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 7,169,443	\$ 7,455,393	\$ 7,062,092	\$ 6,896,104	\$ 14,231,535	\$ 14,351,497
Operating grants and contributions	876,505	861,740	-	-	876,505	861,740
Capital grants and contributions	5,382,914	9,618,339	28,889	1,852,464	5,411,803	11,470,803
General revenues:						
Property taxes and credits	15,043,356	15,188,210	-	-	15,043,356	15,188,210
Tax increment	1,969,395	1,931,921	-	-	1,969,395	1,931,921
Other taxes	166,637	153,477	-	-	166,637	153,477
Grants and contributions not restricted to specific programs	134,220	130,042	-	-	134,220	130,042
Other general revenues	159,354	93,539	-	-	159,354	93,539
Unrestricted investment earnings	1,165,824	669,074	151,193	131,225	1,317,017	800,299
Gain on sale of capital assets	210,741	-	-	-	210,741	-
<b>Total revenues</b>	<b>\$ 32,278,389</b>	<b>\$ 36,101,735</b>	<b>\$ 7,242,174</b>	<b>\$ 8,879,793</b>	<b>\$ 39,520,563</b>	<b>\$ 44,981,528</b>
Expenses:						
General government	\$ 1,923,649	\$ 1,996,947	\$ -	\$ -	\$ 1,923,649	\$ 1,996,947
Public safety	7,402,014	7,335,691	-	-	7,402,014	7,335,691
Public works	7,135,787	8,655,734	-	-	7,135,787	8,655,734
Culture and recreation	6,990,333	6,296,071	-	-	6,990,333	6,296,071
Community development	1,202,751	1,216,039	-	-	1,202,751	1,216,039
Interest on long-term debt	2,178,360	1,945,392	-	-	2,178,360	1,945,392
Water	-	-	2,393,558	2,367,258	2,393,558	2,367,258
Sewer	-	-	3,018,197	2,728,937	3,018,197	2,728,937
Golf course	-	-	2,014,668	1,905,427	2,014,668	1,905,427
<b>Total expenses</b>	<b>\$ 26,832,894</b>	<b>\$ 27,445,874</b>	<b>\$ 7,426,423</b>	<b>\$ 7,001,622</b>	<b>\$ 34,259,317</b>	<b>\$ 34,447,496</b>
Excess (deficiency) before transfers	5,445,495	8,655,861	(184,249)	1,878,171	5,261,246	10,534,032
Transfers	(8,923,244)	2,221,384	8,923,244	(2,221,384)	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ (3,477,749)</b>	<b>\$ 10,877,245</b>	<b>\$ 8,738,995</b>	<b>\$ (343,213)</b>	<b>\$ 5,261,246</b>	<b>\$ 10,534,032</b>
Net assets - beginning	111,927,631	101,050,386	58,504,412	58,847,625	170,432,043	159,898,011
<b>Net assets - ending</b>	<b>\$ 108,449,882</b>	<b>\$ 111,927,631</b>	<b>\$ 67,243,407</b>	<b>\$ 58,504,412</b>	<b>\$ 175,693,289</b>	<b>\$ 170,432,043</b>

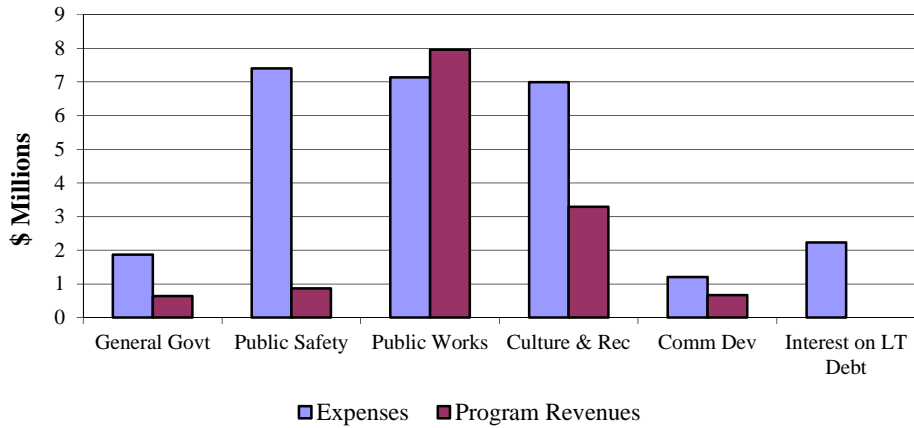
**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

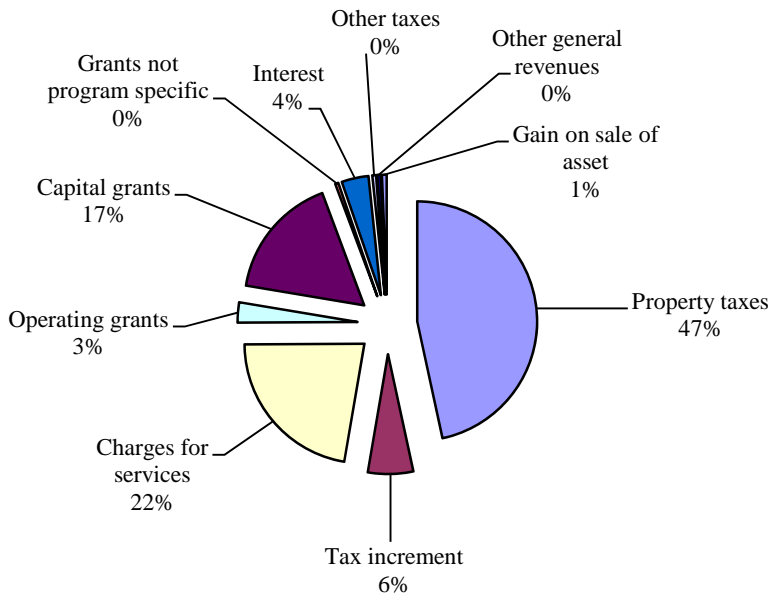
**December 31, 2011**

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses.

**Expenses and Program Revenues-  
Governmental Activities**



**Revenue Sources-Governmental Activities**



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

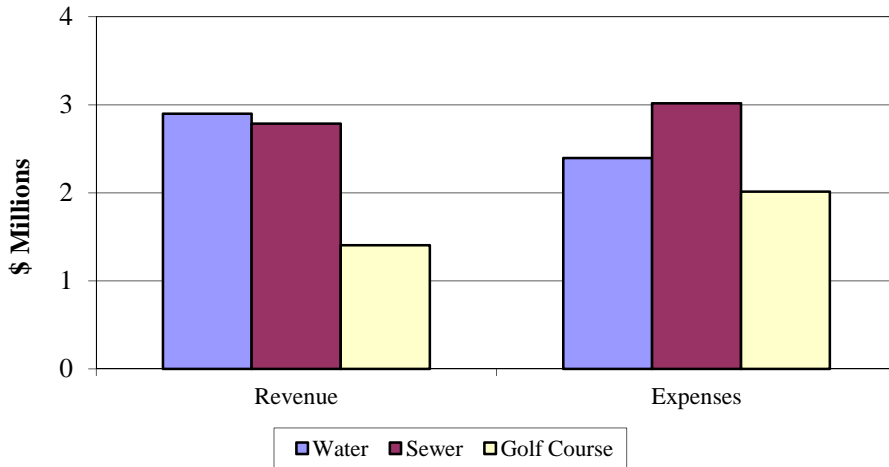
**Business-Type Activities**

Business-type activities increased by \$8,738,995.

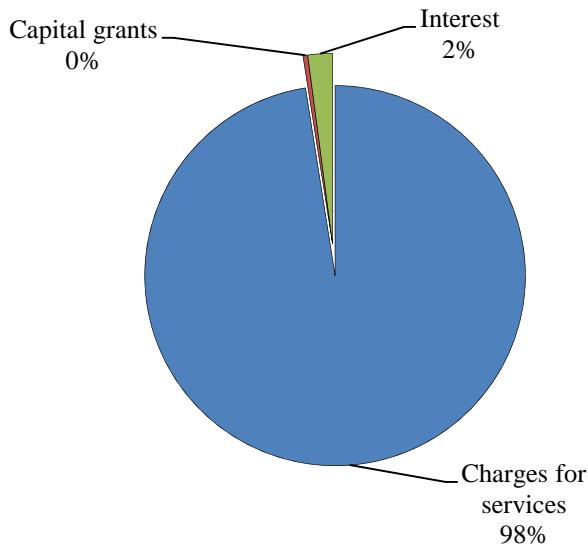
- Transfers in to water and sewer business-type activities from governmental activities for capital asset contributions were \$9,881,419.

Below are graphs showing the business-type activities revenues and expenses comparisons.

**Expenses and Program Revenues - Business-Type Activities**



**Revenue Sources - Business-Type Activities**



# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$32,368,683. Approximately 76.8% (\$24,873,750) constitutes fund balance that is neither restricted or nonspendable.

The General Fund increased by \$574,254 in 2011. Revenues were \$609,948 over budget and expenditures were \$524,826 under budget. The Improvement Bonds Debt Service Fund decreased by \$1,742,091 which was primarily due to bond refinancing and decreased special assessment payments. The Closed Bond Fund decreased by \$168,515 due largely to increased transfers out. The Pavement Management Fund decreased \$1,120,673, the Permanent Improvement Revolving Fund increased by \$217,646 and the Local Improvement Construction Fund increased \$1,170,458. Due to timing differences in project revenues and expenses, a substantial decrease (or increase) can occur in these capital improvement funds. \$4,505,000 in refunding bonds were issued in 2011. The Host Community Fund decreased \$880,692 primarily due to transfers out to help finance capital projects.

**Proprietary Funds.** The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets in the respective proprietary funds are Water – \$9,543,618, Sewer – \$6,634,852, and Golf Course – a deficit of \$3,648,746. The Water Fund and Sewer Fund had increases in total net assets in 2011 and the golf course had a decrease in total net assets. The Water Fund and Sewer Fund increases were primarily due to capital contributions.

### BUDGETARY HIGHLIGHTS

#### General Fund

The General Fund had one amendment in 2011. The amendment was for budget carryovers for items appropriated in the 2010 budget which were not completed until 2011. Revenues were over budget by \$609,948. Licenses and permit revenues were over the amended budget by \$292,320 due to an increase in building activity. Charges for services were over budget by \$225,740 mainly due to resident engineering charges that were higher than budgeted. Expenditures were \$524,826 under budget mainly due to lower than anticipated expenditures for professional/technical services, purchased services and storm water maintenance.



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

**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, 2011, amounts to \$164,069,643 (net of depreciation). This investment in capital assets includes land (tangible and intangible), construction in progress, buildings, infrastructure, machinery and equipment.

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

- Purchase of \$1,586,579 of machinery and equipment. This included \$295,874 for a water department vactor truck, \$194,235 for a street department wheel loader, \$184,423 for landscaping and grooming equipment for the golf course, \$157,875 capital lease for the fleet of golf and beverage carts, \$157,541 for a street department dump truck/plow and \$72,851 for three squad cars. Other equipment purchased included two parks department mowers; irrigation pumps and clubhouse tables and chairs for the golf course; electric ice edger and sauna for the community center; air compressors, portable air shelter, light message/arrow signs and command vehicle for the fire department; skid loader, laser street sprayer and steel V plow for the street department; and three pickups.
- Purchase of \$191,143 of software for the finance department.
- Building improvements totaling \$678,012 were purchased or completed during the year. Included were \$239,207 for community center locker room updates; \$386,528 for a splash pool exchanger replacement, golf course bathroom remodel and EST medium pressure UV system.
- Infrastructure improvements totaling \$21,701,699 were completed or acquired and added to the City's capital assets. Projects included \$12,902,040 for the North West Area water/sewer extension, \$680,866 for Briggs Ave./T.H. 52 frontage road extension, \$656,690 for SWR-East segment sanitary sewer and frontage road extension, \$2,396,818 for a Swing Bridge recreational area, \$3,773,897 for urban street reconstruction project 10-09D, \$209,488 for \$59<sup>th</sup> Street reconstruction and \$20,200 in donated infrastructure for Argenta Hills 3<sup>rd</sup> Addition.
- Land acquisitions totaling \$1,131,999 for parks purposes and easements (intangibles) of \$501,379 for utility and road construction purposes.
- Construction in progress is \$21,151,815.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 25,439,772	\$ 24,528,548	\$ 2,830,452	\$ 2,830,452	\$ 28,270,224	\$ 27,359,000
Land - Intangibles	2,649,329	1,927,175	9,522	9,522	2,658,851	1,936,697
Construction in progress	21,151,815	36,750,258	-	-	21,151,815	36,750,258
Buildings and system	8,536,960	8,903,109	50,748,083	42,094,308	59,285,043	50,997,417
Improvements other than buildings	4,795,948	2,656,849	1,488,658	1,623,166	6,284,606	4,280,015
Machinery and equipment	3,157,016	2,277,186	511,353	244,808	3,668,369	2,521,994
Infrastructure	42,750,735	36,871,204	-	-	42,750,735	36,871,204
	<u>\$ 108,481,575</u>	<u>\$ 113,914,329</u>	<u>\$ 55,588,068</u>	<u>\$ 46,802,256</u>	<u>\$ 164,069,643</u>	<u>\$ 160,716,585</u>

Additional information on the City's capital assets can be found in Note 3 on pages 59-61 of the report.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

**Long-Term Debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$55,615,241. The Statement of Net Assets reports long-term liabilities at \$57,405,606 which is the total debt net of discount amount of \$147,026 and compensated absences of \$1,643,339. \$13,655,000 was for G.O. special assessment debt which has financed capital improvements that have been special assessed to abutting property owners. \$9,924,586 is G.O. tax increment financing debt which has financed various projects in our tax increment financing districts. Other G.O. debt includes \$250,655 in MSABC Bonds which financed the City's share of armory construction; \$575,000 in G.O. Storm Water District Bonds which financed construction of storm drainage facilities; \$6,895,000 in G.O. Water Revenue Bonds; \$12,870,000 in G.O. Sewer Revenue Bonds; \$9,900,000 G.O. Capital Improvement Bonds for the construction of the public safety addition and City Hall remodeling; and \$310,000 in G.O. Equipment Certificates which were used to finance the purchase of vehicles and equipment. In addition, the City has \$1,235,000 in Golf Course Gross Revenue Bonds which financed the construction of the golf course.

**City of Inver Grove Heights' Outstanding Debt  
G.O. Improvement Bonds, G.O. Tax Increment Bonds,  
G.O. Bonds and Revenue Bonds**

	Governmental		Business-type		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Improvement Bonds	\$ 13,655,000	\$ 16,055,000	\$ -	\$ -	\$ 13,655,000	\$ 16,055,000
General Obligation Tax Increment Bonds	9,924,586	11,128,847	-	-	9,924,586	11,128,847
General Obligation Bonds	30,800,655	32,241,708	-	-	30,800,655	32,241,708
Golf Course Gross Revenue Bonds	-	-	1,235,000	1,620,000	1,235,000	1,620,000
<b>Total</b>	<b>\$ 54,380,241</b>	<b>\$ 59,425,555</b>	<b>\$ 1,235,000</b>	<b>\$ 1,620,000</b>	<b>\$ 55,615,241</b>	<b>\$ 61,045,555</b>

The City had their AA bond rating from Standard and Poor's confirmed on the issuance of G.O. Refunding Bonds, Series 2011A dated August 18, 2011.

State statutes limit the amount of G.O. debt a Minnesota city may issue to 3% of total estimated market value. The current debt limitation for the City is \$93,976,981. Only the \$30,317,678 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.

Additional information on the City's long-term debt can be found in Note 3 on pages 63-65 of this report.

**Economic Factors and next year's Budgets and Rates**

- The City's net tax capacity decreased by 2.2% for taxes payable in 2012 as compared to a decrease of 5.3% for taxes payable in 2011. Residential property decreased 3.0%, commercial property decreased 1.9%, and industrial property decreased 0.4%. Without new construction the decrease in tax capacity would have been 2.5%. The City's tax levy decreased \$674,108 for taxes payable in 2012 however, due to the decrease in tax capacity the tax capacity rate increased 3.97%.
- Funding for the Pavement Management Program was maintained at \$1,200,000 for 2012. This is the same amount as in 2011.
- Water and sewer fees were increased 2.5% and 3.5% respectively for 2012, based on our long-range financing plan.
- Storm water utility fees will be implemented beginning July 1, 2012.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

These factors were considered when the City prepared its 2012 budget.

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

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# **BASIC FINANCIAL STATEMENTS**

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**STATEMENT OF NET ASSETS  
December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 43,961,800	\$ 15,320,937	\$ 59,282,737
Accrued Interest Receivable	180,459	-	180,459
Receivables:			
Accounts	171,823	1,080,619	1,252,442
Taxes	1,809,927	-	1,809,927
Special Assessments	7,910,748	28,756	7,939,504
Due from Other Governments	22,234	9,624	31,858
Internal Balances	3,679,514	(3,679,514)	-
Inventories	71,118	2,219	73,337
Prepays	142,855	400	143,255
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents	-	452,053	452,053
Cash with Fiscal Agent	174,333	-	174,333
Revenue Bond Covenant Account	-	200,000	200,000
Deferred Issuance Costs	45,366	-	45,366
Capital Assets (Net of Accumulated Depreciation):			
Land	25,439,772	2,830,452	28,270,224
Land - Intangibles	2,649,329	9,522	2,658,851
Building and System	8,536,960	50,748,083	59,285,043
Improvements Other Than Buildings	4,795,948	1,488,658	6,284,606
Machinery and Equipment	3,157,016	511,353	3,668,369
Infrastructure	42,750,735	-	42,750,735
Construction in Progress	21,151,815	-	21,151,815
Total Assets	<u>\$ 166,651,752</u>	<u>\$ 69,003,162</u>	<u>\$ 235,654,914</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts and Contracts Payable	\$ 1,049,608	\$ 45,338	\$ 1,094,946
Salaries Payable	189,939	18,762	208,701
Due to Other Governments	144,087	98,402	242,489
Unearned Revenue	190,356	-	190,356
Accrued Interest Payable	782,960	4,754	787,714
Deposits Payable	-	31,813	31,813
Long-Term Liabilities:			
Due Within One Year	5,030,636	543,187	5,573,823
Due in More than One Year	50,814,284	1,017,499	51,831,783
Total Liabilities	<u>58,201,870</u>	<u>1,759,755</u>	<u>59,961,625</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	72,950,086	54,261,630	107,446,716
Restricted for:			
Capital Project	1,409,308	-	1,409,308
Debt Service	7,321,112	452,053	7,773,165
Tax Increment	2,968,762	-	2,968,762
Unrestricted	23,800,614	12,529,724	56,095,338
Total Net Assets	<u>108,449,882</u>	<u>67,243,407</u>	<u>175,693,289</u>
Total Liabilities and Net Assets	<u>\$ 166,651,752</u>	<u>\$ 69,003,162</u>	<u>\$ 235,654,914</u>

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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 1,923,649	\$ 557,450	\$ 82,077	\$ -	\$ (1,284,122)	\$ -	\$ (1,284,122)
Public Safety	7,402,014	456,068	409,826	-	(6,536,120)	-	(6,536,120)
Public Works	7,135,787	2,810,312	384,602	4,768,744	827,871	-	827,871
Culture and Recreation	6,990,333	2,677,946	-	614,170	(3,698,217)	-	(3,698,217)
Economic Development	1,202,751	667,667	-	-	(535,084)	-	(535,084)
Interest on Long-Term Debt	2,178,360	-	-	-	(2,178,360)	-	(2,178,360)
Total Governmental Activities	<u>26,832,894</u>	<u>7,169,443</u>	<u>876,505</u>	<u>5,382,914</u>	<u>(13,404,032)</u>	<u>-</u>	<u>(13,404,032)</u>
<b>Business-Type Activities</b>							
Water	2,393,558	2,879,883	-	18,789	-	505,114	505,114
Sewer	3,018,197	2,776,965	-	10,100	-	(231,132)	(231,132)
Golf Course	2,014,668	1,405,244	-	-	-	(609,424)	(609,424)
Total Business-Type Activities	<u>7,426,423</u>	<u>7,062,092</u>	<u>-</u>	<u>28,889</u>	<u>-</u>	<u>(335,442)</u>	<u>(335,442)</u>
Total Governmental and Business-Type Activities	<u>\$ 34,259,317</u>	<u>\$ 14,231,535</u>	<u>\$ 876,505</u>	<u>\$ 5,411,803</u>	<u>(13,404,032)</u>	<u>(335,442)</u>	<u>(13,739,474)</u>
<b>General Revenues</b>							
Property Taxes					15,043,356	-	15,043,356
Tax Increments					1,969,395	-	1,969,395
Lodging Taxes					77,882	-	77,882
Franchise Taxes					88,755	-	88,755
Grants and Contributions Not Restricted To Specific Programs					134,220	-	134,220
Other General Revenues					159,354	-	159,354
Unrestricted Investment Earnings					1,165,824	151,193	1,317,017
Gain on Sale of Asset					210,741	-	210,741
<b>Transfers</b>					<u>(8,923,244)</u>	<u>8,923,244</u>	<u>-</u>
Total General Revenues and Transfers					<u>9,926,283</u>	<u>9,074,437</u>	<u>19,000,720</u>
<b>Change in Net Assets</b>					<u>(3,477,749)</u>	<u>8,738,995</u>	<u>5,261,246</u>
<b>Net Assets - Beginning</b>					<u>111,927,631</u>	<u>58,504,412</u>	<u>170,432,043</u>
<b>Net Assets - Ending</b>					<u>\$ 108,449,882</u>	<u>\$ 67,243,407</u>	<u>\$ 175,693,289</u>

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF INVER GROVE HEIGHTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2011**

		Debt Service		Capital Projects
	General Fund	Closed Bond	Improvement Bonds	Pavement Management
<b>ASSETS</b>				
Cash and Investments	\$ 5,310,004	\$ 1,034,134	\$ 2,586,905	\$ 3,194,122
Cash with Fiscal Agent	-	-	108,726	-
Taxes Receivable:				
Current	1,297,831	11,495	39,207	-
Delinquent	288,974	7,489	6,631	-
Special Assessments Receivable:				
Current	736	1,253	123,832	8,761
Deferred	12,594	1,044,239	3,699,537	968,476
Delinquent	4,888	228	29,658	10,912
Accounts Receivable	13,071	-	-	-
Interest Receivable	-	180,459	-	-
Due from Other Governments	15,561	-	-	-
Due from Other Funds	-	2,369,251	-	-
Prepaid Items	24,021	-	-	-
Total Assets	<u>\$ 6,967,680</u>	<u>\$ 4,648,548</u>	<u>\$ 6,594,496</u>	<u>\$ 4,182,271</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 132,452	\$ -	\$ 667	\$ 117,576
Salaries and Benefits Payable	145,711	-	-	-
Contracts Payable	-	-	-	110,262
Due to Other Funds	-	-	-	-
Due to Other Governments	26,829	-	-	-
Deferred Revenue	312,117	1,052,001	3,823,895	979,388
Total Liabilities	<u>617,109</u>	<u>1,052,001</u>	<u>3,824,562</u>	<u>1,207,226</u>
<b>Fund Balances</b>				
Nonspendable	24,021	-	-	-
Restricted	-	-	2,769,934	-
Committed	-	-	-	-
Assigned	-	3,596,547	-	2,975,045
Unassigned	6,326,550	-	-	-
Total Fund Balances	<u>6,350,571</u>	<u>3,596,547</u>	<u>2,769,934</u>	<u>2,975,045</u>
Total Liabilities and Fund Balances	<u>\$ 6,967,680</u>	<u>\$ 4,648,548</u>	<u>\$ 6,594,496</u>	<u>\$ 4,182,271</u>

The Notes to the Financial Statements are an integral part of this statement.



Capital Projects

Local Improvement Construction	Permanent Improvement Revolving	Host Community	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,038,493	\$ 14,863,231	\$ 28,026,889
-	-	-	65,607	174,333
-	-	-	128,472	1,477,005
-	-	-	29,828	332,922
6,230	-	-	-	140,812
1,547,714	420,458	-	25,686	7,718,704
5,546	-	-	-	51,232
-	-	121,280	37,472	171,823
-	-	-	-	180,459
-	-	-	6,673	22,234
-	-	2,841,866	-	5,211,117
-	-	-	621	24,642
<u>\$ 1,559,490</u>	<u>\$ 420,458</u>	<u>\$ 4,001,639</u>	<u>\$ 15,157,590</u>	<u>\$ 43,532,172</u>
\$ 68,708	\$ -	\$ 98	\$ 150,633	\$ 470,134
-	-	4,574	32,561	182,846
420,533	-	-	-	530,795
727,936	529,822	-	401,027	1,658,785
2,544	-	369	46,086	75,828
1,553,260	420,458	-	103,982	8,245,101
<u>2,772,981</u>	<u>950,280</u>	<u>5,041</u>	<u>734,289</u>	<u>11,163,489</u>
-	-	-	621	24,642
-	-	-	4,104,287	6,874,221
-	-	-	596,070	596,070
-	-	3,996,598	10,123,277	20,691,467
(1,213,491)	(529,822)	-	(400,954)	4,182,283
<u>(1,213,491)</u>	<u>(529,822)</u>	<u>3,996,598</u>	<u>14,423,301</u>	<u>32,368,683</u>
<u>\$ 1,559,490</u>	<u>\$ 420,458</u>	<u>\$ 4,001,639</u>	<u>\$ 15,157,590</u>	<u>\$ 43,532,172</u>

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**CITY OF INVER GROVE HEIGHTS, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET TO**  
**THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**  
**December 31, 2011**

Total Fund Balance - Governmental Funds (Modified Accrual Amount) \$ 32,368,683

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	159,341,525
Less: Accumulated Depreciation	(54,766,882)

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 City Hall and Fire Station and maintenance of computer systems. These balances are reported with the governmental funds. 18,625,234

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Improvement Bonds Principal Payable	(13,655,000)
G.O. Bonds Principal Payable	(30,800,655)
Tax Increment Financing (TIF) Bonds Principal Payable	(9,924,586)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 332,922

Deferred special assessment receivable are not available to pay for current expenditures, and, therefore, are deferred in the funds. 7,721,823

Governmental funds do not report a liability for accrued interest on long-term debt until due and payable. (782,960)

Governmental funds report debt issuance for premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as unamortized asset or liability in the government-wide financial statements.

Bond Premium	(55,588)
Bond Issuance Costs	45,366

Total Net Assets - Governmental Activities \$ 108,449,882

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF INVER GROVE HEIGHTS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	General Fund	Debt Service		Capital Projects	
		Closed Bond	Improvement Bond	Pavement Management	Local Improvement Construction
<b>REVENUES</b>					
Property Taxes	\$ 14,139,907	\$ 64,315	\$ 471,986	\$ -	\$ -
Tax Increments	-	-	-	-	-
Miscellaneous Taxes	-	-	-	-	-
Special Assessments	6,386	350	1,279,943	315,157	505,906
Licenses and Permits	815,420	-	-	-	-
Intergovernmental	539,339	221	1,771	1,184,033	1,370,811
Charges for Services	1,004,840	-	-	-	104,635
Fines and Forfeitures	115,075	-	-	-	-
Franchise Fees	88,755	-	-	-	-
Rentals	167,597	-	-	-	-
Contributions and Donations	780	-	-	-	150,050
Investment Income	66,674	532,019	30,233	40,438	28,988
Other	29,575	-	-	15,145	32,349
Total Revenues	<u>16,974,348</u>	<u>596,905</u>	<u>1,783,933</u>	<u>1,554,773</u>	<u>2,192,739</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	1,847,389	5,549	-	-	-
Public Safety	7,304,412	-	-	-	-
Public Works	3,577,891	9,075	-	1,356,582	759,588
Park and Recreation	1,598,729	-	-	-	-
Community Development	1,212,442	-	-	-	-
<b>Debt Service</b>					
Principal	-	-	1,570,000	-	-
Interest	-	-	894,995	-	-
<b>Capital Outlay</b>					
General Government	-	-	-	-	-
Public Safety	16,405	-	-	-	-
Public Works	206	-	-	2,851,779	3,466,750
Park and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Expenditures	<u>15,557,474</u>	<u>14,624</u>	<u>2,464,995</u>	<u>4,208,361</u>	<u>4,226,338</u>
Excess of Revenues Over (Under) Expenditures	1,416,874	582,281	(681,062)	(2,653,588)	(2,033,599)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	938,000	651,039	316,753	1,671,556	3,209,057
Transfers Out	(1,780,620)	(1,606,835)	(597,052)	(138,641)	(5,000)
Payment to Refunded Bond Escrow Agent	-	-	(1,875,000)	-	-
Issuance of Refunding Debt	-	-	1,075,000	-	-
Bond Premium	-	-	19,270	-	-
Proceeds from Sale of Capital Assets	-	205,000	-	-	-
Total Other Financing Sources (Uses)	<u>(842,620)</u>	<u>(750,796)</u>	<u>(1,061,029)</u>	<u>1,532,915</u>	<u>3,204,057</u>
Net Change in Fund Balances	574,254	(168,515)	(1,742,091)	(1,120,673)	1,170,458
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<u>5,776,317</u>	<u>3,765,062</u>	<u>4,512,025</u>	<u>4,095,718</u>	<u>(2,383,949)</u>
<b>Change in Accounting Principle</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Beginning Fund Balance, Restated</b>	<u>5,776,317</u>	<u>3,765,062</u>	<u>4,512,025</u>	<u>4,095,718</u>	<u>(2,383,949)</u>
<b>End of Year</b>	<u>\$ 6,350,571</u>	<u>\$ 3,596,547</u>	<u>\$ 2,769,934</u>	<u>\$ 2,975,045</u>	<u>\$ (1,213,491)</u>

The Notes to the Financial Statements are an integral part of this statement.

<u>Capital Projects</u>			
<u>Permanent Improvement Revolving</u>	<u>Host Community</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 446,754	\$ 15,122,962
-	-	1,969,395	1,969,395
-	-	77,882	77,882
287,388	-	2,002	2,397,132
-	-	-	815,420
67,150	-	785,468	3,948,793
-	2,116,151	2,334,488	5,560,114
-	-	-	115,075
-	-	-	88,755
-	-	282,900	450,497
-	-	153,755	304,585
-	57,543	235,663	991,558
-	4,686	10,761	92,516
<u>354,538</u>	<u>2,178,380</u>	<u>6,299,068</u>	<u>31,934,684</u>
-	-	-	1,852,938
-	-	-	7,304,412
-	82,533	296,260	6,081,929
-	60,006	3,687,285	5,346,020
-	-	-	1,212,442
-	-	2,645,622	4,215,622
-	-	1,383,898	2,278,893
-	-	-	-
-	-	-	16,405
-	-	-	6,318,735
-	82,209	401,852	484,061
-	-	-	-
-	-	-	-
<u>-</u>	<u>224,748</u>	<u>8,414,917</u>	<u>35,111,457</u>
354,538	1,953,632	(2,115,849)	(3,176,773)
-	-	5,313,254	12,099,659
(136,892)	(2,834,324)	(3,754,120)	(10,853,484)
-	-	(3,365,000)	(5,240,000)
-	-	3,430,000	4,505,000
-	-	39,364	58,634
-	-	-	205,000
<u>(136,892)</u>	<u>(2,834,324)</u>	<u>1,663,498</u>	<u>774,809</u>
217,646	(880,692)	(452,351)	(2,401,964)
<u>(747,468)</u>	<u>4,548,327</u>	<u>15,204,615</u>	<u>34,770,647</u>
-	328,963	(328,963)	-
<u>(747,468)</u>	<u>4,877,290</u>	<u>14,875,652</u>	<u>34,770,647</u>
<u>\$ (529,822)</u>	<u>\$ 3,996,598</u>	<u>\$ 14,423,301</u>	<u>\$ 32,368,683</u>

**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, 2011**

Net Change in Fund Balances - Governmental Funds (Modified Accrual Amount) \$ (2,401,964)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlays	7,265,093
Depreciation Expense	(3,728,499)
Capital Assets Transferred to Business-Type Activities	(9,881,419)
Donated Assets	159,229

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds (special assessments). (218,645)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net assets on the Statement of Activities. 4,215,622

Refunding bond payments are recognized as other financing uses in the governmental funds but as an increase in net assets in the Statement of Activities. 5,240,000

Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net assets on the Statement of Activities. (4,505,000)

The accreted value of capital appreciation bonds. 94,692

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires 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. 52,121

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 City Hall and Fire Station and maintenance of computer systems. The net revenue of the internal service funds is reported with governmental activities. 320,849

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. (79,606)

Governmental funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Current Year Amortization, Issuance Costs	(2,486)
New Issuance Costs	47,852
Current Year Amortization, Premium	3,046
Bond Premium	(58,634)

Change in Net Assets - Governmental Activities \$ (3,477,749)

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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
General Property Taxes	\$14,196,800	\$14,196,800	\$14,139,907	\$ (56,893)
Special Assessments	3,200	3,200	6,386	3,186
Licenses and Permits	523,100	523,100	815,420	292,320
Intergovernmental Revenue	463,100	463,100	539,339	76,239
Charges for Services	779,100	779,100	1,004,840	225,740
Fines and Forfeitures	150,000	150,000	115,075	(34,925)
Franchise Fees	86,100	86,100	88,755	2,655
Rentals	113,000	113,000	167,597	54,597
Donations	-	-	780	780
Investment Income	50,000	50,000	66,674	16,674
Miscellaneous	-	-	29,575	29,575
Total Revenues	<u>16,364,400</u>	<u>16,364,400</u>	<u>16,974,348</u>	<u>609,948</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	1,980,000	1,980,000	1,847,389	(132,611)
Public Safety	7,422,300	7,498,300	7,304,412	(193,888)
Public Works	3,647,100	3,679,000	3,577,891	(101,109)
Recreation	1,598,000	1,598,000	1,598,729	729
Community Development	1,223,900	1,289,800	1,212,442	(77,358)
<b>Capital Outlay</b>	-	37,200	16,611	(20,589)
Total Expenditures	<u>15,871,300</u>	<u>16,082,300</u>	<u>15,557,474</u>	<u>(524,826)</u>
Excess of Revenues Over Expenditures	493,100	282,100	1,416,874	1,134,774
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	938,000	938,000	938,000	-
Operating Transfers Out	(1,744,600)	(1,744,600)	(1,780,620)	(36,020)
Total Other Financing Sources (Uses)	<u>(806,600)</u>	<u>(806,600)</u>	<u>(842,620)</u>	<u>(36,020)</u>
Net Change in Fund Balances	<u>\$ (313,500)</u>	<u>\$ (524,500)</u>	574,254	<u>\$ 1,098,754</u>
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			<u>5,776,317</u>	
<b>End of Year</b>			<u>\$ 6,350,571</u>	

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**December 31, 2011**  
**With Comparative Totals for December 31, 2010**

	Business-type Activities - Enterprise Funds						Totals Current Year	Governmental Activities- Internal Service Funds
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Golf Course Current Year	Golf Course Prior Year		
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash and Cash Equivalents	\$ 9,036,338	\$ 8,281,087	\$ 6,284,599	\$ 5,886,877	\$ -	\$ -	\$ 15,320,937	\$ 15,934,911
Restricted Assets:								
Cash and Cash Equivalents	-	-	-	-	452,053	458,415	452,053	-
Accounts Receivable, Net of Allowance for Uncollectible Special Assessments Receivable:	630,584	884,942	448,891	537,754	1,144	998	1,080,619	-
Delinquent	28,756	32,098	-	-	-	-	28,756	-
Due from Other Funds	-	-	-	-	-	-	-	127,182
Due from Other Governments	9,624	5,503	-	-	-	-	9,624	-
Inventories	-	-	-	-	2,219	3,281	2,219	71,118
Prepaid Items	-	-	-	126,746	400	1,337	400	118,213
Total Current Assets	<u>9,705,302</u>	<u>9,203,630</u>	<u>6,733,490</u>	<u>6,551,377</u>	<u>455,816</u>	<u>464,031</u>	<u>16,894,608</u>	<u>16,251,424</u>
<b>Noncurrent Assets</b>								
Special Assessment Receivable:								
Council Deferred	-	4,516	-	-	-	-	-	-
Restricted Assets:								
Revenue Bond Covenant Account	-	-	-	-	200,000	200,000	200,000	-
Capital Assets:								
Land	461,598	461,598	401,680	401,680	1,967,174	1,967,174	2,830,452	209,122
Land Intangibles	-	-	9,522	9,522	-	-	9,522	-
Building and System Improvements Other than Buildings	41,945,345	40,087,929	30,241,733	22,197,530	843,225	826,192	73,030,303	3,330,716
Machinery and Equipment	98,108	98,108	-	-	4,240,782	4,240,782	4,338,890	240,717
Total Capital Assets	<u>42,630,332</u>	<u>40,772,916</u>	<u>30,761,556</u>	<u>22,717,352</u>	<u>8,037,721</u>	<u>7,835,336</u>	<u>81,429,609</u>	<u>12,510,449</u>
Less Accumulated Depreciation	<u>(13,476,982)</u>	<u>(12,664,575)</u>	<u>(8,646,693)</u>	<u>(8,194,048)</u>	<u>(3,717,866)</u>	<u>(3,664,725)</u>	<u>(25,841,541)</u>	<u>(8,603,517)</u>
Net Capital Assets	<u>29,153,350</u>	<u>28,108,341</u>	<u>22,114,863</u>	<u>14,523,304</u>	<u>4,319,855</u>	<u>4,170,611</u>	<u>55,588,068</u>	<u>3,906,932</u>
Total Noncurrent Assets	<u>29,153,350</u>	<u>28,112,857</u>	<u>22,114,863</u>	<u>14,523,304</u>	<u>4,519,855</u>	<u>4,370,611</u>	<u>55,788,068</u>	<u>3,906,932</u>
Total Assets	<u>\$ 38,858,652</u>	<u>\$ 37,316,487</u>	<u>\$ 28,848,353</u>	<u>\$ 21,074,681</u>	<u>\$ 4,975,671</u>	<u>\$ 4,834,642</u>	<u>\$ 72,682,676</u>	<u>\$ 20,158,356</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Current Liabilities</b>								
Accounts Payable	\$ 36,094	\$ 32,459	\$ 5,457	\$ 7,630	\$ 3,787	\$ 14,066	\$ 45,338	\$ 48,679
Salaries Payable	6,078	12,161	3,807	7,796	8,877	10,630	18,762	7,093
Due to Other Funds	-	-	-	-	3,679,514	2,711,507	3,679,514	-
Due to Other Governments	44,476	39,809	43,799	41,359	10,127	17,793	98,402	68,259
Accrued Interest Payable	-	-	-	-	4,754	6,118	4,754	-
Compensated Absences - Current	39,769	74,463	24,155	43,737	60,228	105,997	124,152	746,818
Revenue Bonds - Current	-	-	-	-	395,000	385,000	395,000	-
Capital Lease Payable - Current	-	-	-	-	24,035	-	24,035	-
Deposits Payable - Gift Certificates	-	-	-	-	31,813	30,595	31,813	-
Total Current Liabilities	<u>126,417</u>	<u>158,892</u>	<u>77,218</u>	<u>100,522</u>	<u>4,218,135</u>	<u>3,281,706</u>	<u>4,421,770</u>	<u>870,849</u>
<b>Noncurrent Liabilities</b>								
Compensated Absences	35,267	-	21,420	-	53,409	-	110,096	662,273
Revenue Bonds Payable, Net of Unamortized Discounts and Deferred Amount on Refunding	-	-	-	-	798,958	1,180,278	798,958	-
Capital Lease Payable	-	-	-	-	108,445	-	108,445	-
Total Noncurrent Liabilities	<u>35,267</u>	<u>-</u>	<u>21,420</u>	<u>-</u>	<u>960,812</u>	<u>1,180,278</u>	<u>1,017,499</u>	<u>662,273</u>
Total Liabilities	<u>161,684</u>	<u>158,892</u>	<u>98,638</u>	<u>100,522</u>	<u>5,178,947</u>	<u>4,461,984</u>	<u>5,439,269</u>	<u>1,533,122</u>
<b>Net Assets</b>								
Invested in Capital Assets, Net of Related Debt	29,153,350	28,108,341	22,114,863	14,523,304	2,993,417	2,605,333	54,261,630	3,906,932
Restricted for Debt Service	-	-	-	-	452,053	658,415	452,053	-
Unrestricted	9,543,618	9,049,254	6,634,852	6,450,855	(3,648,746)	(2,891,090)	12,529,724	14,718,302
Total Net Assets	<u>38,696,968</u>	<u>37,157,595</u>	<u>28,749,715</u>	<u>20,974,159</u>	<u>(203,276)</u>	<u>372,658</u>	<u>67,243,407</u>	<u>18,625,234</u>
Total Liabilities and Net Assets	<u>\$ 38,858,652</u>	<u>\$ 37,316,487</u>	<u>\$ 28,848,353</u>	<u>\$ 21,074,681</u>	<u>\$ 4,975,671</u>	<u>\$ 4,834,642</u>	<u>\$ 72,682,676</u>	<u>\$ 20,158,356</u>

The Notes to the Financial Statements are an integral part of this statement.



CITY OF INVER GROVE HEIGHTS, MINNESOTA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2011  
With Comparative Totals for Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Golf Course Current Year	Golf Course Prior Year	Totals Current Year	
<b>OPERATING REVENUES</b>								
<b>Charges for Sales and Services</b>								
Water Sales	\$ 2,804,225	\$ 2,646,075	\$ -	\$ -	\$ -	\$ -	\$ 2,804,225	\$ -
Sewer Charges	-	-	2,687,972	2,617,197	-	-	2,687,972	-
Late Fees	67,741	109,086	55,503	80,426	-	-	123,244	-
Water Meter Sales	4,817	3,007	-	-	-	-	4,817	-
Green Fees	-	-	-	-	798,842	818,621	798,842	-
Golf Cart Rentals	-	-	-	-	276,144	261,561	276,144	-
Practice Center	-	-	-	-	113,226	128,836	113,226	-
Golf Shop	-	-	-	-	54,867	51,153	54,867	-
Food and Beverage	-	-	-	-	138,437	151,819	138,437	-
Other	-	-	-	-	19,536	23,940	19,536	3,669,779
Total Operating Revenues	<u>2,876,783</u>	<u>2,758,168</u>	<u>2,743,475</u>	<u>2,697,623</u>	<u>1,401,052</u>	<u>1,435,930</u>	<u>7,021,310</u>	<u>3,669,779</u>
<b>OPERATING EXPENSES</b>								
Personnel Services	432,900	425,608	339,808	345,712	1,029,688	1,003,948	1,802,396	687,961
Other Current Expenses	1,148,252	1,139,417	2,225,744	1,933,701	660,521	575,482	4,034,517	2,071,824
Depreciation	812,406	802,233	452,645	449,524	227,699	224,646	1,492,750	578,872
Total Operating Expenses	<u>2,393,558</u>	<u>2,367,258</u>	<u>3,018,197</u>	<u>2,728,937</u>	<u>1,917,908</u>	<u>1,804,076</u>	<u>7,329,663</u>	<u>3,338,657</u>
Operating Income (Loss)	<u>483,225</u>	<u>390,910</u>	<u>(274,722)</u>	<u>(31,314)</u>	<u>(516,856)</u>	<u>(368,146)</u>	<u>(308,353)</u>	<u>331,122</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Interest on Special Assessments	8,689	3,837	-	-	-	-	8,689	-
Investment Earnings	87,859	79,662	63,334	51,563	-	-	151,193	174,266
Other Nonoperating Revenue	3,100	-	-	-	37,682	546	40,782	97,720
Interest Expense	-	-	-	-	(88,308)	(101,351)	(88,308)	-
Loss on Sale of Capital Assets	-	-	-	-	(8,452)	-	(8,452)	5,741
Total Nonoperating Revenues (Expenses)	<u>99,648</u>	<u>83,499</u>	<u>63,334</u>	<u>51,563</u>	<u>(59,078)</u>	<u>(100,805)</u>	<u>103,904</u>	<u>277,727</u>
Income (Loss) before Transfers	582,873	474,409	(211,388)	20,249	(575,934)	(468,951)	(204,449)	608,849
Capital Contributions	1,857,416	1,710,217	8,044,203	761,969	-	79,699	9,901,619	-
Transfers Out	<u>(900,916)</u>	<u>(2,478,451)</u>	<u>(57,259)</u>	<u>(442,354)</u>	<u>-</u>	<u>-</u>	<u>(958,175)</u>	<u>(288,000)</u>
Change in Net Assets	1,539,373	(293,825)	7,775,556	339,864	(575,934)	(389,252)	8,738,995	320,849
<b>NET ASSETS</b>								
<b>Beginning of Year</b>	<u>37,157,595</u>	<u>37,451,420</u>	<u>20,974,159</u>	<u>20,634,295</u>	<u>372,658</u>	<u>761,910</u>	<u>58,504,412</u>	<u>18,304,385</u>
<b>End of Year</b>	<u>\$38,696,968</u>	<u>\$ 37,157,595</u>	<u>\$28,749,715</u>	<u>\$ 20,974,159</u>	<u>\$ (203,276)</u>	<u>\$ 372,658</u>	<u>\$67,243,407</u>	<u>\$ 18,625,234</u>
Net Changes in the Net Assets Reported Above			\$ 8,738,995					
Amounts Reported for Business-Type Activities in the Statement of Activities are different because:								
Transfer in of Capital Assets from Governmental Activities			9,881,419					
Governmental Activities Contribution Revenue Reported Above			<u>(9,881,419)</u>					
Change in Net Assets of Business-Type Activities (Statement 2)			<u>\$ 8,738,995</u>					

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2011**  
**With Comparative Totals for Year Ended December 31, 2010**

	Business-Type Activities-Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Water	Sewer	Sewer	Golf	Golf	Totals	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	
<b>CASH FLOWS - OPERATING ACTIVITIES</b>								
Receipts from Customers and Users	\$ 3,134,878	\$ 2,702,848	\$ 2,832,337	\$ 2,692,154	\$ 1,402,124	\$ 1,444,325	\$ 7,369,339	\$ 3,550,681
Payments to Suppliers	(1,144,617)	(1,141,091)	(2,101,171)	(1,938,784)	(668,801)	(564,592)	(3,914,589)	(2,154,259)
Payments to Employees	(439,239)	(413,174)	(342,390)	(335,892)	(1,023,538)	(985,600)	(1,805,167)	(801,835)
Other Receipts (Payments)	8,597	(6,570)	2,871	890	997,760	631,925	1,009,228	97,720
Net Cash Flows - Operating Activities	<u>1,559,619</u>	<u>1,142,013</u>	<u>391,647</u>	<u>418,368</u>	<u>707,545</u>	<u>526,058</u>	<u>2,658,811</u>	<u>692,307</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES</b>								
Transfer to Other Funds	(900,916)	(2,478,451)	(57,259)	(442,354)	-	-	(958,175)	(288,000)
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Interest on Special Assessments	8,689	3,837	-	-	-	-	8,689	-
Capital Lease Issuance	-	-	-	-	157,875	-	157,875	-
Principal Payments - Bonds	-	-	-	-	(385,000)	(370,000)	(385,000)	-
Capital Lease Payments	-	-	-	-	(25,395)	-	(25,395)	-
Interest and Paying Agent Fees on Bonds	-	-	-	-	(75,992)	(88,935)	(75,992)	-
Sales of Capital Assets	-	-	-	-	-	-	-	17,409
Purchases of Capital Assets	-	-	-	-	(385,395)	(67,293)	(385,395)	(1,343,379)
Net Cash Flows - Capital and Related Financing Activities	<u>8,689</u>	<u>3,837</u>	<u>-</u>	<u>-</u>	<u>(713,907)</u>	<u>(526,228)</u>	<u>(705,218)</u>	<u>(1,325,970)</u>
<b>CASH FLOWS - INVESTING ACTIVITIES</b>								
Interest and Dividends Received	87,859	79,662	63,334	51,563	-	-	151,193	174,266
<b>Net Change in Cash and Cash Equivalents</b>	<u>755,251</u>	<u>(1,252,939)</u>	<u>397,722</u>	<u>27,577</u>	<u>(6,362)</u>	<u>(170)</u>	<u>1,146,611</u>	<u>(747,397)</u>
<b>CASH AND CASH EQUIVALENTS</b>								
<b>January 1</b>	<u>8,281,087</u>	<u>9,534,026</u>	<u>5,886,877</u>	<u>5,859,300</u>	<u>658,415</u>	<u>658,585</u>	<u>14,826,379</u>	<u>16,682,308</u>
<b>December 31</b>	<u>\$ 9,036,338</u>	<u>\$ 8,281,087</u>	<u>\$ 6,284,599</u>	<u>\$ 5,886,877</u>	<u>\$ 652,053</u>	<u>\$ 658,415</u>	<u>\$ 15,972,990</u>	<u>\$ 15,934,911</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS - OPERATING ACTIVITIES</b>								
Operating Income (Loss)	\$ 483,225	\$ 390,910	\$ (274,722)	\$ (31,314)	\$ (516,856)	\$ (368,146)	\$ (308,353)	\$ 331,122
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:								
Depreciation Expense	812,406	802,233	452,645	449,524	227,699	224,646	1,492,750	578,872
Miscellaneous Non-Operating Income	3,100	-	-	-	37,682	546	40,782	97,720
(Increase) Decrease in Accounts Receivable	262,216	(51,821)	88,862	(5,469)	(146)	6,953	350,932	8,084
(Increase) Decrease in Intergovernmental Receivables	(4,121)	(3,499)	-	-	-	-	(4,121)	-
(Increase) Decrease in Due from Other Funds	-	-	-	-	-	-	-	(127,182)
(Increase) Decrease in Inventories	-	-	-	-	1,062	901	1,062	(7,724)
(Increase) Decrease in Prepaids	-	-	126,746	(9,105)	937	(324)	127,683	10,727
Increase (Decrease) in Customer Deposits	-	-	-	-	1,218	1,442	1,218	-
Increase (Decrease) in Accounts Payable	3,635	(1,674)	(2,173)	4,022	(10,279)	10,313	(8,817)	(82,255)
Increase (Decrease) in Salaries Payable	(6,083)	6,397	(3,989)	3,915	(1,753)	4,751	(11,825)	(4,286)
Increase (Decrease) in Compensated Absences	573	4,784	1,838	4,973	7,640	11,997	10,051	(105,689)
Increase (Decrease) in Intergovernmental Payables	4,668	(5,317)	2,440	1,822	(7,666)	3,540	(558)	(7,082)
Increase (Decrease) in Due to Other Funds	-	-	-	-	968,007	629,439	968,007	-
Total Adjustments	<u>1,076,394</u>	<u>751,103</u>	<u>666,369</u>	<u>449,682</u>	<u>1,224,401</u>	<u>894,204</u>	<u>2,967,164</u>	<u>361,185</u>
Net Cash Flows - Operating Activities	<u>\$ 1,559,619</u>	<u>\$ 1,142,013</u>	<u>\$ 391,647</u>	<u>\$ 418,368</u>	<u>\$ 707,545</u>	<u>\$ 526,058</u>	<u>\$ 2,658,811</u>	<u>\$ 692,307</u>

Noncash Investing, Capital, and Financing Activities:

- Distribution system assets in the amount of \$ 1,857,416 and \$ 1,710,217 were contributed to the Water Fund in 2011 and 2010, respectively.
- Distribution system assets in the amount of \$ 8,044,203 and \$ 761,969 were contributed to the Sewer Fund in 2011 and 2010, respectively.
- Assets in the amount of \$ 0 and \$ 79,699 were contributed to the Golf Course Fund in 2011 and 2010, respectively.
- Bond discount amortization in the amount of \$ 13,680 was recognized in both 2011 and 2010 in the Golf Course Enterprise Fund.

**CITY OF INVER GROVE HEIGHTS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**December 31, 2011**

	<u>Escrow Agency Fund</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ 805,167</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 39,126
Deposits Payable	<u>766,041</u>
Total Liabilities	<u>\$ 805,167</u>

The Notes to the Financial Statements are an integral part of this statement.

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# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Inver Grove Heights, Minnesota (the City) have been prepared in conformity 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). The City's significant accounting policies are described below.

#### **A. Financial Reporting Entity of the City**

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 financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of their operational or financial relationships with the City.

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

As a result of applying the component unit definition criteria above, it has been determined that the City of Inver Grove Heights has one component unit.

##### 1. Blended component unit

The Inver Grove Heights Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Inver Grove Heights 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 council members. Separate financial statements are not prepared for the Inver Grove Heights EDA.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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.

# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The agency fund is presented in the fiduciary fund financial statements. 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.

### **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 statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 in the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

The improvement bonds and closed bond debt service funds account for resources accumulated and payments for principal and interest on long term general obligation special assessment debt.

The host community, permanent improvement revolving, pavement management and local improvement construction funds account for improvement revenues and expenditures from replacement funds set aside for capital improvements.

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.

Fiduciary funds – escrow agency fund accounts for various deposits, collections and remittances of expenses on behalf of developers and homeowners.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this 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 from the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and 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 nonoperating revenues and expenses.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

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

**D. Assets, liabilities, and net assets or equity**

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments.

State statutes authorize investments which are direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a nationally recognized rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company or its Canadian subsidiary, and with a credit quality in one of the top two highest categories, repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the City 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 Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

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

*Interest rate risk.* In accordance with the City's investment policy, the City will not directly invest more than five percent (5%) of the total portfolio in securities maturing more than five (5) years from the date of purchase, unless matched to a specific cash flow.

*Credit risk.* The City's investment policy limits investments to types of securities permissible by state law. State law limits investments in unsecured debt to the top two ratings issued by a nationally recognized rating agency, unless the issuer is headquartered in Minnesota. Commercial paper is limited to the top rating and must have a maturity of 720 days or less from the purchase date.

*Concentration of credit risk.* 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%) of the City's total investments.

*Custodial credit risk – investments.* The City does not have an investment policy for custodial credit risk.



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

*Custodial credit risk – deposits.* The City’s policy states that in order to provide a level of security for all funds, the collateralization level will be 110% of market value.

2. 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 the interfund loan) 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”.

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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.

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 is 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.

3. Restricted assets

A portion of bond proceeds and contributions is classified as restricted assets since its use is limited by bond resolution.

4. 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.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

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5. 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and structures	20–50 years
Equipment and machinery	3-20 years
Distribution and collection systems	50 years
Streets and public infrastructure	25 years

6. 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.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

7. Other Post Employment Benefits

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. The City has only the implicit rate subsidy OPEB and, historically, retirees reaching the age of 65 do not stay on the plan. The ARC liability calculated was determined to be immaterial. Therefore, no liability for other post-employment benefits has been recorded in the financial statements.

8. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term debt are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets. 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 the debt issued is reported as other financing sources. Premiums received on bond issuances are reported as other financing sources while discounts on debt issues are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

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

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

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

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

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

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

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

Minimum Fund Balance Policy – The City will strive to maintain a General Fund unassigned fund balance of 40% of the following year’s budgeted property tax levy and state aids.

10. Net assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$19,765,000 was made between this net asset class and unrestricted net assets in the total column on the Statement of Net Assets to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

11. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year’s presentation.

**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 and Community Center Non-major 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.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

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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.

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 hearings 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 and Community Center Special Revenue Non-major Funds 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 transfer of budgeted amounts between City funds.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**B. Deficit fund equity**

The Local Improvement Construction Fund had a deficit fund balance of \$1,213,491, the Permanent Improvement Revolving Fund had a deficit of \$529,822 and the Other Non-major Funds had a deficit of \$400,954 in unassigned fund balances. The Golf Course Fund had a deficit unrestricted net asset balance of \$3,648,746. These deficits are expected to be covered from future fund revenues or transfers from other funds.

**C. Expenditures in excess of appropriations**

The Convention and Visitors Bureau Special Revenue Fund expenditures of \$81,082 exceeded budgeted appropriations of \$80,000.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

As of December 31, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg Maturity (Years)</u>
Brokered Certificates of Deposit	\$ 4,899,693	1.22
U.S. Government Bonds	30,587,102	4.81
Municipal Bonds	14,844,908	2.49
Mutual Funds	<u>9,624,608</u>	N/A
 Total Fair Value	 <u>\$ 59,956,311</u>	

As of December 31, 2011, the City had deposits and petty cash as follows:

Checking and Sweep Account	\$ 949,729
Petty Cash	<u>8,250</u>
Total Deposits and Petty Cash	<u>\$ 957,979</u>

*Interest rate risk.* In accordance with the City’s investment policy, the City will not directly invest more than five percent (5%) 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.* State law limits investments in unsecured debt to the top two ratings issued by a nationally recognized rating agency, unless the issuer is headquartered in Minnesota. Commercial paper is limited to the top rating and must have a maturity of 720 days or less from the purchase date. As of December 31, 2011, the City had no investment in commercial paper and the U.S. Government bonds were rated Aaa or greater by Standard & Poor’s and Moody’s. The municipal bonds were rated A2 or greater by Standard & Poor’s and Moody’s and the brokered certificates of deposit and the mutual funds were unrated.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

*Concentration of credit risk.* Concentration of credit risk is defined as positions of five percent (5%) 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%) of the City's total investments. As of December 31, 2011, the following investments exceeded 5% of the City's total investments: Brokered Certificates of Deposit (8.17%) FDMAC/FHLMC (11.71%), FHLB (16.73%), FNMA (21.74%), and Mutual Funds (16.05%).

*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. As of December 31, 2011, all of the City's bank balance of \$1,028,661 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, 2011, all securities were held by the City or its agent in the City's name.

The City's investments held by the broker-dealer were insured by SIPC or other supplemental insurance as of December 31, 2011. However, each investment brokerage firm may have a limit to their supplemental insurance 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.

Summary of cash deposits and investments as of December 31, 2011:

Deposits and Petty Cash	\$ 957,979
Investments	<u>59,956,311</u>
Total Deposits and Investments	<u>\$ 60,914,290</u>

Deposits and investments are presented in the December 31, 2011 basic financial statements as follow:

Statement of Net Assets	
Cash and cash equivalents	\$ 59,282,737
Temporarily restricted:	
Cash and cash equivalents	452,053
Cash with fiscal agent	174,333
Revenue Bond Covenant Account	200,000
Statement of Fiduciary Net Assets	<u>805,167</u>
Total	<u>\$ 60,914,290</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**B. Receivables**

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund delinquent property taxes receivable	\$ 288,974	\$ -	\$ 288,974
Closed Bond Fund delinquent property taxes receivable	7,489	-	7,489
Improvement Bonds Debt Service Fund property taxes receivable	6,631	-	6,631
Other non-major funds delinquent property taxes receivable	29,828	-	29,828
General Fund special assessments	17,482	-	17,482
Closed Bond Fund special assessments	996,354	48,113	1,044,467
Improvement Bonds Debt Service Fund special assessments	3,729,195	-	3,729,195
Pavement Management Fund special assessments	979,388	-	979,388
Local Improvement Construction Fund special assessments	1,553,260	-	1,553,260
Permanent Improvement Revolving Fund special assessments	420,458	-	420,458
Other non-major funds special assessments	25,686	-	25,686
Other non-major funds recreation fees	-	23,155	23,155
Other non-major funds Community Center fees	-	25,313	25,313
General Fund miscellaneous	-	5,661	5,661
Closed Bond Fund miscellaneous	-	45	45
Improvement Bonds Debt Service Miscellaneous	-	88,069	88,069
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred/unearned revenue for governmental funds	<u>\$ 8,054,745</u>	<u>\$ 190,356</u>	<u>\$ 8,245,101</u>



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**C. Capital assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 24,528,548	\$ 911,224	\$ -	\$ 25,439,772
Land - intangible	1,927,175	722,154	-	2,649,329
Construction in progress	<u>36,750,258</u>	<u>6,324,030</u>	<u>21,922,473</u>	<u>21,151,815</u>
Total capital assets not being depreciated	<u>63,205,981</u>	<u>7,957,408</u>	<u>21,922,473</u>	<u>49,240,916</u>
Capital assets being depreciated:				
Buildings and system	21,842,661	654,155	6,090	22,490,726
Improvements other than buildings	5,337,473	2,396,818	48,056	7,686,235
Machinery and equipment	9,121,093	1,416,185	983,916	9,553,362
Infrastructure	<u>74,492,474</u>	<u>8,388,261</u>	<u>                    </u>	<u>82,880,735</u>
Total capital assets being depreciated	110,793,701	12,855,419	1,038,062	122,611,058
Less accumulated depreciation for:				
Buildings and system	12,939,552	1,020,304	6,090	13,953,766
Improvements other than buildings	2,680,624	255,632	45,969	2,890,287
Machinery and equipment	6,843,907	522,705	970,266	6,396,346
Infrastructure	<u>37,621,270</u>	<u>2,508,730</u>	<u>                    </u>	<u>40,130,000</u>
Total accumulated depreciation	<u>60,085,353</u>	<u>4,307,371</u>	<u>1,022,325</u>	<u>63,370,399</u>
Total capital assets, being depreciated, net	<u>50,708,348</u>	<u>8,548,048</u>	<u>15,737</u>	<u>59,240,659</u>
Governmental activities capital assets, net	<u>\$ 113,914,329</u>	<u>\$ 16,505,456</u>	<u>\$ 21,938,210</u>	<u>\$ 108,481,575</u>

A portion of the decrease in construction in progress, \$9,881,419, was donated to the business-type activities and therefore not accounted for in the capital asset increases above.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,830,452	\$ -	\$ -	\$ 2,830,452
Land - intangible	9,522	-	-	9,522
Total capital assets not being depreciated	<u>2,839,974</u>	<u>-</u>	<u>-</u>	<u>2,839,974</u>
Capital assets being depreciated:				
Buildings and system Improvements other than buildings	63,111,651	9,925,477	6,825	73,030,303
Machinery and equipment	4,338,890	-	-	4,338,890
Total capital assets being depreciated	<u>1,035,089</u>	<u>361,537</u>	<u>176,184</u>	<u>1,220,442</u>
Less accumulated depreciation for:				
Buildings and system Improvements other than buildings	21,017,343	1,271,702	6,825	22,282,220
Machinery and equipment	2,715,724	134,508	-	2,850,232
Total accumulated depreciation	<u>790,281</u>	<u>86,540</u>	<u>167,732</u>	<u>709,089</u>
Total capital assets, being depreciated, net	<u>43,962,282</u>	<u>8,794,264</u>	<u>8,452</u>	<u>52,748,094</u>
Business-type activities capital assets, net	<u>\$ 46,802,256</u>	<u>\$ 8,794,264</u>	<u>\$ 8,452</u>	<u>\$ 55,588,068</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

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

**Governmental activities:**

General government	\$ 92,894
Public safety	210,846
Public works including depreciation of infrastructure	2,774,925
Culture and recreation	1,222,834
Community development	<u>5,872</u>
 Total depreciation expense - governmental activities	 <u><u>4,307,371</u></u>

**Business-type activities:**

Water	812,406
Sanitary sewer	452,645
Golf course	<u>227,699</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 1,492,750</u></u>

Construction commitments:

The government has active construction projects as of December 31, 2011. The projects include street construction, sanitary sewer construction, storm water construction, parks construction and building construction. At year-end, the government's commitments with contractors are as follows:

Project	Revised Contract Amount	Work To Date	Remaining Commitment
Storm Water Construction Projects	\$ 66,710	\$ 59,824	\$ 6,886
Building Construction Project	12,633,321	12,575,761	57,560
Total	<u>\$ 12,700,031</u>	<u>\$ 12,635,585</u>	<u>\$ 64,446</u>

The commitment for the street construction projects are being financed by special assessments that are repaid by the benefiting property owners, Minnesota state aid, Northwest Area storm water fees, and transfers from Water Connection Fund, Sewer Connection Fund, and Pavement Management Fund. The commitment for the sewer construction projects are being financed by special assessments and Northwest area water and sewer connection fees that are repaid by the benefiting property owners and transfers from the Water Connection Fund. The commitment for the storm water construction projects are being financed with Northwest Area fees, Minnesota Department of Transportation (MnDOT) funds, and a transfer from the Closed Bond Fund. The commitment for the parks projects is being financed by various grants and transfers from the Host Community Fund, Closed Bond Fund and the Parks Acquisition and Development Fund. The commitment for the building construction project is being financed by bond proceeds which will be repaid with tax levies.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**D. Interfund receivables, payable and transfers**

The composition of interfund balances as of December 31, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>	<u>Due in 2012</u>
Host Community Fund	Golf Course Fund	Eliminate cash deficit	\$ 2,841,866	\$ 2,841,866
Closed Bond Fund	Local Improvement Construction Fund	Eliminate cash deficit	727,936	727,936
Closed Bond Fund	Permanent Improvement Revolving Fund	Eliminate cash deficit	529,822	529,822
Closed Bond Fund	Other Non-major Funds	Eliminate cash deficit	401,027	401,027
Closed Bond Fund	Golf Course Fund	Eliminate cash deficit	710,466	710,466
Internal Service Funds	Golf Course Fund	Loan for equipment purchase	127,182	63,591
Total			<u>\$ 5,338,299</u>	<u>\$ 5,274,708</u>

Interfund transfers:

Transfers Out	Transfers In						Total
	General	Closed Bond Fund	Improvement Bonds	Pavement Management	Local Improvement Construction	Non-Major Governmental Funds	
General	\$ -	\$ -	\$ -	\$ 1,234,720	\$ 1,300	\$ 544,600	\$ 1,780,620
Closed Bond	-	-	179,861	-	1,131,435	295,539	1,606,835
Improvement Bonds	-	597,052	-	-	-	-	597,052
Pavement Mgmt	-	-	-	-	138,641	-	138,641
Local Improvement Construction	-	-	-	-	-	5,000	5,000
Permamemt Impr Revolving	-	-	136,892	-	-	-	136,892
Host Community	650,000	-	-	-	1,244,176	940,148	2,834,324
Non Major Governmental	-	53,987	-	152,910	693,505	2,853,718	3,754,120
Water Fund	-	-	-	226,667	-	674,249	900,916
Sewer Fund	-	-	-	57,259	-	-	57,259
Internal Service	288,000	-	-	-	-	-	288,000
Total	<u>\$ 938,000</u>	<u>\$ 651,039</u>	<u>\$ 316,753</u>	<u>\$ 1,671,556</u>	<u>\$ 3,209,057</u>	<u>\$ 5,313,254</u>	<u>\$ 12,099,659</u>

Transfers from the General Fund to the Local Improvement Construction Fund, Pavement Management Fund and non-major governmental funds were adopted as part of the General Fund budget or by resolution. They are for pavement management, park maintenance, support of recreation programs, and equipment acquisition. The transfers to the General Fund from the Host Community Fund and internal service funds were for project operating support and were adopted as part of the General Fund budget. Transfers from the Local Improvement Construction Fund were for recreation scholarships.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

Transfers from the Water Fund to the Pavement Management Fund were for construction funding. Transfers from the Sewer Fund to the Pavement Management Fund were for construction funding. Transfer from the Water to non-major governmental funds was for debt service payments. Transfers to the Closed Bond Fund from the improvement bonds and non-major governmental funds were to transfer funds no longer needed for debt service.

Transfers from the Closed Bond Fund, Host Community Fund and non-major governmental funds to non-major governmental funds was for debt service payments, construction funding and to finance the deficit in the Community Center.

Transfer from the Closed Bond Fund, Pavement Management, Host Community, Permanent Improvement Revolving Fund and non-major governmental funds to Local Improvement Construction Fund, Pavement Management and Improvement Bond Fund were for construction funding and debt service payments.

**E. Long-term debt**

The City issues general obligation 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.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The G.O. Water Revenue bonds were issued with government commitment. The Golf Course Gross Revenue bonds pledge revenues from the golf course. These bonds are issued as serial bonds with debt service payments each year. The original amount of general obligation and revenue bonds for the issues listed below is \$82,453,113.

The City's outstanding long-term debt as of December 31, 2011 is as follows:

Purpose	Net Interest Rates	Amount
<i>Governmental activities -</i>		
Special Assessment Debt with Government Commitment	1.76% - 4.99%	\$ 13,655,000
Tax Increment General Obligation Debt	3.77% - 5.95%	9,924,586
General Obligation Debt	3.23% - 6.73%	30,800,655
<i>Business type activities -</i>		
Revenue Bonds	5.43%	1,235,000
		<u>\$ 55,615,241</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

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

Year Ending December 31	Governmental Activities		
	Special Assessment Debt with Governmental Commitment		
	Principal	Interest	Total
2012	\$ 1,415,000	\$ 410,888	\$ 1,825,888
2013	1,795,000	358,104	2,153,104
2014	1,525,000	306,573	1,831,573
2015	1,355,000	263,104	1,618,104
2016	1,335,000	222,004	1,557,004
2017-2021	4,615,000	549,218	5,164,218
2022-2026	1,350,000	138,263	1,488,263
2027	265,000	4,141	269,141
<b>Total</b>	<b>\$ 13,655,000</b>	<b>\$ 2,252,295</b>	<b>\$ 15,907,295</b>

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

Year Ending December 31	Governmental Activities		
	Tax Increment General Obligation Debt		
	Principal	Interest	Total
2012	\$ 1,480,000	\$ 459,351	\$ 1,939,351
2013	2,339,586	1,072,301	3,411,887
2014	1,190,000	166,770	1,356,770
2015	855,000	134,563	989,563
2016	875,000	110,883	985,883
2017-2021	3,185,000	213,489	3,398,489
<b>Total</b>	<b>\$ 9,924,586</b>	<b>\$ 2,157,357</b>	<b>\$ 12,081,943</b>

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

Year Ending December 31,	Governmental Activities		
	General Obligation Debt		
	Principal	Interest	Total
2012	\$ 1,388,818	\$ 1,150,150	\$ 2,538,968
2013	1,321,769	1,099,050	2,420,819
2014	1,529,918	1,046,029	2,575,947
2015	1,598,280	988,787	2,587,067
2016	1,666,870	928,932	2,595,802
2017-2021	7,115,000	3,802,322	10,917,322
2022-2026	5,995,000	2,606,202	8,601,202
2027-2031	6,000,000	1,431,704	7,431,704
2032-2036	4,185,000	349,997	4,534,997
<b>Total</b>	<b>\$ 30,800,655</b>	<b>\$ 13,403,173</b>	<b>\$ 44,203,828</b>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

Annual debt service requirement to maturity for revenue bonds are as follows:

Year Ending December 31	Business-type Activities		
	Revenue Bonds		
	Principal	Interest	Total
2012	\$ 395,000	\$ 57,052	\$ 452,052
2013	415,000	39,278	454,278
2014	425,000	20,188	445,188
Total	<u>\$ 1,235,000</u>	<u>\$ 116,518</u>	<u>\$ 1,351,518</u>

Changes in long-term debt:

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable:					
Special assessment debt with gov't commitment	\$ 16,055,000	\$ 1,075,000	\$ 3,475,000	\$ 13,655,000	\$ 1,415,000
Tax increment debt	11,128,847	3,540,739	4,745,000	9,924,586	1,480,000
General obligation debt	32,241,708	-	1,441,053	30,800,655	1,388,818
Insurance premium	-	58,634	3,046	55,588	-
Compensated absences	1,519,037	164,307	274,253	1,409,091	746,818
Governmental activities - Long-term liabilities	<u>\$ 60,944,592</u>	<u>\$ 4,838,680</u>	<u>\$ 9,938,352</u>	<u>\$ 55,844,920</u>	<u>\$ 5,030,636</u>

Additions to long-term debt for governmental activities include \$4,505,000 in debt issuance and \$110,739 of accretion in tax increment debt on capital appreciation bonds. Compensated absences are typically liquidated through the compensated absences internal service fund.

<u>Business-type activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Revenue bonds	\$ 1,620,000	\$ -	\$ 385,000	\$ 1,235,000	\$ 395,000
Issuance Discount	(54,722)	-	(13,680)	(41,042)	-
Capital lease	-	157,875	25,395	132,480	24,035
Compensated absences	224,196	7,415	2,637	234,248	124,152
Business-type activities Long-term liabilities	<u>\$ 1,789,474</u>	<u>\$ 165,290</u>	<u>\$ 399,352</u>	<u>\$ 1,560,686</u>	<u>\$ 543,187</u>

Long-term debt for business activities is reported in the statement of net assets at \$1,193,958 which is net of discount of \$41,042.

On August 16, 2011 the City issued \$4,505,000 General Obligation Refunding Bonds, Series 2011A dated August 18, 2011, with a true interest rate of 1.751% to refund the principal on the \$4,200,000 General Obligation Tax Increment Refunding Bonds, Series 2003D and principal on the \$3,775,000 General Obligation Bonds, Series 2006A. This refunding will result in a total reduction in debt service payments of \$1,321,700 over the next 8 years while providing for net present value benefit of \$333,896.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**F. 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 payments 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.

**NOTE 4 – CAPITAL LEASE OBLIGATION**

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 their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets	
Heavy machinery and equipment	\$ 157,875
Less accumulated depreciation	-
Total	\$ 157,875

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

Year Ending December 31,	
2012	\$ 29,511
2013	29,511
2014	29,511
2015	29,511
2016	29,583
Net minimum lease payments	147,627
Less amount representing interest	15,147
Present value of net minimum lease payments	\$ 132,480



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

As of December 31, 2011, there was one series of Industrial Revenue Bonds and two series of Housing Revenue Bonds outstanding as follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Balance Outstanding 12/31/11</u>
1992 Industrial Development Revenue Note	\$ 350,000	\$ 25,844
2005 Senior Housing Revenue Refunding Bonds	32,290,000	32,290,000
2006 Nursing Home Revenue Refunding Bonds	<u>23,265,000</u>	<u>22,030,000</u>
Total	<u>\$55,905,000</u>	<u>\$54,345,844</u>

**NOTE 5 – FUND BALANCES/NET ASSETS**

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

	General	Closed Bond	Improvement Bonds	Pavement Management	Local Improvement Construction	Permanent Improvement Revolving	Host Community	Other Governmental Funds	Total
<b>Nonspendable:</b>									
Prepaid Expenses	\$ 24,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 621	\$ 24,642
<b>Restricted:</b>									
Debt Service	-	-	2,769,934	-	-	-	-	586,877	3,356,811
Equipment Acquisition	-	-	-	-	-	-	-	548,648	548,648
Tax Increments	-	-	-	-	-	-	-	2,968,762	2,968,762
Total Restricted	-	-	2,769,934	-	-	-	-	4,104,287	6,874,221
<b>Committed:</b>									
Convention and Visitors Bureau	-	-	-	-	-	-	-	69,216	69,216
Recreation	-	-	-	-	-	-	-	389,066	389,066
Community Center	-	-	-	-	-	-	-	137,788	137,788
Total Committed	-	-	-	-	-	-	-	596,070	596,070
<b>Assigned:</b>									
Capital Improvements	-	-	-	2,975,045	-	-	3,996,598	10,123,277	17,094,920
Debt Service	-	3,596,547	-	-	-	-	-	-	3,596,547
Total Assigned	-	3,596,547	-	2,975,045	-	-	3,996,598	10,123,277	20,691,467
<b>Unassigned</b>	6,326,550	-	-	-	(1,213,491)	(529,822)	-	(400,954)	4,182,283
<b>Total</b>	<u>\$ 6,350,571</u>	<u>\$ 3,596,547</u>	<u>\$ 2,769,934</u>	<u>\$ 2,975,045</u>	<u>\$ (1,213,491)</u>	<u>\$ (529,822)</u>	<u>\$ 3,996,598</u>	<u>\$ 14,423,301</u>	<u>\$ 32,368,683</u>

**NOTE 6 - 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.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

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.

**B. Employee retirement systems and pension plans**

1. Defined benefit pension plans - statewide employees plan

a. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

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. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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.

# CITY OF INVER GROVE HEIGHTS, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERF members and PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

### b. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011 the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010 and 2009, were \$481,626, \$462,426, and \$453,717, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2011, 2010 and 2009, were \$401,040, \$383,562, and \$387,894, respectively.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

The City’s contributions were equal to the contractually required contributions for each year as set by state statute.

2. Defined Contribution Plan - statewide employees plan

Three council members of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (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, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% 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% of employer contributions and twenty-five hundredths of one percent of the assets in each member’s account annually. Total contributions made by the City during fiscal year 2011 were:

Amount		Percentage of Covered Payroll		Required
Employees	Employer	Employees	Employer	Rates
\$1,150	\$1,150	5.00%	5.00%	5.00%

3. Single employer defined benefit pension plan - volunteer fire relief association

Plan Description

The Inver Grove Heights Firemen’s Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Inver Grove Heights Fire Department.

The Relief Association provides retirement and disability benefits to members, and benefits to survivors upon the death of eligible members. All benefit provisions and the obligation to make contributions are established and may be amended by the Relief Association’s Board of Trustees within the guidelines of the State of Minnesota statutes.

The Relief Association issues a publicly available financial report that includes financial statements and required supplementary information for the Relief Association. That report may be obtained by writing to Inver Grove Heights Firemen’s Relief Association, 8150 Barbara Avenue, Inver Grove Heights, Minnesota 55077.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

Funding Policy

*Minnesota Statutes* Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. Actuarial valuations are not required for the Relief Association as the Relief Association follows *Minnesota Statutes* for the valuation calculation. The City has decided to make an annual contribution in addition to State aid received for pension cost. State aid received is recorded as a revenue and the payment of this state aid as well as any city contribution to the Relief Association is recorded as an expenditure in the City's financial statements. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). The City's annual pension costs for December 31, 2011, 2010 and 2009 were \$124,167, \$127,119, and \$120,457, respectively. The City's annual pension cost for the current year and related information is as follows:

Annual Pension Cost	\$124,167
Valuation Date	8/1/10
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar open

Remaining Amortization Period:

Normal cost	20 years
Prior service cost	10 years
Asset Valuation Method	Market

Actuarial Assumptions:

Investment Rate of Return	5%
Projected Salary Increases	N/A
Assumed Inflation Rate	N/A
Payroll Growth Rate	N/A
Cost of Living Adjustment	None

Three-Year Trend Information

Ending December 31,	Annual Pension Cost	Percentage of ARC Contributed	Net Pension Obligation
2009	\$ 120,457	100%	\$ -
2010	127,119	100%	-
2011	124,167	100%	-

Valuation Date	Statutory Value of Assets	Statutory Accrued Liability	(Unfunded) Funded SAL	Funded Ratio	Pension Benefit Per Year Of Service	Annual Covered Payroll
12/31/2009	\$ 3,385,624	\$ 2,773,535	\$ 612,089	122.1%	\$ 5,000	\$ -
12/31/2010	3,476,455	2,698,328	778,127	128.8%	5,000	-
12/31/2011	3,377,280	2,979,797	397,483	113.3%	5,800	-

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

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

#### **C. Operating Leases**

The City leases the Community Center to Independent School District 199 under an operating lease. The lease commenced December 1, 1995 and terminates on November 30, 2015. The annual rent is \$100,000 payable in two equal installments due July 15 and December 15 until July 15, 2014 and December 15, 2014, subject to termination clauses in the lease agreement.

The City also 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 July 15 payment started at \$110,000 and increases by \$500 per year. The January 15 payment starts at \$125,000 in 2002 and increases \$500 per year.

#### **D. Metropolitan Council Environmental Services**

During 1971, the Metropolitan Waste Control Commission (MWCC) was organized to provide for consolidation of the sanitary sewer collection, treatment and disposal in the seven county metropolitan area surrounding Minneapolis and St. Paul. Previously, these operations were maintained by the city governments on an individual or collective basis. When the MWCC was formed, existing interceptor sewer lines and treatment facilities were transferred from the cities to the MWCC in exchange for future credits. These future credits were remitted to the City over a 30 year period. The MWCC merged with the Metropolitan Council during 1994 to form Metropolitan Council Environmental Services (MCES).

The MCES used to bill the City annually based upon estimated volume and budgeted costs. These billings were later adjusted when actual volume and actual costs were determined. The adjustment to actual was generally determined in the succeeding calendar year and payable by the City in the second succeeding calendar year. The City followed the accounting policy of recognizing these charges as an expense of the sewer utility operation in the year for which they were billed (for estimated billings) and in the year the adjustments were determined (for adjustments from estimated to actual billings). Beginning July 1, 1998, the MCES started billing on the basis of actual metered flows treated by MCES six months (two quarters) prior. 1998 and 1999 were transition years with billings based on actual flows as well as credits or additional charges for 1996 and 1997 reflected on the 1998 and 1999 billings, respectively. Beginning in 2000, these credits and/or charges no longer appear on the billings.

#### **E. Joint Powers Debt Commitment**

On August 25, 2005 the City entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Lakeville, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County, Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the abovementioned cities and county (members). Pursuant to the joint powers agreement, members are required to provide DCC their pro rata share of cost of operations and maintenance, and capital projects.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

On May 1, 2007 the DCC issued Public Safety Revenue Bonds, Series 2007 in the amount of \$7,315,000 to provide financing for the acquisition of equipment and reimbursement for conversion costs. The bonds are special obligations of the DCC, payable from revenues to be received from members. Pursuant to the joint powers agreement, members will levy taxes for the payment of their pro rata share of the principal and interest payments due on the bonds. The bonds mature February 1, 2014, and bear interest rates ranging from 4.5% - 5.0%. The debt will be re-paid with member assessments over a seven year amortization. All members reserve the right to prepay, in whole or in part on any date, its allocated share of principal and interest on the bonds.

Payments from the City are provided from General Fund appropriations. The City's future member payments to DCC as of December 31, 2011 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2012	\$ 77,950
2013	75,150
2014	76,875
	<hr/>
	\$ 229,975
	<hr/> <hr/>

Pursuant to Section 9.5 of the joint powers agreement, member payments are submitted monthly and held in escrow by U.S. Bank National Association (trustee) until the funds are remitted to the bond holders according to the established bond principal and interest due dates. The interest earnings from the escrow will reduce future member obligations on the debt. Information regarding the Dakota Communications Center can be obtained at the website [www.mn-dcc.org/stats.asp](http://www.mn-dcc.org/stats.asp) or by contacting Dennis Feller at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 962-985-4482 or email address [dfeller@ci.lakeville.mn.us](mailto:dfeller@ci.lakeville.mn.us).

**F. Change in Accounting Principle**

For the year-ended December 31, 2011, the City has elected to implement GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This action resulted in a reclassification of fund balances on the governmental fund statements to correspond with the new fund naming structure required by this Statement. In addition, the Landfill Abatement Special Revenue Fund was combined with the Host Community Capital Project Fund and the Escrow Special Revenue Fund was reclassified as a Fiduciary Fund to comply with the new fund type definitions.

**G. Subsequent Event**

On March 30, 2012 the City approved the defeasance of the Series 2003A Golf Course Revenue Refunding Bonds. An escrow account was established and will be responsible for any principal and interest amounts on the debt. The Bonds will be paid in their entirety at December 1, 2014.

On April 24, 2012 the City issued \$5,710,000 General Obligation Utility Revenue Refunding Bonds, Series 2012A and with an interest rate ranging from 2.0%-2.15%. The first payment is due on February 1, 2013, thereafter, payments are due semi-annually until February 1, 2022. These bonds will refund the Series 2004B Bonds, Series 2006C Bond, and Series 2005D Bonds.

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## NONMAJOR GOVERNMENTAL FUNDS

### 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 Fund 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 Fund – accounts for recreation activities of the City.

Community Center Fund – accounts for the activities at the Veterans Memorial and the Grove Community Center.

Landfill Abatement Fund – accounts for the restricted portion of landfill abatement fees. This Fund was reclassified to a special revenue fund in 2011 due to GASB Statement No. 54.

### Debt Service Funds

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

Storm Water Bonds which financed storm water projects are repaid primarily from watershed management district general property taxes.

TIF Bonds which financed various tax increment financing projects and are repaid primarily from tax increment.

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

Water Revenue Bonds which were used to finance construction of the water treatment plant are repaid primarily from transfers from the water fund.

Sewer Revenue Bonds which are being used to finance the construction of sanitary sewer in the northwest area of the city and are primarily paid from development fees and transfers from the sewer fund.

Equipment Certificates which financed the acquisition of equipment are repaid primarily from general property taxes.

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## NONMAJOR GOVERNMENTAL FUNDS

### Capital Projects Funds

The 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 and Trust Funds). During 2008, the City of Inver Grove Heights had the following nonmajor Capital Project Funds:

Community Projects – accounts for financial resources reserved for future community projects.

Capital Facilities – accounts for financial resources reserved for future City capital projects.

Water Connection – accounts for the receipt and use of water connection charges

Sewer Connection – accounts for the receipt and use of sewer connection charges.

Equipment Acquisition – accounts for major equipment purchases.

Park 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.

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

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

Parks Maintenance & Replacement Fund - accounts for financial resources reserved for maintenance and replacement of parks facilities.

Storm Water Management Fund accounts for storm water projects.

Water System Improvements Fund - accounts for financial resources reserved for future water system improvements.

Tree Preservation Fund – accounts for financial resources reserved for tree preservation.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Special Revenue			
	Convention and Visitors Bureau	Recreation	Community Center	Landfill Abatement
<b>ASSETS</b>				
Cash and Investments	\$ 67,277	\$ 439,630	\$ 254,695	\$ -
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable:				
Current	5,542	-	-	-
Delinquent	-	-	-	-
Special Assessments Receivable:				
Deferred	-	-	-	-
Accounts Receivable	-	349	34,834	-
Prepaid Expenses	-	-	621	-
Due from Other Governments	5,898	-	-	-
	<u>\$ 78,717</u>	<u>\$ 439,979</u>	<u>\$ 290,150</u>	<u>\$ -</u>
Total Assets				
	<u>\$ 78,717</u>	<u>\$ 439,979</u>	<u>\$ 290,150</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 9,501	\$ 17,091	\$ 92,255	\$ -
Salaries and Benefits Payable	-	8,589	23,972	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	2,078	10,201	-
Deferred Revenue	-	23,155	25,313	-
Total Liabilities	<u>9,501</u>	<u>50,913</u>	<u>151,741</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	-	-	621	-
Restricted	-	-	-	-
Committed	69,216	389,066	137,788	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>69,216</u>	<u>389,066</u>	<u>138,409</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 78,717</u>	<u>\$ 439,979</u>	<u>\$ 290,150</u>	<u>\$ -</u>

<u>Special Revenue</u>	<u>Debt Service</u>				
Total	Storm Water Revenue Bonds	MSABC Bonds	Water Revenue Bonds	Equipment Certificates	Sewer Revenue Bonds
\$ 761,602	\$ 198,088	\$ 25,630	\$ -	\$ 258,213	\$ 400
-	-	-	-	-	-
5,542	12,800	5,512	-	20,114	-
-	2,357	1,285	-	3,949	-
-	-	-	-	-	-
35,183	-	-	-	-	-
621	-	-	-	-	-
5,898	-	-	-	-	-
<u>\$ 808,846</u>	<u>\$ 213,245</u>	<u>\$ 32,427</u>	<u>\$ -</u>	<u>\$ 282,276</u>	<u>\$ 400</u>
\$ 118,847	\$ 133	\$ -	\$ -	\$ -	\$ 400
32,561	-	-	-	-	-
-	-	-	-	-	-
12,279	-	-	-	-	-
48,468	2,357	1,285	-	3,949	-
<u>212,155</u>	<u>2,490</u>	<u>1,285</u>	<u>-</u>	<u>3,949</u>	<u>400</u>
621	-	-	-	-	-
-	210,755	31,142	-	278,327	-
596,070	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>596,691</u>	<u>210,755</u>	<u>31,142</u>	<u>-</u>	<u>278,327</u>	<u>-</u>
<u>\$ 808,846</u>	<u>\$ 213,245</u>	<u>\$ 32,427</u>	<u>\$ -</u>	<u>\$ 282,276</u>	<u>\$ 400</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Debt Service		Capital Projects	
	TIF Bonds Debt Service	Total	Community Projects	Capital Facilities
<b>ASSETS</b>				
Cash and Investments	\$ 1,046	\$ 483,377	\$ 1,062,883	\$ 1,821,907
Cash with Fiscal Agent	65,607	65,607	-	-
Taxes Receivable:				
Current	-	38,426	-	-
Delinquent	-	7,591	-	-
Special Assessments Receivable:				
Deferred	-	-	-	-
Accounts Receivable	-	-	-	-
Prepaid Expenses	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 66,653</u>	<u>\$ 595,001</u>	<u>\$ 1,062,883</u>	<u>\$ 1,821,907</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ 533	\$ -	\$ -
Salaries and Benefits Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	7,591	-	-
Total Liabilities	<u>-</u>	<u>8,124</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	66,653	586,877	-	-
Committed	-	-	-	-
Assigned	-	-	1,062,883	1,821,907
Unassigned	-	-	-	-
Total Fund Balances	<u>66,653</u>	<u>586,877</u>	<u>1,062,883</u>	<u>1,821,907</u>
Total Liabilities and Fund Balances	<u>\$ 66,653</u>	<u>\$ 595,001</u>	<u>\$ 1,062,883</u>	<u>\$ 1,821,907</u>

Capital Projects

Equipment Acquisition	Parks Acquisition and Development	Water Connection	State Aid Construction	Tax Increment Financing	Capital Improvement Revolving
\$ 548,648	\$ 1,183,310	\$ 2,439,596	\$ 1,217,588	\$ 2,911,708	\$ 422,892
-	-	-	-	-	-
-	-	-	-	84,504	-
-	-	-	-	22,237	-
-	-	19,245	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 548,648</u>	<u>\$ 1,183,310</u>	<u>\$ 2,458,841</u>	<u>\$ 1,217,588</u>	<u>\$ 3,018,449</u>	<u>\$ 422,892</u>
\$ -	\$ -	\$ -	\$ -	\$ 27,450	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,362	-	-	-
-	-	19,245	-	22,237	-
-	-	<u>23,607</u>	-	<u>49,687</u>	-
-	-	-	-	-	-
548,648	-	-	-	2,968,762	-
-	-	-	-	-	-
-	1,183,310	2,435,234	1,217,588	-	422,892
-	-	-	-	-	-
<u>548,648</u>	<u>1,183,310</u>	<u>2,435,234</u>	<u>1,217,588</u>	<u>2,968,762</u>	<u>422,892</u>
<u>\$ 548,648</u>	<u>\$ 1,183,310</u>	<u>\$ 2,458,841</u>	<u>\$ 1,217,588</u>	<u>\$ 3,018,449</u>	<u>\$ 422,892</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Capital Projects			
	Parks Maintenance and Replacement	Storm Water Managment	Water Systems Improvements	Tree Preservation
<b>ASSETS</b>				
Cash and Investments	\$ 684,228	\$ -	\$ 1,196,820	\$ 39,966
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable:				
Current	-	-	-	-
Delinquent	-	-	-	-
Special Assessments Receivable:				
Deferred	-	-	-	-
Accounts Receivable	-	2,289	-	-
Prepaid Expenses	-	-	-	-
Due from Other Governments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 684,228</u>	<u>\$ 2,289</u>	<u>\$ 1,196,820</u>	<u>\$ 39,966</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Salaries and Benefits Payable	-	-	-	-
Due to Other Funds	-	401,027	-	-
Due to Other Governments	-	2,216	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	403,243	-	-
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	684,228	-	1,196,820	39,966
Unassigned	-	(400,954)	-	-
Total Fund Balances	<hr/>	<hr/>	<hr/>	<hr/>
	684,228	(400,954)	1,196,820	39,966
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 684,228</u>	<u>\$ 2,289</u>	<u>\$ 1,196,820</u>	<u>\$ 39,966</u>



<u>Capital Projects</u>		
<u>Sewer Connection</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 88,706	\$ 13,618,252	\$ 14,863,231
-	-	65,607
-	84,504	128,472
-	22,237	29,828
6,441	25,686	25,686
-	2,289	37,472
-	-	621
<u>775</u>	<u>775</u>	<u>6,673</u>
<u>\$ 95,922</u>	<u>\$ 13,753,743</u>	<u>\$ 15,157,590</u>
\$ 3,803	\$ 31,253	\$ 150,633
-	-	32,561
-	401,027	401,027
27,229	33,807	46,086
6,441	47,923	103,982
<u>37,473</u>	<u>514,010</u>	<u>734,289</u>
-	-	621
-	3,517,410	4,104,287
-	-	596,070
58,449	10,123,277	10,123,277
-	(400,954)	(400,954)
<u>58,449</u>	<u>13,239,733</u>	<u>14,423,301</u>
<u>\$ 95,922</u>	<u>\$ 13,753,743</u>	<u>\$ 15,157,590</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Special Revenue				Total	Debt Service
	Convention and Visitors Bureau	Recreation	Community Center	Landfill Abatement		Storm Water Bonds
<b>REVENUES</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,738
Tax Increments	-	-	-	-	-	-
Miscellaneous Taxes	77,882	-	-	-	77,882	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	9,638	5,500	-	-	15,138	-
Charges for Services	-	242,525	1,954,475	-	2,197,000	-
Fines and Forfeitures	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-
Rentals	-	-	38,400	-	38,400	-
Contributions and Donations	-	11,644	139,144	-	150,788	-
Investment Income	600	4,828	313	-	5,741	1,456
Other	300	355	3,447	-	4,102	-
Total Revenues	<u>88,420</u>	<u>264,852</u>	<u>2,135,779</u>	<u>-</u>	<u>2,489,051</u>	<u>150,194</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Public Works	-	-	-	-	-	-
Parks and Recreation	81,082	716,607	2,649,074	-	3,446,763	-
<b>Debt Service</b>						
Principal	-	-	-	-	-	110,000
Interest	-	-	-	-	-	29,838
<b>Capital Outlay</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Parks and Recreation	-	-	401,852	-	401,852	-
Community Development	-	-	-	-	-	-
Total Expenditures	<u>81,082</u>	<u>716,607</u>	<u>3,050,926</u>	<u>-</u>	<u>3,848,615</u>	<u>139,838</u>
Excess of Revenues Over (Under) Expenditures	7,338	(451,755)	(915,147)	-	(1,359,564)	10,356
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	459,100	1,053,556	-	1,512,656	-
Transfers Out	-	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-	-
Issuance of Refunding Debt	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>459,100</u>	<u>1,053,556</u>	<u>-</u>	<u>1,512,656</u>	<u>-</u>
Net Change in Fund Balances	7,338	7,345	138,409	-	153,092	10,356
<b>FUND BALANCES</b>						
<b>Beginning of Year</b>	<u>61,878</u>	<u>381,721</u>	<u>-</u>	<u>328,963</u>	<u>772,562</u>	<u>200,399</u>
<b>Change in Accounting Principle</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,963)</u>	<u>(328,963)</u>	<u>-</u>
<b>Beginning Fund Balance, Restated</b>	<u>61,878</u>	<u>381,721</u>	<u>-</u>	<u>-</u>	<u>443,599</u>	<u>200,399</u>
<b>End of Year</b>	<u>\$ 69,216</u>	<u>\$ 389,066</u>	<u>\$ 138,409</u>	<u>\$ -</u>	<u>\$ 596,691</u>	<u>\$ 210,755</u>

Debt Service						Capital Projects	
MSABC Bonds	Water Revenue Bonds	Equipment Certificates	Sewer Revenue Bonds	TIF Bonds Debt Service	Total	Community Projects	Capital Facilities
\$ 61,522	\$ -	\$ 236,494	\$ -	\$ -	\$ 446,754	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
229	-	868	-	-	1,097	-	54,486
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	244,500	244,500	-	-
-	-	-	-	-	-	-	-
516	-	2,396	-	-	4,368	-	207
-	-	-	-	-	-	-	-
<u>62,267</u>	<u>-</u>	<u>239,758</u>	<u>-</u>	<u>244,500</u>	<u>696,719</u>	<u>-</u>	<u>54,693</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	168,579
41,052	590,000	515,000	215,000	1,174,570	2,645,622	-	-
19,648	295,299	21,081	421,314	596,718	1,383,898	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>60,700</u>	<u>885,299</u>	<u>536,081</u>	<u>636,314</u>	<u>1,771,288</u>	<u>4,029,520</u>	<u>-</u>	<u>168,579</u>
1,567	(885,299)	(296,323)	(636,314)	(1,526,788)	(3,332,801)	-	(113,886)
-	885,299	-	636,314	1,543,781	3,065,394	-	-
-	-	(53,987)	-	(54,704)	(108,691)	-	-
-	-	-	-	(3,365,000)	(3,365,000)	-	-
-	-	-	-	3,430,000	3,430,000	-	-
-	-	-	-	39,364	39,364	-	-
<u>-</u>	<u>885,299</u>	<u>(53,987)</u>	<u>636,314</u>	<u>1,593,441</u>	<u>3,061,067</u>	<u>-</u>	<u>-</u>
1,567	-	(350,310)	-	66,653	(271,734)	-	(113,886)
<u>29,575</u>	<u>-</u>	<u>628,637</u>	<u>-</u>	<u>-</u>	<u>858,611</u>	<u>1,062,883</u>	<u>1,935,793</u>
-	-	-	-	-	-	-	-
<u>29,575</u>	<u>-</u>	<u>628,637</u>	<u>-</u>	<u>-</u>	<u>858,611</u>	<u>1,062,883</u>	<u>1,935,793</u>
<u>\$ 31,142</u>	<u>\$ -</u>	<u>\$ 278,327</u>	<u>\$ -</u>	<u>\$ 66,653</u>	<u>\$ 586,877</u>	<u>\$ 1,062,883</u>	<u>\$ 1,821,907</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Capital Projects				
	Equipment Acquisition	Parks Acquisition and Development	Water Connection	State Aid Construction	Tax Increment Financing
<b>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	1,969,395
Miscellaneous Taxes	-	-	-	-	-
Special Assessments	-	-	1,687	-	-
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	625,327	89,261
Charges for Services	-	49,420	61,400	-	-
Fines and Forfeitures	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Rentals	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Investment Income	5,649	12,987	121,848	11,327	43,478
Other	-	-	-	-	-
<b>Total Revenues</b>	<u>5,649</u>	<u>62,407</u>	<u>184,935</u>	<u>636,654</u>	<u>2,102,134</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Public Works	-	-	-	-	290,869
Parks and Recreation	-	39,975	-	-	-
<b>Debt Service</b>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Capital Outlay</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Parks and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>39,975</u>	<u>-</u>	<u>-</u>	<u>290,869</u>
Excess of Revenues Over (Under) Expenditures	5,649	22,432	184,935	636,654	1,811,265
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	7,500	-	-	-	54,704
Transfers Out	-	(139,236)	(639,618)	-	(1,315,783)
Payment of Refunded Debt	-	-	-	-	-
Issuance of Refunding Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
<b>Total Other Financing     Sources (Uses)</b>	<u>7,500</u>	<u>(139,236)</u>	<u>(639,618)</u>	<u>-</u>	<u>(1,261,079)</u>
Net Change in Fund Balances	13,149	(116,804)	(454,683)	636,654	550,186
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<u>535,499</u>	<u>1,300,114</u>	<u>2,889,917</u>	<u>580,934</u>	<u>2,418,576</u>
<b>Change in Accounting Principle</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Beginning Fund Balance, Restated</b>	<u>535,499</u>	<u>1,300,114</u>	<u>2,889,917</u>	<u>580,934</u>	<u>2,418,576</u>
<b>End of Year</b>	<u>\$ 548,648</u>	<u>\$ 1,183,310</u>	<u>\$ 2,435,234</u>	<u>\$ 1,217,588</u>	<u>\$ 2,968,762</u>

Capital Projects							Total Nonmajor Governmental Funds
Capital Improvement Revolving	Parks Maintenance and Replacement	Storm Water Managment	Water Systems Improvements	Tree Preservation	Sewer Connection	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 446,754
-	-	-	-	-	-	1,969,395	1,969,395
-	-	-	-	-	-	-	77,882
-	-	-	-	-	315	2,002	2,002
-	-	-	-	-	-	-	-
-	159	-	-	-	-	769,233	785,468
-	-	1,199	-	-	25,469	137,488	2,334,488
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	282,900
-	2,967	-	-	-	-	2,967	153,755
4,465	5,046	-	11,165	488	8,894	225,554	235,663
-	6,659	-	-	-	-	6,659	10,761
<u>4,465</u>	<u>14,831</u>	<u>1,199</u>	<u>11,165</u>	<u>488</u>	<u>34,678</u>	<u>3,113,298</u>	<u>6,299,068</u>
721	-	-	-	-	4,670	296,260	296,260
-	11,379	-	-	20,589	-	240,522	3,687,285
-	-	-	-	-	-	-	2,645,622
-	-	-	-	-	-	-	1,383,898
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	401,852
-	-	-	-	-	-	-	-
<u>721</u>	<u>11,379</u>	<u>-</u>	<u>-</u>	<u>20,589</u>	<u>4,670</u>	<u>536,782</u>	<u>8,414,917</u>
3,744	3,452	1,199	11,165	(20,101)	30,008	2,576,516	(2,115,849)
-	313,000	-	360,000	-	-	735,204	5,313,254
(9,950)	-	-	(228,000)	-	(1,312,842)	(3,645,429)	(3,754,120)
-	-	-	-	-	-	-	(3,365,000)
-	-	-	-	-	-	-	3,430,000
-	-	-	-	-	-	-	39,364
<u>(9,950)</u>	<u>313,000</u>	<u>-</u>	<u>132,000</u>	<u>-</u>	<u>(1,312,842)</u>	<u>(2,910,225)</u>	<u>1,663,498</u>
(6,206)	316,452	1,199	143,165	(20,101)	(1,282,834)	(333,709)	(452,351)
<u>429,098</u>	<u>367,776</u>	<u>(402,153)</u>	<u>1,053,655</u>	<u>60,067</u>	<u>1,341,283</u>	<u>13,573,442</u>	<u>15,204,615</u>
-	-	-	-	-	-	-	(328,963)
<u>429,098</u>	<u>367,776</u>	<u>(402,153)</u>	<u>1,053,655</u>	<u>60,067</u>	<u>1,341,283</u>	<u>13,573,442</u>	<u>14,875,652</u>
<u>\$ 422,892</u>	<u>\$ 684,228</u>	<u>\$ (400,954)</u>	<u>\$ 1,196,820</u>	<u>\$ 39,966</u>	<u>\$ 58,449</u>	<u>\$ 13,239,733</u>	<u>\$ 14,423,301</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
CONVENTION AND VISITORS BUREAU FUND  
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
<b>REVENUES</b>				
Lodging Tax	\$ 70,000	\$ 70,000	\$ 77,882	\$ 7,882
Intergovernmental Revenue	10,000	10,000	9,638	(362)
Investment Income	-	-	600	600
Miscellaneous	-	-	300	300
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>88,420</u>	<u>8,420</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Recreation	<u>80,000</u>	<u>80,000</u>	<u>81,082</u>	<u>1,082</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	7,338	<u>\$ 7,338</u>
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			<u>61,878</u>	
<b>End of Year</b>			<u>\$ 69,216</u>	

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
RECREATION FUND**

**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ -	\$ -	\$ 5,500	\$ 5,500
Charges for Services	247,800	247,800	242,525	(5,275)
Donations	3,000	3,000	11,644	8,644
Investment Income	5,000	5,000	4,828	(172)
Miscellaneous	-	-	355	355
Total Revenues	<u>255,800</u>	<u>255,800</u>	<u>264,852</u>	<u>9,052</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Recreation	<u>742,300</u>	<u>742,300</u>	<u>716,607</u>	<u>(25,693)</u>
Excess of Revenues Over (Under) Expenditures	(486,500)	(486,500)	(451,755)	34,745
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	<u>454,100</u>	<u>454,100</u>	<u>459,100</u>	<u>5,000</u>
Net Change in Fund Balances	<u>\$ (32,400)</u>	<u>\$ (32,400)</u>	7,345	<u>\$ 39,745</u>
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			<u>381,721</u>	
<b>End of Year</b>			<u>\$ 389,066</u>	

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
COMMUNITY CENTER FUND**

**For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 1,943,700	\$ 1,943,700	\$ 1,954,475	\$ 10,775
Rentals	38,400	38,400	38,400	-
Donations	124,100	124,100	139,144	15,044
Investment Income	-	-	313	313
Miscellaneous	1,100	1,100	3,447	2,347
Total Revenues	2,107,300	2,107,300	2,135,779	28,479
<b>EXPENDITURES</b>				
<b>Current</b>				
Recreation	2,522,400	2,522,400	2,649,074	126,674
Capital Outlay	627,000	627,000	401,852	(225,148)
Total Expenditures	3,149,400	3,149,400	3,050,926	(98,474)
Excess of Revenues Over (Under) Expenditures	(1,042,100)	(1,042,100)	(915,147)	126,953
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	503,200	503,200	1,053,556	550,356
Net Change in Fund Balances	\$ (538,900)	\$ (538,900)	138,409	\$ 677,309
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			-	
<b>End of Year</b>			\$ 138,409	



## **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 Fund – This fund was established to account for payment of unused vacation, personal leave, severance and compensatory time, and allocation of such costs to respective departments.

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

Central Equipment Fund – This fund 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 Fund – This fund accounts for the centralized purchase of consumable office supplies used by departments of the City.

City Facilities Fund – This fund was established to account for the cost of maintaining City Hall and City Fire Stations. User departments are charged a rental fee based upon square footage.

Technology Fund – This fund accounts for the maintenance of all computer systems of the City.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS  
December 31, 2011**

	Business-Type Activities - Enterprise Funds						Totals
	Compensated Absences	Risk Management	Central Equipment	Central Stores	City Facilities	Technology	Internal Service Funds
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	\$ 1,391,836	\$ 984,475	\$ 12,147,813	\$ 546,756	\$ 713,248	\$ 150,783	\$ 15,934,911
Due from Other Funds	-	-	127,182	-	-	-	127,182
Inventories	-	-	71,118	-	-	-	71,118
Prepaid Items	-	117,935	-	-	278	-	118,213
Total Current Assets	<u>1,391,836</u>	<u>1,102,410</u>	<u>12,346,113</u>	<u>546,756</u>	<u>713,526</u>	<u>150,783</u>	<u>16,251,424</u>
<b>Noncurrent Assets</b>							
Capital Assets:							
Land	-	-	209,122	-	-	-	209,122
Building and System	-	-	1,708,857	-	1,621,859	-	3,330,716
Improvements other than Buildings	-	-	240,717	-	-	-	240,717
Machinery and Equipment	-	-	7,969,812	26,560	284,753	448,769	8,729,894
Total Capital Assets	-	-	10,128,508	26,560	1,906,612	448,769	12,510,449
Less Accumulated Depreciation	-	-	(6,826,739)	(26,560)	(1,512,515)	(237,703)	(8,603,517)
Net Capital Assets	-	-	3,301,769	-	394,097	211,066	3,906,932
Total Noncurrent Assets	-	-	3,301,769	-	394,097	211,066	3,906,932
Total Assets	<u>\$ 1,391,836</u>	<u>\$ 1,102,410</u>	<u>\$ 15,647,882</u>	<u>\$ 546,756</u>	<u>\$ 1,107,623</u>	<u>\$ 361,849</u>	<u>\$ 20,158,356</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities</b>							
Accounts Payable	\$ -	\$ -	\$ 17,631	\$ 5,987	\$ 12,280	\$ 12,781	\$ 48,679
Salaries Payable	-	116	3,176	-	884	2,917	7,093
Due to Other Governments	60,859	60	4,113	6	1,212	2,009	68,259
Compensated Absences	705,418	299	23,252	-	7,053	10,797	746,819
Total Current Liabilities	<u>766,277</u>	<u>475</u>	<u>48,172</u>	<u>5,993</u>	<u>21,429</u>	<u>28,504</u>	<u>870,850</u>
<b>Noncurrent Liabilities</b>							
Compensated Absences	625,559	266	20,619		6,254	9,574	662,272
Total Liabilities	<u>1,391,836</u>	<u>741</u>	<u>68,791</u>	<u>5,993</u>	<u>27,683</u>	<u>38,078</u>	<u>1,533,122</u>
<b>Net Assets</b>							
Invested in Capital Assets, Net of Related Debt	-	-	3,301,769	-	394,097	211,066	3,906,932
Unrestricted	-	1,101,669	12,277,322	540,763	685,843	112,705	14,718,302
Total Net Assets	-	<u>1,101,669</u>	<u>15,579,091</u>	<u>540,763</u>	<u>1,079,940</u>	<u>323,771</u>	<u>18,625,234</u>
Total Liabilities and Net Assets	<u>\$ 1,391,836</u>	<u>\$ 1,102,410</u>	<u>\$ 15,647,882</u>	<u>\$ 546,756</u>	<u>\$ 1,107,623</u>	<u>\$ 361,849</u>	<u>\$ 20,158,356</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2011**

	Business-Type Activities - Enterprise Funds						Totals Internal
	Compensated Absences	Risk Management	Central Equipment	Central Stores	City Facilities	Technology	Service Funds
<b>OPERATING REVENUES</b>							
<b>Charges for Sales and Services</b>							
Miscellaneous Charges for Services	\$ 86,979	\$ 598,200	\$ 2,192,300	\$ 151,200	\$ 340,900	\$ 300,200	\$ 3,669,779
<b>OPERATING EXPENSES</b>							
Personnel Services	102,753	16,118	292,831	1,766	69,528	204,965	687,961
Other Current Expenses	-	744,107	680,511	75,218	312,191	259,797	2,071,824
Depreciation	-	-	464,310	700	92,346	21,516	578,872
Total Operating Expenses	<u>102,753</u>	<u>760,225</u>	<u>1,437,652</u>	<u>77,684</u>	<u>474,065</u>	<u>486,278</u>	<u>3,338,657</u>
Operating Income (Loss)	<u>(15,774)</u>	<u>(162,025)</u>	<u>754,648</u>	<u>73,516</u>	<u>(133,165)</u>	<u>(186,078)</u>	<u>331,122</u>
<b>NONOPERATING REVENUES</b>							
<b>(EXPENSES)</b>							
Investment Earnings	15,774	11,656	130,140	5,907	8,223	2,566	174,266
Other Non-Operating Revenue	-	72,655	24,815	-	-	250	97,720
Gain on Sale of Capital Assets	-	-	17,409	-	(11,668)	-	5,741
Total Nonoperating Revenues (Expenses)	<u>15,774</u>	<u>84,311</u>	<u>172,364</u>	<u>5,907</u>	<u>(3,445)</u>	<u>2,816</u>	<u>277,727</u>
Income (Loss) before Transfers	-	(77,714)	927,012	79,423	(136,610)	(183,262)	608,849
Transfers Out	-	-	(188,000)	(50,000)	(50,000)	-	(288,000)
Change in Net Assets	-	(77,714)	739,012	29,423	(186,610)	(183,262)	320,849
<b>NET ASSETS</b>							
<b>Beginning of Year</b>	-	1,179,383	14,840,079	511,340	1,266,550	507,033	18,304,385
<b>End of Year</b>	<u>\$ -</u>	<u>\$ 1,101,669</u>	<u>\$ 15,579,091</u>	<u>\$ 540,763</u>	<u>\$ 1,079,940</u>	<u>\$ 323,771</u>	<u>\$ 18,625,234</u>

CITY OF INVER GROVE HEIGHTS, MINNESOTA

**STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2011

	Compensated Absences	Risk Management	Central Equipment	Central Stores	City Facilities	Technology	Totals
<b>CASH FLOWS - OPERATING ACTIVITIES</b>							
Receipts from Customers and Users	\$ 86,979	\$ 606,284	\$ 2,065,118	\$ 151,200	\$ 340,900	\$ 300,200	\$ 3,550,681
Payments to Suppliers	-	(752,532)	(787,695)	(72,076)	(308,877)	(233,079)	(2,154,259)
Payments to Employees	(220,451)	(17,971)	(296,920)	(2,270)	(68,493)	(195,730)	(801,835)
Other Receipts	-	72,655	24,815	-	-	250	97,720
Net Cash Flows - Operating Activities	<u>(133,472)</u>	<u>(91,564)</u>	<u>1,005,318</u>	<u>76,854</u>	<u>(36,470)</u>	<u>(128,359)</u>	<u>692,307</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES</b>							
Transfer to Other Funds	-	-	(188,000)	(50,000)	(50,000)	-	(288,000)
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Sales of Capital Assets	-	-	17,409	-	-	-	17,409
Purchases of Capital Assets	-	-	(1,152,236)	-	-	(191,143)	(1,343,379)
Net Cash Flows - Capital and Related Financing Activities	-	-	<u>(1,134,827)</u>	-	-	<u>(191,143)</u>	<u>(1,325,970)</u>
<b>CASH FLOWS - INVESTING ACTIVITIES</b>							
Interest and Dividends Received	<u>15,774</u>	<u>11,656</u>	<u>130,140</u>	<u>5,907</u>	<u>8,223</u>	<u>2,566</u>	<u>174,266</u>
<b>Net Change in Cash and Cash Equivalents</b>	(117,698)	(79,908)	(187,369)	32,761	(78,247)	(316,936)	(747,397)
<b>CASH AND CASH EQUIVALENTS</b>							
<b>January 1</b>	<u>1,509,534</u>	<u>1,064,383</u>	<u>12,335,182</u>	<u>513,995</u>	<u>791,495</u>	<u>467,719</u>	<u>16,682,308</u>
<b>December 31</b>	<u>\$ 1,391,836</u>	<u>\$ 984,475</u>	<u>\$ 12,147,813</u>	<u>\$ 546,756</u>	<u>\$ 713,248</u>	<u>\$ 150,783</u>	<u>\$ 15,934,911</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$ (15,774)	\$ (162,025)	\$ 754,648	\$ 73,516	\$ (133,165)	\$ (186,078)	\$ 331,122
Adjustments to Reconcile Operating Income (Loss) Net Cash Flows - Operating Activities:							
Depreciation Expense	-	-	464,310	700	92,346	21,516	578,872
Miscellaneous Non-Operating Income	-	72,655	24,815	-	-	250	97,720
(Increase) Decrease in Accounts Receivable	-	8,084	-	-	-	-	8,084
(Increase) Decrease in Due from Other Funds	-	-	(127,182)	-	-	-	(127,182)
(Increase) Decrease in Inventories	-	-	(7,724)	-	-	-	(7,724)
(Increase) Decrease in Prepays	-	(8,424)	-	-	(278)	19,429	10,727
Increase (Decrease) in Accounts Payable	-	(1)	(96,192)	3,136	3,530	7,272	(82,255)
Increase (Decrease) in Salaries Payable	-	(219)	(4,806)	(214)	(881)	1,834	(4,286)
Increase (Decrease) in Compensated Absences	(113,780)	(1,487)	1,294	(240)	1,902	6,622	(105,689)
Increase (Decrease) in Intergovernmental Payables	(3,918)	(147)	(3,845)	(44)	76	796	(7,082)
Total Adjustments	<u>(117,698)</u>	<u>70,461</u>	<u>250,670</u>	<u>3,338</u>	<u>96,695</u>	<u>57,719</u>	<u>361,185</u>
Net Cash Flows - Operating Activities	<u>\$ (133,472)</u>	<u>\$ (91,564)</u>	<u>\$ 1,005,318</u>	<u>\$ 76,854</u>	<u>\$ (36,470)</u>	<u>\$ (128,359)</u>	<u>\$ 692,307</u>

**CITY OF INVER GROVE HEIGHTS**

**STATEMENT OF CHANGES IN  
AGENCY FUND ASSETS AND LIABILITIES  
For the Year Ended December 31, 2011**

**ESCROW FUND**

	<u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/11</u>
<b>ASSETS</b>				
Cash and Investments	<u>\$ 863,156</u>	<u>\$ 1,268,074</u>	<u>\$ 1,326,063</u>	<u>\$ 805,167</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,675	\$ 378,115	\$ 344,664	\$ 39,126
Deposits Payable	<u>857,481</u>	<u>391,808</u>	<u>483,248</u>	<u>766,041</u>
Total Assets	<u>\$ 863,156</u>	<u>\$ 769,923</u>	<u>\$ 827,912</u>	<u>\$ 805,167</u>

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# STATISTICAL SECTION

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.

<b>Contents</b>	<b>Pages</b>
Financial Trends	98-103
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	104-108
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	109-114
<i>These schedules contain 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.</i>	
Demographic and Economic Information	115-116
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	117-119
<i>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.</i>	

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

CITY OF INVER GROVE HEIGHTS, MINNESOTA

NET ASSETS BY COMPONENTS  
Last Ten Years  
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Government Activities</b>										
Invested in capital assets, net of related debt	N/A	\$ (4,181,133)	\$ 19,152,083	\$ 27,953,632	\$ 32,775,616	\$ 50,998,343	\$ 60,697,315	\$ 57,281,127	\$ 74,158,575	\$ 72,950,086
Restricted	N/A	20,641,906	15,950,926	17,978,636	16,063,647	18,675,449	12,005,964	18,781,144	12,453,322	11,699,182
Unrestricted	N/A	31,060,919	33,404,134	33,204,568	34,566,375	28,104,726	27,450,326	24,988,115	25,315,734	23,800,614
Total governmental activities net assets	N/A	\$ 47,521,692	\$ 68,507,143	\$ 79,136,836	\$ 83,405,638	\$ 97,778,518	\$ 100,153,605	\$ 101,050,386	\$ 111,927,631	\$ 108,449,882
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	N/A	\$ 42,482,763	\$ 29,657,465	\$ 30,390,251	\$ 32,434,034	\$ 31,672,726	\$ 39,534,301	\$ 43,737,884	\$ 45,236,978	\$ 54,261,630
Restricted	N/A	467,898	455,123	452,862	455,035	449,310	452,585	658,585	658,415	452,053
Unrestricted	N/A	9,233,433	10,885,746	11,967,394	13,658,080	14,467,523	14,769,882	14,451,156	12,609,019	12,529,724
Total business-type activities net assets	N/A	\$ 52,184,094	\$ 40,998,334	\$ 42,810,507	\$ 46,547,149	\$ 46,589,559	\$ 54,756,768	\$ 58,847,625	\$ 58,504,412	\$ 67,243,407
<b>Primary government</b>										
Invested in capital assets, net of related debt	N/A	\$ 38,301,630	\$ 48,809,548	\$ 58,343,883	\$ 65,209,650	\$ 82,671,069	\$ 85,461,616	\$ 86,769,011	\$ 98,825,553	\$ 107,446,716
Restricted	N/A	21,109,804	16,406,049	18,431,498	16,518,682	19,124,759	12,458,549	19,439,729	13,111,737	12,151,235
Unrestricted	N/A	40,294,352	44,289,880	45,171,962	48,224,455	42,572,249	56,990,208	53,689,271	58,494,753	56,095,338
Total primary government net assets	N/A	\$ 99,705,786	\$ 109,505,477	\$ 121,947,343	\$ 129,952,787	\$ 144,368,077	\$ 154,910,373	\$ 159,898,011	\$ 170,432,043	\$ 175,693,289

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only 2003-2011 are available.



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**CHANGES IN NET ASSETS**

**Last Ten Years**

**(Unaudited)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	N/A	\$ 1,399,766	\$ 1,404,178	\$ 1,541,242	\$ 1,792,165	\$ 1,771,417	\$ 1,737,716	\$ 2,026,218	\$ 1,996,947	\$ 1,923,649
Public safety	N/A	4,566,537	4,641,717	4,883,448	5,439,604	6,346,833	6,336,979	7,042,090	7,335,691	7,402,014
Public works	N/A	3,791,128	7,876,528	9,490,971	8,493,389	7,156,773	7,572,473	6,319,903	8,655,734	7,135,787
Culture and recreation	N/A	1,472,480	5,133,847	5,072,803	5,603,770	5,445,672	6,069,640	6,316,467	6,296,071	6,990,333
Community development	N/A	1,298,208	628,314	979,873	870,424	737,322	1,150,747	1,206,108	1,216,039	1,202,751
Interest on long-term debt	N/A	2,021,375	1,434,807	1,355,380	1,521,443	1,602,568	1,559,182	1,820,910	1,945,392	2,178,360
Total governmental activities expenses	-	14,549,494	21,119,391	23,323,717	23,720,795	23,060,585	24,426,737	24,731,696	27,445,874	26,832,894
<b>Business-type activities:</b>										
Water	N/A	\$ 1,791,203	\$ 1,868,279	\$ 1,919,229	\$ 1,983,305	\$ 2,155,438	\$ 2,292,462	\$ 2,312,751	\$ 2,367,258	\$ 2,393,558
Sewer	N/A	1,969,818	1,978,672	2,127,882	2,213,214	2,265,611	2,459,592	2,606,924	2,728,937	3,018,197
Golf course	N/A	1,781,205	1,694,184	1,735,116	1,715,543	1,803,911	1,794,455	1,732,070	1,905,427	2,014,668
Recreation <sup>1</sup>	N/A	565,608	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community Center <sup>1</sup>	N/A	3,121,261	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total business-type activities expenses	-	9,229,095	5,541,135	5,782,227	5,912,062	6,224,960	6,546,509	6,651,745	7,001,622	7,426,423
Total primary government expenses	\$ -	\$ 23,778,589	\$ 26,660,526	\$ 29,105,944	\$ 29,632,857	\$ 29,285,545	\$ 30,973,246	\$ 31,383,441	\$ 34,447,496	\$ 34,259,317
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	N/A	\$ 532,630	\$ 494,384	\$ 441,988	\$ 461,018	\$ 503,160	\$ 521,732	\$ 532,763	\$ 495,545	\$ 557,450
Public safety	N/A	276,231	250,123	386,317	426,361	417,614	441,372	535,041	413,967	456,068
Public works	N/A	3,052,718	3,493,185	3,481,828	3,888,741	2,567,160	2,836,092	2,616,135	3,435,705	2,810,312
Culture and recreation	N/A	1,126,127	2,866,372	2,989,512	2,920,599	2,717,820	3,010,263	3,073,540	2,673,480	2,677,946
Community development	N/A	1,441,036	1,492,659	1,043,415	1,089,944	892,214	768,835	551,990	436,696	667,667
Operating grants and contributions	N/A	635,797	656,120	642,768	757,674	700,540	731,289	438,040	861,740	876,505
Capital grants and contributions	N/A	746,174	451,102	1,775,863	1,830,082	8,760,506	6,873,396	3,541,500	9,618,339	5,382,914
Total governmental activities program revenues	-	7,810,713	9,703,945	10,761,691	11,374,419	16,559,014	15,182,979	11,289,009	17,935,472	13,428,862
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	N/A	\$ 2,590,535	\$ 2,483,273	\$ 2,474,627	\$ 2,807,351	\$ 2,963,389	\$ 2,927,775	\$ 3,000,199	\$ 2,762,005	\$ 2,879,883
Sewer	N/A	2,096,862	2,216,952	2,319,932	2,359,705	2,512,190	2,598,373	2,662,849	2,697,623	2,776,965
Golf course	N/A	1,761,415	1,665,410	1,570,775	1,564,199	1,580,115	1,507,717	1,420,419	1,436,476	1,405,244
Recreation <sup>1</sup>	N/A	183,085	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community Center <sup>1</sup>	N/A	1,770,610	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating grants and contributions	N/A	162,937	8,905	1,705	1,945	-	-	-	-	-
Capital grants and contributions	N/A	-	449,949	1,181,655	465,000	-	-	-	1,852,464	28,889
Total business-type activities program revenues	-	8,565,444	6,824,489	7,548,694	7,198,200	7,055,694	7,033,865	7,083,467	8,748,568	7,090,981
Total primary government program revenues	\$ -	\$ 16,376,157	\$ 16,528,434	\$ 18,310,385	\$ 18,572,619	\$ 23,614,708	\$ 22,216,844	\$ 18,372,476	\$ 26,684,040	\$ 20,519,843
Net (expense)/revenue	\$ -	\$ (6,738,781)	\$ (11,415,446)	\$ (12,562,026)	\$ (12,346,376)	\$ (6,501,571)	\$ (9,243,758)	\$ (13,442,687)	\$ (9,510,402)	\$ (13,404,032)
Governmental activities	\$ -	\$ (6,738,781)	\$ (11,415,446)	\$ (12,562,026)	\$ (12,346,376)	\$ (6,501,571)	\$ (9,243,758)	\$ (13,442,687)	\$ (9,510,402)	\$ (13,404,032)
Business-type activities	-	(663,651)	1,283,354	1,766,467	1,286,138	830,734	487,356	431,722	1,746,946	(335,442)
Total primary government net expense	\$ -	\$ (7,402,432)	\$ (10,132,092)	\$ (10,795,559)	\$ (11,060,238)	\$ (5,670,837)	\$ (8,756,402)	\$ (13,010,965)	\$ (7,763,456)	\$ (13,739,474)
<b>General Revenues and Other Changes</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Property taxes	N/A	\$ 8,532,504	\$ 10,087,568	\$ 10,746,257	\$ 11,889,473	\$ 13,416,439	\$ 14,512,035	\$ 14,904,906	\$ 15,188,210	\$ 15,043,356
Tax increments	N/A	2,217,794	822,212	1,001,685	1,433,288	1,549,967	1,755,275	1,944,714	1,931,921	1,969,395
Lodging taxes	N/A	59,640	68,521	77,508	78,841	85,177	79,675	67,680	67,329	77,882
Franchise taxes	N/A	52,512	52,571	57,177	65,012	71,693	78,252	84,045	86,148	88,755
Unrestricted grants and contributions	N/A	598,765	496,712	451,750	327,880	678,553	394,342	146,602	130,042	134,220
Other general revenues	N/A	-	61,297	123,506	43,189	129,155	75,684	73,453	93,539	159,354
Investment earnings	N/A	485,436	828,541	1,170,216	2,325,566	2,780,813	1,817,888	540,070	669,074	1,165,824
Gain (loss) on sale of capital assets	N/A	27,171	294,566	7,107	9,944	15,626	21,950	6,800	-	210,741
Transfers	N/A	385,258	(136,732)	180,567	(1,978,760)	1,357,789	(7,116,256)	(3,428,802)	2,221,384	(8,923,244)
Total governmental activities	-	12,359,080	12,575,256	13,815,773	14,194,433	20,085,212	11,618,845	14,339,468	20,387,647	9,926,283
<b>Business-type activities:</b>										
Other general revenues	N/A	\$ -	\$ 1,260	\$ 1,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	N/A	287,269	138,849	247,435	471,744	569,465	563,597	230,333	131,225	151,193
Transfers	N/A	(385,258)	136,732	(180,567)	1,978,760	(1,357,789)	7,116,256	3,428,802	(2,221,384)	8,923,244
Total business-type activities	-	(97,989)	276,841	67,931	2,450,504	(788,324)	7,679,853	3,659,135	(2,090,159)	9,074,437
Total primary government	\$ -	\$ 12,261,091	\$ 12,852,097	\$ 13,883,704	\$ 16,644,937	\$ 19,296,888	\$ 19,298,698	\$ 17,998,603	\$ 18,297,488	\$ 19,000,720
<b>Change in Net Assets</b>										
Governmental activities	\$ -	\$ 5,620,299	\$ 1,159,810	\$ 1,253,747	\$ 1,848,057	\$ 13,583,641	\$ 2,375,087	\$ 896,781	\$ 10,877,245	\$ (3,477,749)
Business-type activities	-	(761,640)	1,560,195	1,834,398	3,736,642	42,410	8,167,209	4,090,857	(343,213)	8,738,995
Total primary government	\$ -	\$ 4,858,659	\$ 2,720,005	\$ 3,088,145	\$ 5,584,699	\$ 13,626,051	\$ 10,542,296	\$ 4,987,638	\$ 10,534,032	\$ 5,261,246

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only 2003-2011 are available.

<sup>1</sup> Recreation and Community Center were reclassified from enterprise funds (business-type) to special revenue funds (governmental) in 2004.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Years  
(Unaudited)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Reserved	\$ 5,087	\$ 3,015	\$ -	\$ -
Unreserved	1,251,140	2,238,626	3,055,242	3,116,574
Nonspendable	NA	NA	NA	NA
Restricted	NA	NA	NA	NA
Committed	NA	NA	NA	NA
Assigned	NA	NA	NA	NA
Unassigned	NA	NA	NA	NA
Total general fund	<u>\$ 1,256,227</u>	<u>\$ 2,241,641</u>	<u>\$ 3,055,242</u>	<u>\$ 3,116,574</u>
All other governmental funds				
Reserved	\$ 5,574,344	\$ 16,340,513	\$ 13,597,146	\$ 15,328,533
Unreserved, reported in:				
Special revenue funds	30,892	745,968	407,732	424,378
Capital projects funds	23,626,906	26,121,594	23,071,210	21,717,540
Debt service funds	4,577,191	(322,021)	-	-
Nonspendable	NA	NA	NA	NA
Restricted	NA	NA	NA	NA
Committed	NA	NA	NA	NA
Assigned	NA	NA	NA	NA
Unassigned	NA	NA	NA	NA
Total all other governmental funds	<u>\$ 33,809,333</u>	<u>\$ 42,886,054</u>	<u>\$ 37,076,088</u>	<u>\$ 37,470,451</u>

2006	2007	2008	2009	2010	2011
\$ -	\$ 3,585	\$ 108,185	\$ 98,333	\$ 2,745	NA
3,854,788	5,189,802	5,274,733	5,598,129	5,773,572	NA
NA	NA	NA	NA	NA	\$ 24,021
NA	NA	NA	NA	NA	-
NA	NA	NA	NA	NA	-
NA	NA	NA	NA	NA	-
NA	NA	NA	NA	NA	6,326,550
<u>\$ 3,854,788</u>	<u>\$ 5,193,387</u>	<u>\$ 5,382,918</u>	<u>\$ 5,696,462</u>	<u>\$ 5,776,317</u>	<u>\$ 6,350,571</u>
\$ 12,208,969	\$ 13,436,456	\$ 4,452,887	\$ 5,295,327	\$ 5,342,811	NA
865,890	936,324	874,094	870,678	772,562	NA
21,132,746	24,452,102	14,692,627	12,270,926	19,084,320	NA
-	-	5,856,321	5,146,914	3,794,637	NA
NA	NA	NA	NA	NA	\$ 621
NA	NA	NA	NA	NA	6,874,221
NA	NA	NA	NA	NA	596,070
NA	NA	NA	NA	NA	20,691,467
NA	NA	NA	NA	NA	(2,144,267)
<u>\$ 34,207,605</u>	<u>\$ 38,824,882</u>	<u>\$ 25,875,929</u>	<u>\$ 23,583,845</u>	<u>\$ 28,994,330</u>	<u>\$ 26,018,112</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Ten Years  
(Unaudited)**

	2002	2003	2004	2005
<b>Revenues</b>				
Taxes	\$ 10,296,639	\$ 10,853,160	\$ 11,026,501	\$ 11,866,484
Intergovernmental	4,682,512	1,390,296	1,471,057	2,686,328
Licenses and permits	1,006,620	1,398,328	1,523,991	1,112,286
Charges for services	774,700	4,105,494	5,898,250	5,908,759
Fines and forfeits	204,292	213,289	155,227	139,544
Donations	223,158	8,040	177,798	165,457
Special assessments	1,034,021	1,114,330	833,109	636,227
Investment earnings	1,146,278	314,150	732,566	981,150
Miscellaneous	2,061,621	705,635	403,442	542,851
<b>Total revenues</b>	<b>21,429,841</b>	<b>20,102,722</b>	<b>22,221,941</b>	<b>24,039,086</b>
<b>Expenditures</b>				
General government	2,462,630	1,263,355	1,338,716	1,500,518
Public safety	4,255,343	4,455,525	4,598,435	5,036,975
Highways and streets	2,245,516	5,041,725	7,051,244	7,107,801
Recreation	976,108	1,229,407	4,479,494	4,733,538
Community development	38,447	1,265,794	1,129,973	1,079,073
Capital outlay	3,617,412	52,517	104,315	1,826,196
Debt service				
Principal	5,229,554	2,249,371	11,686,013	8,352,765
Interest and other	1,985,836	2,115,225	1,705,841	1,404,469
<b>Total expenditures</b>	<b>20,810,846</b>	<b>17,672,919</b>	<b>32,094,031</b>	<b>31,041,335</b>
Excess of revenues over (under) expenditures	618,995	2,429,803	(9,872,090)	(7,002,249)
<b>Other financing sources or uses</b>				
Transfers in	6,333,189	5,285,912	6,708,537	8,001,584
Transfers out	(7,209,083)	(5,230,654)	(7,265,863)	(8,219,534)
Bonds issued	6,475,277	10,370,000	5,450,000	7,710,000
Premium on bonds issued	-	-	115,963	-
Discount on bonds issued	-	(61,687)	(690)	(32,337)
Refunding Bonds issued	-	-	-	-
Payments of refunded bonds	-	(3,515,000)	-	-
Sales of capital assets	263,089	5,036	269,108	-
<b>Total other financing     sources (uses)</b>	<b>5,862,472</b>	<b>6,853,607</b>	<b>5,277,055</b>	<b>7,459,713</b>
<b>Net change in fund balances</b>	<b>6,481,467</b>	<b>9,283,410</b>	<b>(4,595,035)</b>	<b>457,464</b>
Debt services as a percentage of noncapital expenditures	41.97%	24.77%	41.86%	33.40%

2006	2007	2008	2009	2010	2011
\$ 13,438,211	\$ 15,047,852	\$ 16,264,650	\$ 17,075,882	\$ 17,198,981	\$ 17,258,994
1,593,055	4,370,962	2,164,334	2,289,629	3,347,225	3,948,793
1,149,773	976,524	818,150	635,156	515,398	815,420
5,831,282	5,353,359	5,933,025	5,578,401	6,183,014	5,560,114
178,512	196,372	228,450	211,425	141,962	115,075
152,526	166,864	148,005	211,915	158,896	304,585
816,970	2,119,996	2,586,684	2,274,280	2,887,090	2,397,132
1,949,004	2,269,014	1,284,695	299,861	527,014	991,558
639,715	433,649	542,448	614,422	1,387,772	543,013
<u>25,749,048</u>	<u>30,934,592</u>	<u>29,970,441</u>	<u>29,190,971</u>	<u>32,347,352</u>	<u>31,934,684</u>
1,719,222	1,740,388	1,895,023	1,982,238	1,873,064	1,852,938
5,454,799	6,506,134	6,825,682	7,043,048	7,202,451	7,304,412
6,328,727	4,820,017	4,975,347	5,230,215	4,949,744	6,081,929
4,778,548	4,769,974	5,043,447	4,976,319	5,019,535	5,346,020
1,051,464	1,145,706	1,269,484	1,224,278	1,269,570	1,212,442
9,151,931	11,096,576	19,897,612	16,794,084	16,080,562	6,819,201
7,510,635	3,701,631	3,828,761	4,121,035	3,828,462	4,215,622
1,374,273	1,615,311	1,603,807	1,581,586	1,993,944	2,278,893
<u>37,369,599</u>	<u>35,395,737</u>	<u>45,339,163</u>	<u>42,952,803</u>	<u>42,217,332</u>	<u>35,111,457</u>
(11,620,551)	(4,461,145)	(15,368,722)	(13,761,832)	(9,869,980)	(3,176,773)
7,797,287	9,227,808	13,430,166	10,943,426	14,723,247	12,099,659
(8,568,904)	(8,323,973)	(12,293,469)	(9,049,622)	(11,114,442)	(10,853,484)
9,950,000	9,510,000	5,375,000	9,900,000	11,770,000	-
-	3,186	42,603	-	-	58,634
(82,464)	-	-	(10,512)	(18,485)	-
-	-	-	-	885,000	4,505,000
-	-	(3,945,000)	-	(885,000)	(5,240,000)
-	-	-	-	-	205,000
<u>9,095,919</u>	<u>10,417,021</u>	<u>2,609,300</u>	<u>11,783,292</u>	<u>15,360,320</u>	<u>774,809</u>
(2,524,632)	5,955,876	(12,759,422)	(1,978,540)	5,490,340	(2,401,964)
31.49%	22.27%	15.77%	18.44%	22.24%	22.96%

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**Last Ten Years**  
**(Unaudited)**

<u>Year</u>	<u>Property Tax</u>	<u>Tax Increments</u>	<u>Lodging Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2002	\$ 8,254,173	\$ 1,977,762	\$ 64,704	\$ 51,645	\$ 10,348,284
2003	8,523,214	2,217,794	59,640	52,512	10,853,160
2004	10,083,197	822,212	68,521	52,571	11,026,501
2005	10,730,114	1,001,685	77,508	57,177	11,866,484
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

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
Last Ten Years  
(Unaudited)**

Year Ended December 31 <sup>1</sup>	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2002	\$ 16,114,444	\$ 4,915,797	\$ 492,564	\$ 1,726,825	\$ 19,795,980	44.637	\$ 1,805,242,600	1.19%
2003	18,073,995	5,336,455	505,353	2,106,379	21,809,424	40.890	2,049,195,600	1.17%
2004	20,537,489	5,780,521	517,407	2,406,352	24,429,065	39.904	2,335,790,000	1.15%
2005	23,750,472	6,270,013	550,613	2,706,324	27,864,774	37.347	2,664,563,755	1.15%
2006	28,092,798	6,785,382	546,827	3,308,206	32,116,801	35.546	3,103,721,900	1.14%
2007	30,713,810	7,675,026	591,752	3,709,772	35,270,816	36.514	3,424,105,600	1.14%
2008	31,628,857	8,479,372	590,408	3,735,276	36,963,361	37.403	3,550,439,300	1.15%
2009	31,596,479	9,301,789	595,548	3,681,380	37,812,436	37.878	3,586,873,800	1.16%
2010	28,706,695	9,408,125	601,227	3,833,236	34,882,811	41.757	3,311,984,400	1.17%
2011	26,997,619	9,019,537	642,312	3,795,448	32,864,020	43.162	3,128,770,600	1.17%

<sup>1</sup> Represents the year the taxes are payable, not the year the taxes are levied.

Source: Dakota County Assessor

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Years  
(Unaudited)**

Fiscal Year	City of Inver Grove Heights			Overlapping Rates <sup>1</sup>					Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total Direct Rate	Dakota County	School District No. 199	School District No. 196	School District No. 197	Special Districts <sup>2</sup>	
2003	38.437	2.453	40.890	32.463	14.565	27.638	14.401	5.225	135.182
2004	33.918	5.986	39.904	30.300	10.032	26.074	12.917	4.925	124.152
2005	32.492	4.855	37.347	28.267	7.793	26.251	21.878	4.907	126.443
2006	32.702	2.844	35.546	26.318	17.796	27.554	21.428	4.616	133.258
2007	33.979	2.535	36.514	25.127	16.607	23.607	19.838	4.416	126.109
2008	34.972	2.431	37.403	25.184	19.764	21.136	18.914	4.393	126.794
2009	35.838	2.040	37.878	25.821	19.303	21.109	18.051	4.328	126.490
2010	39.507	2.250	41.757	27.269	21.795	25.391	18.850	4.421	139.483
2011	40.142	3.020	43.162	29.146	24.987	26.954	19.687	4.669	148.605
2012	41.661	3.222	44.883	31.426	28.363	28.440	21.857	5.021	159.990

Source: Dakota County Treasurer - Auditor

<sup>1</sup> 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 of Inver Grove Heights property owners (i.e. 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.)

<sup>2</sup> Special districts include: Metropolitan Council, Mosquito Control, and Metropolitan Transit.



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago  
(Unaudited)**

Taxpayer	2011			2002		
	Net Tax Capacity	Rank	Percentage of Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Net Tax Capacity
Xcel Energy (Northern States Power)	\$ 1,581,644	1	4.31%	\$ 1,371,055	1	6.37%
Flint Hills	496,264	2	1.35%			
ML Casa IV LP (I & G Southview LLC)	396,501	3	1.08%			
Lake Cove Village Partnership	325,554	4	0.89%	379,332	3	1.76%
PHM Inver Grove Inc	322,244	5	0.88%			
Vansouth Ltd. Partnership	284,700	6	0.78%	204,018	7	0.95%
Farmers Union Central Exchange	258,676	7	0.71%	261,604	5	1.22%
Salem Green Ltd. Partnership	244,927	8	0.67%	262,438	4	1.22%
Brentwood Hills Ltd. Partnership	218,400	9	0.60%			
Individual	200,000	10	0.55%	233,280	6	1.08%
LBK, LP				450,000	2	2.09%
Skyline Village				114,416	8	0.53%
Grammercy Park Cooperative				94,581	9	0.44%
Greystone Heights Townhomes				93,000	10	0.43%
<b>Total</b>	<b>\$ 4,328,910</b>		<b>11.81%</b>	<b>\$ 3,463,724</b>		<b>16.09%</b>

Source: Dakota County Treasurer - Auditor

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Years  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Total Tax Levy for Year</u>	<u>Collected within the Year of the Levy</u>		<u>Collections From Prior Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	\$ 8,922,933	\$ 8,919,527	99.96%	\$ 3,406	\$ 8,922,933	100.00%
2003	9,155,030	9,017,349	98.50%	84,440	9,101,789	99.42%
2004	10,765,103	10,390,097	96.52%	85,296	10,475,393	97.31%
2005	11,453,859	10,971,838	95.79%	103,548	11,075,386	96.70%
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%	-	14,836,938	94.91%

Source: Dakota County Treasurer - Auditor

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Years  
(Unaudited)**

Year	Governmental Activities			Business-Type	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	G.O. Bonds	Special Assessment Bonds	Tax Increment Bonds	Revenue Bonds			
2002	\$ 7,899,380	\$ 10,396,000	\$ 22,625,894	\$ 5,245,000	\$ 46,166,274	4.52%	1,531
2003	7,700,009	11,841,000	26,138,423	4,720,000	50,399,432	4.79%	1,641
2004	12,673,996	9,301,000	17,625,632	4,050,000	43,650,628	3.90%	1,406
2005	8,501,232	7,481,000	23,137,205	3,325,000	42,444,437	3.55%	1,318
2006	12,791,596	9,510,000	19,422,494	3,005,000	44,729,090	3.48%	1,347
2007	18,549,965	10,635,000	18,504,648	2,675,000	50,364,613	3.70%	1,517
2008	17,861,204	14,085,000	13,495,593	2,340,000	47,781,797	3.46%	1,409
2009	26,575,170	12,440,000	12,343,913	1,990,000	53,349,083	3.29%	1,587
2010	32,241,708	16,055,000	11,128,847	1,620,000	61,045,555	3.76%	1,802
2011	30,800,655	13,655,000	9,924,586	1,235,000	55,615,241	4.74%	1,642

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Years  
(Unaudited)**

<u>Year</u>	<u>G.O. Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</u>	<u>Per Capita<sup>2</sup></u>
2002	\$ 7,899,380	\$ 70,114	\$ 7,829,266	0.43%	259.68
2003	7,700,009	371,741	7,328,268	0.36%	238.64
2004	12,673,996	5,468,550	7,205,446	0.31%	232.04
2005	8,501,232	910,638	7,590,594	0.28%	235.78
2006	12,791,596	1,073,623	11,717,973	0.38%	353.00
2007	18,549,965	880,062	17,669,903	0.52%	532.31
2008	17,861,204	850,429	17,010,775	0.48%	506.15
2009	26,575,170	1,110,181	25,464,989	0.71%	750.80
2010	32,241,708	805,606	31,436,102	0.95%	927.87
2011	30,800,655	483,377	30,317,278	0.97%	894.84

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

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>2</sup> Population data can be found in the Schedule of Demographic and Economic Statistics.

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
As of December 31, 2011  
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Dakota County	\$ 57,880,000	8.0136%	\$ 4,638,266
School District No. 199	50,620,000	93.9825%	47,573,920
School District No. 196	115,024,864	4.9773%	5,725,102
School District No. 197	69,210,000	0.7782%	538,597
Metropolitan Council	223,105,000	0.8793%	<u>1,961,848</u>
Subtotal, Overlapping debt			60,437,733
City of Inver Grove Heights direct debt			<u>53,776,635</u>
Total direct and overlapping debt			<u><u>\$ 114,214,368</u></u>

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. 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.

Source: Dakota County Treasurer - Auditor

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**LEGAL DEBT MARGIN INFORMATION  
Last Ten Years  
(Unaudited)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 40,983,912	\$ 46,715,800	\$ 53,609,860	\$ 62,553,652	\$ 62,473,730
Total net debt applicable to limit	<u>7,829,266</u>	<u>7,328,268</u>	<u>7,205,446</u>	<u>7,590,593</u>	<u>13,865,219</u>
Legal debt margin	<u>\$ 33,154,646</u>	<u>\$ 39,387,532</u>	<u>\$ 46,404,414</u>	<u>\$ 54,963,059</u>	<u>\$ 48,608,511</u>
Total net debt applicable to the limit as a percentage of debt limit	19.10%	15.69%	13.44%	12.13%	22.19%

Note: Debt limit should not exceed 3% of the total assessed value per *Minnesota Statutes* .

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 68,482,112	\$ 106,625,237	\$ 107,716,655	\$ 99,474,529	\$ 93,976,981
<u>17,669,903</u>	<u>17,010,755</u>	<u>25,464,989</u>	<u>31,436,102</u>	<u>30,317,278</u>
<u>\$ 50,812,209</u>	<u>\$ 89,614,482</u>	<u>\$ 82,251,666</u>	<u>\$ 68,038,427</u>	<u>\$ 63,659,703</u>
25.80%	15.95%	23.64%	31.60%	32.26%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 3,128,770,600
Add back: exempt real property	<u>3,795,448</u>
Total assessed value	\$3,132,566,048
Debt limit (3% of total assessed value)	93,976,981
Debt applicable to limit:	
General obligation bonds	30,800,655
Less: Amount set aside for repayment of general obligation debt	<u>483,377</u>
Total net debt applicable to limit	<u>30,317,278</u>
Legal debt margin	<u>\$ 63,659,703</u>

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**PLEDGED REVENUE COVERAGE**

**Last Ten Years**

**(Unaudited)**

Water Revenue Bonds						
Year	Water Charges and other <sup>2</sup>	Less: Operating Expense <sup>1</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 2,061,702	\$ 1,093,628	\$ 968,074	\$ 350,000	\$ 59,945	2.36
2003	2,590,535	1,194,353	1,396,182	350,000	44,370	3.54
2004	2,483,273	1,273,348	1,209,925	370,000	27,985	3.04
2005	2,474,627	1,320,085	1,154,542	410,000	9,738	2.75

Sewer Revenue Bonds						
Year	Sewer Charges and other <sup>3</sup>	Less: Operating Expense <sup>1</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	

Golf Course Revenue Bonds						
Year	Golf Course Charges and other	Less: Operating Expense <sup>1</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 1,604,714	\$ 1,309,648	\$ 295,066	\$ 245,000	\$ 225,655	0.63
2003	1,761,415	1,319,865	441,550	260,000	214,630	0.93
2004	1,665,410	1,291,146	374,264	300,000	158,705	0.82
2005	1,570,775	1,335,305	235,470	315,000	140,123	0.52
2006	1,555,519	1,331,260	224,259	320,000	133,035	0.50
2007	1,579,503	1,442,783	136,720	330,000	125,035	0.30
2008	1,475,051	1,446,906	28,145	335,000	114,310	0.06
2009	1,408,208	1,392,570	15,638	350,000	102,585	0.03
2010	1,435,930	1,579,430	(143,500)	370,000	88,585	-0.31
2011	1,401,052	1,690,209	(289,157)	385,000	73,415	-0.63

Special Assessment Bonds				
Year	Special Assessment Collections <sup>4</sup>	Debt Service		Coverage
		Principal	Interest	

<sup>1</sup> Excludes depreciation expense

<sup>2</sup> There are no water fund debt service requirements after 2005

<sup>3</sup> There are no sewer fund debt service requirements after 1997

<sup>4</sup> There are no special assessment requirements



**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**Last Ten Years**

**(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income<sup>1</sup></u>	<u>Unemployment Rate</u>
2002	30,150	\$ 1,021,934,250	\$ 33,895	3.9%
2003	30,708	1,053,130,860	34,295	4.3%
2004	31,053	1,120,330,134	36,078	3.9%
2005	32,193	1,196,420,652	37,164	3.6%
2006	33,195	1,286,339,445	38,751	3.6%
2007	33,195	1,362,123,630	41,034	4.2%
2008	33,608	1,379,070,672	41,034	5.0%
2009	33,917	1,623,369,371	47,863	7.4%
2010	33,880	1,621,598,440	47,863	7.3%
2011	33,880	1,173,975,880	34,651	6.2%

<sup>1</sup> Per Capita Personal Income is for the State of MN, not solely the City of Inver Grove Heights and uses the latest published data.

Data Sources

Metropolitan Council ([www.metrocouncil.org](http://www.metrocouncil.org))

Minnesota Dept of Employment and Economic Development ([www.deed.state.mn.us](http://www.deed.state.mn.us))

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago  
(Unaudited)**

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kock Refinery (Flint Hills)	1200	1	12.44%	700	2	7.76%
Cenex / CHS Cooperatives	880	2	9.12%	900	1	9.98%
Independent School District 199	535	3	5.55%	492	4	5.46%
Evergreen Industries	500	4	5.18%	227	7	2.52%
Gertens	475	5	4.92%			
City of Inver Grove Heights	387	6	4.01%	518	3	5.75%
Inver Hills Community College	350	7	3.63%	250	6	2.77%
Travel Tags	350	7	3.63%	380	5	4.22%
Total Construction	250	9	2.59%	150	9	1.66%
Wal-Mart	220	10	2.28%			
BFI Waste Services				175	8	1.94%
Southview Chevrolet			0.00%			0.00%
Lofton Label			0.00%			0.00%
Sam's Club			0.00%			0.00%
Best Buy				145	10	1.61%
<b>Total</b>	<b>5,147</b>		<b>53.35%</b>	<b>3,937</b>		<b>43.67%</b>

Source:

<sup>1</sup> Minnesota Department of Trade and Economic Development, May 1997

<sup>2</sup> MNPRO.com

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
Last Ten Years  
(Unaudited)**

FUNCTION:	Full-time Equivalent Employees as of December 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	31	29	29	30	31	31	30	29	29	27
Public Safety										
Police										
Officers	30	30	30	31	33	34	34	33	33	33
Civilians	8	8	8	8	8	9	9	8	6	6
Fire										
Firefighters and officers	0	0	0	0	0	1	1	1	1	1
Civilians	1	1	1	1	1	1	2	2	2	2
Highways and streets										
Engineering	8	8	8	8	8	8	7	8	8	8
Maintenance	16	16	16	16	16	16	15	15	15	15
Culture and recreation	26	28	28	28	29	26	25	25	25	24
Water and Sewer	9	9	9	9	9	9	9	9	9	9
<b>Total</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>130</b>	<b>134</b>	<b>135</b>	<b>132</b>	<b>130</b>	<b>128</b>	<b>125</b>

Source: City Budgets and Personnel Records

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**OPERATING INDICATORS BY FUNCTION  
Last Ten Years  
(Unaudited)**

FUNCTION:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>										
Physical arrests <sup>1</sup>	2,157	2,079	175	1,025	1,749	1,223	983	762	308	383
Traffic violations	6,386	5,407	4,698	5,118	5,090	4,765	4,715	4,535	4,195	2,616
<b>Fire</b>										
Calls answered	802	732	742	676	706	798	1,053	1,125	1,256	1,169
<b>Highways and streets</b>										
Resurfacing (miles)	1.42	-	1.58	8.84	7.61	7.12	4.94	4.29	2.45	2.53
<b>Parks and recreation</b>										
Athletic field permits issued	2,528	2,633	2,680	2,220	2,442	2,515	2,591	2,746	2,828	2,884
Community center admissions	42,155	68,179	70,934	93,527	113,997	132,550	149,547	165,500	181,206	198,940
Rounds of Golf purchased	52,823	59,557	54,899	52,558	50,975	51,480	45,933	46,075	49,936	50,531
Driving Range Buckets purchased <sup>2</sup>	33,446	35,902	33,576	30,800	28,057	28,050	25,360	25,368	24,505	20,548
<b>Water</b>										
New connections	(35)	170	171	168	74	28	31	17	6	10
Water mains breaks	6	6	5	3	3	6	4	3	7	4
Average daily consumption (millions of gallons)	2.63	3.06	2.88	2.84	3.10	3.16	3.12	3.05	2.73	2.75

<sup>1</sup> Only Felony arrests were tracked in 2004 & 2010

<sup>2</sup> Driving Range buckets can be purchased in 3 sizes ranging from 20 to 75 balls per bucket.

Source: City Departmental records

**CITY OF INVER GROVE HEIGHTS, MINNESOTA**

**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Ten Years**  
**(Unaudited)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>FUNCTION:</b>										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	18	18	20	20	20	20	21	21	21
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire Trucks	N/A	N/A	N/A	N/A	N/A	N/A	11	11	10	10
Other Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	5	5	4	4
Highways and streets										
Streets (miles)	131	131	131	131	144	144	144	147	147	147
Streetlights <sup>1</sup>	51	51	57	61	61	61	61	61	61	33
Traffic signals <sup>2</sup>	1	1	1	2	2	2	2	2	2	2
Culture and recreation										
Parks acreage	518	518	518	567	567	885	885	885	885	885
Parks	24	24	24	26	26	27	27	27	27	27
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	11	11	11	11	11	11	11	11	11	11
Community centers	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	147	149	151	151	154	155	155	155	155	155
Wells	5	5	5	6	6	6	6	6	7	7
Fire hydrants	1,393	1,393	1,393	1,292	1,561	1,570	1,580	1,585	1,595	1,598
Maximum daily capacity (millions of gallons)	8.6	8.6	10.8	10.0	8.2	6.5	10.5	10.5	12.5	12.5
Maximum daily treatment capacity (millions of gallons)	6.5	6.5	6.5	6.0	6.5	12.0	-	-	-	-
Sewer										
Sanitary sewers (miles)	110	111	113	113	113	114	114	116	116	124
Storm sewers (miles)	74	76	76	76	76	91	94	99	105	117

<sup>1</sup>The majority of streetlights in the City are owned by the utility companies

<sup>2</sup>The majority of traffic lights in the City are owned by Dakota County and / or the State of Minnesota

Source: City Departmental Records