

PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 2019

NEW ISSUE  
BANK QUALIFIED

S&P Rating: Requested

In the opinion of Briggs and Morgan, Professional Association, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of their issuance and delivery to the original Purchaser, interest on the Bonds is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" and "OTHER FEDERAL TAX CONSIDERATIONS" herein.

\$6,860,000\*

City of Maple Grove, Minnesota

General Obligation Road Reconstruction Bonds, Series 2019A

(the "Bonds")

(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each February 1 and August 1, commencing August 1, 2020

The Bonds will mature February 1 in the years and amounts\* as follows:

2021	\$350,000	2024	\$425,000	2027	\$445,000	2030	\$475,000	2033	\$510,000
2022	\$410,000	2025	\$430,000	2028	\$455,000	2031	\$485,000	2034	\$520,000
2023	\$420,000	2026	\$440,000	2029	\$465,000	2032	\$495,000	2035	\$535,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The City may elect on February 1, 2028, and on any day thereafter, to prepay Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

The Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. The proceeds of the Bonds, along with other available City funds, will be used to finance various street improvements within the City.

Proposals shall be for not less than \$6,791,400 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

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

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) Wells Fargo Bank, National Association, Minneapolis, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about September 18, 2019.

PROPOSALS RECEIVED: Monday, August 19, 2019 until 10:30 A.M., Central Time

CONSIDERATION OF AWARD: Council meeting commencing at 7:30 P.M., Central Time on Monday, August 19, 2019



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

\* Preliminary; subject to change.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

# **CITY OF MAPLE GROVE, MINNESOTA**

## **CITY COUNCIL**

Mark Steffenson  
Kristy Barnett  
Judy Hanson  
Karen Jaeger  
Phil Leith

Mayor  
Council Member  
Council Member  
Council Member  
Council Member

## **CITY ADMINISTRATOR**

Heidi Nelson

## **FINANCE DIRECTOR/TREASURER**

Steven Hauer

## **MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Saint Paul, Minnesota

## **BOND COUNSEL**

Briggs and Morgan, Professional Association  
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

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**THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:**

**TERMS OF PROPOSAL**

**\$6,860,000\***

**CITY OF MAPLE GROVE, MINNESOTA**

**GENERAL OBLIGATION ROAD RECONSTRUCTION BONDS, SERIES 2019A**

**(BOOK ENTRY ONLY)**

Proposals for the above-referenced obligations (the “Bonds”) will be received by the City of Maple Grove, Minnesota (the “City”) on Monday, August 19, 2019 (the “Sale Date”) until 10:30 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 7:30 P.M., Central Time, of the same day.

**SUBMISSION OF PROPOSALS**

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) **Sealed Bidding.** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

**OR**

(b) **Electronic Bidding.** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018  
Customer Support: (212) 849-5000

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\* *Preliminary; subject to change.*

## DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts\* as follows:

2021	\$350,000	2024	\$425,000	2027	\$445,000	2030	\$475,000	2033	\$510,000
2022	\$410,000	2025	\$430,000	2028	\$455,000	2031	\$485,000	2034	\$520,000
2023	\$420,000	2026	\$440,000	2029	\$465,000	2032	\$495,000	2035	\$535,000

\* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify “Years of Term Maturities” in the spaces provided on the proposal form.

## BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the “Purchaser”), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

## OPTIONAL REDEMPTION

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments from benefited properties for repayment of a portion of the Bonds. The proceeds of the Bonds, along with other available City funds, will be used to finance various street improvements within the City.

## BIDDING PARAMETERS

Proposals shall be for not less than \$6,791,400 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The

City will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

#### GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of \$68,600 (the “Deposit”) no later than 1:30 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier’s check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

*Certified or Cashier’s Check.* A Deposit made by certified or cashier’s check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

*Wire Transfer.* A Deposit made by wire will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

#### AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City’s computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

#### CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.



## SETTLEMENT

On or about September 18, 2019, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Briggs and Morgan, Professional Association, of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

## CONTINUING DISCLOSURE

On the date of actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking (the "Undertaking") whereunder the City will covenant for the benefit of the owners of the Bonds to provide certain financial and other information about the City and notices of certain occurrences to information repositories as specified in and required by SEC Rule 15c2-12(b)(5).

## OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated July 15, 2019

BY ORDER OF THE CITY COUNCIL

/s/ Amy Dietl  
City Clerk

## OFFICIAL STATEMENT

**\$6,860,000\***

**CITY OF MAPLE GROVE, MINNESOTA  
GENERAL OBLIGATION ROAD RECONSTRUCTION BONDS, SERIES 2019A  
(BOOK ENTRY ONLY)**

### INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Maple Grove, Minnesota (the “City”) and its issuance of \$6,860,000\* General Obligation Road Reconstruction Bonds, Series 2019A (the “Bonds”). The Bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds.

Inquiries may be directed to Mr. Steven Hauer, Finance Director/Treasurer, City of Maple Grove, Government Center/Public Safety Facility, 12800 Arbor Lakes Parkway, Maple Grove, Minnesota 55369, by telephoning (763) 494-6321, or by emailing [shauer@maplegrovern.gov](mailto:shauer@maplegrovern.gov). Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing [bond\\_services@bakertilly.com](mailto:bond_services@bakertilly.com). If information of a specific legal nature is desired, requests may be directed to Ms. Mary L. Ippel, Briggs and Morgan, Professional Association, Bond Counsel, 2200 IDS Center, 80 South 8<sup>th</sup> Street, Minneapolis, Minnesota 55402, by telephoning (612) 977-8400, or by emailing [mippel@briggs.com](mailto:mippel@briggs.com).

### CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the “Rule”), pursuant to the Award Resolution and Continuing Disclosure Undertaking to be executed on behalf of the City on or before closing, the City has and will covenant (the “Undertaking”) for the benefit of holders or beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Undertaking in substantially the form attached hereto as Appendix II, subject to such modifications thereof or additions thereto as: (i) consistent with requirements under the Rule, (ii) required by the purchaser of the Bonds from the City and (iii) acceptable to the Mayor and Clerk of the City.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following are deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- Prior continuing disclosure undertakings entered into by the City included language stating that the City’s audited financial statements would be filed “as soon as available.” Although not always filed “as soon as available,” the audited financial statements were filed within the required twelve (12) month timeframe as required in each undertaking.

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\* Preliminary; subject to change.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## **THE BONDS**

### **General Description**

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled “Book Entry System.” Wells Fargo Bank, National Association, Minneapolis, Minnesota will serve as Registrar for the Bonds, and the City will pay for registrar services.

### **Redemption Provisions**

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

### **Optional Redemption**

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

### **Book Entry System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of

1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

#### **AUTHORITY AND PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475. The proceeds of the Bonds, along with other available City funds, will be used to finance various street improvements within the City.

#### **SOURCES AND USES OF FUNDS**

The composition of the Bonds is estimated to be as follows:

Sources of Funds:		
Principal Amount	\$6,680,000	
Available City Funds	<u>3,000,000</u>	
Total Sources of Funds	\$9,680,000	
Uses of Funds:		
Deposit to Project Fund	\$9,739,178	
Allowance for Discount Bidding	68,600	
Costs of Issuance	<u>52,222</u>	
Total Uses of Funds	\$9,680,000	

## **SECURITY AND FINANCING**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. Special assessments in the principal amount of approximately \$3,071,726 are expected to be filed in 2019 for first collection in 2020. Assessments will be filed over a term of 20 years with equal annual payments of principal and interest. Interest on the unpaid balance will be charged at an interest rate of 4.0%.

The City will also levy taxes for repayment of a portion of the Bonds, and will make its first levy in 2019 for collection in 2020. Each year's collection of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

## **FUTURE FINANCING**

The City does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

## **LITIGATION**

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

## **LEGALITY**

The Bonds are subject to approval as to certain matters by Briggs and Morgan, Professional Association, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

## **TAX EXEMPTION**

At closing Briggs and Morgan, Professional Association, Bond Counsel, will render an opinion that, at the time of their issuance and delivery to the original purchaser, under present federal and State of Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), the interest on each Bond is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross income and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and that interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on

individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. Preservation of the exclusion of interest on the Bonds from federal gross income and state gross and taxable net income, however, depends upon compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from federal gross income and state gross and taxable net income.

The City will covenant to comply with requirements necessary under the Code to establish and maintain the Bonds as tax-exempt under Section 103 thereof, including without limitation, requirements relating to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Bonds.

## **OTHER FEDERAL TAX CONSIDERATIONS**

### **Property and Casualty Insurance Companies**

Property and casualty insurance companies are required to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

### **Foreign Insurance Companies**

Foreign companies carrying on an insurance business in the United States are subject to a tax on income which is effectively connected with their conduct of any trade or business in the United States, including "net investment income." Net investment income includes tax-exempt interest such as interest on the Bonds.

### **Branch Profits Tax**

A foreign corporation is subject to a branch profits tax equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits" adjusted for increase or decrease in "U.S. net equity." A branch's earnings and profits may include tax-exempt municipal bond interest, such as interest on the Bonds.

### **Passive Investment Income of S Corporations**

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporation is passive investment income.

### **Financial Institutions**

For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for the designation as Qualified Tax-Exempt Obligations. See "Bank-Qualified Tax-Exempt Obligations" herein.

## **General**

The preceding is not a comprehensive list of all federal tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

## **BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **RATING**

Application for a rating of the Bonds has been made to S&P Global Ratings (“S&P”), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## **MUNICIPAL ADVISOR**

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.



## **CERTIFICATION**

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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## CITY PROPERTY VALUES

### Trend of Values<sup>(a)</sup>

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio <sup>(b)</sup>	Economic Market Value <sup>(c)</sup>	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	\$9,490,672,900	94.4%	\$10,125,076,777	\$231,582,596	\$9,235,371,204	\$104,877,827
2017/18	8,889,453,200	94.3	9,473,879,337	252,416,568	8,616,049,132	97,776,963
2016/17	8,398,622,800	93.9	8,984,319,864	271,337,207	8,107,637,193	91,781,486
2015/16	8,057,235,000	94.6	8,587,068,877	282,305,726	7,756,935,174	87,027,905
2014/15	7,697,295,500	93.0	8,311,843,364	296,536,833	7,384,345,267	83,195,395

(a) For a description of the Minnesota property tax system, see Appendix III.

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

(c) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

Source: Hennepin County, Minnesota, July 2019, except as otherwise noted.

### 2018/19 Adjusted Taxable Net Tax Capacity: \$104,877,827

Real Estate:		
Residential Homestead	\$ 71,830,818	65.4%
Commercial/Industrial, Railroad, and Public Utility	31,018,440	28.2
Residential Non-Homestead	4,285,985	3.9
Commercial and Seasonal Recreational	636,763	0.6
Agricultural and Other	244,634	0.2
Personal Property	<u>1,903,329</u>	<u>1.7</u>
2018/19 Net Tax Capacity	\$109,919,969	100.0%
Less: Contribution to Fiscal Disparities	(12,284,755)	
Captured Tax Increment	(417,852)	
Transmission Lines	(4,724)	
Plus: Distribution from Fiscal Disparities	<u>7,665,189</u>	
2018/19 Adjusted Taxable Net Tax Capacity	\$104,877,827	

## Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018/19 Net Tax Capacity</u>
Kimco LLC	Commercial	\$1,620,789
Prisa Arbor Lakes	Commercial	1,592,978
KIR Maple Grove LP	Commercial	1,578,156
Skye at Arbor Lakes LLP	Apartments	1,119,336
Tiller Corporation	Gravel Mining	708,403
DDRA Community Centers Five LF	Commercial	651,784
North Memorial Healthcare	Healthcare	625,102
Doran MG Commercial, LLC	Apartments	618,664
Boston Scientific Scimed Inc.	Industrial	601,196
Fairview Hospital	Healthcare	<u>579,692</u>
Total		\$9,696,100*

\* Represents 9.2% of the City's 2018/19 adjusted taxable net tax capacity.

Source: City Assessor's Office.

## CITY INDEBTEDNESS

### Legal Debt Limit and Debt Margin\*

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	\$284,720,187
Less: Outstanding Debt Subject to Limit	<u>(7,295,000)</u>
Legal Debt Margin as of September 18, 2019	\$277,425,187

\* The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.

NOTE: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

### General Obligation Debt Supported Solely by Taxes\*

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding as of 9-18-19</u>
1-1-13	\$ 5,955,000	Taxable Capital Improvement Plan Refunding	2-1-2020	\$1,505,000
12-5-13	10,225,000	Capital Improvement Plan Refunding	2-1-2025	<u>5,790,000</u>
Total				\$7,295,000

\* These issues are subject to the legal debt limit.

## General Obligation Special Assessment Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding as of 9-18-19</u>
9-14-10	\$ 3,425,000	Road Reconstruction	2-1-2032	\$ 2,435,000
9-14-10	3,415,000	Road Reconstruction Refunding	2-1-2022	1,125,000
8-1-11	2,195,000	Road Reconstruction	2-1-2033	1,660,000
8-1-12	8,300,000	Road Reconstruction and Refunding	2-1-2033	4,040,000
1-1-13	26,185,000	Improvement Refunding	2-1-2027	21,490,000
11-5-13	3,905,000	Road Reconstruction	2-1-2029	2,805,000
11-5-13	5,475,000	Improvement Refunding	2-1-2021	560,000
12-30-14	2,205,000	Road Reconstruction	2-1-2030	1,685,000
12-30-14	3,710,000	Road Reconstruction Refunding	2-1-2028	3,065,000
7-14-15	3,550,000	Road Reconstruction	2-1-2031	2,945,000
7-21-16	8,145,000	Road Reconstruction and Refunding	2-1-2032	7,200,000
8-17-17	7,425,000	Road Reconstruction and Refunding	2-1-2033	6,805,000
8-16-18	5,675,000	Road Reconstruction	2-1-2034	5,675,000
9-18-19	6,860,000	Road Reconstruction (the Bonds)	2-1-2035	<u>6,860,000</u>
Total				\$68,350,000

## Estimated Calendar Year Debt Service Payments Including the Bonds

<u>Year</u>	<u>G.O. Debt Supported Solely by Taxes</u>		<u>G.O. Special Assessment Debt</u>	
	<u>Principal</u>	<u>Principal &amp; Interest</u>	<u>Principal</u>	<u>Principal &amp; Interest<sup>(a)</sup></u>
2019 (at 9-18)	(Paid)	(Paid)	(Paid)	(Paid)
2020	\$2,475,000	\$2,719,850	\$ 6,035,000	\$ 7,910,289
2021	1,000,000	1,200,250	6,285,000	7,980,530
2022	1,030,000	1,189,500	6,430,000	7,923,879
2023	1,080,000	1,186,750	6,110,000	7,415,969
2024	1,135,000	1,186,375	6,260,000	7,392,301
2025	575,000	586,500	6,435,000	7,388,769
2026			6,345,000	7,117,036
2027			6,510,000	7,099,429
2028			3,515,000	3,967,570
2029			3,385,000	3,746,031
2030			2,905,000	3,179,597
2031			2,550,000	2,747,184
2032			2,325,000	2,451,418
2033			1,720,000	1,787,735
2034			1,005,000	1,033,516
2034			<u>535,000</u>	<u>542,089</u>
Total	\$7,295,000	\$8,069,225	\$68,350,000 <sup>(b)</sup>	\$79,683,342

<sup>(a)</sup> Includes the Bonds at an assumed average annual interest rate of 2.28%.

<sup>(b)</sup> 83.8% of this debt will be retired within ten years.

## Other Debt Obligations

### Operating Leases

The City has entered into various operating leases for office equipment under a four-year cancelable operating lease. Total rental costs for such leases were \$56,681 for fiscal year ended December 31, 2018.

### **Overlapping Debt**

<u>Taxing Unit<sup>(a)</sup></u>	2018/19 <u>Adjusted Taxable Net Tax Capacity</u>	Est. G.O. Debt as of 9-18-19 <sup>(b)</sup>	<u>Debt Applicable to Tax Capacity in City</u>	
			<u>Percent</u>	<u>Amount</u>
Hennepin County	\$1,979,015,644	\$1,047,495,000	5.3%	\$ 55,517,235
ISD No. 279 (Osseo)	193,705,139	164,222,000	49.8	81,782,556
ISD No. 284 (Wayzata)	155,602,386	215,880,000	5.3	11,411,640
ISD No. 883 (Rockford)	8,469,754	37,965,000	0.8	303,720
Three Rivers Park District	1,392,585,502	51,690,000	7.5	3,876,750
Hennepin County Regional Railroad Authority	1,979,015,644	109,854,000	5.3	5,822,262
Metropolitan Council	4,281,620,797	5,735,000 <sup>(c)</sup>	2.4	<u>137,640</u>
Total				\$158,881,803

(a) Only those units with outstanding general obligation debt are shown here.

(b) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

(c) Excludes general obligation debt supported by wastewater revenues and housing rental payments. Includes certificates of participation.

### **Debt Ratios\***

	<u>G.O. Direct Debt</u>	<u>G.O. Direct &amp; Overlapping Debt</u>
To 2018/19 Estimated Market Value (\$9,490,672,900)	0.80%	2.47%
Per Capita (71,807 – 2018 U.S. Census Estimate)	\$1,053	\$3,266

\* Excludes other debt obligations.

**CITY TAX RATES, LEVIES AND COLLECTIONS**

**Tax Capacity Rates for a City Resident in I.S.D. No. 279 (Osseo)**

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	
					<u>Total</u>	<u>For Debt Only</u>
Hennepin County	46.398%	45.356%	44.087%	42.808%	41.861%	4.579%
City of Maple Grove	39.831	39.368	38.408	36.862	34.889	-0-
I.S.D. No. 279 (Osseo) <sup>(a)</sup>	27.156	26.267	26.730	24.921	24.615	10.429
Special Districts <sup>(b)</sup>	<u>8.262</u>	<u>8.039</u>	<u>7.856</u>	<u>7.590</u>	<u>7.094</u>	<u>0.754</u>
<b>Total</b>	<b>121.647%</b>	<b>119.030%</b>	<b>117.081%</b>	<b>112.181%</b>	<b>108.459%</b>	<b>15.762%</b>

(a) In addition, Independent School District No. 279 (Osseo) has a 2018/19 market value tax rate of 0.27489% spread across the market value of property in support of an excess operating levy.

(b) Special districts include Metropolitan Council, Mosquito Control, Hennepin County Park Museum and County Park, Three Rivers Park District, Hennepin County Regional Railroad Authority, and Hennepin County Housing and Redevelopment Authority.

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix III.

**Tax Levies and Collections**

<u>Levy/Collect</u>	<u>Net Levy*</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 6-1-19</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2018/19	\$36,743,048		(In Process of Collection)		
2017/18	36,066,734	\$35,981,123	99.8%	\$35,981,123	99.8%
2016/17	35,242,558	35,228,300	99.9	35,227,853	99.9
2015/16	34,273,420	34,167,621	99.7	34,246,254	99.9
2014/15	33,027,967	32,899,988	99.6	32,998,544	99.9

\* The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.

**FUNDS ON HAND**  
**As of June 30, 2019**

General	\$ 7,137,907
Special Revenue	10,579,630
Capital Projects	121,823,988
Enterprise (excluding debt service funds)	65,423,396
Trust and Agency	1,509,730
Internal Service	25,332,962
Debt Service:	
G.O. Supported Solely by Taxes	1,391,464
G.O. Supported Primarily by Special Assessments	<u>(737,934)*</u>
 Total	 \$232,461,143

\* *The negative balance in this account is due to timing. This fund will have a positive balance upon receipt of \$2,031,755 of special assessments in the July tax settlement.*

**INVESTMENTS**

The City has adopted a Statement of Investment Objectives and Policies (the “Statement”) which sets standards for the direction, investment management and oversight of its operating funds. The Statement provides investment objectives for both short-term and intermediate components of the operating fund portfolios; outlines procedures for periodic reporting of investment results, outlooks, and compliance with the policies; delineates permissible and impermissible investment instruments; sets prudent target asset allocations across the broad asset classes; ensures an appropriate level of investment diversification; and puts in place adequate risk controls. The City Council reviews the Statement annually and has delegated investment responsibility for the funds to the Finance Director and to outside investment managers, as appropriate. The Finance Director carries out the necessary administrative functions to insure compliance with the policy directives of the City.

The short-term component (maturities of less than one year) of the City's investment portfolio represents current operating funds or funds on which draws are frequently made. Short-term preservation of principal and liquidity are of paramount importance for the short-term component. As of June 30, 2019, these funds have a market value of \$18,815,559. The investments, when purchased, totaled \$18,815,559 and are approximately 8% of the City's total investment portfolio.

The intermediate component of the City's investment portfolio is reserved for needed renewal and replacement of capital, capital expenditures and other special projects which require funding in the next three to five years. Therefore, a total return, including current income and appreciation, above the inflation rate is expected. While the intermediate component is anticipated to be generally long term, principal may be withdrawn when large capital items are purchased or replaced, though it is anticipated that the City will be able to provide ample notice of liquidity needs. Intermediate-term investments are currently being carried out by two investment managers, with the portfolio invested in a diversification of permissible investments which meet policy guidelines and State statutes. As of June 30, 2019, the intermediate funds have a market value of \$209,497,299 and were originally purchased at an amount of \$206,515,848. The intermediate funds represent approximately 92% of the City's total investment portfolio.

## GENERAL INFORMATION CONCERNING THE CITY

The City is located in northwestern Hennepin County, approximately 12 miles northwest of the City of Minneapolis, and has an area of approximately 36 square miles (23,040 acres).

### Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2018 U.S. Census Estimate	71,807	16.6%
2010 U.S. Census	61,567	22.2
2000 U.S. Census	50,365	30.0
1990 U.S. Census	38,736	88.7
1980 U.S. Census	20,525	--

Sources: United States Census Bureau, <http://www.census.gov/>.

The City's approximate population by age group for the past five years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2018/19	18,544	14,859	31,583	8,736
2017/18	18,030	14,195	31,013	8,065
2016/17	18,004	13,976	31,108	7,587
2015/16	17,744	13,520	30,937	7,048
2014/15	17,616	13,205	30,746	6,552

Sources: Environics Analytics, Claritas, Inc., and The Nielsen Company.

### Transportation

The City is traversed by Interstate Highways 94, 494, and 694; U.S. Highways 152 and 169; Minnesota Highway 610; County Highway 101 and County Road 81. Rail service is provided to City industrial parks by Burlington Northern Santa Fe Railroad. Commercial air transportation is available at the Minneapolis-Saint Paul International Airport, which is 45 minutes from the City.



## Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Independent School District No. 279 (Osseo)	Education	3,092
Boston Scientific Scimed Inc.	Medical Technology Supplier	3,000
United Parcel Service	Delivery Service Distribution Center	700 <sup>(a)</sup>
LSC Communications	Publisher	540 <sup>(a)</sup>
Vascular Solutions	Surgical and medical instruments	500
Sterilmed	Testing lab and research facility	360
Data Recognition Corporation	Data & Educational Testing	350
Wal-Mart	Retail	344
City of Maple Grove	Government	339 <sup>(b)</sup>
Costco	Retail	300 <sup>(b)</sup>
Upsher-Smith Laboratories	Pharmaceutical preparation	300 <sup>(c)</sup>
Minneapolis Auto Auction	Automotive	278
C. S. McCrossan, Inc.	Construction	266
Great River Energy	Utility	255
Target	Discount Department Store	236 <sup>(b)</sup>
Tiller Corporation	Sand, Gravel and Asphalt Products	232
Fairview Clinics – Maple Grove	Healthcare	225
Rush Creek Golf Club	Recreational	225 <sup>(b)</sup>
Kohl's Department Store	Retail	184
Cub Foods	Grocery	170
REO Plastics	Plastic Material and Resin Manufacturer	155
Byerly's	Supermarket	138 <sup>(b)</sup>
UHL Company, Inc.	Security Systems	134

(a) As of June 2017; most recent information available.

(b) Includes full- and part-time employees.

(c) Includes City location only. Previous number represented company wide.

Source: This does not purport to be a comprehensive list and is based on a July 2019 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

## Labor Force Data

	Annual Average				June
	2015	2016	2017	2018	2019
Labor Force:					
City of Maple Grove	39,006	39,472	40,338	41,518	42,220
Hennepin County	676,722	687,472	698,548	703,310	715,912
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,133,128
Unemployment Rate:					
City of Maple Grove	2.9%	3.0%	2.8%	2.2%	2.8%
Hennepin County	3.3	3.3	3.0	2.5	3.2
State of Minnesota	3.7	3.9	3.4	23.9	3.4

Source: Minnesota Department of Employment and Economic Development, <http://apps.deed.state.mn.us/lmi.laus>. 2019 data are preliminary.

## Retail Sales and Effective Buying Income (EBI)

### City of Maple Grove

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$1,860,450	\$2,989,205	\$83,758
2017/18	1,666,457	2,788,180	81,812
2016/17	1,248,148	2,599,552	77,832
2015/16	1,668,270	2,420,880	74,865
2014/15	1,052,827	2,352,495	74,539

### Hennepin County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$35,994,743	\$46,545,290	\$63,176
2017/18	32,491,357	43,417,598	60,957
2016/17	33,502,543	40,956,758	57,190
2015/16	26,004,909	38,495,033	55,756
2014/15	21,713,206	36,578,500	52,644

The 2018/19 Median Household EBI for the State of Minnesota was \$58,777. The 2018/19 Median Household EBI for the United States was \$52,468.

Sources: Environics Analytics, Claritas, Inc., and The Nielsen Company.

## Permits Issued by the City

	<u>Total Permits</u>		<u>New Residential Permits</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2019 (to 5-31)	1,468	\$ 56,248,272	116	\$ 27,997,139
2018	3,235	249,148,637	294	113,533,585
2017	4,444	182,389,522	272	111,667,829
2016	2,707	122,799,224	160	53,515,660
2015	2,942	141,804,368	192	85,682,575
2014	2,252	193,572,052	278	106,325,973
2013	2,099	204,141,120	249	127,675,753
2012	2,136	120,446,202	231	77,225,361
2011	2,345	149,181,591	226	69,984,374
2010	2,655	136,034,855	284	83,993,912

Source: City of Maple Grove.

## Commerce and Industry

Commercial and industrial development continues to be a major part of the construction activity occurring in the City. Listed below are major projects approved in 2019, 2018, and 2017.

### *Projects Approved in 2019*

<u>Project Name</u>	<u>Type of Business</u>	<u>Size (Square Feet)</u>
Park 81 North	Office/Warehouse	65,700
Wahlburgers Maple Grove	Restaurant	6,128
Upsher-Smith Laboratories East Expansion	Manufacturing	298,085
Christian Brother Automotive	Service	5,070
The Village Arbor Lakes	Retail	6,500
Park Nicollet Regional Center Expansion	Medical	7,800

### *Projects Approved in 2018*

<u>Project Name</u>	<u>Type of Business</u>	<u>Size (Square Feet)</u>
Arbor Lakes Business Park	Office/Warehouse	540,000
Maple Grove Self-Storage	Service	114,400
Springhill Suites/Residence Inn	Hospitality	180 Rooms
Wings Financial Credit Union	Service	3,200
Hy-Vee Markets Rush Creek	Grocery/Service	96,000
Arbor Lakes Corporate Center	Industrial	204,000
Park 81 East	Industrial	297,024
Tiller/Schuler 2 <sup>nd</sup> Addition	Retail/Corporate	98,000
The Grove Multi-Tenant	Retail	4,700
The Village Arbor Lakes	Retail	4,000

*Projects Approved in 2017*

<u>Project Name</u>	<u>Type of Business</u>	<u>Size (Square Feet)</u>
Hy-Vee North	Grocery/Service	100,100
Grove Circle Medical Building	Office	24,000
EC North	Restaurant/Service	11,097
Portillo's	Restaurant	9,049
EC North	Restaurant/Service	11,097
Gateway Retail	Retail	4,000
Lifetime Fitness Swim School	Service	18,000

*Source: City of Maple Grove, Community and Economic Development Department.*

**Recent Development**

Residential development has continued at a steady pace. Local contractors generally undertake the small projects while major national firms do the largest developments.

The City has an inventory of residential lots to last for several more years. After the current inventory is exhausted, the City has undeveloped land to allow residential development to continue for another 15 to 20 years.

Residential development proposals have been received for the City Center area, also known as the Gravel Mining Area. This high-density development began with three small developments.

Listed below are major projects approved in 2019, 2018, and 2017.

*Residential Projects Approved in 2019*

<u>Developers</u>	<u>Developments</u>	<u>Number of Units</u>
Silver Crest	Silver Creek on Main Phase 3A	75
Pulte Homes of Minnesota	Windrose – Markets Rush Creek	79
Kaas Wilson Architects	Rush Creek Commons	240

*Residential Projects Approved in 2018*

<u>Developers</u>	<u>Developments</u>	<u>Number of Units</u>
CalAtlantic Group	Rush Creek Commons	82
Cooper Creek Real Estate Corp	Copper Creek of Nottingham	9
Doran Development	The Reserve Arbor Lakes – Building 2	123
David Weekly Homes	Donegal South 2 <sup>nd</sup> Addition	61
Beehive Homes	Beehive Homes	20 beds
Fisher Trust	Fernbrook View Apartments	42

*Residential Projects Approved in 2017*

<u>Developers</u>	<u>Developments</u>	<u>Number of Units</u>
Trident Development	Territorial Woods	167
David Weekly Homes	Donegal South	133
United Properties	Applewood Point of Maple Grove at Arbor Lakes	102
GWS Land Company	The Woods at Rush Creek	73
Watermark Equity Group	Mills Creek	66
CalAtlantic Group	Water's Edge at Central Park	67
Duffy Development	Bottineau Ridge Apartments	50
CalAtlantic Group	Hamlets of Rush Creek 2 <sup>nd</sup>	26

**Financial Institutions\***

City residents are served by Eagle Community Bank, which had deposits totaling \$23,024,000 as of March 31, 2019 (most recent information available). In addition, branch offices of many financial institutions are located throughout the Minneapolis/Saint Paul metropolitan area.

\* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, <http://www2.fdic.gov/idasp/main.asp>.

**Health Care Services**

North Memorial and Fairview Health Services worked together to complete the Maple Grove Hospital, which is located in the City. The facility has a current capacity of 130 hospital beds and 50 infant bassinets; however, it was built to expand to 300 beds when needed. Inpatient services include emergency care, OB/GYN, pediatrics, heart, cancer, orthopedics, behavioral health services and more. Also included are a medical office building and an outpatient center.

Source: Minnesota Department of Health, <http://www.health.state.mn.us/>.

**Education**

Public Education

The following districts serve the residents of the City:

<u>District</u>	<u>Grades</u>	<u>2018/19 Enrollment</u>
Independent School District No. 279 (Osseo)	K-12	21,472
Independent School District No. 284 (Wayzata)	K-12	11,948
Independent School District No. 883 (Rockford)	K-12	1,634

Source: Minnesota Department of Education, [www.education.state.mn.us](http://www.education.state.mn.us).

## Non-Public Education

City residents are also served by the following private schools:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19 Enrollment</u>
Heritage Christian Academy	City of Maple Grove	K-12	301
St. John's Lutheran	City of Maple Grove	K-8	148
Redeemer Lutheran	City of Maple Grove	K-8	92

Source: Minnesota Department of Education, [www.education.state.mn.us](http://www.education.state.mn.us).

## Post-Secondary Education

City residents have access to various colleges and universities located throughout the Minneapolis/Saint Paul metropolitan area.

## **GOVERNMENTAL ORGANIZATION AND SERVICES**

### **Organization**

The City was incorporated as a village in 1954 and became a statutory City in 1974. The City has a mayor-council form of government, with the mayor serving a four-year term of office and the four council members serving overlapping four-year terms.

The current City Council is as follows:

		<u>Expiration of Term</u>
Mark Steffenson	Mayor	December 31, 2022
Kristy Barnett	Council Member	December 31, 2020
Judy Hanson	Council Member	December 31, 2020
Karen Jaeger	Council Member	December 31, 2022
Phil Leith	Council Member	December 31, 2022

Ms. Heidi Nelson was appointed City Administrator effective December 21, 2015. The City's Finance Director/Treasurer is Mr. Steven Hauer, who has served in this position since May 2, 2017. Mr. Hauer previously served as the City's Assistant Finance Director.

The City currently employs 263 full-time and 76 FTE part-time persons in its various departments, including 69 police officers. In addition, fire services are provided by a 100-member volunteer fire department with one full-time fire chief. The City has a class 3 fire insurance rating.

### **Services**

#### City Utilities

The City's Water Treatment Plant has a capacity of 15 million gallons per day to 30 million gallons per day. The City's water treatment program includes the addition of chlorine and fluoride and the removal of iron and manganese prior to distribution.

The City has two underground storage reservoirs with a combined storage capacity of 7.2 million gallons which, together with two existing water towers, brings the total storage capacity to approximately 10.5 million gallons. The City's water system is supplied by 12 wells with a combined pumping capacity of about 31,000 gallons per minute. Average demand has been approximately 9 million gallons per day and peak demand has been 28 million gallons per day.

The City maintains its own sanitary sewer collection system, although certain core facilities are owned by the Metropolitan Council. Wastewater treatment and disposal is also the responsibility of the Metropolitan Council Environmental Services (the "MCES"). The City is billed for its usage of Metropolitan Council sewage facilities by the MCES.

Parks

The City's park and trail system consists of 79 sites covering approximately 1,485 acres of land. The park system includes 54 developed parks for recreational use and 25 linear and conservancy parks for unstructured recreation. The City's Parks and Recreation Board will continue to develop and acquire land through the Park Dedication Program as outlined in the City's Comprehensive Park System and Recreation Plan.

Elm Creek Park Reserve, Fish Lake Regional Park and Eagle Lake Regional Park, along with Medicine Lake Regional Trail, consume about 1,850 acres within the City limits and are maintained by the Three Rivers Park District. Through a joint powers agreement, the City works with Three Rivers Park District to acquire land and develop facilities based on their approved comprehensive plan.

Recreation Programs

The City offers a comprehensive recreation program for preschoolers through senior citizens. In addition, the City also works cooperatively with local athletic associations for hockey, football, soccer, baseball, lacrosse, basketball, and fast-pitch softball. Through a joint powers agreement with Independent School District No. 279 (Osseo), the City has access to all school facilities in the evenings and weekends.

**Labor Contracts**

The status of labor contracts in City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
LELS Captains	3	December 31, 2021
LELS Sergeants	11	December 31, 2019
LELS Patrol Officers	54	December 31, 2021
Local No. 49 Parks	14	December 31, 2021
Local No. 49 Public Works	37	December 31, 2021
Subtotal	119	
Non-unionized employees	<u>220</u>	
Total employees	339	

**Employee Pensions**

All full-time employees and certain part-time employees of the City are covered by defined benefit pension 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. GERF members

belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic 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 PEPFF. The City's contributions to GERP and PEPFF are equal to the contractually required contributions for each year as set by State Statute, and are as follows for the past five years.

	<u>GERP</u>	<u>PEPFF</u>
2018	\$1,006,799	\$1,164,393
2017	989,056	1,104,484
2016	956,250	1,053,648
2015	933,807	1,014,966
2014	837,733	929,046

#### City PEDCP

City council members are eligible to participate in the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until the time of withdrawal. Plan benefits depend solely on the amounts contributed to the plan plus investment earnings less administrative expenses. An eligible elected official who chooses to participate in the plan contributes 5% of their salary, which is matched by the elected official's employer. PERA receives 2% of employer contributions and 0.025% of the assets in each member's account annually for administering the plan. The City's contributions to PEDCP for the past four years are as follows:

	<u>PEDCP</u>
2018	\$2,025
2017	1,947
2016	1,350
2015	1,138

#### City Firefighter's Association

Volunteer firefighters of the City are eligible for pension benefits through membership in the Maple Grove Firefighters Relief Association (MGFRA) organized under Minnesota Statutes, Chapter 69, and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. Each member who is at least 50 year of age and has attained 15 years of service with the Maple Grove Fire Department is eligible for a lump-sum payment of his or her account balance. A member who retires before attaining age 50 and who has attained 15 or more years of service becomes eligible for a deferred pension and, after age 50, is entitled to receive the service pension with interest at prescribed rates.

The City's contributions to the Firefighter's Association for the past five years are as follows:

	<u>State of Minnesota</u>	<u>City</u>	<u>Total</u>
2018	\$426,808	\$243,308	\$670,116
2017	413,481	230,447	643,928
2016	411,094	229,347	642,910
2015	402,768	218,940	621,708
2014	376,798	214,091	590,889



For more information regarding the liability of the City with respect to its employees, please reference “Note 14, Defined Benefit Pension Plans,” “Note 15, Defined Contribution Pension Plan – Council,” and “Note 16 Defined Contribution Pension Plan – Firefighters Relief Association” of the City’s Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

**GASB 68**

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City’s proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan’s fiduciary net position.

The City’s proportionate shares of the pension costs and the City’s net pension liability for GERF and PEPFF for the past four years are as follows:

	<u>GERF</u>		<u>PEPFF</u>	
	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2018	0.1998%	\$11,084,085	0.6654%	\$ 7,092,479
2017	0.2118	13,521,173	0.6780	9,153,807
2016	0.2026	16,450,116	0.6540	26,246,158
2015	0.2005	10,390,951	0.6660	7,567,318

For more information regarding GASB 68 with respect to the City, please reference “Note 14, Defined Benefit Pension Plans” and “Required Supplementary Information” of the City’s Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF’s net position is available in a separately-issued PERA financial report, which may be obtained at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

**2018 Omnibus Retirement Bill**

On Thursday, May 31, 2018, Minnesota Governor Mark Dayton signed into law the 2018 Omnibus Retirement Bill, which includes sustainability measures for all four of the State’s public pension systems, including PERA. The City anticipates this legislation will have some level of positive impact on the proportionate share of pension costs and net pension liability for GERF and PEPFF for the fiscal year ending December 31, 2018 and thereafter.

*Sources: City’s Comprehensive Annual Financial Reports.*

**Other Post-Employment Benefits**

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or “OPEB”). The implementation of GASB 75 required the restatement of the City’s beginning net position for the fiscal year ended December

31, 2018. Please see “Note 19, Change in Accounting Principle” in the City’s Comprehensive Annual Financial Report for fiscal year ended December 31, 2018 for this calculation.

The City administers a single-employer defined benefit healthcare plan. The City provides medical insurance for eligible retired City employees and beneficiaries who meet PERA eligibility requirements as provided by State Law. This plan covers both active and retired employees.

Eligible retired City employees and beneficiaries contribute 100% of the group health insurance plan premium. The additional cost of using a blended rate for active employees and retirees is currently funded on a pay-as-you-go basis and included in the expenditures/expenses for the year. The following employees were covered by the benefit terms as of January 1, 2018:

Retiree Plan Members	13
Active Plan Members	<u>253</u>
Total	266

The City’s net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date. The discount rate used to measure the total OPEB liability was 4.09%. Components of the Issuer’s OPEB liability and related ratios for the fiscal year ended December 31, 2018 are as follows:

Service cost	\$ 106,249
Interest	40,506
Changes in assumptions	29,486
Benefit payments	<u>(37,865)</u>
Net change in total OPEB liability	\$ 138,376
Total OPEB liability – beginning of year	\$ 984,263
Total OPEB liability – end of year (a)	<u>\$ 1,122,639</u>
Covered employee payroll	\$19,217,425
Total OPEB liability as a percentage of covered employee payroll	5.84%

For more information regarding the City's OPEB plan, please reference “Note 17, Postemployment Healthcare Plan Benefits” of the City’s Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: City’s Comprehensive Annual Financial Reports.

## General Fund Budget Summary

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>2019 Budget</u>
<b>Revenues:</b>			
General Taxes	\$33,332,400	\$33,179,729	\$33,933,900
Licenses and Permits	2,588,200	4,169,963	2,737,400
Intergovernmental	1,734,800	1,932,903	1,832,000
Charges for Services	682,000	712,576	682,400
Court Fines	450,000	354,623	425,000
Miscellaneous Revenue	154,000	228,155	159,000
Operating Transfers	570,000	572,996	570,000
Use of Fund Balance	<u>0</u>	<u>0</u>	<u>40,000</u>
<b>Total Revenue</b>	<b>\$39,511,400</b>	<b>\$41,150,945</b>	<b>\$40,379,700</b>
<b>Expenditures:</b>			
General Government	\$ 1,780,800	\$ 1,675,080	\$ 1,748,700
Human Resources	458,000	411,586	468,200
Community/Economic Development	843,300	792,838	983,600
Finance	1,309,800	1,214,306	1,319,700
Information Systems	1,855,100	1,797,377	1,908,400
Assessing	1,202,700	1,140,802	1,224,400
Building Inspections	1,870,900	1,674,203	1,902,000
Police	12,024,500	11,365,388	12,246,400
Fire/Fire Inspections	3,838,400	3,905,297	3,945,100
Engineering	1,731,600	1,623,268	1,783,100
Public Works	5,169,600	3,858,135	5,259,200
Government Buildings	1,414,600	1,250,107	1,407,500
Park Transfer	5,208,300	4,785,377	5,359,400
Other			
Community Action	90,000	91,142	90,000
Community Center Transfer	713,800	713,800	734,000
Other Transfers	<u>0</u>	<u>4,600,000</u>	<u>0</u>
<b>Total Expenditures</b>	<b>\$39,511,400</b>	<b>\$40,898,706</b>	<b>\$40,379,700</b>
<b>Net Change in Fund Balance</b>	<b>\$ 0</b>	<b>\$ 252,239</b>	<b>\$ 0</b>
<b>Fund Balance January 1</b>	<b><u>\$ 8,103,540</u></b>	<b><u>\$ 8,103,540</u></b>	<b><u>\$ 8,355,779</u></b>
<b>Fund Balance December 31</b>	<b><u>\$ 8,103,540</u></b>	<b><u>\$ 8,355,779</u></b>	<b><u>\$ 8,355,779</u></b>

Sources: City's 2018 Comprehensive Annual Financial Report and 2019 Budget.

## Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Taxes	\$29,425,617	\$29,772,872	\$31,414,130	\$32,519,760	\$33,179,729
Licenses and Permits	3,375,314	2,905,675	2,773,671	3,572,823	4,169,963
Intergovernmental	1,689,161	1,735,421	1,859,136	1,877,665	1,932,903
Charges for Services	861,831	782,476	854,805	843,425	712,576
Operating Transfers	505,817	564,792	564,792	564,792	572,996

Sources: City's Comprehensive Annual Financial Reports.

## PROPOSED FORM OF LEGAL OPINION



2200 IDS Center  
 80 South 8th Street  
 Minneapolis, MN 55402  
 OFC 612-977-8400  
 FAX 612-977-8650  
 URL Briggs.com

\$6,860,000\*

GENERAL OBLIGATION ROAD RECONSTRUCTION BONDS, SERIES 2019A  
 CITY OF MAPLE GROVE  
 HENNEPIN COUNTY  
 MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Maple Grove, Hennepin County, Minnesota (the "Issuer"), of its \$6,860,000\* General Obligation Road Reconstruction Bonds, Series 2019A, bearing a date of original issue of September 18, 2019 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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\* Preliminary; subject to change.

At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

BRIGGS AND MORGAN  
Professional Association

## CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Maple Grove, Minnesota (the "Issuer"), in connection with the issuance of its \$6,860,000\* General Obligation Road Reconstruction Bonds, Series 2019A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on August 19, 2019 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated \_\_\_\_\_, 2019, prepared in connection with the Bonds.

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\* Preliminary; subject to change.

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

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

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

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

### SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2019, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2020, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: City Property Values; City Indebtedness; and City Tax Rates, Levies and Collections.

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

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure



Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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

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

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

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

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

Dated: \_\_\_\_\_, 2019.

CITY OF MAPLE GROVE, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Administrator

## SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

### **Property Valuations (Chapter 273, Minnesota Statutes)**

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

### **Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)**

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

### **Property Tax Credits (Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

### **Debt Limitations**

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.
7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**Levies for General Obligation Debt  
(Sections 475.61 and 475.74, Minnesota Statutes)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

**Metropolitan Revenue Distribution (Chapter 473F, Minnesota Statutes)  
“Fiscal Disparities Law”**

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as “Fiscal Disparities,” was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/Saint Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

**STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO  
NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS**

<u>Property Type</u>	<u>Local Tax Payable 2015-2019</u>
<b>Residential Homestead (1a)</b>	
Up to \$500,000	1.00%
Over \$500,000	1.25%
<b>Residential Non-homestead</b>	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
<b>Market Rate Apartments</b>	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$139,000 <sup>(c)</sup>	0.75%
Over \$139,000 <sup>(c)</sup>	0.25%
<b>Commercial/Industrial/Public Utility (3a)</b>	
Up to \$150,000	1.50% <sup>(a)</sup>
Over \$150,000	2.00% <sup>(a)</sup>
Electric Generation Machinery	2.00%
<b>Commercial Seasonal Residential</b>	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,000 - \$2,300,000	1.00%
Over \$2,300,000	1.25% <sup>(a)</sup>
Seasonal Resorts (4c)	
Up to \$500,000	1.00% <sup>(a)</sup>
Over \$500,000	1.25% <sup>(a)</sup>
<b>Non-Commercial (4c12)</b>	
Up to \$500,000	1.00% <sup>(a)(b)</sup>
Over \$500,000	1.25% <sup>(a)(b)</sup>
<b>Disabled Homestead (1b)</b>	
Up to \$50,000	0.45%
<b>Agricultural Land &amp; Buildings</b>	
Homestead (2a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Remainder of Farm	
Up to \$1,900,000 <sup>(d)</sup>	0.50% <sup>(b)</sup>
Over \$1,900,000 <sup>(d)</sup>	1.00% <sup>(b)</sup>
Non-homestead (2b)	1.00% <sup>(b)</sup>

<sup>(a)</sup> State tax is applicable to these classifications.

<sup>(b)</sup> Exempt from referendum market value based taxes.

<sup>(c)</sup> Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$121,000; Payable 2017 - \$115,000; Payable 2016 - \$106,000; and Payable 2015 - \$100,000.

<sup>(d)</sup> Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$1,940,000; Payable 2017 - \$2,050,000; Payable 2016 - \$2,140,000; and Payable 2015 - \$1,900,000.

**NOTE:** For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

**EXCERPT OF 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Data on the following pages was extracted from the City's Comprehensive Annual Financial Report ("CAFR") for fiscal year ended December 31, 2018. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

The City's comprehensive annual financial reports for the years ending 1984 through 2017 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. The City has submitted its CAFR for the 2018 fiscal year to GFOA.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

## Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Maple Grove, Minnesota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

### Emphasis of Matter

As discussed in Notes 1 and 19 to the financial statements, the City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of January 1, 2018. Our opinions are not modified with respect to this matter.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in total OPEB liability and related ratios, schedule of the City's contributions, and schedule of the City's share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Maple Grove, Minnesota's financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section 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 were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the City of Maple Grove, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Maple Grove, Minnesota's internal control over financial reporting and compliance.

*Edo Bailly LLP*  
Minneapolis, Minnesota  
May 20, 2019

## City of Maple Grove, Minnesota

### Management's Discussion and Analysis

As management of the City of Maple Grove, this section of the City's comprehensive annual financial report presents a discussion and analysis of the City's financial activities during the fiscal year ended December 31, 2018. This discussion and analysis should be read in conjunction with the letter of transmittal in the introductory section of this report.

#### **Financial Highlights**

- The assets of the City exceeded liabilities by \$624 million. Of this amount, \$195 million may be used to meet the City's ongoing obligations to citizens and creditors within the City's fund classifications and fund policies.
- The City's total net position increased by \$13.9 million.
- The City's governmental funds reported combined ending fund balances of \$142.8 million as of December 31, 2018. Of this total amount, approximately 76% is available for spending within the City's policies for committed, assigned and unassigned fund balances.
- As of December 31, 2018, unassigned fund balance for the General Fund was \$8.3 million, or 20.5% of the 2019 General Fund budget.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to provide an introduction to the City's basic financial statements. The City's basic financial statements consist of 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.

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, and provide information about the activities of the City as a whole and present a long-term view of the City's finances.

Fund financial statements provide information about governmental activities by showing how these services were financed in the short-term as well as what remains for future spending. These statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining fund financial statements provide information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Notes to the financial statements 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 31-64 of this report.

#### **Reporting the City as a Whole**

The analysis of the City as a whole begins with the Statement of Net Position and the Statement of Activities found on pages 13-14. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the City's Net Position and changes in them. The City's net position can be used as a way of measuring the City's financial health, or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's tax base or the condition of the City's infrastructure to assess the overall health of the City.

#### **Reporting the City's Most Significant Funds**

The fund financial statements that begin on page 15 provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other revenues. The City's two kinds of funds each use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance city programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation to each of the fund financial statements on pages 16 and 18. The basic governmental fund financial statements can be found on pages 15-23.
- **Proprietary funds** – When the City charges customers for the services it provides, whether to outside customers or units of the City, these services are generally reported in the proprietary funds. These funds are reported in the same manner that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detailed and additional information, such as cash flows, for proprietary funds. The City uses internal funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. The basic proprietary fund financial statements can be found on pages 25-28.



- The City uses fiduciary funds to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide statements because the resources of these funds are not available to support programs of the City. The accounting method used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 29.

- Notes to financial statements – The notes provide additional information that is essential to fully understand the data provided in government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 31-64 of this report.

- Other information – The combining statements referred to earlier in connection with non-major governmental funds, non-major proprietary funds and internal service funds are presented immediately following the basic financial statements. Combining and individual fund statements and schedules can be found on pages 75-110 of this report.

**Financial Analysis of the City as a Whole**

City of Maple Grove's Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	
<b>Assets:</b>					
Current and other assets	\$ 247,808	\$ 244,903	\$ 70,068	\$ 67,604	\$ 312,507
Capital assets	304,716	300,336	128,147	128,233	428,569
Total assets	552,524	545,239	198,215	195,837	741,076
Deferred Outflows of Resources	12,208	16,414	342	568	16,982
<b>Liabilities:</b>					
Long-term liabilities	108,773	119,869	1,685	2,072	110,458
Other liabilities	10,554	8,696	905	759	11,459
Total liabilities	119,327	128,565	2,590	2,831	121,917
Deferred Inflows of Resources	17,038	17,536	533	370	17,571
<b>Net Position:</b>					
Net investment in capital assets	217,786	210,311	128,147	128,233	345,933
Restricted	82,929	84,551	-	-	84,551
Unrestricted	127,652	120,690	67,287	64,971	194,939
Total net position	\$ 428,367	\$ 415,552	\$ 195,434	\$ 193,204	\$ 623,801

**City of Maple Grove's Changes in Net Position (in thousands)**

	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	
<b>Revenues:</b>					
Program revenues:					
Charges for services	\$ 12,389	\$ 10,773	\$ 16,062	\$ 15,304	\$ 28,451
Operating grants and contributions	5,943	5,261	183	196	6,126
Capital grants and contributions	24,120	14,853	2,373	4,188	26,493
General revenues:					
Property taxes	36,474	35,647	-	-	36,474
Other taxes	103	138	-	-	103
Grants and contributions	1	1	-	-	1
Other	61	40	-	-	61
Investment income	2,037	3,663	827	1,201	2,864
Total revenues	81,128	70,376	19,445	20,889	100,573
<b>Expenses:</b>					
General government	9,392	8,844	-	-	9,392
Community and economic development	5,763	2,410	-	-	5,763
Public safety	17,141	18,635	-	-	17,141
Public works	18,210	21,259	-	-	18,210
Park and recreation	7,533	7,378	-	-	7,533
Transit	5,706	5,985	-	-	5,706
Conservation of natural resources	701	656	-	-	701
Interest on long-term debt	1,662	2,012	-	-	1,662
Water	-	-	6,157	5,604	6,157
Sewer	-	-	7,805	7,514	7,805
Community center	-	-	4,075	4,104	4,075
Sports dome	-	-	465	427	465
Recycling	-	-	1,248	1,156	1,248
Street lighting	-	-	833	829	833
Total expenses	66,108	67,179	20,583	19,634	86,691
Change in net position before transfers	15,020	3,197	(1,138)	1,255	13,882
Internal transfers	(3,368)	644	3,368	(644)	-
Change in net position	11,652	3,841	2,230	611	13,882
Net position, January 1	415,552	411,711	193,204	192,593	608,756
Restatement of net position	1,163	-	-	-	1,163
Net position as restated, January 1	416,715	411,711	193,204	192,593	609,919
Net position, December 31	\$ 428,367	\$ 415,552	\$ 195,434	\$ 193,204	\$ 623,801

### Governmental Activities

Governmental activities net position increased by \$11.7 million, and accounts for 69% of the total net position of the City.

Revenues increased by \$10.8 million, or 15.3%, the key elements of this change are as follows:

- Charges for Services
- Building permits in 2018 were \$475,000 higher than in 2017.

#### Capital Grants and Contributions

- Special assessments collected and levied from development projects in 2018 were \$7.2 million higher than in 2017.
- Park dedication fees decreased \$712,700 in 2018.

#### General Revenues

- The City adopted a slight increase in the property tax levy for 2018 of \$839,500, 2.39%.
  - Investment income decreased \$1.8 million due to a weaker bond market in 2018.
- Expenses increased by \$3.2 million or 4.7% higher than last year; some of the key changes are as follows:

#### Overall

- An increase in the General Fund budgeted operating expenses of approximately \$918,200, or a 2.38% increase.
- Personal services for 2018 was \$1.5 million less than budgeted due to a number of open positions during 2018 related retirements/resignations during the year.
- A decrease in interest paid on bonds of \$350,000.

#### Community and Economic Development

- The increase in expenses of \$3.4 million is due to the closing of 2001A Tax Increment Fund and returning the excess increment to the County.

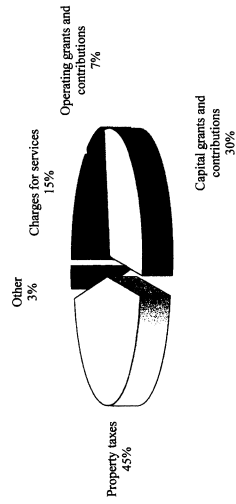
#### Public Safety

- The City's share of the Public Employees Retirement Association (PERA) pension expense for Public Employees Police and Fire Fund (PEPFF) decreased \$1.7 million compared to 2017.

#### Public Works

- The increase in public works is due to higher water and sewer main costs for development assessed in 2018 compared to 2017 of \$1.2 million.

### Revenues by Source - Governmental Activities



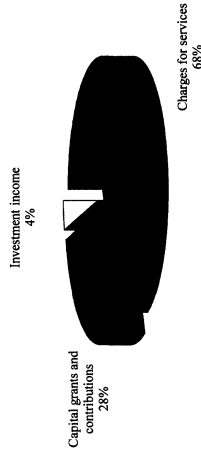
### Business-type Activities

Business-type activities increased net position by approximately \$2.2 million, and accounts for 31% of the total net position of the City.

Revenues increased \$2.8 million in 2018 as compared to 2017, or 13.4% higher. The key elements making up this change are as follows:

- The increase in charges for services of \$758,000 is due to an increase in operating revenue for services for water and sewer operations.
- An increase of \$2.4 million in connection fees and contributions from developers for water and sewer mains in developments assessed in 2018.
- Investment income decreased \$495,000 due to a weaker bond market during 2018. Expenses increased \$949,000, or 4.8% higher. The elements of this change are as follows:
  - Overall operating expenses were approximately the same in 2018 compared to 2017.
  - The increase in operating expenses for water operations was due to an increase in repairs and maintenance of \$246,000 in 2018
  - The increase in operating expenses for sewer services was due to an increase in wastewater treatment costs charged by Met Council of \$191,000 in 2018.

**Revenues by Source - Business-Type Activities**



The 2015 Improvement Project Financing Fund had an increase in fund balance of \$3.5 million, which was due to the collection of special assessments for residential and commercial improvement projects.

The 2017A Road Reconstruction Bonds Fund had an increase in fund balance of \$2.4 million, which was due to a transfer from the Road Reconstruction, Trunk Street Construction and Trunk Storm Sewer Construction Funds. The fund was closed in 2018.

The 2017 Improvement Project Financing Fund had a decrease in fund balance of \$2.3 million, which was due to construction costs for residential and commercial improvement projects that will be assessed for in 2019.

The 2018 Improvement Project Financing Fund had a decrease in fund balance of \$1.9 million, which was due to construction costs for residential and commercial improvement projects that will be assessed for in 2019.

Proprietary Funds

The increase in net position for the Water and Sewer Funds were due to the collection of connection fees in 2018. The decrease in net position for the Community Center is due to depreciation of the facility.

**General Fund Budgetary Highlights**

The City did not make any supplemental appropriations during the year. However, at year-end the City Council made a number of transfers to finance capital projects that will be completed in the future. These transfers which were not budgeted are listed below:

Public Facilities	\$3,850,000
Community Center Building Maintenance Reserve	100,000
Capital Improvement Projects and Equipment	650,000

General Fund fund balance increased approximately \$252,250 for the year. Revenues and transfers were \$1.6 million more than budgeted, or 104.1% of the budget. The following areas were more than budgeted in 2018: licenses and permits \$1,581,800, intergovernmental revenue \$198,100, charges for services \$30,600 and other revenue \$74,200. Expenditures and transfers were \$1.4 million more than budgeted for the year, or 103.5% of the budget, which was due to the transfers at year-end.

**Capital Asset and Debt Administration**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities at the end of the year amounts to \$432.9 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, park facilities, equipment, streets, storm sewers and water and sewer mains. The total increase in the City's capital assets for the current fiscal year was \$4.3 million or 1.0% (a 1.5% increase for governmental activities and a 0.1% decrease in business-type activities).

**Financial Analysis of the City's Funds**

Governmental Funds

The 2013A Refunding Improvement Bonds debt service fund had a decrease of \$1.2 million due to debt service payments of \$3.2 million in 2018.

The Trunk Street Construction Fund had an increase of \$1.8 million in fund balance due to the collection of special assessments related to the construction of collector roads.

The 2008A Road Reconstruction Bonds Fund had a decrease in fund balance of \$2.6 million due to calling the bonds in 2018 and the remaining assets were transferred to the 2016A Road Reconstruction and Refunding Bonds Fund. The debt service fund was closed in 2018.

The increase in fund balance of \$1.4 million for the Park Land Dedication Fund is due to several factors: a) the park board does not budget for the use of current year's park dedication fees collected (\$1.5 million for 2018) until the next year's budget, and b) the timing of park projects budgeted for the next several years.

The Storm Sewer Construction Fund has a decrease of \$1.6 million, which was related to a year-end transfer to the 2017A Road Reconstruction Fund for drainage improvements.

The 2001A Tax Increment Bond capital project fund had a decrease in fund balance of \$3.1 million, which was related to excess tax increment returned to the County. The fund was closed in 2018.

Major changes in capital assets during the current fiscal year included the following:

- Reconstruction of existing residential and collector streets, \$6.9 million.
- A variety of improvement projects (streets, storm sewers, and water and sewer lines) related to new residential and commercial developments in the City, \$15.0 million of which \$6.5 million was related to construction in progress in the current year and \$7.3 million was from prior years.
- Replacement of various City vehicles on the replacement schedule, \$1.6 million.
- Construction of a new athletic field's complex with work in progress of \$4.6 million.
- Depreciation for 2018 was \$16.9 million for governmental activities and \$4.9 million for business-type activities.

City of Maple Grove's Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 39,006	\$ 38,905	\$ 2,023	\$ 2,023	\$ 41,029	\$ 40,928
Park improvements	33,178	33,044	-	-	33,178	33,044
Park play structures	2,660	2,365	-	-	2,660	2,365
Buildings and improvements	47,826	49,562	11,921	12,594	59,747	62,156
Furniture and equipment	11,257	10,937	1,500	1,610	12,757	12,547
Infrastructure	156,909	155,504	-	-	156,909	155,504
Distribution systems	-	-	112,628	112,006	112,628	112,006
Construction in progress	13,880	10,019	-	75	13,955	10,019
<b>Total capital assets</b>	<b>\$304,716</b>	<b>\$300,336</b>	<b>\$128,147</b>	<b>\$128,233</b>	<b>\$432,863</b>	<b>\$428,569</b>

Additional information on the City's capital assets can be found in Note 4 – Capital Assets on pages 43-45 of this report.

Debt Administration

The City's total debt decreased by \$5.3 million during the current fiscal year after the payment of \$11.0 million in bonds due in 2018. Total bonds outstanding at the end of the year were \$77.3 million.

During the year, the City issued \$5.7 million of road reconstruction bonds to finance the cost of reconstructing various residential streets of the City.

City of Maple Grove's Outstanding Debt - Bonds Payable (in thousands)

	Governmental Activities	
	2018	2017
General obligation bonds	\$ 52,655	\$ 55,280
Special assessment bonds	24,605	27,260
<b>Total bonds outstanding</b>	<b>\$ 77,260</b>	<b>\$ 82,540</b>

Additional information on the City's long-term debt can be found in Note 5 – Long-Term Debt on pages 45-48 of this report.

The City bond rating with Standard and Poor's is AAA.

**Economic Factors and Next Year's Budgets**

The City's elected officials considered many factors when setting the fiscal year 2019 budget and rates and fees that will be charged for the business-type activities. These factors include: 1) A decrease in City property taxes on the average residential property of 0.25%, 2) the level of growth in the City to be the same in 2019, with new construction/remodeling/etc in the \$125-\$150 million range, 3) a slight increase in the population of approximately 2.03%, and 4) an inflationary factor of 2.50%.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional information, contact the City of Maple Grove Finance Department at 12800 Arbor Lakes Parkway, Maple Grove, MN 55369, (763) 494-6000.

*City of Maple Grove, Minnesota*

**Statement of Net Position**  
**December 31, 2018**

<b>Assets</b>	Governmental Activities	Business-Type Activities	Total
Cash and investments in cash pool	\$ 183,173,713	\$ 51,307,509	\$ 234,481,222
Cash and investments not in pool	2,439,919	3,503,410	5,943,329
Interest receivable	690,427	259,915	950,342
Accounts receivable	382,755	3,147,088	3,529,843
Taxes receivable	269,367	-	269,367
Special assessments receivable	70,622,774	784,034	71,406,808
Intergovernmental receivable	269,852	-	269,852
Internal balances	(10,572,564)	10,572,564	-
Inventory	430,284	67,589	497,873
Prepaid items	101,562	425,933	527,495
Capital assets, net of accumulated depreciation:			
Land and improvements	39,006,109	2,023,369	41,029,478
Park improvements	33,177,461	-	33,177,461
Park play structures	2,659,524	-	2,659,524
Buildings and improvements	47,825,726	11,920,310	59,746,036
Furniture and equipment	11,256,996	1,499,773	12,756,769
Infrastructure	156,909,351	-	156,909,351
Distribution systems	-	112,628,249	112,628,249
Construction in progress	13,880,525	75,311	13,955,836
<b>Total assets</b>	<b>552,523,781</b>	<b>198,215,054</b>	<b>750,738,835</b>
<b>Deferred Outflows of Resources</b>			
Deferred refunding	67,285	-	67,285
OPEB plan	26,428	-	26,428
Pension plans	12,114,294	341,809	12,456,103
<b>Total deferred outflows of resources</b>	<b>12,208,007</b>	<b>341,809</b>	<b>12,549,816</b>
<b>Liabilities</b>			
Interest payable	994,552	-	994,552
Accounts payable	7,589,016	728,735	8,317,751
Accrued wages payable	591,262	38,145	629,407
Deposits	78,674	2,850	81,524
Unearned revenue	1,300,912	134,866	1,435,778
Noncurrent liabilities:			
Due within one year	9,639,326	-	9,639,326
Due in more than one year	99,133,707	1,685,558	100,819,265
<b>Total liabilities</b>	<b>119,327,449</b>	<b>2,590,154</b>	<b>121,917,603</b>
<b>Deferred Inflows of Resources</b>	<b>17,037,807</b>	<b>532,634</b>	<b>17,570,441</b>
<b>Net Position</b>			
Net investment in capital assets	217,786,012	128,147,012	345,933,024
Restricted for:			
Parks	11,376,334	-	11,376,334
Transit	7,120,546	-	7,120,546
Debt service	56,149,175	-	56,149,175
Public safety	636,545	-	636,545
Transportation	6,624,781	-	6,624,781
Tax increment	1,021,464	-	1,021,464
Unrestricted	127,651,675	67,287,063	194,938,738
<b>Total net position</b>	<b>\$ 428,366,532</b>	<b>\$ 195,434,075</b>	<b>\$ 623,800,607</b>

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

**City of Maple Grove, Minnesota**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/programs</b>							
Governmental activities:							
General government	\$ 9,391,726	\$ 1,054,872	\$ 168,089	\$ 70,355	\$ (8,098,410)	\$ -	\$ (8,098,410)
Community and economic development	5,763,357	2,055,997	186,786	-	(3,520,574)	-	(3,520,574)
Public safety	17,141,536	4,519,972	1,508,355	51,000	(11,062,209)	-	(11,062,209)
Public works	18,210,650	683,345	785,250	22,289,968	5,547,913	-	5,547,913
Parks and recreation	7,532,588	1,723,756	-	1,709,042	(4,099,790)	-	(4,099,790)
Transit	5,705,658	2,351,003	3,294,438	-	(60,217)	-	(60,217)
Conservation of natural resources	700,909	-	-	-	(700,909)	-	(700,909)
Interest on long-term debt	1,661,975	-	-	-	(1,661,975)	-	(1,661,975)
<b>Total governmental activities</b>	<b>66,108,399</b>	<b>12,388,945</b>	<b>5,942,918</b>	<b>24,120,365</b>	<b>(23,656,171)</b>	<b>-</b>	<b>(23,656,171)</b>
Business-type activities:							
Water	6,157,040	5,043,040	4,938	1,884,386	\$ 775,324	\$ -	775,324
Sewer	7,804,417	6,340,580	2,116	488,682	(973,039)	-	(973,039)
Community center	4,074,575	2,526,252	5,653	-	(1,542,670)	-	(1,542,670)
Sports dome	465,233	348,890	737	-	(115,606)	-	(115,606)
Recycling	1,248,269	894,922	169,318	-	(184,029)	-	(184,029)
Street lighting	833,328	908,520	-	-	75,192	-	75,192
<b>Total business-type activities</b>	<b>20,582,862</b>	<b>16,062,204</b>	<b>182,762</b>	<b>2,373,068</b>	<b>(1,964,828)</b>	<b>-</b>	<b>(1,964,828)</b>
<b>Total government</b>	<b>\$ 86,691,261</b>	<b>\$ 28,451,149</b>	<b>\$ 6,125,680</b>	<b>\$ 26,493,433</b>	<b>(23,656,171)</b>	<b>(1,964,828)</b>	<b>(25,620,999)</b>
General revenues:							
Property taxes levied for general purpose					34,308,067	-	34,308,067
Property taxes levied for debt service					1,556,533	-	1,556,533
Property taxes levied for housing and redevelopment					149,693	-	149,693
Property taxes from tax increments					459,410	-	459,410
Other taxes					103,291	-	103,291
Grants and contributions not restricted to specific programs					1,370	-	1,370
Investment income					2,036,798	827,234	2,864,032
Gain on sale of capital assets					60,597	-	60,597
Internal transfers					(3,367,602)	3,367,602	-
<b>Total general revenues and internal transfers</b>					<b>35,308,157</b>	<b>4,194,836</b>	<b>39,502,993</b>
Change in net position					11,651,986	2,230,008	13,881,994
Net position as restated, January 1					416,714,546	193,204,067	609,918,613
Net position, December 31					\$ 428,366,532	\$ 195,434,075	\$ 623,800,607

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

**City of Maple Grove, Minnesota**

**Balance Sheet  
Governmental Funds  
December 31, 2018**

	General	2013 Series A Improvement Refunding Bonds	Road Reconstruction	Trunk Street Construction	2017 Improvement Project Financing	Other Governmental Funds	Total
<b>Assets</b>							
Cash and investments in cash pool	\$ 9,082,115	\$ 675,952	\$ 21,144,757	\$ 46,858,456	\$ -	\$ 80,546,949	\$ 158,308,229
Cash and investments not in pool	-	-	-	-	-	2,439,919	2,439,919
Interest receivable	19,458	-	78,882	184,160	-	305,004	587,504
Accounts receivable	267,082	-	-	-	-	112,873	379,955
Taxes receivable	247,989	-	8,932	-	-	12,446	269,367
Special assessments receivable	5,507	30,495,264	470,442	15,516,990	2,750,186	21,384,385	70,622,774
Intergovernmental receivable	27,218	-	-	-	-	242,634	269,852
Due from other funds	431,492	-	-	-	-	-	431,492
Inventory	-	-	-	-	-	6,468	6,468
Prepaid items	88,496	-	-	-	-	12,067	100,563
<b>Total assets</b>	<b>\$ 10,169,357</b>	<b>\$ 31,171,216</b>	<b>\$ 21,703,013</b>	<b>\$ 62,559,606</b>	<b>\$ 2,750,186</b>	<b>\$ 105,062,745</b>	<b>\$ 233,416,123</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities:</b>							
Interest payable	\$ -	\$ 77	\$ -	\$ -	\$ 11,643	\$ 26,353	\$ 38,073
Accounts payable	766,075	-	64,460	41,092	1,033,525	5,217,588	7,122,740
Accrued wages payable	316,244	-	-	-	-	54,731	370,975
Deposits	-	-	-	-	-	78,674	78,674
Due to other funds	100,000	-	-	-	5,986,936	4,917,120	11,004,056
Unearned revenue	501,865	-	-	245,630	355,258	198,159	1,300,912
<b>Total liabilities</b>	<b>1,684,184</b>	<b>77</b>	<b>64,460</b>	<b>286,722</b>	<b>7,387,362</b>	<b>10,492,625</b>	<b>19,915,430</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue - taxes	123,887	-	4,518	-	-	6,133	134,538
Unavailable revenue - special assessments	5,507	30,495,264	470,442	15,512,689	2,750,186	21,372,225	70,606,313
<b>Total deferred inflows of resources</b>	<b>129,394</b>	<b>30,495,264</b>	<b>474,960</b>	<b>15,512,689</b>	<b>2,750,186</b>	<b>21,378,358</b>	<b>70,740,851</b>
<b>Fund Balances:</b>							
Nonspendable	88,496	-	-	-	-	18,535	107,031
Restricted	-	675,875	-	-	-	34,102,621	34,778,496
Committed	-	-	21,163,593	-	-	16,352,427	37,516,020
Assigned	-	-	-	46,760,195	-	27,696,031	74,456,226
Unassigned	8,267,283	-	-	-	(7,387,362)	(4,977,852)	(4,097,931)
<b>Total fund balances</b>	<b>8,355,779</b>	<b>675,875</b>	<b>21,163,593</b>	<b>46,760,195</b>	<b>(7,387,362)</b>	<b>73,191,762</b>	<b>142,759,842</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,169,357</b>	<b>\$ 31,171,216</b>	<b>\$ 21,703,013</b>	<b>\$ 62,559,606</b>	<b>\$ 2,750,186</b>	<b>\$ 105,062,745</b>	<b>\$ 233,416,123</b>

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

**City of Maple Grove, Minnesota**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
Governmental Funds  
December 31, 2018**

Total fund balances - governmental funds	\$ 142,759,842
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.</p>	
Capital assets	509,240,138
Less accumulated depreciation	(213,538,565)
<p>Other long-term assets not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>	
Unavailable revenue - taxes	134,538
Unavailable revenue - special assessments	70,606,313
<p>Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance, replacement of City vehicles and equipment, and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>	
	29,235,678
<p>The recognition of certain revenues and expenses/expenditures differ between full accrual governmental activities financial statements and the modified accrual governmental fund financial statements</p>	
Deferred outflows - deferred refunding	67,285
Deferred outflows - OPEB plan	26,428
Deferred outflows - pension plans	12,058,922
Deferred inflows - pension plans	(16,952,666)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>	
Bonds payable	(77,260,000)
Bond premium	(4,553,192)
Bond discount	200,353
Accrued interest	(956,479)
Family housing loans	(200,000)
NSP2 loan	(186,292)
HOME loans	(1,186,746)
Metropolitan Council - RALF loans	(3,811,088)
Net pension liability	(16,195,298)
Total OPEB liability	(1,122,639)
Net position of governmental activities	\$ 428,366,532

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



**City of Maple Grove, Minnesota**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2018**

	2013 Series A			2017		Other Governmental Funds	Total
	General	Improvement Refunding Bonds	Road Reconstruction	Trunk Street Construction	Improvement Project Financing		
<b>Revenues</b>							
Property taxes	\$ 33,179,729	\$ -	\$ 1,194,270	\$ -	\$ -	\$ 1,706,226	\$ 36,080,225
Tax increments	-	-	-	-	-	459,410	459,410
Special assessments	-	1,944,742	28,158	2,135,282	4,567,076	7,651,194	16,326,452
Licenses, permits and fees	4,169,963	-	-	-	-	1,524,042	5,694,005
Intergovernmental revenue	1,932,903	-	300,000	-	-	4,312,440	6,545,343
Charges for services	712,576	-	-	-	-	5,418,584	6,131,160
Fines and forfeits	354,623	-	-	-	-	8,000	362,623
Investment income	59,070	(232)	269,781	559,059	(35,346)	872,022	1,724,354
Other	169,085	-	470,250	38,431	-	4,791,117	5,468,883
<b>Total revenues</b>	<b>40,577,949</b>	<b>1,944,510</b>	<b>2,262,459</b>	<b>2,732,772</b>	<b>4,531,730</b>	<b>26,743,035</b>	<b>78,792,455</b>
<b>Expenditures</b>							
Current:							
General government	7,489,258	-	-	-	-	813,520	8,302,778
Community and economic development	792,838	-	-	-	-	857,952	1,650,790
Public safety	16,944,888	-	-	-	-	547,035	17,491,923
Public works	4,780,494	-	-	-	-	-	4,780,494
Conservation of natural resources	700,909	-	-	-	-	-	700,909
Parks and recreation	-	-	-	-	-	6,487,942	6,487,942
Transit	-	-	-	-	-	4,839,336	4,839,336
Miscellaneous	91,142	3,300	-	-	-	18,300	112,742
Interest	-	-	-	-	122,886	-	122,886
Capital outlay	-	-	64,975	351,134	6,663,537	20,151,727	27,231,373
Debt service:							
Principal retirement	-	2,305,000	-	-	-	6,230,000	8,535,000
Interest and fiscal fees	-	863,750	-	-	-	1,415,933	2,279,683
Bond issuance costs	-	-	-	-	-	48,887	48,887
<b>Total expenditures</b>	<b>30,799,529</b>	<b>3,172,050</b>	<b>64,975</b>	<b>351,134</b>	<b>6,786,423</b>	<b>41,410,632</b>	<b>82,584,743</b>
Excess (deficiency) of revenues over (under) expenditures	9,778,420	(1,227,540)	2,197,484	2,381,638	(2,254,693)	(14,667,597)	(3,792,288)
<b>Other Financing Sources (Uses)</b>							
Bonds issued	-	-	-	-	-	5,675,000	5,675,000
Premium on bonds issued	-	-	-	-	-	310,895	310,895
Refunded principal retirement	-	-	-	-	-	(2,420,000)	(2,420,000)
Transfers in	572,996	-	15,276	-	-	16,051,922	16,640,194
Transfers out	(10,099,177)	-	(2,443,000)	(625,000)	-	(3,056,117)	(16,223,294)
<b>Total other financing sources (uses)</b>	<b>(9,526,181)</b>	<b>-</b>	<b>(2,427,724)</b>	<b>(625,000)</b>	<b>-</b>	<b>16,561,700</b>	<b>3,982,795</b>
<b>Net change in fund balances</b>	<b>252,239</b>	<b>(1,227,540)</b>	<b>(230,240)</b>	<b>1,756,638</b>	<b>(2,254,693)</b>	<b>1,894,103</b>	<b>190,507</b>
Fund balances, January 1	8,103,540	1,903,415	21,393,833	45,003,557	(5,132,669)	71,297,659	142,569,335
Fund balance, December 31	\$ 8,355,779	\$ 675,875	\$ 21,163,593	\$ 46,760,195	\$ (7,387,362)	\$ 73,191,762	\$ 142,759,842

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

**City of Maple Grove, Minnesota**

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2018**

Net change in fund balances - total governmental funds	\$	190,507
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay		19,754,199
Depreciation expense		(15,633,396)
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, government funds do not report any gains or losses from the disposal of capital assets.		
Disposal of capital assets		(23,511)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by		
Bonds issued		(5,675,000)
Premium on bonds issued		(310,895)
Bond principal repayments		10,955,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes		37,359
Special assessments deferred		1,793,927
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Accrued interest		55,247
Amortization of bond premiums		670,256
Amortization of bond discounts		(45,686)
Amortization of deferred refunding unamortized charges		(62,109)
Pension expense		311,346
State aid related to pension expense		128,960
OPEB benefit payments		37,865
OPEB expense		(149,813)
Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance, replacement of City vehicles and equipment, and employee benefits to individual funds. The net revenue (expense) of the internal service funds is reported in governmental activities.		
		(382,270)
Change in net position of governmental activities	\$	11,651,986

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

**City of Maple Grove, Minnesota**

**Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2018**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes				
Current	\$ 33,239,400	\$ 33,239,400	\$ 33,080,883	\$ (158,517)
Delinquent	-	-	(4,445)	(4,445)
Gravel tax reimbursement	30,000	30,000	61,391	31,391
Interest and penalties	45,000	45,000	20,044	(24,956)
Payment in lieu of taxes	18,000	18,000	18,594	594
Other	-	-	3,262	3,262
Total property taxes	<u>33,332,400</u>	<u>33,332,400</u>	<u>33,179,729</u>	<u>(152,671)</u>
Licenses, permits and fees				
Liquor and beer licenses	330,000	330,000	365,706	35,706
Building permits	1,400,000	1,400,000	2,223,361	823,361
Plumbing and heating permits	360,000	360,000	634,436	274,436
Electrical permits	130,000	130,000	327,914	197,914
Excavating licenses and permits	16,200	16,200	33,442	17,242
Water and sewer permits	21,000	21,000	85,001	64,001
Gravel and blacktop permits	35,000	35,000	31,241	(3,759)
Refuse haulers licenses	3,200	3,200	3,175	(25)
Amusement licenses	5,000	5,000	4,950	(50)
Sign permits	10,000	10,000	15,470	5,470
Overweight permits	3,800	3,800	8,660	4,860
Animal licenses and fees	12,000	12,000	12,487	487
Rental license fees	220,000	220,000	206,185	(13,815)
Fire permits	25,000	25,000	91,285	66,285
Miscellaneous licenses and permits	17,000	17,000	126,650	109,650
Total licenses, permits and fees	<u>2,588,200</u>	<u>2,588,200</u>	<u>4,169,963</u>	<u>1,581,763</u>
Intergovernmental revenue				
Homestead market value credit	-	-	174	174
Police state aid	541,000	541,000	628,205	87,205
Fire state aid	410,000	410,000	426,808	16,808
Municipal state aid streets	400,000	400,000	400,000	-
Other aid and grants	383,800	383,800	477,716	93,916
Total intergovernmental revenue	<u>1,734,800</u>	<u>1,734,800</u>	<u>1,932,903</u>	<u>198,103</u>
Charges for services				
Planning department fees	30,000	30,000	64,578	34,578
Engineering fees and platting	9,000	9,000	5,660	(3,340)
Inspection and other fees	8,100	8,100	10,621	2,521
Police and fire department charges	32,400	32,400	117,176	84,776
Assessing department charges	500	500	1,025	525
Weed and tree charges	12,000	12,000	19,495	7,495
Street department charges	18,000	18,000	46,987	28,987
Improvement project charges	570,000	570,000	447,034	(122,966)
Street sign charges	2,000	2,000	-	(2,000)
Total charges for services	<u>682,000</u>	<u>682,000</u>	<u>712,576</u>	<u>30,576</u>

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

**City of Maple Grove, Minnesota**

**Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues (continued)</b>				
Fines and forfeits	\$ 450,000	\$ 450,000	\$ 354,623	\$ (95,377)
Other				
Property sales and rental	2,000	2,000	5,210	3,210
Investment income	80,000	80,000	59,070	(20,930)
Other	72,000	72,000	163,875	91,875
Total other	154,000	154,000	228,155	74,155
Total revenues	38,941,400	38,941,400	40,577,949	1,636,549
<b>Expenditures</b>				
General government				
Mayor and council				
Personal services	78,600	78,600	77,050	1,550
Supplies and other services	106,900	106,900	104,766	2,134
Total mayor and council	185,500	185,500	181,816	3,684
Administration				
Personal services	617,000	617,000	565,056	51,944
Supplies and other services	140,000	140,000	106,716	33,284
Total administration	757,000	757,000	671,772	85,228
City clerk/election				
Personal services	248,200	248,200	253,346	(5,146)
Supplies and other services	90,100	90,100	55,538	34,562
Total city clerk/election	338,300	338,300	308,884	29,416
Human resources				
Personal services	379,400	379,400	326,334	53,066
Supplies and other services	78,600	78,600	85,252	(6,652)
Total human resources	458,000	458,000	411,586	46,414
Finance				
Personal services	916,300	916,300	850,928	65,372
Supplies and other services	67,500	67,500	56,284	11,216
Total finance	983,800	983,800	907,212	76,588
Insurance				
Personal services	20,000	20,000	1,090	18,910
Supplies and other services	306,000	306,000	306,004	(4)
Total insurance	326,000	326,000	307,094	18,906
Legal				
	500,000	500,000	512,608	(12,608)

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

**City of Maple Grove, Minnesota**

**Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
General government (continued)				
Assessing				
Personal services	\$ 1,128,200	\$ 1,128,200	\$ 1,096,475	\$ 31,725
Supplies and other services	67,500	67,500	37,327	30,173
Capital outlay	7,000	7,000	7,000	-
Total assessing	1,202,700	1,202,700	1,140,802	61,898
Information systems				
Personal services	771,800	771,800	758,969	12,831
Supplies and other services	922,300	922,300	880,015	42,285
Capital outlay	161,000	161,000	158,393	2,607
Total data processing	1,855,100	1,855,100	1,797,377	57,723
Government buildings				
Personal services	289,600	289,600	291,544	(1,944)
Supplies and other services	1,048,000	1,048,000	896,066	151,934
Capital outlay	77,000	77,000	62,497	14,503
Total government buildings	1,414,600	1,414,600	1,250,107	164,493
Total general government	8,021,000	8,021,000	7,489,258	531,742
Community and economic development				
Personal services	783,200	783,200	632,971	150,229
Supplies and other services	56,100	56,100	155,867	(99,767)
Capital outlay	4,000	4,000	4,000	-
Total community and economic development	843,300	843,300	792,838	50,462
Public safety				
Police protection				
Personal services	9,543,500	9,543,500	9,271,840	271,660
Supplies and other services	1,048,100	1,048,100	862,988	185,112
Capital outlay	359,100	359,100	362,195	(3,095)
Total police protection	10,950,700	10,950,700	10,497,023	453,677
Fire protection and inspections				
Personal services	2,727,800	2,727,800	2,742,313	(14,513)
Supplies and other services	554,000	554,000	629,297	(75,297)
Capital outlay	464,500	464,500	466,119	(1,619)
Total fire protection and inspections	3,746,300	3,746,300	3,837,729	(91,429)
Building inspection				
Personal services	1,717,200	1,717,200	1,544,833	172,367
Supplies and other services	128,700	128,700	104,370	24,330
Capital outlay	25,000	25,000	25,000	-
Total building inspection	1,870,900	1,870,900	1,674,203	196,697

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

**City of Maple Grove, Minnesota**

**Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Public safety (continued)</b>				
Detention				
Personal services	\$ 314,800	\$ 314,800	\$ 262,167	\$ 52,633
Supplies and other services	112,100	112,100	95,422	16,678
Total detention	<u>426,900</u>	<u>426,900</u>	<u>357,589</u>	<u>69,311</u>
Emergency preparedness				
Personal services	30,600	30,600	27,713	2,887
Supplies and other services	39,500	39,500	24,855	14,645
Capital outlay	22,000	22,000	15,000	7,000
Total emergency preparedness	<u>92,100</u>	<u>92,100</u>	<u>67,568</u>	<u>24,532</u>
Community service				
Personal services	480,000	480,000	350,517	129,483
Supplies and other services	136,900	136,900	130,259	6,641
Capital outlay	30,000	30,000	30,000	-
Total community service	<u>646,900</u>	<u>646,900</u>	<u>510,776</u>	<u>136,124</u>
Total public safety	<u>17,733,800</u>	<u>17,733,800</u>	<u>16,944,888</u>	<u>788,912</u>
<b>Public works</b>				
Engineering				
Personal services	1,089,700	1,089,700	1,010,818	78,882
Supplies and other services	92,900	92,900	101,618	(8,718)
Capital outlay	21,500	21,500	20,072	1,428
Total engineering	<u>1,204,100</u>	<u>1,204,100</u>	<u>1,132,508</u>	<u>71,592</u>
Street maintenance				
Personal services	1,957,500	1,957,500	1,745,735	211,765
Supplies and other services	2,185,100	2,185,100	1,148,111	1,036,989
Capital outlay	399,000	399,000	376,215	22,785
Total street maintenance	<u>4,541,600</u>	<u>4,541,600</u>	<u>3,270,061</u>	<u>1,271,539</u>
Traffic control				
Personal services	189,900	189,900	168,104	21,796
Supplies and other services	227,500	227,500	149,854	77,646
Capital outlay	80,000	80,000	42,751	37,249
Total traffic control	<u>497,400</u>	<u>497,400</u>	<u>360,709</u>	<u>136,691</u>
Weed control				
Personal services	15,100	15,100	13,383	1,717
Supplies and other services	4,600	4,600	3,833	767
Total weed control	<u>19,700</u>	<u>19,700</u>	<u>17,216</u>	<u>2,484</u>
Total public works	<u>6,262,800</u>	<u>6,262,800</u>	<u>4,780,494</u>	<u>1,482,306</u>

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

**City of Maple Grove, Minnesota**

**Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
Conservation of natural resources				
Forest management				
Personal services	\$ 89,200	\$ 89,200	\$ 181,523	\$ (92,323)
Supplies and other services	18,700	18,700	26,755	(8,055)
Capital outlay	3,000	3,000	1,871	1,129
Total forest management	110,900	110,900	210,149	(99,249)
Water resources				
Personal services	272,800	272,800	237,000	35,800
Supplies and other services	254,700	254,700	253,760	940
Total water resources	527,500	527,500	490,760	36,740
Total conservation of natural resources	638,400	638,400	700,909	(62,509)
Other				
Community action	90,000	90,000	91,142	(1,142)
Total other	90,000	90,000	91,142	(1,142)
Total expenditures	33,589,300	33,589,300	30,799,529	2,789,771
Excess of revenues over expenditures	5,352,100	5,352,100	9,778,420	4,426,320
Other financing sources (uses)				
Operating transfers in	570,000	570,000	572,996	2,996
Operating transfers out	(5,922,100)	(5,922,100)	(10,099,177)	(4,177,077)
Total other financing sources (uses)	(5,352,100)	(5,352,100)	(9,526,181)	(4,174,081)
Net change in fund balance	-	-	252,239	252,239
Fund balance, January 1	8,103,540	8,103,540	8,103,540	-
Fund balance, December 31	\$ 8,103,540	\$ 8,103,540	\$ 8,355,779	\$ 252,239

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

**City of Maple Grove, Minnesota**

**Statement of Net Position  
Proprietary Funds  
December 31, 2018**

	Water Utility Fund	Sewer Utility Fund	Other Proprietary Funds	Totals	Governmental Activities - Internal Service Funds
<b>Assets</b>					
<b>Current assets</b>					
Cash and investments in cash pool	\$ 23,696,050	\$ 24,885,508	\$ 2,725,951	\$ 51,307,509	\$ 24,865,484
Cash and investments not in pool	-	-	3,503,410	3,503,410	-
Interest receivable	134,888	102,231	22,796	259,915	102,923
Accounts receivable	957,027	1,466,215	723,846	3,147,088	2,800
Special assessments receivable	618,487	165,547	-	784,034	-
Due from other funds	10,472,564	-	100,000	10,572,564	-
Inventory	18,361	-	49,228	67,589	423,816
Prepaid expense	17,146	408,392	395	425,933	999
<b>Total current assets</b>	<b>35,914,523</b>	<b>27,027,893</b>	<b>7,125,626</b>	<b>70,068,042</b>	<b>25,396,022</b>
<b>Noncurrent assets</b>					
<b>Capital assets:</b>					
Land improvements	-	-	2,023,369	2,023,369	-
Building	-	-	25,905,964	25,905,964	-
Equipment	1,614,381	354,298	1,781,545	3,750,224	21,631,596
Distribution systems	96,403,625	93,612,237	-	190,015,862	-
Construction in progress	-	75,311	-	75,311	-
Less accumulated depreciation	<u>(39,277,630)</u>	<u>(38,909,553)</u>	<u>(15,436,535)</u>	<u>(93,623,718)</u>	<u>(12,617,477)</u>
<b>Total noncurrent assets</b>	<b>58,740,376</b>	<b>55,132,293</b>	<b>14,274,343</b>	<b>128,147,012</b>	<b>9,014,119</b>
<b>Total assets</b>	<b>94,654,899</b>	<b>82,160,186</b>	<b>21,399,969</b>	<b>198,215,054</b>	<b>34,410,141</b>
<b>Deferred Outflows of Resources</b>					
Pension plans	116,934	50,113	174,762	341,809	55,372
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	193,753	205,045	329,937	728,735	466,276
Accrued wages payable	16,119	3,827	18,199	38,145	220,287
Deposits	-	-	2,850	2,850	-
Unearned revenue	-	-	134,866	134,866	-
Compensated absences	-	-	-	-	525,000
<b>Total current liabilities</b>	<b>209,872</b>	<b>208,872</b>	<b>485,852</b>	<b>904,596</b>	<b>1,211,563</b>
<b>Noncurrent liabilities</b>					
Compensated absences	-	-	-	-	3,637,423
Net pension liability	611,723	262,167	811,668	1,685,558	295,708
<b>Total liabilities</b>	<b>821,595</b>	<b>471,039</b>	<b>1,297,520</b>	<b>2,590,154</b>	<b>5,144,694</b>
<b>Deferred Inflows of Resources</b>					
Pension plans	189,718	81,309	261,607	532,634	85,141
<b>Net Position</b>					
Net investment in capital assets	58,740,376	55,132,293	14,274,343	128,147,012	9,014,119
Unrestricted	35,020,144	26,525,658	5,741,261	67,287,063	20,221,559
<b>Total net position</b>	<b>\$ 93,760,520</b>	<b>\$ 81,657,951</b>	<b>\$ 20,015,604</b>	<b>\$ 195,434,075</b>	<b>\$ 29,235,678</b>

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



**City of Maple Grove, Minnesota**

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2018**

	Water Utility Fund	Sewer Utility Fund	Other Proprietary Funds	Totals	Governmental Activities - Internal Service Funds
<b>Operating revenues</b>					
Charges for services	\$ 4,987,658	\$ 6,240,351	\$ 4,672,237	\$ 15,900,246	\$ 8,888,569
Intergovernmental	4,938	2,116	175,708	182,762	2,246
Other revenue	55,382	100,229	6,347	161,958	326,925
<b>Total operating revenues</b>	<b>5,047,978</b>	<b>6,342,696</b>	<b>4,854,292</b>	<b>16,244,966</b>	<b>9,217,740</b>
<b>Operating expenses</b>					
Personal services	1,459,360	362,501	1,854,212	3,676,073	5,076,678
Supplies	392,053	42,526	136,682	571,261	482,093
Professional services	113,307	57,711	84,537	255,555	26,969
Water meters/merchandise	170,619	-	179,846	350,465	-
Repairs and maintenance	803,358	294,603	624,136	1,722,097	846,110
Depreciation	1,997,312	1,854,281	1,000,779	4,852,372	1,288,227
Equipment reimbursement	52,500	62,500	35,500	150,500	4,200
Insurance	76,792	85,592	25,992	188,376	740,317
Waste treatment charges	-	4,838,733	-	4,838,733	-
Utilities	666,307	31,799	2,573,346	3,271,452	-
Computer service	151,775	151,643	1,656	305,074	24,460
Other expenses	273,657	22,528	104,719	400,904	402,492
<b>Total operating expenses</b>	<b>6,157,040</b>	<b>7,804,417</b>	<b>6,621,405</b>	<b>20,582,862</b>	<b>8,891,546</b>
<b>Operating income (loss)</b>	<b>(1,109,062)</b>	<b>(1,461,721)</b>	<b>(1,767,113)</b>	<b>(4,337,896)</b>	<b>326,194</b>
<b>Nonoperating revenue (expense)</b>					
Investment income	409,482	310,343	107,409	827,234	312,444
Gain on sale of assets	-	-	-	-	60,597
Capital expense for governmental funds	-	-	-	-	(1,667,655)
<b>Total nonoperating revenue (expense)</b>	<b>409,482</b>	<b>310,343</b>	<b>107,409</b>	<b>827,234</b>	<b>(1,294,614)</b>
(Loss) before contributions and transfers	(699,580)	(1,151,378)	(1,659,704)	(3,510,662)	(968,420)
Contributions - connection fees	1,884,386	488,682	-	2,373,068	-
Capital contributions	2,015,964	2,230,538	-	4,246,502	124,150
Transfers in	-	-	888,800	888,800	462,000
Transfers out	(1,074,000)	(671,000)	(22,700)	(1,767,700)	-
<b>Change in net position</b>	<b>2,126,770</b>	<b>896,842</b>	<b>(793,604)</b>	<b>2,230,008</b>	<b>(382,270)</b>
<b>Total net position, January 1</b>	<b>91,633,750</b>	<b>80,761,109</b>	<b>20,809,208</b>	<b>193,204,067</b>	<b>29,617,948</b>
<b>Total net position, December 31</b>	<b>\$ 93,760,520</b>	<b>\$ 81,657,951</b>	<b>\$ 20,015,604</b>	<b>\$ 195,434,075</b>	<b>\$ 29,235,678</b>

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

**City of Maple Grove, Minnesota**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2018**

	Water Utility Fund	Sewer Utility Fund	Other Proprietary Funds	Totals	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 4,955,176	\$ 6,444,878	\$ 4,594,044	\$ 15,994,098	\$ 8,888,569
Payments to vendors	(2,610,617)	(5,606,522)	(3,725,433)	(11,942,572)	(2,859,818)
Payments to employees	(1,454,374)	(360,488)	(1,843,332)	(3,658,194)	(4,837,458)
Other receipts	74,979	35,294	175,665	285,938	326,925
Net cash provided (used) by operating activities	<u>965,164</u>	<u>513,162</u>	<u>(799,056)</u>	<u>679,270</u>	<u>1,518,218</u>
<b>Cash flows from investing activities</b>					
Investment income	<u>382,981</u>	<u>297,836</u>	<u>104,190</u>	<u>785,007</u>	<u>299,810</u>
<b>Cash flows from capital financing and related financing activities</b>					
Acquisition of equipment	-	-	(301,873)	(301,873)	(3,120,816)
Acquisition and construction of capital assets	(30,739)	(187,404)	-	(218,143)	-
Contributions from developers and residents	1,884,386	488,682	-	2,373,068	-
Proceeds from sale of equipment	-	-	-	-	66,799
Net cash provided (used) by capital financing activities	<u>1,853,647</u>	<u>301,278</u>	<u>(301,873)</u>	<u>1,853,052</u>	<u>(3,054,017)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	-	-	1,188,800	1,188,800	462,000
Transfers to other funds	(1,074,000)	(671,000)	(22,700)	(1,767,700)	-
Payment to other funds for interfund borrowing	(1,403,598)	-	-	(1,403,598)	-
Net cash provided (used) by noncapital activities	<u>(2,477,598)</u>	<u>(671,000)</u>	<u>1,166,100</u>	<u>(1,982,498)</u>	<u>462,000</u>
Increase (decrease) in equity in cash pool	724,194	441,276	169,361	1,334,831	(773,989)
Cash and cash equivalents, January 1	<u>22,971,856</u>	<u>24,444,232</u>	<u>6,060,000</u>	<u>53,476,088</u>	<u>25,639,473</u>
Cash and cash equivalents, December 31	<u>\$ 23,696,050</u>	<u>\$ 24,885,508</u>	<u>\$ 6,229,361</u>	<u>\$ 54,810,919</u>	<u>\$ 24,865,484</u>
Cash and investments in cash pool, December 31	\$ 23,696,050	\$ 24,885,508	\$ 2,725,951	\$ 51,307,509	\$ 24,865,484
Cash and investments not in pool, December 31	-	-	3,503,410	3,503,410	-
Cash and cash equivalents, December 31	<u>\$ 23,696,050</u>	<u>\$ 24,885,508</u>	<u>\$ 6,229,361</u>	<u>\$ 54,810,919</u>	<u>\$ 24,865,484</u>

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

**City of Maple Grove, Minnesota**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2018**

	Water Utility Fund	Sewer Utility Fund	Other Proprietary Funds	Totals	Governmental Activities - Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (1,109,062)	\$ (1,461,721)	\$ (1,767,113)	\$ (4,337,896)	\$ 326,194
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,997,312	1,854,281	1,000,779	4,852,372	1,288,227
Pension Expense	1,074	461	1,390	2,925	488
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(49,505)	204,527	(89,042)	65,980	2,201
(Increase) decrease in special assessments receivable	36,620	(64,935)	-	(28,315)	-
(Increase) decrease in inventory	(3,222)	-	715	(2,507)	(6,548)
(Increase) decrease in prepaid expense	(12,776)	(6,257)	629	(18,404)	(999)
Increase (decrease) in accounts payable	105,749	(12,630)	39,637	132,756	237,131
Increase (decrease) in wages payable	(1,026)	(564)	3,100	1,510	38,144
(Decrease) in deposits	-	-	(600)	(600)	-
Increase in unearned revenue	-	-	11,449	11,449	-
(Decrease) in compensated absences	-	-	-	-	(366,620)
Net cash provided (used) by operating activities	<u>\$ 965,164</u>	<u>\$ 513,162</u>	<u>\$ (799,056)</u>	<u>\$ 679,270</u>	<u>\$ 1,518,218</u>
<b>Noncash capital financing and related financing activities</b>					
Contribution of capital assets from governmental funds	\$ 2,015,964	\$ 2,230,538	-	\$ 4,246,502	\$ 124,150
Contribution of capital assets to governmental funds	-	-	-	-	(1,667,655)

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

***City of Maple Grove, Minnesota***

***Statement of Fiduciary Net Position***

***Agency Funds***

***December 31, 2018***

***Assets***

Cash and investments in cash pool	\$ 2,357,821
Interest receivable	7,819
Intergovernmental receivable	<u>372</u>
Total assets	<u><u>\$ 2,366,012</u></u>

***Liabilities***

Accounts payable	\$ 8,361
Accrued wages payable	2,700
Due to other governments	95,400
Deposits	<u>2,259,551</u>
Total liabilities	<u><u>\$ 2,366,012</u></u>

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Maple Grove, Minnesota, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The City of Maple Grove (City) was incorporated under the laws of the State of Minnesota. The governing body consists of a mayor and four council members. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations.

Blended Component Units

The Economic Development Authority (EDA) was created in 2017 by the City to assume the duties of the Housing and Redevelopment Authority (HRA) and to provide economic development services for the City. The EDA is governed by a five-member board, which is made up of the five members of the City Council. The EDA is a legally separate entity from the City and is a public body corporate and politic and political subdivision of the State of Minnesota. The EDA is reported as if it were part of the primary government because the City Council serves as the board of the EDA and the City has operational responsibility over the EDA. The EDA is presented as a governmental fund type. Complete financial information for the EDA can be obtained at the City's finance department.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. However, interfund activity for services such as water and sewer are not eliminated from the 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.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 claims and judgments, are recorded when the payment is due.

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

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.

The 2013A Improvement Refunding Bonds Fund accounts for debt service of the bonds. The Road Reconstruction Fund accounts for funds set aside for the reconstruction of City streets. The Trunk Street Construction Fund accounts for the construction of collector streets in the City. The 2017 Improvement Project Financing Fund accounts for the construction of development projects.

The City reports the following major proprietary funds:

The Water and Sewer Utility Funds account for the activities related to the City's water and sewer services.

Additionally, the City reports the following fund types:

Internal service funds account for the following activities provided to other departments of the City on a cost reimbursement basis: fleet management services, replacement of major equipment and building repairs, employee benefits and insurance.

Agency funds account for assets held in a custodial capacity for the Pets Under Police Security (PUPS) and escrow deposits from developers and contractors.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's water and sewer utilities and various other functions of the City. Elimination of these charges would distort the direct costs of 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, including special assessments. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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 non-operating revenues and expenses.

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

D. Cash and Investments

Cash balances from all funds, except for certain special revenue funds and the Community Center Fund, are combined and invested to the extent available in authorized investments. The cash pool of the City operates essentially as a demand account for all participating funds. Earnings from such investments are allocated to the respective funds on the basis of the applicable cash balance participation by each fund.

The Minnesota 4M Plus Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pools shares. Investments are stated at fair value, which is based on the quoted market price of the investment.

For purposes of the statement of cash flows, the City considers cash and investments in the cash pool as cash and cash equivalents since all amounts are deemed cash on demand. Cash and investments held in trust are not considered cash and cash equivalents because they have maturities longer than three months.

E. Interfund Receivables/Payables

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

F. Inventories

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

G. Prepaid Items

Payments made to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements, except for insurance, which is accounted for as an expenditure in the period paid in both the government-wide and fund financial statements. Prepaid items are reported using the consumption method.

H. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges, distribution systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets 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 where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not increase asset value or materially extend asset lives are not capitalized. The City reviews its capital assets for impairment whenever events indicate the decline in service utility of the capital asset is significant in magnitude and the event or change in circumstances is outside the normal cycle of the capital asset.

Buildings, equipment and infrastructure of the City and the EDA are depreciated using the straight-line method over the following estimated useful lives:

Asset	Estimated Life
Buildings and Improvements	10-30
Water and Sewer Distribution	50
Streets	25
Storm Sewers	30
Interchange	50
Vehicles and Equipment	3-20
Office Furniture and Equipment	5-10

I. Deferred Outflows/Inflows of Resources

In addition to assets, the City reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflows of resources related to pensions and other post-employment benefits reported in government-wide statement of net position. This deferred outflows results from differences between expected and actual experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion and of contributions made by the City and from contributions to the plan subsequent to the measurement date. These amounts will be recognized in the pension expense in future years.

In addition to liabilities, the City reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. Those amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has one item that qualifies for reporting in the government-wide statement of net position. This item is related to deferred inflows of resources for pensions. This deferred inflows results from differences between expected and actual experience, changes in actuarial assumptions, difference between projected and actual investment earnings and changes in proportion. These amounts will be recognized in the pension expense in future years.

#### J. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the preceding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of the current year. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year in July, December and January.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and fully offset by unavailable revenue, because it is not known when they will be available to finance current expenditures.

#### K. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessments improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a period of five to twenty years, depending on the type of assessment.

Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes. Property owners are allowed to prepay the remaining balance of future installments without interest or prepayment penalties to the City.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are fully offset by unavailable revenue because it is not known when they will be available to finance current expenditures.

#### L. Compensated Absences

The liability for accrued compensated absences includes accumulated vacation leave, sick leave, comp time, long-term service or tenure pay, and post-employment health benefit paid with unused sick leave at retirement. Full-time employees are allowed to accumulate a maximum of 300 hours of vacation and 150 hours for part time employees. Employees with five or more years of service are compensated for one-third of their accumulated sick leave, as a result of an employee's resignation or retirement. For eligible employees at retirement, the City will contribute 65% of their remaining sick leave after the sick leave payout into a health care savings account for a post-employment health benefit. Employees with 20 or more years of service with the City are entitled to additional compensation for long-term service or tenure pay.

Vested or accumulated vacation, sick leave, tenure pay and post-employment health benefit for all City employees are recorded as an expenditure or expense in all funds as the benefits accrue to employees. The liability for this is then recorded in an internal service fund – Employee Benefits Fund, from which compensated absences are paid.

#### M. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### N. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30th.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

P. Fund Balance Classifications and Fund Balance Policy

In the fund financial statements, fund balance for the governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications are as follows:

Non-spendable fund balance includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that have constraints placed on them either externally by third parties (state statutes, creditors, grantors) or through constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (highest level of decision making authority). The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City Council at a council meeting.

Assigned fund balance consists of amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. The City Council has authorized the Finance Director as the official authorized to assign fund balance to a specific purpose as approved by the City fund balance policy.

Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been restricted, committed or assigned to specific purposes within the General Fund. A governmental fund other than the General Fund may have a negative residual balance.

When restricted and unrestricted (committed, assigned and unassigned) fund balances are available for use, it is the City's policy to use restricted balances first, then unrestricted balances. When unrestricted balances (committed, assigned and unassigned) fund balances are available for use, it is the City's policy to use committed balances first, then assigned, and finally unassigned as needed.

Q. Unassigned Fund Balance Policy

The City has formally adopted a policy to maintain an adequate level of unassigned fund balance for the General Fund. The policy establishes a minimum unassigned fund balance in the General Fund at the end of the year in the range of 15 – 25% of the subsequent year's budgeted expenditures.

This range of fund balance will accommodate the cash flow needs of the City and any unforeseen circumstances. At December 31, 2018, the unassigned fund balance for the General Fund was 20.6% of the subsequent year's budgeted expenditures.

R. Implementation of GASB Statement No. 75

As of January 1, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 19 and the additional disclosures required by this standard is included in Note 17.

Note 2 – Budgets, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrances. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all Capital Projects Funds.

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

1. The finance director submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the County by September 30<sup>th</sup> of each year.
4. The final budget is legally adopted through the passage of a resolution by the second council meeting each year.
5. Formal budgets are adopted for the General Fund and Special Revenue Funds. Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The City Council may authorize the transfer of budgeted amounts between funds.



7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is at the department level for the General Fund and at the fund level for all other budgeted funds. For management purposes, budgetary control is maintained at the department level. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent.

The budget process has flexibility in that, where the need has been properly demonstrated, the City Administrator can make an adjustment within individual fund budgets. Therefore, there is a constant review process and expenditures are not approved until it has been determined that: (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available.

Budgeted amounts are as originally adopted by the City Council. Revenues exceeding budgeted amounts are sometimes used for supplemental appropriations during the year. Neither the revenue nor the expenditure budget is adjusted to reflect these items. The City did not make any supplemental appropriations during the year.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations (budget) in the following individual funds for the year ended December 31, 2018:

Special Revenue Funds:	
Senior Citizen Housing Fund	\$ 63,623

C. Deficit Fund Balances

The following individual Funds have deficit fund balances as of December 31, 2018:

Capital Projects Funds:	
GMA TIF District	\$ 36,443
2015 Improvement Project Financing	299,010
2016 Improvement Project Financing	2,341,143
2017 Improvement Project Financing	7,387,362
2018 Improvement Project Financing	1,929,551
2019 Road Reconstruction	371,705

The deficit in the GMA TIF District Fund will be eliminated with the collection of tax increments starting in 2020. The deficit in the 2015, 2016, 2017 and 2018 Improvement Project Financing Funds is the result of the City's decision to finance the cost of development projects internally. The deficits will be eliminated when special assessments are collected from residential and commercial developments. The deficit in the 2019 Road Reconstruction Fund will be eliminated when bonds are issued in 2019.

Note 3 – Cash and Investments

Cash and investments in the City's cash pool at December 31, 2018 are as follows:

	<u>Fair Value</u>
<u>Cash</u>	
Cash on Hand	\$ 2,884
Cash in Bank Accounts	<u>1,259,313</u>
<b>Total Cash in Pool</b>	<b>1,262,197</b>
<u>Investments</u>	
U.S. Treasuries	27,784,057
U.S. Agencies	20,098,462
Federal Instrumentalities	134,494,405
State and Municipal Bonds	17,686,135
Bankers' Acceptance	21,289,277
Money Market Funds	<u>14,224,510</u>
<b>Total Investments in Cash Pool</b>	<b>235,576,846</b>
<b>Total Cash and Investments in Cash Pool</b>	<b>\$ 236,839,043</b>

Cash and investments not in the City's cash pool at December 31, 2018 are as follows:

	<u>Fair Value</u>
<u>Cash</u>	
Cash on Hand	\$ 4,060
Cash in Bank Accounts	<u>5,939,269</u>
<b>Total Cash and Investments not in Pool</b>	<b>\$ 5,943,329</b>

Bank Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). As of December 31, 2018, the City's bank balances were covered by insurance or collateral pledged and held in the City's name.

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Investments

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

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

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasuries	\$ 27,784,057	\$ 25,646,671	\$ 2,137,386	\$ -
U.S. Agencies	20,098,462	-	20,098,462	-
Federal Instrumentalities	134,494,405	-	134,494,405	-
State and Municipal Bonds	17,686,135	-	17,686,135	-
Bankers' Acceptance	21,289,277	-	21,289,277	-
Money Market Funds	14,224,510	14,224,510	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$ 235,576,846</b>	<b>\$ 39,871,181</b>	<b>\$ 195,705,665</b>	<b>\$ -</b>

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

As of December 31, 2018, the City had the following investments and maturities in its cash and investment pool:

Investment Type	Fair Value	Investment Maturities -- (In Years)				
		Less Than 1	1 - 5	6-10	More Than 10	
U.S. Treasuries	\$ 27,784,057	\$ 6,093,522	\$ 10,590,118	\$ 11,100,417	\$ -	
U.S. Agencies	20,098,462	366,353	2,131,900	6,028,972	11,571,237	
Federal Instrumentalities	134,494,405	4,389,229	26,782,161	23,326,470	79,996,545	
State and Municipal Bonds	17,686,135	2,053,461	7,236,429	6,301,586	2,094,659	
Bankers' Acceptance	21,289,277	21,289,277	-	-	-	
Money Market Funds	14,224,510	14,224,510	-	-	-	
<b>Total Investments In Cash Pool</b>	<b>\$ 235,576,846</b>	<b>\$ 48,416,352</b>	<b>\$ 46,740,608</b>	<b>\$ 46,757,445</b>	<b>\$ 93,662,441</b>	

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As of December 31, 2018, the City's investments in its cash and investment pool are managed as follows:

Investment Manager	Fair Value	Effective Duration	Average Maturity
City of Maple Grove	\$ 31,642,344	0.5 years	0.5 years
Gaillard Capital Management	104,946,270	3.9 years	5.2 years
Nuveen Asset Management	98,988,232	4.1 years	5.3 years
<b>Total Investments in Cash Pool</b>	<b>\$ 235,576,846</b>		
<b>Benchmark</b>		<b>4.1 years</b>	<b>5.2 years</b>

Interest Rate Risk

Through the City's investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average effective duration of its investment portfolio to not exceed 125% of the duration of a blended index of 60% Barclays Capital Intermediate Government Index / 40% Barclays Capital Mortgage Index (Benchmark).

Custodial Credit Risk -- Investments

For investments, custodial credit risk 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 that are in the possession of an outside party. The City's investment policy requires all investments to be held in a custodial account. As of December 31, 2018, a custodial bank held all investments in the City's name.

Credit Risk

State statutes and the City's investment policy limit investments in money market funds, state or municipal bonds and commercial paper to the following ratings from a national bond rating service as follows:

Investment Type	Rating	Service
Money Market Funds	AA or better	Moody's Investor Service or Standard & Poor's
State and Municipal Bonds	A or better	Moody's Investor Service or Standard & Poor's
Commercial Paper	P-1 A-1	Moody's Investor Service Standard & Poor's

As of December 31, 2018, the City's investment in Money Market Funds were rated AAA by Standard & Poor's, Federal Instrumentalities, which includes investments in the Federal Home Loan Bank, Federal Home Loan Mortgage Corp Federal National Mortgage Association, were rated AA+ by Standard & Pools and investments in State and Municipal Bonds had the following ratings:

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Investment Type	Rating	Fair Value	Percent of Investment Type
State and Municipal Bonds	A	\$ 360,138	2%
State and Municipal Bonds	AA	10,557,835	60
State and Municipal Bonds	AAA	6,768,162	38
Total State and Municipal Bonds		\$ 17,686,135	

Note 4 – Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 38,905,277	\$ 100,832	\$ -	\$ 39,006,109
Park Improvements	25,282,116	36,634	23,511	25,295,239
Construction in Progress	10,018,778	11,156,854	7,295,107	13,880,525
Total Capital Assets, Not Being Depreciated	74,206,171	11,294,320	7,318,618	78,181,873
<b>Capital Assets, Being Depreciated:</b>				
Park Improvements	9,018,633	563,446	66,308	9,515,771
Park Play Structures	4,204,143	470,456	104,436	4,570,163
Buildings and Improvements	81,637,803	921,369	-	82,559,172
Furniture	1,184,018	188,611	-	1,372,629
Equipment	26,216,683	1,742,188	539,680	27,419,191
Infrastructure:				
Streets	231,446,856	11,237,519	-	242,684,375
Interchange	19,580,332	-	-	19,580,332
Storm Sewers	62,760,554	2,227,674	-	64,988,228
Total Capital Assets Being Depreciated	436,049,022	17,351,263	710,424	452,689,861

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Less Accumulated Depreciation:</b>				
Park Improvements	\$ 1,256,898	\$ 442,959	\$ 66,308	\$ 1,633,549
Park Play Structures	1,838,681	176,394	104,436	1,910,639
Buildings	32,076,397	2,657,049	-	34,733,446
Furniture	1,010,133	29,356	-	1,039,489
Equipment	15,453,752	1,556,099	514,516	16,495,335
Infrastructure:				
Streets	120,285,194	9,258,481	-	129,543,675
Interchange	6,544,134	652,204	-	7,196,338
Storm Sewers	31,454,490	2,149,081	-	33,603,571
Total Accumulated Depreciation	209,919,679	16,921,623	685,260	226,156,042
Total Capital Assets, Being Depreciated, Net	226,129,343	429,640	25,164	226,533,819
Governmental Activities Capital Assets, Net	\$ 300,335,514	\$ 11,723,960	\$ 7,343,782	\$ 304,715,692
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land Improvements	\$ 2,023,369	\$ -	\$ -	\$ 2,023,369
Construction in Progress	-	75,311	-	75,311
Total Capital Assets, Not Being Depreciated	2,023,369	75,311	-	2,098,680
<b>Capital Assets, Being Depreciated:</b>				
Buildings	25,644,471	261,493	-	25,905,964
Equipment	3,725,011	40,379	15,166	3,750,224
Distribution Systems	185,626,526	4,389,336	-	190,015,862
Total Capital Assets, Being Depreciated	214,996,008	4,691,208	15,166	219,672,050
Less Accumulated Depreciation:				
Buildings	13,050,833	934,821	-	13,985,654
Equipment	2,115,574	150,043	15,166	2,250,451
Distribution Systems	73,620,105	3,767,508	-	77,387,613
Total Accumulated Depreciation	88,786,512	4,852,372	15,166	93,623,718
Total Capital Assets, Being Depreciated, Net	126,209,496	(161,164)	-	126,048,332
Business-Type Activities Capital Assets, Net	\$ 128,232,865	\$ (85,853)	\$ -	\$ 128,147,012

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Depreciation expense was charged to City functions as follows:

Governmental activities:	\$ 730,092
General Government	415,520
Community and Economic Development	226,893
Public Safety	13,943,103
Public Works	996,700
Parks and Recreation	609,315
Transit	<u>          </u>
Total Depreciation Expense – Governmental Activities	\$ 16,921,623
Business-type activities:	\$ 1,997,312
Water	1,854,281
Sewer	844,405
Community Center	<u>156,374</u>
Sports Dome	<u>          </u>
Total Depreciation Expense – Business-type Activities	\$ 4,852,372

Note 5 – Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During the year \$5,675,000 of general obligation road reconstruction bonds were issued to finance the reconstruction of existing city streets.

The American Recovery and Reinvestment Act of 2009 authorized Build America Bonds (BAB's) for the financing of infrastructure. The City issued BAB's in 2009 and 2010 for road reconstruction projects. BAB's are issued as taxable bonds and entitle the City (issuer) to receive a payment from the federal government equal to thirty-five percent of the interest paid on the bonds for the life of the bond issue.

General obligation bonds currently outstanding are as follows:

Activity	Net Interest Rates	Amount
Governmental Activities	1.63-3.50%	\$ 30,805,000
Governmental Activities – Refunding	1.19-2.51%	21,850,000

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Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	BAB Credit
2019	\$ 5,730,000	\$ 1,446,503	\$ 38,844
2020	5,665,000	1,315,704	37,108
2021	4,385,000	1,183,153	35,150
2022	4,415,000	1,050,444	33,017
2023	4,145,000	908,603	30,699
2024-2028	17,375,000	2,749,613	112,578
2029-2033	10,455,000	738,526	30,566
2034	<u>485,000</u>	<u>7,578</u>	<u>          </u>
Total	\$ 52,655,000	\$ 9,400,124	\$ 317,962

Cross Over Advanced Refunding's

During 2016, the City issued \$2,420,000 of road reconstruction refunding bonds for a cross over advanced refunding of \$2,420,000 of the 2008A road reconstruction bonds. The net proceeds of \$2,469,960 were used to purchase State and Local Government Securities (SLGS). Those securities were deposited in an irrevocable trust with an escrow agent to provide for the payment of principal maturities at the call date of the refunded bonds and for the interest on the refunding bonds through the call date. The City is responsible for the principal and interest payments on the remaining refunded bond issues through the call date. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the City until the call dates of the refunded bonds, at which time the refunded bonds will be considered defeased and the related liability will be removed from the governmental activities column of the statement of net position. The call date for the refunded bonds was February 1, 2018. The road reconstruction refunding was undertaken to reduce total future debt service payments by \$374,050, and resulted in an economic gain of \$344,881.

Special Assessment Bonds with Governmental Commitment

The City issues special assessment bonds for the construction of streets and utilities in new commercial developments. These bonds will be repaid from special assessments levied against the properties benefiting from this construction. The City is obligated for the payment of special assessments debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid from property taxes. Delinquent special assessments at December 31, 2018 are \$3,310.

Special assessment bonds with governmental commitment currently outstanding are as follows:

Activity	Net Interest Rates	Amount
Governmental Activities – Refunding	1.19-1.98%	\$ 24,605,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2019	\$ 2,745,000	\$ 789,225
2020	2,845,000	679,200
2021	2,550,000	571,300
2022	2,635,000	467,600
2023	2,625,000	375,525
2024-2027	11,205,000	683,625
Total	\$ 24,605,000	\$ 3,566,475

Loans

The EDA has received interest free loans from HUD through HOME Loans and loans from Hennepin County and the State of Minnesota for the purchase of affordable scattered site homes in the City. Annual debt service requirements to maturity for the loans are as follows:

Year Ending December 31	Governmental Activities
	Principal
2023-2027	\$ 696,292
2028-2032	391,700
2033-2037	195,000
2038-2040	290,046
Total	\$ 1,573,038

Changes in long-term debt

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

Governmental Activities	Beginning Balance		Additions	Reductions	Ending Balance	
	As Restated					Due Within One Year
Bonds Payable:						
General Obligation Bonds	\$ 55,280,000	\$ 5,675,000	\$ 8,300,000	\$ 52,655,000	\$ 5,730,000	
Special Assessment Bonds	27,260,000	-	2,655,000	24,605,000	2,745,000	
Deferred Amounts:						
Bond Premium	4,912,553	310,895	670,256	4,553,192	681,894	
Bond Discount	(246,039)	-	(45,686)	(200,353)	(42,568)	
Total Bonds Payable	\$ 87,206,514	\$ 5,985,895	\$ 11,579,570	\$ 81,612,839	\$ 9,114,326	

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Governmental Activities	Beginning Balance		Additions	Reductions	Ending Balance	
	As Restated					Due Within One Year
Compensated Absences	\$ 4,529,043	\$ 629,075	\$ 995,695	\$ 4,162,423	\$ 525,000	
Family Housing Loans	200,000	-	-	200,000	-	
NSP 2 Loan	186,292	-	-	186,292	-	
HOME Loans	1,186,746	-	-	1,186,746	-	
Metropolitan Council - RALF	3,811,088	-	-	3,811,088	-	
Collective Net Pension Liability	20,602,873	-	4,111,867	16,491,006	-	
Total OPEB Liability	984,263	138,376	-	1,122,639	-	

Governmental Activities  
Long-Term Liabilities

\$ 118,706,819 \$ 6,753,346 \$ 16,687,132 \$ 108,773,033 \$ 9,639,326

Business-type Activities

Collective Net Pension Liability \$ 2,072,107 \$ - \$ 386,549 \$ 1,685,558 \$ -

Business-type Activities  
Long-Term Liabilities

\$ 2,072,107 \$ - \$ 386,549 \$ 1,685,558 \$ -

Compensated absences and the total OPEB liability are liquidated by the Employee Benefits Fund. RALF loans are liquidated from funds in the Improvement Project Financing Fund.

Tax Increment Financing

Tax increment revenue consists of taxes collected on the "captured gross tax capacity", the incremental amount of tax revenue over the taxes collected on the original gross tax capacity. The taxes on the original gross tax capacity remain as part of the ordinary tax base of the City.

The tax increment revenue collected can be used for the retirement of bonds issued to finance public improvements, acquisition of property, "pay as you go" tax increment revenue notes and internally financed improvements approved in the tax increment plan.

EDA/HRA Housing District No. 5 - (#1911)

This District was established as a housing and redevelopment project for the development of a 263 unit low and moderate income senior housing facility known as "Chapel Wood". It is currently estimated that no debt obligations will be incurred by the EDA/HRA or the City, except a "pay as you go" tax increment obligation to the developer. The tax increment obligation will be paid from tax increment revenues generated from the District. The balance of the "pay-as-you-go" tax increment revenue notes at December 31, 2018 was \$13,381,296.

The District was created in 1999 under Minnesota Statutes 469.001 to 469.047 and is expected to be terminated in 2026.

City of Maple Grove, Minnesota  
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Tax Capacity (Valuation 2017, Taxes Payable 2018):	
Current Net Tax Capacity	\$ 409,325
Original Net Tax Capacity	(4,440)
Captured Net Tax Capacity	<u>\$ 404,885</u>

Note 6 - Leases

Operating Lease

The City leases office equipment under a four year cancelable operating lease. Total rental cost for such lease was \$56,681 for the year ended December 31, 2018.

Note 7 - Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
General	Non-Major Governmental Fund	\$ 431,492 (2)
Non-Major Proprietary Fund	General	100,000 (2)
Water Utility	Non-Major Governmental Funds	<u>10,472,564 (1)</u>
Total		<u>\$ 11,004,056</u>

The purpose of interfund receivables/payables is as follows:

- (1) Represents internal borrowing to eliminate cash deficits at year-end.
- (2) Represents transfers at year-end for operating or capital purposes.

Note 8 - Interfund Transfers

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

Transfers In	Transfers Out	Amount
General Fund	Non-Major Governmental Funds	\$ 150,296 (1)
	Water Utility Fund	200,000 (1)
	Sewer Utility Fund	200,000 (1)
	Non-Major Proprietary Funds	22,700 (1)
Road Reconstruction	Non-Major Governmental Funds	15,276 (5)

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Transfers In	Transfers Out	Amount
Non-Major Governmental Funds	General Fund	\$ 4,785,377 (2)
	General Fund	4,100,000 (3)
	Road Reconstruction Fund	663,000 (3)
	Road Reconstruction Fund	1,780,000 (4)
	Trunk Street Construction Fund	125,000 (4)
	Trunk Street Construction Fund	500,000 (3)
	Non-Major Governmental Funds	1,809,066 (3)
	Non-Major Governmental Funds	875,000 (4)
	Non-Major Governmental Funds	131,479 (5)
	Water Utility Fund	618,000 (3)
	Sewer Utility Fund	350,000 (3)
	Water Utility Fund	225,000 (4)
	Sewer Utility Fund	90,000 (4)
Non-Major Proprietary Funds	General Fund	713,800 (2)
	General Fund	100,000 (3)
	Non-Major Governmental Fund	75,000 (2)
Internal Service Funds	General Fund	400,000 (3)
	Water Utility Fund	31,000 (3)
	Sewer Utility Fund	<u>31,000 (3)</u>
Total Transfers In Out		<u>\$ 17,990,994</u>

The purpose of interfund transfers is as follows:

- (1) Transfers for operations funding.
- (2) Annual appropriation transfers for park and community center operations.
- (3) Transfers for capital projects and equipment.
- (4) Transfers for annual debt service requirements.
- (5) Transfers for closing of certain funds and projects.

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**Note 9 – Fund Balance Classification**

As of December 31, 2018, the City had the following fund balance classifications:

	2013 Series A		Trunk Street Construction	2017 Improvement Project Financing	Other Governmental Funds	Total
	General Fund	Refunding Bonds				
Nonspendable:						
Investments	\$ 88,496	\$ -	\$ -	\$ -	\$ 12,067	\$ 100,563
Inventory	-	-	-	-	6,468	6,468
Restricted:						
Debt service reserves	-	675,875	-	-	7,322,951	7,998,826
Transit	-	-	-	-	7,120,546	7,120,546
Park projects	-	-	-	-	11,146,910	11,146,910
Park and recreation	-	-	-	-	229,424	229,424
Tax increment projects	-	-	-	-	1,021,464	1,021,464
Road improvements	-	-	-	-	6,624,781	6,624,781
Public safety	-	-	-	-	222,256	222,256
General projects	-	-	-	-	414,309	414,309
Committed:						
Road improvements	-	-	21,163,593	-	19,914	21,183,507
Long-term development plan	-	-	-	-	11,498,000	11,498,000
Capital improvements	-	-	-	-	2,065,304	2,065,304
Affordable housing	-	-	-	-	2,657,824	2,657,824
Public safety	-	-	-	-	111,385	111,385
Assigned:						
Road improvements	-	-	-	-	851,215	47,611,410
Storm sewer improvements	-	-	46,760,195	-	14,368,086	14,368,086
Other improvements	-	-	-	-	3,166,468	3,166,468
Other improvements	-	-	-	-	8,796,262	8,796,262
Park projects	-	-	-	-	222,414	222,414
Public safety	-	-	-	-	896,415	896,415
General projects	-	-	-	-	247,175	247,175
Unassigned	\$ 8,267,283	-	-	(7,387,362)	(4,977,852)	(4,097,931)
<b>Total</b>	<b>\$ 8,355,779</b>	<b>\$ 675,875</b>	<b>\$ 21,163,593</b>	<b>\$ 46,760,195</b>	<b>\$ 73,191,762</b>	<b>\$ 142,759,842</b>

**Note 10 – Joint Venture**

During 1990, the City entered into a joint and cooperative agreement with six other surrounding cities to create an organization to provide for the impoundment of animals. The organization, named Pets Under Police Security (PUPS), constructed an animal impound facility with capital costs totaling approximately \$681,000. The City's share of constructing the facility was \$133,000. The governing board of PUPS is made up of one member from each of the seven cities.

Annual operational and capital costs of PUPS are to be charged annually to each of its members in direct proportion to the number of animals impounded from each member's jurisdiction. The City's share of these operating costs is included in the General Fund. The City's share of operating revenues for 2018 was \$25,313, which is 13.0% of operations revenues for PUPS. The City is responsible for providing staffing, accounting and reporting for the impound facility. Complete financial information for PUPS can be obtained from the City's finance department.

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Summary financial information as of and for the fiscal year ended December 31, 2018 is as follows:

	Operations	Capital	Total
Total Assets	\$ 62,268	\$ 38,742	\$ 101,010
Total Liabilities	\$ 5,610	\$ -	\$ 5,610
Total PUPS Equity	\$ 56,658	\$ 38,742	\$ 95,400
Total Liabilities and Equity	\$ 62,268	\$ 38,742	\$ 101,010
Total Revenues	\$ 194,468	\$ 469	\$ 194,937
Total Expenditures	\$ 180,467	\$ -	\$ 180,467
Total Increase in PUPS Equity	\$ 14,001	\$ 469	\$ 14,470

**Note 11 – Construction Commitments**

The City has active construction projects as of December 31, 2018. The projects include street and utility construction in new developments, reconstruction of existing streets and a park facility project. At year-end the City's commitments with contractors are as follows:

Project	Completed To-Date	Remaining Commitments
Street and utility construction – special assessments	\$ 6,747,542	\$ 1,336,476
Street reconstruction – special assessments	2,053,219	378,754
Park facility project	3,007,006	5,797,927
<b>Total</b>	<b>\$ 11,807,767</b>	<b>\$ 7,513,157</b>

**Note 12 – Contingent Liabilities**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Note 13 – 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. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows the pool to make additional assessments to make the pool self-sustaining. The City has also purchased commercial insurance for computer equipment.

Current state statutes (Minnesota Statutes subd. 466.04) provide limits of liability for the City. These limits are that the combination of defense expense and indemnification expense shall not exceed \$500,000 in the case of one claimant or \$1,500,000 for any number of claims arising out of a single occurrence. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### Note 14 – Defined Benefit Pension Plans

##### A. Plan Description

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

The General Employees Retirement Plan, accounted for in the General Employees Retirement Fund (GERF), covers all full-time and certain part-time employees of the City. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

##### B. Benefits Provided

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

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

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

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

##### C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018. The City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$1,006,799. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in fiscal year 2018. The City was required to contribute 16.20 percent of pay for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$1,164,393. The City's contributions were equal to the required contributions as set by state statute.



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D. Pension Costs

At December 31, 2018, the City reported a liability of \$11,084,085 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The City's proportionate share of the State of Minnesota's proportionate share of the net pension liability is \$363,483. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.1998%, which was a decrease of 0.012% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized a pension expense of \$1,109,996 for its proportionate share of the General Employees Fund's pension expense. In addition, the City recognized an additional \$84,764 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16.0 million to the fund in 2018.

At December 31, 2018, the City reported its proportionate share of the General Employees Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 310,209	\$ 327,805
Changes in actuarial assumptions	1,073,649	1,296,615
Difference between projected and actual investment earnings	-	1,212,890
Changes in proportion	400,706	574,554
Contributions paid to PERA subsequent to the measurement date	<u>492,060</u>	<u>-</u>
Total	<u>\$ 2,276,624</u>	<u>\$ 3,411,864</u>

\$492,060 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended December 31	Pension Expense Amount
2019	\$ 373,214
2020	(645,754)
2021	(1,123,416)
2022	(231,344)
2023	<u>-</u>
Total	<u>\$ (1,627,300)</u>

At December 31, 2018, the City reported a liability of \$7,092,479 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.6654%, which was a decrease of 0.0126% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$768,956 for its proportionate share of the Police and Fire Fund's pension expense. The City also recognized \$59,886 for the year ended December 31, 2018, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 288,998	\$ 1,718,999
Changes in actuarial assumptions	8,666,645	10,634,269
Difference between projected and actual investment earnings	-	1,552,171
Changes in proportion	642,108	253,138
Contributions paid to PERA subsequent to the measurement date	<u>581,728</u>	<u>-</u>
Total	<u>\$ 10,179,479</u>	<u>\$ 14,158,577</u>

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\$581,728 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	\$ (201,632)
2020	(531,252)
2021	(1,022,792)
2022	(2,753,413)
2023	(51,737)
Total	<u>\$ (4,560,826)</u>

At December 31, 2018 the City reported the following amounts for all PERA pension plans:

	Collective Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
GERF	\$ 11,084,085	\$ 2,276,624	\$ 3,411,864	\$ 1,109,996
PEPFF	<u>7,092,479</u>	<u>10,179,479</u>	<u>14,158,577</u>	<u>768,956</u>
Total	<u>\$ 18,176,564</u>	<u>\$ 12,456,103</u>	<u>\$ 17,570,441</u>	<u>\$ 1,878,952</u>

E. Actuarial Assumptions

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

Inflation	2.50% per year
Salary Growth	3.25%
Investment Rate of Return	7.50%

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

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

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The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

The mortality projection scale was changed from MP-2016 to MP-2017.

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

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

Target Asset Class	Long-Term Expected Allocation	Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17	5.30
Bonds (Fixed Income)	20	0.75
Alternative Assets (Private Markets)	25	5.90
Cash	2	0.00

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	One Percent Decrease in Discount Rate	Discount Rate	One Percent Increase in Discount Rate
	6.50%	7.50%	8.50%
City's proportionate share of the GERP net pension liability:	\$ 18,013,057	\$ 11,084,085	\$ 5,364,416
City's proportionate share of the PEPFP net pension liability:	\$ 15,206,719	\$ 7,092,479	\$ 382,339

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

Note 15 – Defined Contribution Pension Plan – Council

City council members are eligible to participate in the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of council members 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 plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible council member who decides to participate contributes 5% of salary which is matched by the City.

City and council member 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 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2018 were:

	Contribution Amount	Percentage of Covered Payroll	Required Rate
Employee	\$ 2,025	5.00%	5.00%
City	\$ 2,025	5.00%	5.00%

Note 16 – Defined Contribution Pension Plan – Firefighters Relief Association

A. Plan Description

The City of Maple Grove contributes to the Maple Grove Firefighters Relief Association (MGFRA), which provides pension benefits to its members through a defined contribution plan administered by the MGFRA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The MGFRA is a volunteer organization; therefore, there is no covered payroll. The plan is established and administered in accordance with Minnesota Statutes.

Each firefighter who is a member of the MGFRA has an individual account to which is credited an equal share of (a) fire state aid; (b) municipal contributions; and (c) any amounts equal to the share of assets of the special fund to the credit of: (1) any former member who terminated active service with the Maple Grove Fire Department prior to meeting the minimum service requirements and has not returned to service for a period of five years; or (2) any retired member who retired prior to obtaining a full non-forfeitable interest in the amounts credited to their account. In addition, any interest or investment income earned on the assets of the special fund is credited in proportion to the share of assets of the special fund to the credit of each member account. A retiring member is entitled to the non-forfeitable portion of his individual account balance, pursuant to the provisions below.

Each member who is at least 50 years of age and has attained 15 years of service with the Maple Grove Fire Department is eligible for a lump-sum payment of his or her account balance. A member who retires from the department before attaining age 50 and who has attained 15 or more years of service becomes eligible for a deferred pension and, after age 50, is entitled to receive the service pension with interest at prescribed rates.

A member who retires from the department with five or more years of service, but less than 15 years, is entitled to a reduced pension at age 50. The reduced service pension is calculated by multiplying the member's individual account balance by the applicable non-forfeitable percentage based on years of service. The non-forfeitable percentage is 40% after completing five years of service and increases 6% for each year of service after five years to a maximum of 100%.

B. Contributions Required and Contributions Made

The authority for contributions to the plan is established by Minnesota Statute 69.77. The statute is established and amended by the state legislature. Total state aid and City contributions to the Association in 2018 amounted to \$670,116, of which \$426,808 was made by the State of Minnesota for fire state aid and supplemental aid and \$243,308 by the City.

Note 17 – Postemployment Benefits Other Than Pensions (OPEB)

A. Plan Description

The City administers a single-employer defined benefit healthcare plan. The City provides medical insurance to eligible retired city employees and beneficiaries through the City's group health insurance plan, which covers both active and retired employees. Benefit provisions are established through Minnesota

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Statutes 471.61 and 299A.465, which require public sector employers to provide eligible retirees and beneficiaries' continuation in the group health insurance plan at the group plan premium rate. The plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**B. Benefits Provided**

The contribution requirements of plan members and the City are established by State Statutes and the City Council. Eligible retired city employees and beneficiaries contribute 100% of the group health insurance plan premium. For fiscal year 2018, retiree plan members contributed \$37,865 to the plan. The additional cost of using a blended rate for active employees and retirees is currently funded on a pay-as-you go basis and included in the expenditures/expenses for the year.

**C. Changes in Total OPEB Liability**

As of December 31, 2018, the City reported a total OPEB liability of \$1,122,639. The total OPEB liability was measured as January 1, 2018, and was determined by an actuarial valuation as of that date. For the year ended December 31, 2018, the City recognized an OPEB expense of \$149,813.

The following table shows the changes in the City's total OPEB liability:

Total OPEB liability at 12/31/2017	\$ 984,263
Changes for the year:	
Service cost	106,249
Interest	40,506
Changes in assumptions	29,486
Benefit payments	(37,865)
Net changes in total OPEB liability	138,376
Total OPEB liability at 12/31/2018	<u>\$ 1,122,639</u>

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 26,428	\$ -
Total	<u>\$ 26,428</u>	<u>\$ -</u>

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

Year Ended December 31	OPEB Expense Amount
2019	\$ 3,058
2020	3,058
2021	3,058
2022	3,058
2023	3,058
Thereafter	<u>11,138</u>
Total	<u>\$ 26,428</u>

**D. Actuarial Assumptions and Other Inputs**

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

Inflation	2.75%
Payroll growth rate	3.50%
Discount rate	3.44% for 2018 and 4.09% for 2019
Healthcare cost trend rates	8.33% for 2018, decreasing 0.33% per year to an ultimate rate of 5.00% for 2028 and later years

The mortality rates used in the PERA plan of which the employee, retiree or beneficiary is a participant.

**Non-Police Officers (GERP)**

**Healthy Pre-Retirement**

RP-2014 Employee Mortality Table, adjusted for white collar and mortality improvements using projection scale MP-2015, from a base year of 2014. Rates are set forward one year for males and set back one year for females.

**Healthy Post-Retirement**

RP-2014 Healthy Annuant Mortality Table, adjusted for white collar and mortality improvements using projection scale MP-2015, from a base year of 2014. Rates are set forward two years for males. Female rates are multiplied by a factor of 0.90.

**Disabled**

RP-2014 Disabled Mortality Table, adjusted for mortality improvements using projection scale MP-2015, from a base year of 2014. Rates are set forward one year for males and set forward six years for females.

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Police Officers (PEPPF)

Healthy Pre-Retirement

RP-2014 employee generational mortality table projected with mortality improvement scale MP-2016, from a base year of 2006.

Healthy Post-Retirement and Disabled

RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2017.

E. Sensitivity of Total OPEB Liability to Changes in Discount Rate

The following presents the City's total OPEB liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (2.44%) or one percentage point higher (4.44%) than the current discount rate (3.44%):

	1% Decrease <u>2.44%</u>	Discount Rate <u>3.44%</u>	1% Increase <u>4.44%</u>	
Total OPEB Liability	\$ 1,211,694	\$ 1,122,639	\$ 1,037,311	

F. Sensitivity of Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the City's total OPEB liability calculated using the healthcare cost trend rates disclosed in the preceding paragraph, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease 7.33% decreasing <u>to 4.00%</u>	Healthcare Cost Trend Rates 8.33% decreasing <u>to 5.00%</u>	1% Increase 9.33% decreasing <u>to 6.00%</u>	
Total OPEB Liability	\$ 976,770	\$ 1,122,639	\$ 1,296,849	

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G. Plan Members

The following summarizes the plan members at January 1, 2018, the date of the latest actuarial valuation:

Retirees Plan Members	13
Active Plan Members	<u>253</u>
Total Plan Members	<u>266</u>

Note 18 - Conduit Debt Obligations

From time to time the City has issued Housing Revenue Bonds and Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of multifamily housing and 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. The following table summarizes the housing and industrial revenue bonds issued by year:

Housing Revenue Bonds 1983-1985	Number of Issues	Original Amount \$ 17,407,000
Industrial Revenue Bonds	Number of Issues	Original Amount
1983-1989	10	\$ 25,940,000
1990-1999	5	8,576,500
2000-2005	2	66,535,000
2007	1	143,605,000

Note 19 - Change in Accounting Principle

The City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result the City's net position as of January 1, 2017 has been restated to reflect the change in the City's total OPEB liability.

Governmental Activities	Total
Net Position, December 31, 2017 as Previously Stated	\$ 415,552,052
OPEB obligation measured under previous standards	2,146,757
Total OPEB Liability, January 1, 2017	<u>(984,263)</u>
Net Position, December 31, 2017 as Restated	<u>\$ 609,918,613</u>

**City of Maple Grove, Minnesota**

Schedule of Changes in Total OPEB Liability and Related Ratios  
For the Year Ended December 31, 2018

	12/31/2018
Total OPEB Liability	
Service Cost	\$ 106,249
Interest	40,506
Changes of benefit terms	-
Differences between expected and actual experience	29,486
Changes of assumptions	(37,865)
Benefit payments	138,376
Net change in total OPEB liability	984,263
Total OPEB Liability - beginning of year	1,122,639
Total OPEB Liability - end of year	\$ 19,217,425
Covered employee payroll	5.84%
Total OPEB liability as a percentage of covered employee payroll	

Notes to Schedule:

The City implemented GASB Statement No. 75 in fiscal year 2018.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

4.09% as of December 31, 2018  
3.44% as of December 31, 2017

**City of Maple Grove, Minnesota**

Schedule of Contributions  
PERA General Employees Retirement Fund (GERF)  
For the Year Ended December 31, 2018

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution		Contributions as a Percentage of Covered Payroll
		Statutorily Required Contribution	Contribution Deficiency (Excess)	
12/31/2014	\$ 837,733	\$ 837,733	\$ -	7.5%
12/31/2015	933,807	933,807	-	7.5%
12/31/2016	956,250	956,250	-	7.5%
12/31/2017	989,056	989,056	-	7.5%
12/31/2018	1,006,799	1,006,799	-	7.5%

Notes to Schedule:

The City implemented GASB Statement No. 68 in fiscal year 2015.

**City of Maple Grove, Minnesota**

Schedule of Contributions  
PERA Public Employees Police and Fire Fund (PEPFF)  
For the Year Ended December 31, 2018

Fiscal Year Ending	Contributions in Relation to the Statutorily Required Contribution		Contribution Deficiency (Excess)	Contributions as a Percentage of Covered Payroll	
	Statutorily Required Contribution	Statutorily Required Contribution		Covered Payroll	Payroll
12/31/2014	\$ 929,046	\$ 929,046	\$ -	6,072,196	15.3%
12/31/2015	1,041,966	1,041,966	-	6,431,887	16.2%
12/31/2016	1,053,648	1,053,648	-	6,504,001	16.2%
12/31/2017	1,104,484	1,104,484	-	6,817,804	16.2%
12/31/2018	1,164,393	1,164,393	-	7,187,611	16.2%

Notes to Schedule:

The City implemented GASB Statement No. 68 in fiscal year 2015.

**City of Maple Grove, Minnesota**

Schedule of Proportionate Share of Net Pension Liability  
PERA General Employees Retirement Fund (GERF)  
For the Year Ended December 31, 2018

Actuarial Valuation Date	City's Portion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
				City's Covered Payroll	City's Proportionate Share of the Net Pension Liability	
6/30/2014	0.2152%	\$ 10,109,018	\$ 10,436,152	96.87%	78.75%	
6/30/2015	0.2005%	10,390,951	11,782,879	88.19%	78.19%	
6/30/2016	0.2026% (1)	16,450,116 (1)	12,357,169	133.12%	68.91%	
6/30/2017	0.2118% (2)	13,521,173 (2)	13,485,410	100.27%	75.90%	
6/30/2018	0.1998% (3)	11,084,085 (3)	13,428,652	82.54%	79.53%	

Notes to Schedule:

The City implemented GASB Statement No. 68 in fiscal year 2015.

(1) The State of Minnesota contributed \$6.0 million to the GERF in the plan year ended 6/30/2016. The City's proportional share without the payment from the State would have been 0.2053%. The City's share of the State's proportionate share of the net pension liability is \$214,901.

(2) The State of Minnesota contributed \$6.0 million to the GERF in the plan year ended 6/30/2017. The City's proportional share without the payment from the State would have been 0.2144%. The City's share of the State's proportionate share of the net pension liability is \$170,000.

(3) The State of Minnesota contributed \$16.0 million to the GERF in the plan year ended 6/30/2018. The City's proportional share without the payment from the State would have been 0.2063%. The City's share of the State's proportionate share of the net pension liability is \$363,483.

**City of Maple Grove, Minnesota**

Schedule of Proportionate Share of Net Pension Liability  
PERA Public Employees Police and Fire Fund (PEPFF)  
For the Year Ended December 31, 2018

Actuarial Valuation Date	City's Portion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.6780%	\$ 7,322,678	\$ 5,263,813	139.11%	87.07%
6/30/2015	0.6660%	7,567,318	6,100,934	124.04%	86.61%
6/30/2016	0.6540%	26,246,158	6,300,087	416.60%	63.88%
6/30/2017	0.6780%	9,153,807	6,955,112	131.61%	85.43%
6/30/2018	0.6654%	7,092,479	7,012,516	101.14%	88.84%

Notes to Schedule:

The City implemented GASB Statement No. 68 in fiscal year 2015.



**City of Maple Grove, Minnesota**  
**\$6,860,000\* General Obligation Road Reconstruction Bonds, Series 2019A**

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$\_\_\_\_\_ (which may not be less than \$6,791,400) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2021	_____%	_____%	_____%	2029	_____%	_____%	_____%
2022	_____%	_____%	_____%	2030	_____%	_____%	_____%
2023	_____%	_____%	_____%	2031	_____%	_____%	_____%
2024	_____%	_____%	_____%	2032	_____%	_____%	_____%
2025	_____%	_____%	_____%	2033	_____%	_____%	_____%
2026	_____%	_____%	_____%	2034	_____%	_____%	_____%
2027	_____%	_____%	_____%	2035	_____%	_____%	_____%
2028	_____%	_____%	_____%				

**Designation of Term Maturities**

Years of Term Maturities \_\_\_\_\_

In making this offer on the sale date of August 19, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated July 31, 2019 including the City’s right to modify the principal amount of the Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$\_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

Account Members

\_\_\_\_\_  
Account Manager  
By: \_\_\_\_\_  
Phone: \_\_\_\_\_

.....  
The foregoing proposal has been accepted by the City.

Attest: \_\_\_\_\_

Date: \_\_\_\_\_

.....  
\* Preliminary; subject to change.