

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 28, 2019

NEW ISSUES
BANK QUALIFIED

S&P Ratings: 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.

City of Carver, Minnesota

\$1,075,000*
**General Obligation Tax Increment
Revenue Bonds, Series 2019A
(the "Series 2019A Bonds")**

\$5,095,000*
**General Obligation Bonds,
Series 2019B
(the "Series 2019B Bonds")**

(Book Entry Only)

Dated Date: Date of Delivery

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

The Bonds (as defined herein) will mature as shown on the inside front cover of this Official Statement.

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 respective maturity schedule set forth on the following page.

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. Additional sources of security for the Bonds are discussed herein. The proceeds of the Series 2018A Bonds will be used to finance public improvements. The proceeds of the Series 2018B Bonds will be used to finance (i) various street improvements; (ii) various water, sanitary sewer, and storm sewer improvements; and (iii) the acquisition of equipment.

A separate proposal must be submitted for each issue subject to the minimum bid amounts shown below, plus accrued interest, if any. 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 of each issue must be 98.0% or greater. Following receipt of proposals, a good faith deposit for each issue will be required to be delivered to the City by the lowest bidder as described in each "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

	<u>Minimum Bid</u>
The Series 2019A Bonds	\$1,065,325
The Series 2019B Bonds	5,033,860

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, and the Bonds will not be subject to the alternative minimum tax for individuals.

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.) U.S. Bank National Association, Saint Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about August 14, 2019.

PROPOSALS RECEIVED: Monday, July 15, 2019 until 10:30 A.M., Central Time
CONSIDERATION OF AWARD: Council meeting commencing at 7:00 P.M., Central Time on
Monday, July 15, 2019



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, Municipal Advisor to the City, 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 Carver, Minnesota

\$1,075,000* General Obligation Tax Increment Revenue Bonds, Series 2019A

The **Series 2019A Bonds** will mature February 1 in the years and amounts* as follows:

2022 \$110,000	2024 \$115,000	2026 \$120,000	2028 \$125,000	2030 \$130,000
2023 \$115,000	2025 \$115,000	2027 \$120,000	2029 \$125,000	

The City may elect on February 1, 2027, and on any day thereafter, to redeem the Series 2019A Bonds due on or after February 1, 2028 at a price of par plus accrued interest.

\$5,095,000* General Obligation Bonds, Series 2019B

The **Series 2019B Bonds** will mature February 1 in the years and amounts* as follows:

2021 \$295,000	2025 \$345,000	2029 \$300,000	2033 \$220,000	2037 \$160,000
2022 \$360,000	2026 \$350,000	2030 \$200,000	2034 \$225,000	2038 \$165,000
2023 \$330,000	2027 \$355,000	2031 \$210,000	2035 \$230,000	2039 \$170,000
2024 \$345,000	2028 \$290,000	2032 \$215,000	2036 \$155,000	2040 \$175,000

The City may elect on February 1, 2028, and on any day thereafter, to redeem the Series 2019B Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

* *Preliminary; subject to change.*

CITY OF CARVER, MINNESOTA

CITY COUNCIL

Courtney Johnson	Mayor
Glen Henry	Council Member
Joy McKnight	Council Member
Kristy Mock	Council Member
Laurie Sayre	Council Member

CITY MANAGER

Brent Mareck

CITY CLERK/TREASURER

Vicky Sons-Eiden

CITY ACCOUNTANT

Cathy Elke

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 each 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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* *Preliminary; subject to change.*

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

\$1,075,000*

CITY OF CARVER, MINNESOTA

GENERAL OBLIGATION TAX INCREMENT REVENUE BONDS, SERIES 2019A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the “Series 2019A Bonds”) will be received by the City of Carver, Minnesota (the “City”) on Monday, July 15, 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 Series 2019A Bonds will be by the City Council at its meeting commencing at 7:00 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 Series 2019A 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 Series 2019A 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, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

DETAILS OF THE SERIES 2019A BONDS

The Series 2019A 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 Series 2019A Bonds will mature February 1 in the years and amounts* as follows:

2022	\$110,000	2024	\$115,000	2026	\$120,000	2028	\$125,000	2030	\$130,000
2023	\$115,000	2025	\$115,000	2027	\$120,000	2029	\$125,000		

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A Bonds will be issued by means of a book entry system with no physical distribution of Series 2019A Bonds made to the public. The Series 2019A Bonds will be issued in fully registered form and one Series 2019A Bond, representing the aggregate principal amount of the Series 2019A 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 Series 2019A Bonds. Individual purchases of the Series 2019A 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 Series 2019A 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 Series 2019A Bonds, will be required to deposit the Series 2019A 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, 2027, and on any day thereafter, to redeem Series 2019A Bonds due on or after February 1, 2028. 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 Series 2019A 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 Series 2019A 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 tax increment revenues from Tax Increment Financing (Economic Development) District No. 1-9 for repayment of the Series 2019A Bonds. The proceeds of the Series 2019A Bonds will be used to finance public improvements.

BIDDING PARAMETERS

Proposals shall be for not less than \$1,065,325 plus accrued interest, if any, on the total principal amount of the Series 2019A 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 Series 2019A Bonds is adjourned, recessed, or continued to another date without award of the Series 2019A 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. Series 2019A Bonds of the same maturity shall bear a single rate from the date of the Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A Bonds; and
- (iv) the City anticipates awarding the sale of the Series 2019A 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 Series 2019A 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 Series 2019A Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Series 2019A 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 Series 2019A 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 Series 2019A Bonds, the Purchaser shall advise the City and

Baker Tilly MA if 10% of any maturity of the Series 2019A 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 Series 2019A Bonds or until all of the Series 2019A 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 \$10,750 (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 Series 2019A 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 Series 2019A 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.

BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Series 2019A Bonds. If the Series 2019A Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder’s proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and

expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Series 2019A Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Series 2019A Bonds.

CUSIP NUMBERS

If the Series 2019A Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 2019A Bonds; however, neither the failure to print such numbers on any Series 2019A Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Series 2019A 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 August 14, 2019, the Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A Bonds, together with any other information required by law. By awarding the Series 2019A 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 June 17, 2019

BY ORDER OF THE CITY COUNCIL

/s/ Brent Mareck
City Manager

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

\$5,095,000*

**CITY OF CARVER, MINNESOTA
GENERAL OBLIGATION BONDS, SERIES 2019B
(BOOK ENTRY ONLY)**

Proposals for the above-referenced obligations (the “Series 2019B Bonds”) will be received by the City of Carver, Minnesota (the “City”) on Monday, July 15, 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 Series 2019B Bonds will be by the City Council at its meeting commencing at 7:00 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 Series 2019B 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 Series 2019B 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, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

DETAILS OF THE SERIES 2019B BONDS

The Series 2019B 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 Series 2019B Bonds will mature February 1 in the years and amounts* as follows:

2021	\$295,000	2025	\$345,000	2029	\$300,000	2033	\$220,000	2037	\$160,000
2022	\$360,000	2026	\$350,000	2030	\$200,000	2034	\$225,000	2038	\$165,000
2023	\$330,000	2027	\$355,000	2031	\$210,000	2035	\$230,000	2039	\$170,000
2024	\$345,000	2028	\$290,000	2032	\$215,000	2036	\$155,000	2040	\$175,000

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B Bonds will be issued by means of a book entry system with no physical distribution of Series 2019B Bonds made to the public. The Series 2019B Bonds will be issued in fully registered form and one Series 2019B Bond, representing the aggregate principal amount of the Series 2019B 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 Series 2019B Bonds. Individual purchases of the Series 2019B 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 Series 2019B 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 Series 2019B Bonds, will be required to deposit the Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B 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 and net revenues of the City's water, sanitary sewer, and storm sewer systems for repayment of a portion of the Series 2019B Bonds. The proceeds of the Series 2019B Bonds will be used to finance (i) various street improvements; (ii) various water, sanitary sewer, and storm sewer improvements; and (iii) the acquisition of equipment.

BIDDING PARAMETERS

Proposals shall be for not less than \$5,033,860 plus accrued interest, if any, on the total principal amount of the Series 2019B 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 Series 2019B Bonds is adjourned, recessed, or continued to another date without award of the Series 2019B 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. Series 2019B Bonds of the same maturity shall bear a single rate from the date of the Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B Bonds; and
- (iv) the City anticipates awarding the sale of the Series 2019B 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 Series 2019B 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 Series 2019B Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Series 2019B 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 Series 2019B 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 Series 2019B Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Series 2019B 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 Series 2019B Bonds or until all of the Series 2019B 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 \$50,950 (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 Series 2019B 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 Series 2019B 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.

BOND INSURANCE AT PURCHASER’S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Series 2019B Bonds. If the Series 2019B Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder’s proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the

City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Series 2019B Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Series 2019B Bonds.

CUSIP NUMBERS

If the Series 2019B Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 2019B Bonds; however, neither the failure to print such numbers on any Series 2019B Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Series 2019B 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 August 14, 2019, the Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B 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 Series 2019B Bonds, together with any other information required by law. By awarding the Series 2019B 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 June 17, 2019

BY ORDER OF THE CITY COUNCIL

/s/ Brent Mareck
City Manager

OFFICIAL STATEMENT

CITY OF CARVER, MINNESOTA

\$1,075,000*

GENERAL OBLIGATION TAX INCREMENT REVENUE BONDS, SERIES 2019A

\$5,095,000*

GENERAL OBLIGATION BONDS, SERIES 2019B

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Carver, Minnesota (the “City”) and its issuance of \$1,075,000* General Obligation Tax Increment Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and \$5,095,000* General Obligation Bonds, Series 2019B (the “Series 2019 Bonds”) and, together with the Series 2019A Bonds, 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. Additional sources of security for the Bonds are discussed herein.

Inquiries may be directed to Mr. Brent Mareck, City Manager, City of Carver, 316 Broadway, P.O. Box 147, Carver, Minnesota 55315-0147, by telephoning (952) 448-5353, or by emailing bmareck@cityofcarver.com. 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 e-mailing bond_services@bakertilly.com. Inquiries of a specific legal nature may be directed to Ms. Mary Ippel, Briggs and Morgan, Professional Association, 2200 IDS Center, 80 South 8th Street, Minneapolis, Minnesota 55402-2157, by telephoning (612) 997-8400, or by emailing mippel@briggs.com.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the “Rule”), pursuant to the Award Resolutions and Continuing Disclosure Undertakings to be executed on behalf of the City on or before closing, the City has and will covenant (the “Undertakings”) 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 Undertakings, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Undertakings 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 Manager 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 twelve (12) month timeframe as required in each undertaking.

* Preliminary; subject to change.

A failure by the City to comply with the Undertakings 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 inside 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.” U.S. Bank National Association, Saint Paul, Minnesota will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Thirty days’ written notice of redemption shall be given to the registered owner(s) of the Bonds. 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, 2027, and on any day thereafter, to redeem Series 2019A Bonds due on or after February 1, 2028 at a price of par plus accrued interest. The City may elect on February 1, 2028, and on any day thereafter, to redeem Series 2019B Bonds due on or after February 1, 2029 at a price of par plus accrued interest. 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 prepaid. 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 each series of 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.

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.

THE SERIES 2019A BONDS

Authority and Purpose

The Series 2019A Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475. The proceeds of the Series 2019A Bonds, along with State Grant Funds, will be used to finance public improvements.

Sources and Uses of Funds

The composition of the Series 2019A Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	\$1,075,000
State Grant Funds	<u>997,135</u>
Total Sources of Funds	\$2,072,135
Uses of Funds:	
Deposit to Project Fund	\$1,994,270
Estimated Costs of Issuance	37,650
Capitalized Interest	30,540
Allowance for Discount Bidding	<u>9,675</u>
Total Uses of Funds	\$2,072,135

Security and Financing

The Series 2019A 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; however, the City does not anticipate the need to levy taxes for repayment of the Series 2019A Bonds. The City will pledge tax increment revenues derived from Tax Increment Financing (Economic Development) District No. 1-9 for repayment of the Series 2019A Bonds. Capitalized interest has been included in the par amount of the Series 2019A Bonds to make the August 1, 2020 and February 1, 2021 interest payments, which are due prior to the first collection of tax increment revenues. Thereafter, each year's collection of tax increment revenues will be used to make the interest payment due on August 1 of the collection year and the principal and interest payment due on February 1 of the following year.

THE SERIES 2019B BONDS

Authority and Purpose

The Series 2019B Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475 and Section 412.301. The proceeds of the Series 2019B Bonds will be used to finance (i) various street improvements (the "Improvement Portion"); (ii) various water, sanitary sewer, and storm sewer improvements (the "Utility Portion"); and (iii) the acquisition of equipment (the "Equipment Portion").

Sources and Uses of Funds

The composition of the Series 2019B Bonds is estimated to be as follows:

	<u>Improvement Portion</u>	<u>Utility Portion</u>	<u>Equipment Portion</u>	<u>Total</u>
Sources of Funds:				
Principal Amount	<u>\$2,720,000</u>	<u>\$1,560,000</u>	<u>\$815,000</u>	<u>\$5,095,000</u>
Total Sources of Funds	\$2,720,000	\$1,560,000	\$815,000	\$5,095,000
Uses of Funds:				
Deposit to Project Fund	\$2,648,026	\$1,523,364	\$795,000	\$4,966,390
Estimated Costs of Issuance	39,334	17,916	10,220	67,470
Allowance for Discount Bidding	<u>32,640</u>	<u>18,720</u>	<u>9,780</u>	<u>61,140</u>
Total Uses of Funds	\$2,720,000	\$1,560,000	\$815,000	\$5,095,000

Security and Financing

The Series 2019B 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. Additional sources of security for the Series 2019B Bonds are described below.

The Improvement Portion

The City will pledge special assessments against benefited properties for repayment of a portion of the Series 2019B Bonds. Special assessments in principal amount of approximately \$859,456 are expected to be filed in 2019 for first collection in 2020. Assessments will be filed over a term of 20 years with level annual payments of principal and interest. Interest on the unpaid balance will be charged at an interest rate estimated to be 4.77%.

The City will also levy taxes for repayment of a portion of the Series 2019B 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.

The Utility Portion

Pursuant to Minnesota Statutes, Chapter 444, and the resolution awarding the sale of the Series 2019B Bonds, the City will covenant to impose and collect charges for the service, use, availability, and connection to its water, sewer, and storm water utility systems (the "Utility Systems") to produce net revenues in amounts sufficient, together with moneys on hand in the Water Fund, Sewer Fund, and Storm Water Fund (the "Utility Funds") as of the date of the issuance of the Series 2019B Bonds, to pay 105% of debt service on obligations to which it has pledged its net revenues from the Utility Systems, including the Series 2019B Bonds. The City is required to annually review the budgets of the Utility Funds to determine whether current rates and charges are sufficient and to adjust such rates and charges as necessary.

The Equipment Portion

Minnesota Statutes, Section 412.301, as amended, specifies that the City may issue certificates of indebtedness to purchase capital equipment without referendum and without being subject to a petition for a referendum if the total amount of the issue does not exceed ¼ of 1% of the estimated market value of the City. Based on the City's 2018/19 estimated market value of \$504,930,500, this represents a maximum issue size of approximately \$1,262,326. The principal amount of the Equipment Portion of the Series 2019B Bonds in the amount of \$815,000 is within that limitation and is therefore not subject to petition.

The City will make its first levy for the Equipment Portion of the Series 2018B Bonds in 2019 for collection in 2020. Each year's collection of taxes, 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. Legal opinions in substantially the forms 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 Code, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATINGS

Application for ratings of the Bonds has been made to S&P Global Ratings (“S&P”), 55 Water Street, New York, New York. If ratings are assigned, they will reflect only the opinion of S&P. Any explanation of the significance of the ratings 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 the ratings 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(s) 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^(a)

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio ^(b)	Economic Market Value ^(c)	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	\$504,930,500	N/A	N/A	\$14,336,347	\$483,021,000	\$5,401,823
2017/18	465,570,900	95.7%	\$486,837,113	15,412,200	443,149,000	4,942,788
2016/17	414,356,500	94.0	440,450,735	16,410,000	392,000,000	4,383,148
2015/16	410,127,000	99.3	413,213,393	15,822,800	388,269,100	4,264,903
2014/15	390,287,700	96.7	403,340,337	16,499,000	367,644,100	4,017,340

(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, <http://www.revenue.state.mn.us/propertytax/Pages/statistics-emv.aspx>.

(c) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, <http://www.revenue.state.mn.us/propertytax/Pages/statistics-emv.aspx>.

Source: Carver County, Minnesota, May 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: \$5,401,823

Real Estate:		
Residential Homestead	\$4,012,747	78.4%
Residential Non-Homestead	530,905	10.4
Commercial/Industrial	439,334	8.6
Agricultural	39,604	0.8
Personal Property	<u>94,054</u>	<u>1.8</u>
2018/19 Net Tax Capacity	\$5,116,644	100.0%
Less: Captured Tax Increment	(200,708)	
Contribution to Fiscal Disparities	(192,906)	
Plus: Distribution from Fiscal Disparities	<u>678,793</u>	
2018/19 Adjusted Taxable Net Tax Capacity	\$5,401,823	

Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018/19 Net Tax Capacity</u>
MFF Mortgage Borrower 14 LLC*	Commercial	\$359,854
CenterPoint Energy	Utility	65,536
US Home Corporation	Residential	62,126
DR Horton Inc	Residential	34,508
M/I Homes of Minneapolis/St. Paul LLC	Residential	31,906
Carver Crossing LP	Apartments	29,417
Vincent Bluffs of Carver LLC	Residential	24,297
Xcel Energy	Utility	23,918
COT Carver Properties LLC	Commercial	23,042
Individual	Residential	<u>20,878</u>
Total		\$675,482*

* *MFF Mortgage Borrower 14 LLC (formerly noted as Mills Properties, LLC) represents 6.7% of the City's 2018/19 adjusted taxable net tax capacity. The remaining nine taxpayers represent 5.8% of the City's 2018/19 adjusted taxable net tax capacity.*

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	\$15,147,915
Less: Outstanding Debt Subject to Limit	<u>(6,605,000)</u>
Legal Debt Margin as of August 14, 2019	\$ 8,542,915

* *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 8-14-19</u>
11-4-10	\$ 485,000	Equipment Certificates	2-1-2020	\$ 60,000
11-4-10	1,335,000	Refunding	2-1-2023	530,000
6-4-15	370,000	Equipment Certificates	2-1-2025	250,000
8-2-18	4,950,000	Capital Improvements	2-1-2039	4,950,000
8-14-19	815,000	Equipment Certificates (the Equipment Portion of the Series 2019B Bonds)	2-1-2029	<u>815,000</u>
Total				\$6,605,000

* *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 8-14-19</u>
11-4-10	\$ 375,000	Street Improvement Refunding	2-1-2021	\$ 90,000
12-1-11	1,630,000	Improvements	2-1-2034	1,485,000
9-3-13	1,345,000	Improvements	2-1-2030	1,055,000
6-4-15	695,000	Street Improvements	2-1-2031	575,000
6-4-15	670,000	Improvements Refunding	2-1-2024	440,000
8-7-17	1,905,000	Improvements	2-1-2038	1,860,000
8-14-19	2,720,000	Street Improvements (the Improvement Portion of the Series 2019B Bonds)	2-1-2040	<u>2,720,000</u>
Total				\$8,225,000

General Obligation Tax Increment Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 8-14-19</u>
8-14-19	\$1,075,000	Public Improvements (the Series 2019A Bonds)	2-1-2030	\$1,075,000

General Obligation Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 8-14-19</u>
2-16-00	\$1,188,000	Sewer Revenue Note	8-20-2019	\$ 79,000
12-15-03	2,522,966	Water Revenue Note	8-20-2023	762,000
11-4-10	350,000	Water Revenue	2-1-2022	105,000
11-4-10	280,000	Sewer Revenue	2-1-2022	85,000
11-4-10	180,000	Storm Water Revenue	2-1-2021	40,000
3-28-12	675,000	Water Revenue Refunding	2-1-2025	385,000
9-3-13	895,000	Water, Sewer, and Storm Sewer Revenue	2-1-2029	650,000
6-4-15	155,000	Water, Sewer, and Storm Sewer Revenue	2-1-2026	110,000
6-4-15	4,140,000	Water and Sewer Revenue Refunding	2-1-2029	3,825,000
8-17-17	1,515,000	Water, Sewer, and Storm Sewer Revenue	2-1-2038	1,480,000
8-2-18	1,040,000	Storm Water Revenue	2-1-2029	1,040,000
8-14-19	1,560,000	Water, Sewer, and Storm Sewer Revenue (the Utility Portion of the Series 2019B Bonds)	2-1-2035	<u>1,560,000</u>
Total				\$10,121,000

Estimated Calendar Year Debt Service Payments Including the Bonds

Year	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
	Principal	Principal & Interest ^(a)	Principal	Principal & Interest ^(c)
2019 (at 8-14)	(Paid)	(Paid)	(Paid)	(Paid)
2020	\$ 300,000	\$ 519,602	\$ 400,000	\$ 628,642
2021	420,000	628,303	490,000	709,694
2022	440,000	633,375	495,000	701,814
2023	460,000	637,625	495,000	688,326
2024	335,000	498,283	520,000	700,169
2025	345,000	495,468	455,000	622,846
2026	315,000	452,533	420,000	576,018
2027	325,000	450,580	435,000	579,030
2028	335,000	449,233	445,000	576,373
2029	350,000	453,535	460,000	577,820
2030	260,000	354,735	520,000	622,650
2031	265,000	351,694	425,000	513,160
2032	275,000	353,257	390,000	465,741
2033	280,000	349,410	405,000	468,318
2034	290,000	350,148	410,000	460,405
2035	300,000	350,410	265,000	304,956
2036	310,000	350,193	275,000	306,975
2037	320,000	349,400	285,000	308,588
2038	335,000	352,938	290,000	304,912
2039	345,000	351,038	170,000	177,975
2040			175,000	177,713
Total	\$6,605,000 ^(b)	\$8,731,760	\$8,225,000 ^(d)	\$10,472,125

(a) Includes the Equipment Portion of the Series 2019B Bonds at an assumed average annual interest rate of 2.01%.

(b) 54.9% of this debt will be retired within ten years.

(c) Includes the Improvement Portion of the Series 2019B Bonds at an assumed average annual interest rate of 2.68%.

(d) 56.1% of this debt will be retired within ten years.

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Estimated Calendar Year Debt Service Payments Including the Bonds (continued)

Year	G.O. Tax Increment Debt		G.O. Revenue Debt	
	Principal	Principal & Interest ^(a)	Principal	Principal & Interest ^(c)
2019 (at 8-14)	(Paid)	(Paid)	\$ 223,000	\$ 234,870
2020	-0-	\$ 20,109	808,000	1,085,658
2021	-0-	20,863	1,002,000	1,254,857
2022	\$ 110,000	129,873	1,022,000	1,244,272
2023	115,000	132,848	961,000	1,151,066
2024	115,000	130,778	830,000	991,581
2025	115,000	128,679	850,000	990,408
2026	120,000	131,505	800,000	917,081
2027	120,000	129,255	810,000	902,963
2028	125,000	131,865	765,000	835,418
2029	125,000	129,303	790,000	838,075
2030	130,000	131,495	150,000	184,640
2031			155,000	185,463
2032			160,000	186,075
2033			160,000	181,556
2034			170,000	186,793
2035			170,000	181,783
2036			95,000	102,771
2037			100,000	104,700
2038			100,000	101,563
Total	\$1,075,000^(b)	\$1,216,573	\$10,121,000^(d)	\$11,861,593

(a) Includes the Series 2019A Bonds at an assumed average annual interest rate of 2.00%.

(b) 87.9% of this debt will be retired within ten years.

(c) Includes the Utility Portion of the Series 2019B Bonds at an assumed average annual interest rate of 2.10%.

(d) 79.7% of this debt will be retired within ten years.

Overlapping Debt

Taxing Unit ^(a)	2018/19		Debt Applicable to Tax Capacity in City	
	Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 8-14-19 ^(b)	Percent	Amount
Carver County	\$ 153,858,855	\$ 13,360,000	3.5%	\$ 467,600
I.S.D. No. 112 (Eastern Carver County)	88,654,071	147,770,000	6.1	9,013,970
Metropolitan Council	4,281,620,797	5,735,000 ^(c)	0.1	5,735
Total				\$9,487,305

(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 & Overlapping Debt</u>
To 2018/19 Estimated Market Value (\$504,930,500)	3.15%	5.03%
Per Capita (4,960 - 2018 U.S Census Estimate)	\$3,206	\$5,119

* Excludes general obligation revenue debt.

CITY TAX RATES, LEVIES AND COLLECTIONS

**Tax Capacity Rates for a Resident in the Independent School District No. 112
(Eastern Carver County)**

	<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>
Carver County	40.488%	38.880%	38.850%	37.437%	36.488%	2.946%
City of Carver	48.951	48.998	49.575	47.703	50.592	18.765
I.S.D. No. 112 (Eastern Carver County) ^(a)	39.120	39.245	37.005	33.837	33.631	21.317
Special Districts ^(b)	<u>5.902</u>	<u>5.315</u>	<u>6.265</u>	<u>5.953</u>	<u>5.852</u>	<u>0.030</u>
Total	134.461%	132.438%	131.695%	124.930%	126.563%	43.058%

(a) In addition, Independent School District No. 112 (Eastern Carver County) has a 2018/19 market value tax rate of 0.023096% spread across the market value of property in support of an excess operating levy.

(b) Special districts include Carver County Community Development Agency, Metropolitan Council, Metropolitan Transit District, Metropolitan Mosquito Control, Carver County Watershed Management Organization, Lower Minnesota River Watershed No. 1, and Carver County Rail 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 12-31-18</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2018/19	\$2,712,691			(In Process of Collection)	
2017/18	2,367,601	\$2,359,178	99.6%	\$2,359,178	99.6%
2016/17	2,169,121	2,156,846	99.6	2,164,314	99.9
2015/16	2,074,284	2,063,919	99.5	2,072,979	99.9
2014/15	1,989,982	1,981,744	99.6	1,989,481	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 May 31, 2019**

General Fund	\$ 805,953
Special Revenue Funds	(82,588)*
Debt Service Funds	601,431
Capital Project Funds	4,160,221
Enterprise Fund	3,516,569
Developer Escrow	<u>439,828</u>
 Total Cash and Investments	 \$9,441,414

* The negative balance is due to the timing of a receipt of various grants and internal transfers.

INVESTMENTS

The City invests in accordance with Minnesota Statutes. As of May 31, 2019, the City had investments with a value of \$8,829,913. City funds are invested as follows:

	<u>Amount</u>	<u>Percent of Portfolio</u>
Money Market Accounts	\$4,737,068	53.7%
Municipal Bonds	1,866,739	21.1
Certificates of Deposit	1,323,782	15.0
Corporate/Government Bonds	881,363	10.0
Savings Accounts	<u>20,961</u>	<u>0.2</u>
 Total	 \$8,829,913	 100.0%

GENERAL INFORMATION CONCERNING THE CITY

The City is located in Carver County, approximately 25 miles southwest of the Minneapolis/Saint Paul metropolitan area, and encompasses an area of approximately 2,770 acres (4.3 square miles).

Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2018 U.S. Census Estimate	4,960	33.2%
2010 U.S. Census	3,724	194.2
2000 U.S. Census	1,266	70.2
1990 U.S. Census	744	12.4
1980 U.S. Census	662	--

Source: Minnesota State Demographic Center, mn.gov/admin/demography and 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	1,473	791	1,989	329
2017/18	1,440	779	1,947	304
2016/17	1,432	763	1,908	283
2015/16	1,409	746	1,890	258
2014/15	1,383	717	1,839	242

Sources: *Envionics Analytics, Claritas, Inc. and The Nielsen Company.*

Transportation

Major transportation routes serving the City include U.S. Highways 212 and 169 and State Highway 41. In addition, Interstate 494 is approximately ten miles northeast of the City. Twin Cities and Western Railroad provides rail service to the City. Air transportation by major airlines is available at the Minneapolis-St. Paul International Airport, less than a half-hour drive from the City, and at the Flying Cloud Airport, located in the City of Eden Prairie, approximately ten miles east of the City.

Major Employers

The majority of City residents commute to jobs throughout the Minneapolis/Saint Paul metropolitan area.

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Mills Fleet Farm	Retail	170
ISD No. 112 (Eastern Carver County)	Public Education	113 ^(a)
City of Carver	City Government	57 ^(b)
Children of Tomorrow	Daycare Center	24
Harvey's Grill & Bar	Restaurant and Bar	20
Robb's Electric Inc.	Electric Contractors	15
Casey's General Store	Convenience Store	10

^(a) *Includes District employees located in the City only.*

^(b) *Includes full-time, part-time and seasonal employees.*

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

Labor Force Data

	Annual Average				April
	2015	2016	2017	2018	2019
Labor Force:					
Carver County	55,168	56,485	57,424	57,859	58,007
Minneapolis-St. Paul					
Bloomington MSA	1,916,011	1,938,642	1,979,780	2,016,208	2,004,340
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	2,086,223
Unemployment Rate:					
Carver County	3.2%	3.3%	2.9%	2.5%	2.6%
Minneapolis-St. Paul					
Bloomington MSA	3.5	3.6	3.3	2.7	2.8
State of Minnesota	3.7	3.9	3.4	2.9	3.2

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

Retail Sales and Effective Buying Income (EBI)

City of Carver

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	N/A	\$177,248	\$93,471
2017/18	\$ 7,388	166,549	93,094
2016/17	18,301	147,617	89,423
2015/16	9,567	137,133	84,233
2014/15	10,729	140,603	90,850

Carver 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	\$1,271,040	\$4,219,638	\$77,524
2017/18	1,267,182	4,120,274	78,545
2016/17	1,114,035	3,548,604	71,765
2015/16	1,077,082	3,305,078	70,504
2014/15	1,064,926	3,191,178	72,491

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

Year	New Single/ Multi-Family Residential		New Commercial/Industrial		Total Value ^(a) (All Permits)
	Number	Value	Number	Value	
2019 (to 5-31)	39	\$ 9,717,958	2	\$21,237,338 ^(b)	\$30,955,296
2018	46	13,457,794	2	4,191,875	17,649,669
2017	40	5,133,000	1	1,200,000	6,333,000
2016	73	18,727,487	1	368,598	19,096,085
2015	20	4,661,700	1	8,120,000	12,871,700
2014	19	4,283,468	1	698,778	4,982,246
2013	39	9,472,278	0	- 0 -	9,472,278
2012	34	7,731,501	0	- 0 -	7,731,501
2011	46	12,819,047	3	2,270,000	15,089,047

^(a) In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).

^(b) Includes permits for Lakeview Industries, a new manufacturing plant being constructed in the City's Tax Increment Financing (Economic Development) District No. 1-9, for which the Series 2019A Bonds are being issued to assist with public improvements.

Source: The City.

Recent Development

There are approximately 1,255 single-family homes and 336 multi-family units located within the City. As of May 31, 2019, there were 39 single-family, two commercial, and no multi-family permits issued. In 2018, the City issued 46 single-family permits and no multi-family permits. Currently, there are five residential subdivisions with vacant developed lots and active building activity. There is one new subdivision in the planning/entitlement process, which will bring approximately 81 new vacant developed lots into the City.

Commercial/Industrial Development

There is currently a 70-unit assisted living facility under construction, as well as a 154,000 square-foot industrial building. Building construction and commercial/industrial growth completed within the past five years is as follows:

<u>Name</u>	<u>Product/ Service</u>	<u>Description of Construction</u>
Carver Square Professional Bldg (Completed 2019)	Office Building	Wood
Carver Elementary (Completed 2017)	Public elementary	Concrete
Carver Dental (Completed 2017)	Dental office	Wood
Children of Tomorrow (Completed 2017)	Child care facility	Wood
Carver Station (Completed 2015)	Park and Ride	Wood-concrete

Financial Institutions*

There are no full service banks within the City. Financial institutions with branch offices within the area include Charter Bank, KleinBank, Security Bank & Trust Company, and Wells Fargo Bank, National Association.

* This does not purport to be a comprehensive list.

Source: Federal Deposit Insurance Corporation, <https://www.fdic.gov/>.

Health Care Services

There are no healthcare facilities within the City. The following is a summary of health care facilities in the area.

<u>Facility</u>	<u>Location</u>	<u>No. of Beds</u>
Auburn Manor	City of Chaska	61 Nursing home beds
Shakopee Friendship Manor	City of Shakopee	80 Nursing home beds
St. Francis Regional Medical Center	City of Shakopee	111 Hospital beds
St. Gertrude's Health & Rehab Center	City of Shakopee	105 Nursing home beds

In addition, City residents have access to Lakeview Clinic and Two Twelve Medical Center, both located in the City of Chaska. Two Twelve Medical Center is owned and operated by Ridgeview Medical Center and is a free-standing emergency and urgent care facility. Two Twelve Medical Center offers 24/7 emergency care and urgent care, comprehensive family and specialty care, advance diagnostics, and access to leading physicians and clinics.

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

Education

Public Education

The following district serves the residents of the City:

<u>District</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19 Enrollment</u>
I.S.D. No. 112 (Eastern Carver County)	City of Chaska	K-12	9,829

Source: Minnesota Department of Education, www.education.state.mn.us.

Non-Public Education

There are no private schools within the City. Private schools in the area include:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19 Enrollment</u>
St. Hubert Catholic School	City of Chanhassen	K-8	547
Holy Family Catholic High School	City of Victoria	9-12	400
Southwest Christian High School	City of Chaska	9-12	357
Chapel Hill Academy	City of Chanhassen	K-8	255
St. John Lutheran School	City of Chaska	K-8	125
Breakaway Academy	City of Chaska	5-8	73
Guardian Angels Schools	City of Chaska	K-8	57

Source: Minnesota Department of Education, www.education.state.mn.us.

Post-Secondary Education

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

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City has been a municipal corporation since 1852. The City has a statutory form of government, in which the Mayor and four Council members are elected to overlapping four-year terms.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Courtney Johnson	Mayor	January 31, 2023
Glen Henry	Council Member	January 31, 2021
Joy McKnight	Council Member	January 31, 2023
Kristy Mock	Council Member	January 31, 2021
Laurie Sayre	Council Member	January 31, 2023

Mr. Brent Mareck serves as the City Manager, and is responsible for directing the administration of Council policy, maintaining the records and accounts of the City's operations, and is responsible for all record-keeping functions of the City. Ms. Vicky Sons-Eiden serves as the City Clerk/Treasurer.

Services

Water Utility System. The City's water utility system has approximately 1,404 private and municipal connections served by a 100,000 gallon elevated water storage facility and a 750,000 gallon elevated water storage facility, along with one storage reservoir at a combined capacity of 950,000 gallons. The system has a pumping capacity of 1,650 gallons per minute or 1,000,000 gallons per day. Average demand is 300,000 gallons per day while peak demand reaches 1,100,000 gallons per day. Total tap water hardness is 30 parts per million. The 2018 audited operating revenues were \$697,827 with the average charge of \$384 per year for residential water customers and \$1,306 per year for commercial water customers.

Sanitary Sewer Utility System. The City's sanitary sewer utility system has approximately 1,408 private and municipal connections served by the Metropolitan Council system. Average flow is 325,000 gallons per day while peak flow reaches 350,000 gallons per day. The 2018 audited operating revenues were \$550,843 with the average disposal charge per year per household at approximately \$352, and commercial connections at \$1,246. For residential, the sewage use is based on their average water usage for the months of January through March each year and billed out at \$6.63 per thousand gallons. Commercial usage is billed out the same way with the exception of Mills Fleet Farm, which is billed based on each month's actual water usage.

Fire and Rescue/Emergency Department. The City currently operates a 31-member volunteer fire and rescue department, which consists of one engine, one rescue engine with a 1,000 gallon capacity, one rescue engine tanker with a 2,000 gallon tank, one tanker with a 3,000 gallon tank, and 250 gallon per minute pump, one grass truck, one UTV grass/rescue unit, one off-road rescue cart, one light rescue and equipment vehicle, one boat, and one portable light tower, as well as other miscellaneous firefighting and rescue equipment.

Police Department. The City contracts one full-time deputy, one part-time night deputy, and 260 hours of Community Service Officers from Carver County. Carver County provides all police protection, with dispatch routed through the Carver County Sheriff's Department.

Park and Recreational Facilities. The City has nine parks that encompass approximately 79 acres of designated parkland. Facilities include shelters with bathrooms, a gazebo, soccer fields, a nature park and walking trail, volleyball courts, tennis courts, skateboarding facility, picnic areas, camping facilities, baseball and softball fields, basketball courts, hockey and skating rinks, an archery range, horseshoe pits, a boulder climbing wall, and playground equipment.

Labor Contracts

The status of labor contracts in the City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
AFSCME Council 65 Local 2789 Non-unionized employees	10 <u>6</u>	December 31, 2019
Subtotal	16	
Part-time and seasonal employees*	<u>41</u>	
Total employees	<u>57</u>	

* *The City employs approximately 31 part-time fire fighters, one part-time public service employee, two part-time administrative employees, and seven seasonal employees.*

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), which is a 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.

Per Minnesota Statutes, city managers or administrators may elect to be excluded from membership in PERA. If they elect exclusion, they and their cities may agree that the cities will defer and contribute additional compensation on behalf of the employees to a deferred compensation program. The program must meet federal income tax laws, and the City contribution cannot exceed the amount it would have made under the PERA contribution. The City’s Manager is covered by deferred compensation plan 457(b) administered by ICMA-RC.

The City also contributes to the Carver Firemen’s Relief Association (the “Relief Association”), a single-employer public employee retirement plan that is established and administered in accordance with Minnesota Statutes. The Relief Association maintains a separate special fund to accumulate assets to fund the retirement benefits earned by the Fire Department’s membership. Funding for the Relief Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter’s Relief Association Financing Guidelines Act of 1971, and funds are also derived from investment income. As of December 31, 2017 (most recent information available), the plan covered 25 active firefighters and 12 vested terminated fire fighters whose pension benefits are deferred. The City had no statutorily-required contributions to the plan for the years ended December 31, 2015 through December 31, 2017.

The City’s contribution to the GERF, 457(b) Plan, and the Relief Association for the past five years are as follows:

	<u>GERF</u>	<u>457(b)</u>	<u>Relief Association</u>
2018	\$69,774	\$8,936	- 0-
2017	59,225	8,537	- 0-
2016	54,614	8,140	- 0-
2015	50,568	7,793	- 0-
2014	45,795	7,301	\$17,952

For more information regarding the liability of the City with respect to its employees, please reference “Note 4, Defined Benefit Pension Plan - Statewide,” “Note 5, Defined Benefit Pension Plan - Fire Relief Association,” and “Note 6, Deferred Compensation Plans - Statewide,” of the City’s 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 Annual Financial Reports.

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 for the past four years are as follows:

	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2018	0.0128%	\$710,092
2017	0.0120	766,072
2016	0.0112	909,384
2015	0.0109	564,895

For more information regarding GASB 68 with respect to the City, please reference “Note 4, Defined Benefit Pension Plan - Statewide” of the City’s 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: City’s Annual Financial Reports.

Other Post-Employment Benefits

The City’s only OPEB is for health insurance. Retirees and disabilitants are eligible to remain on the City’s group health plan, but the City does not assist with premium payments. The only cost to the City comes from the implicit rate subsidy. Under GASB 45, such costs must be accounted for on an annual basis, however, management has determined that any liability related to postemployment benefits is immaterial to the City’s Annual Financial Report.

General Fund Budget Summary

	2018 <u>Budget</u>	2018 <u>Actual</u>	2019 <u>Budget</u>
Revenues			
Taxes	\$1,750,926	\$1,757,714	\$1,706,879
Licenses and permits	219,800	253,540	352,975
Intergovernmental	160,886	229,952	174,356
Charges for services	133,300	172,998	152,850
Fines and forfeitures	7,000	3,841	8,500
Investment earnings	16,500	2,992	16,500
Miscellaneous	<u>2,500</u>	<u>1,860</u>	<u>500</u>
Total Revenues	\$2,290,912	\$2,422,897	\$2,412,560
Expenditures			
General government	\$ 784,912	\$ 883,010	\$ 793,915
Public safety	761,315	726,799	904,376
Public works	685,544	650,983	732,935
Culture and recreation	55,250	54,239	54,250
Capital outlay	<u>30,000</u>	<u>37,374</u>	<u>28,750</u>
Total Expenditures	\$2,317,021	\$2,352,405	\$2,514,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (26,109)	\$ 70,492	\$ (101,666)
Other Financing Sources (Uses)			
Transfers in	\$ 60,000	\$ 60,000	\$ 101,666
Transfers out	<u>(33,891)</u>	<u>(50,682)</u>	<u>(16,891)</u>
Total Other Financing Sources (Uses)	\$ 26,109	\$ 9,318	\$ 84,775
Net Change in Fund Balance	<u>0</u>	<u>79,810</u>	<u>(16,891)</u>
Fund Balance January 1	<u>\$1,185,472</u>	<u>\$1,185,472</u>	<u>\$1,265,282</u>
Fund Balance December 31	<u>\$1,185,472</u>	<u>\$1,265,282</u>	<u>\$1,248,391</u>

Sources: The City.

Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes	\$1,618,149	\$1,608,326	\$1,606,600	\$1,658,892	\$1,757,714
Licenses and permits	106,427	182,292	306,829	228,959	253,540
Intergovernmental	414,831	222,540	163,213	212,068	229,952
Charges for services	140,540	161,049	150,810	156,275	172,998
Transfers in	- 0 -	- 0 -	33,176	94,000	60,000
Investment earnings	30,080	13,240	5,496	17,014	2,992
Miscellaneous	16,236	28,666	16,748	4,148	1,860

Sources: City's Annual Financial Reports.

PROPOSED FORMS OF LEGAL OPINIONS



2200 IDS Center
 80 South 8th Street
 Minneapolis, MN 55402
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 URL Briggs.com

\$1,075,000*
 GENERAL OBLIGATION TAX INCREMENT
 REVENUE BONDS, SERIES 2019A
 CITY OF CARVER
 CARVER COUNTY
 MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Carver, Carver County, Minnesota (the "Issuer"), of its \$1,075,000 General Obligation Tax Increment Revenue Bonds, Series 2019A, bearing a date of original issue of August 14, 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:

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

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of

*Preliminary, subject to change

equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

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

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

BRIGGS AND MORGAN
Professional Association



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\$5,095,000*
GENERAL OBLIGATION BONDS, SERIES 2019B
CITY OF CARVER
CARVER COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Carver, Carver County, Minnesota (the "Issuer"), of its \$5,095,000 General Obligation Bonds, Series 2019B, bearing a date of original issue of August 14, 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:

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

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

*Preliminary, subject to change

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

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

BRIGGS AND MORGAN
Professional Association

**PROPOSED FORM OF CONTINUING
DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Carver, Minnesota (the "Issuer"), in connection with the issuance of its \$1,075,000 General Obligation Tax Increment Revenue Bonds, Series 2019A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 15, 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.

"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, 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, 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: August 14, 2019.

CITY OF CARVER, MINNESOTA

By _____
Its Mayor

By _____
Its Clerk-Treasurer

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Carver, Minnesota (the "Issuer"), in connection with the issuance of its \$5,095,000 General Obligation Bonds, Series 2019B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 15, 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.

"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, 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, 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: August 14, 2019.

CITY OF CARVER, MINNESOTA

By _____
Its Mayor

By _____
Its Clerk-Treasurer

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

^(a) State tax is applicable to these classifications.

^(b) Exempt from referendum market value based taxes.

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

^(d) 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 ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Annual Financial Report 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.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Carver, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carver, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedules of Employer's Contributions starting on page 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

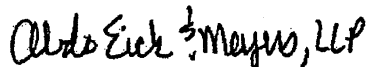
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

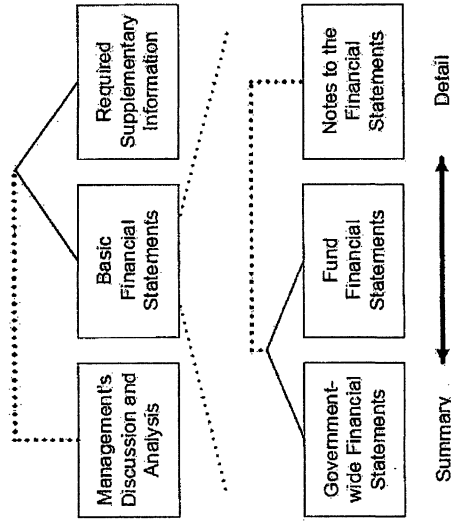


ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 3, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Organization of the City's Annual Financial Report



Management's Discussion and Analysis

As management of the City of Carver, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,614,282 (net position). Of this amount, \$4,254,135 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$214,259 with a majority of the decrease related to business-type activities with a decrease of \$310,744.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,808,626, an increase of \$3,636,027 in comparison with the prior year. The increase is primarily attributed to the bond issuance of \$4,950,000 offset with capital expenditures for various projects during the year. There was unspent bond proceeds of \$3,394,677 at the end of 2018, which is expected to be spent in 2019 with the completion of the City Hill Construction project.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,259,428 or 52.4 percent of total 2018 General fund expenditures and transfers out.
- The City's total noncurrent liabilities increased \$912,368 during the current fiscal year. This is mainly due to the issuance of the 2018A and 2018B bonds offset by regularly scheduled principal payments and the payoff and defeasance of the 2006A and 2006B bonds.

The following chart summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements			Fiduciary Funds
	Governmental Funds	Proprietary Funds		
Scope	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers	
Required financial statements	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> Statements of Net Position Statements of Revenues, Expenses and Changes in Fund Net Position Statements of Cash Flows 	<ul style="list-style-type: none"> Statement of fiduciary net position 	
Accounting basis and measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and no measurement focus	
Type of deferred outflows/inflows of resources information	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	None reported	
Type of asset/liability information	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund does not currently contain capital assets, although they can	
Type of inflow/outflow information	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid	

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Authority (EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the City.

The government-wide financial statements start on page 31 of this report.

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

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

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

The City maintains numerous individual governmental funds, seven of which are Debt Service funds though they are presented as one. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Park Development fund, and City Hall Construction fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation, individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

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

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 42 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 48 of this report.

Notes to the Financial Statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding to provide pension benefits to its employees. Required supplementary information can be found starting on page 80.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 49 of this report.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions and related notes starting on page 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,614,292 at the close of the most recent fiscal year.

The largest portion of the City's net position (85.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Carver's Summary of Net Position

	Governmental Activities		Business-type Activities		Increase (Decrease)
	2018	2017	2018	2017	
Assets					
Current and other assets	\$ 8,701,828	\$ 4,847,395	\$ 4,816,252	\$ 8,660,683	\$ (3,764,441)
Capital assets, net of depreciation	22,221,579	20,885,658	32,479,255	32,501,536	(22,241)
Total Assets	30,923,407	25,534,053	37,295,547	41,082,229	(3,766,682)
Deferred Outflows of Resources	156,103	201,341	76,034	94,563	(18,529)
Liabilities					
Noncurrent liabilities outstanding	13,265,904	8,763,636	9,739,823	13,365,537	(3,625,714)
Other liabilities	1,115,001	462,078	652,922	245,023	180,202
Total Liabilities	14,370,905	9,225,715	10,392,745	13,610,560	(3,445,612)
Deferred Inflows of Resources	206,816	172,426	70,508	74,934	(4,426)
Net Position					
Net investment in capital assets	13,481,401	13,597,437	(116,036)	23,725,355	99,891
Restricted for:					
Debt service	847,945	1,684,378	(846,433)	-	-
Park improvements	1,197,669	466,962	730,707	-	-
Economic development	107,787	35,477	72,310	-	-
Street improvements	-	199,927	(199,927)	-	-
Unrestricted	868,985	343,072	523,913	3,410,670	(455,164)
Total Net Position	\$ 16,501,787	\$ 16,337,253	\$ 164,534	\$ 27,481,298	\$ (955,273)

A portion of the City's net position (4.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,254,135) may be used to meet the City's ongoing obligations to citizens and creditors.

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

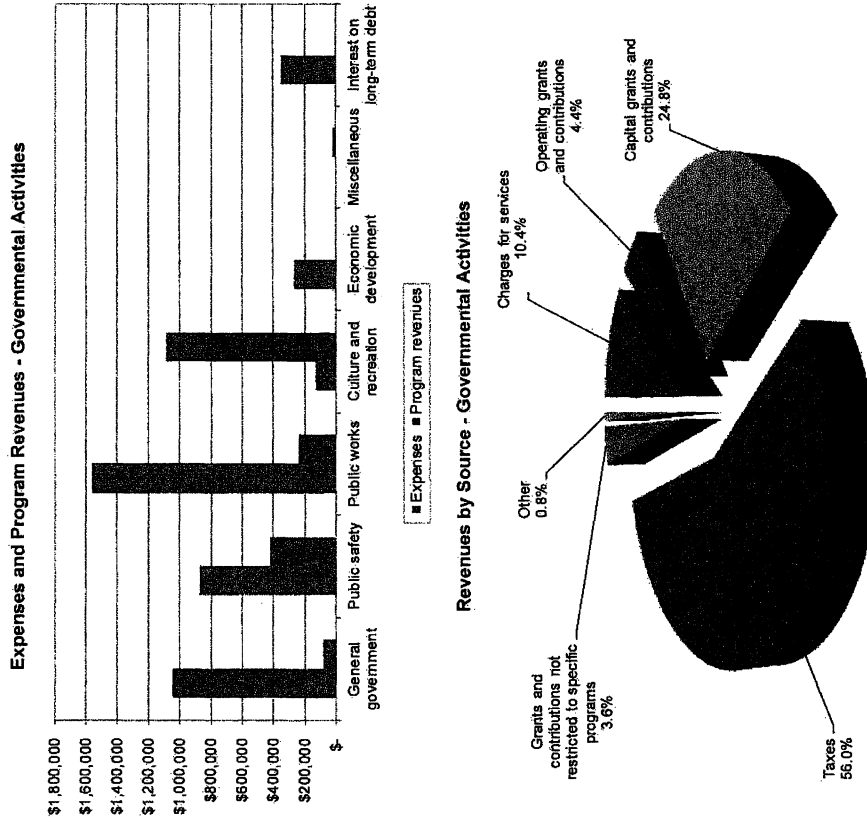
Significant changes from the prior year are noted below:

City of Carver's Changes in Net Position

	Governmental Activities		Business-type Activities		Increase (Decrease)
	2018	2017	2018	2017	
Revenues					
Program Revenues	\$ 484,106	\$ 438,975	\$ 1,423,157	\$ 1,408,855	\$ 14,302
Charges for services	207,348	179,072	28,276	3,448	(241)
Operating grants and contributions	1,161,962	403,191	758,781	628,342	394,080
Capital grants and contributions					244,262
General Revenues					
Taxes	2,417,549	2,221,167	196,362	-	-
Property taxes	2,046,612	192,815	11,797	-	-
Tax increments	189,319	141,687	27,632	-	-
Grants and contributions not restricted to specific programs	16,132	46,629	(31,497)	39,424	(89,724)
Unrestricted investment earnings	20,721	-	20,721	22,500	22,500
Gain on sale of capital assets	4,680,769	3,624,536	1,056,233	1,929,772	187,099
Total Revenues	10,499,617	747,860	301,767	-	-
Expenses					
General government	873,538	915,590	(42,042)	-	-
Public safety	1,559,807	1,312,707	247,100	-	-
Public works	129,394	152,184	(22,790)	-	-
Culture and recreation	287,349	181,023	76,326	-	-
Economic development	22	433	(411)	-	-
Miscellaneous	351,350	168,514	182,836	-	-
Interest on long-term debt	-	-	1,228,960	1,318,544	(89,584)
Water	-	-	1,101,365	1,013,762	87,603
Sewer	-	-	425,947	312,847	113,100
Storm water	-	-	2,757,302	2,646,183	111,119
Total Expenses	4,231,077	3,486,281	742,766	2,757,302	111,119
Change in Net Position	449,692	136,245	913,447	(716,411)	75,980
Before Transfers	(285,158)	(22,100)	(263,058)	285,158	263,058
Transfers - Internal Activities	164,534	114,145	50,389	(694,311)	339,038
Change in Net Position	16,337,253	16,223,108	114,145	27,481,298	28,185,609
Net Position, January 1	\$ 16,501,287	\$ 16,337,253	\$ 164,534	\$ 27,136,025	\$ 27,491,298
Net Position, December 31					\$ (355,273)

Governmental Activities increased the City's net position by \$96,485, thereby accounting for a portion of the overall decrease in the net position of the City.

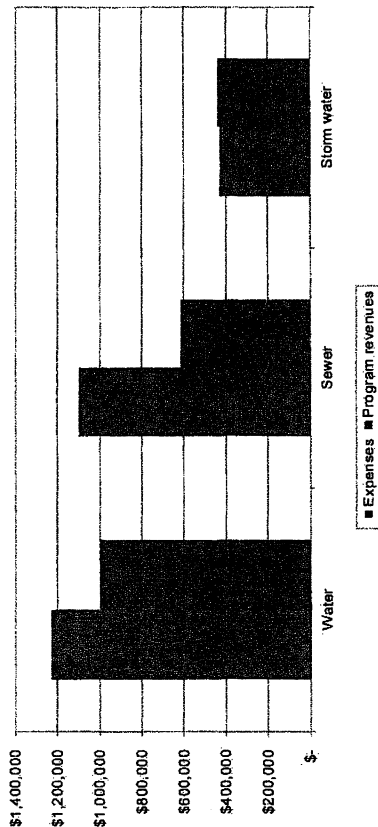
The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities.



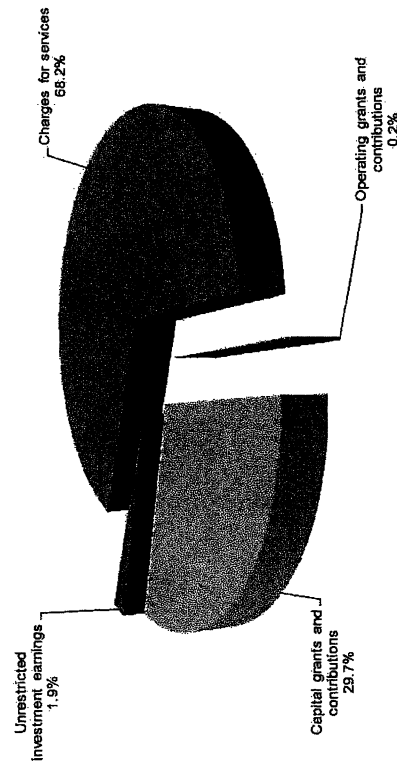
Business-type Activities. There was a decrease of \$310,744 in net position reported with the City's business-type activities. Key elements of this decrease are as follows:

- Operating loss of the proprietary funds totaled \$1,090,992. Of this operating loss, \$883,600 relates to depreciation.
- Capital contributions, which include water and sewer access fees, stormwater area charge, and cash contributions for capital projects, totaled \$628,342 for 2018.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,808,626, an increase of \$3,638,027 in comparison with the prior year, mainly due to the issuance of 2018A and 2018B bonds, offset with capital expenditures on various projects around the City. Approximately 9.1 percent of this total amount (\$617,871) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$6,190,755) is not available for new spending because it is either 1) nonspendable (\$5,853), 2) restricted (\$5,923,658), 3) committed (\$56,356), or 4) assigned (\$204,888). For further classification, refer to note 3F on page 68 of this report.

Activity in the City's major governmental funds is discussed below.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
General	\$ 1,265,282	\$ 1,185,472	\$ 79,810
The increase in the General fund balance is primarily a result of excess revenues over expenditures, and transfers in exceeding transfers out by \$9,318. The total fund balance at makes up 50.2 percent of next year's general fund budget.			

Debt Service

The fund balance in the Debt Service fund increased in 2018, primarily as a result of revenues from taxes, offset with debt payments. This entire fund balance is restricted to use toward future debt service payments.

Park Development

The fund balance in the Park Development fund increased primarily due to park dedication fees received from developers offset with capital expenditures on park improvements.

City Hall Construction

The increase in fund balance for the City Hall Construction fund is due to the issuance of bonds, offset with capital expenditures for the construction of the new city hall building.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,410,870. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Some of the significant variances can be briefly summarized as follows:

- Revenues were \$131,985 higher than budgeted, mainly due to intergovernmental revenues being over budget by \$69,066.
- Total expenditures were \$35,384 over budget. The main reason for the budget variance was expenditures in the general government department were over budget by \$68,088 due to various expenditures differing from budget. General engineering fees were over budget by \$125,340 accounting for a majority of the variance.

Economic Factors and Next Year's Budgets and Rates

- The City's estimated population as of April 1, 2018 is 4,727. The population is forecasted by the Metropolitan Council to be 6,300 people in 2020, and 10,300 in 2030. Through its budgeting process, the City plans for conservative levels of growth in fiscal year 2019, fiscal year 2020, and fiscal year 2021.
- Property valuations within the City remain stable.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Carver, PO Box 147, Carver, Minnesota 55315.

Capital Asset and Debt Administration

Capital Assets. This City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$54,700,874 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset events during the current fiscal year included the following:

- 2017 Street Improvements
- Ironwood Park field lighting and pedestrian bridges
- Purchase of a Bobcat with snowblower
- City Hall construction
- Purchase of a Chevy Silverado
- Contribution to Eastern Carver County schools for their share of the elementary school
- 2018 Storm Improvement project

**City of Carver's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Increase (Decrease)
	2018	2017	2018	2017	
Land	\$ 2,035,844	\$ 2,327,191	\$ (291,547)	\$ 627,374	\$ -
Historical Treasures and Collectibles	30,000	30,000	-	-	-
Construction in Progress	1,694,494	2,108,803	(444,309)	447,488	(348,208)
Bulkings	1,233,455	1,283,687	(50,232)	131,285	(5,234)
Infrastructure	16,467,032	14,206,392	2,260,640	30,783,400	266,882
Vehicles and Equipment	790,954	930,585	(139,631)	189,100	45,319
Total	\$ 22,221,679	\$ 20,695,656	\$ 1,524,923	\$ 32,479,285	\$ (22,241)

Additional information on the City's capital assets can be found in Note 3C starting on page 61 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the City had total bonded debt outstanding of \$21,445,223. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Carver's Noncurrent Liabilities

	Governmental Activities		Business-type Activities		Increase (Decrease)
	2018	2017	2018	2017	
G.O. Bonds	\$ 6,010,000	\$ 1,275,000	\$ 4,735,000	\$ -	\$ -
G.O. Improvement Bonds	5,710,000	5,985,000	(275,000)	145,000	(20,000)
G.O. Revenue Bonds	-	-	9,116,000	12,853,000	(3,737,000)
Loans Payable	750,000	750,000	-	-	-
Unamortized Bond Premium	305,884	134,235	171,449	178,539	17,919
Total	\$ 12,775,884	\$ 8,124,235	\$ 4,661,449	\$ 9,419,539	\$ (3,739,081)

The increase in noncurrent liabilities was due to the issuance of the 2018A and 2018B bonds and the repayment of the 2008A and 2008B bonds.

The City's bond rating is "AA" rating from Standard & Poor's for general obligation debt.

Additional information on the City's noncurrent liabilities can be found in Note 3E starting on page 64 of this report.

City of Carver, Minnesota
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments:	\$ 6,927,956	\$ 4,688,703	\$ 11,616,659
Receivables			
Accrued interest	19,244	-	19,244
Taxes	26,603	-	26,603
Accounts	28	104,563	104,591
Loans	751,500	-	751,500
Special assessments	524,300	1,818	526,118
Due from other governments	41,588	-	41,588
Prepaid items	5,853	21,168	27,021
Net pension asset	404,756	-	404,756
Capital assets			
Land, collectables, and construction in progress	3,730,138	1,074,862	4,805,000
Depreciable assets (net of accumulated depreciation)	18,491,441	31,404,433	49,895,874
Total Assets	<u>30,923,407</u>	<u>37,295,547</u>	<u>68,218,954</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>156,103</u>	<u>76,034</u>	<u>232,137</u>
Liabilities			
Accrued salaries payable	29,138	12,441	41,579
Accounts payable	874,689	294,737	1,169,426
Due to other governments	49,489	14,436	63,925
Accrued interest payable	161,685	103,611	265,296
Noncurrent liabilities			
Due within one year	572,131	828,199	1,400,330
Due in more than one year	12,683,773	8,911,624	21,595,397
Total Liabilities	<u>14,370,905</u>	<u>10,165,048</u>	<u>24,535,953</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>206,818</u>	<u>70,508</u>	<u>277,326</u>
Net Position			
Net investment in capital assets	13,481,401	23,725,355	37,206,756
Restricted for			
Debt service	847,945	-	847,945
Park improvements	1,197,669	-	1,197,669
Economic development	107,787	-	107,787
Unrestricted	<u>866,985</u>	<u>3,410,670</u>	<u>4,277,655</u>
Total Net Position	<u>\$ 16,501,787</u>	<u>\$ 27,136,025</u>	<u>\$ 43,637,812</u>

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

City of Carver, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 1,049,617	\$ 58,533	-	\$ 25,000	\$ (966,084)	-	\$ (966,084)
Public safety	873,538	381,371	39,885	3,000	(449,282)	-	(449,282)
Public works	1,559,807	33,652	149,971	52,077	(1,324,107)	-	(1,324,107)
Culture and recreation	129,394	550	8,000	1,075,882	955,038	-	955,038
Economic development	267,349	-	-	6,023	(261,326)	-	(261,326)
Miscellaneous	22	10,000	9,482	-	19,470	-	19,470
Interest on long-term debt	351,350	-	-	-	(351,350)	-	(351,350)
Total Governmental Activities	4,231,077	484,106	207,348	1,161,982	(2,377,641)	-	(2,377,641)
Business-type Activities							
Water	1,229,960	697,827	1,757	299,352	-	(231,024)	(231,024)
Sewer	1,101,395	550,843	1,106	64,956	-	(484,490)	(484,490)
Storm water	425,947	174,487	585	284,034	-	13,159	13,159
Total Business-type Activities	2,757,302	1,423,157	3,448	628,342	-	(702,355)	(702,355)
Total	\$ 6,988,379	\$ 1,907,263	\$ 210,796	\$ 1,790,324	(2,377,641)	(702,355)	(3,079,996)
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,755,767	-	1,755,767
Property taxes, levied for debt service					661,782	-	661,782
Tax increments					204,612	-	204,612
Grants and contributions not restricted to specific programs					169,319	-	169,319
Unrestricted investment earnings					15,132	39,424	54,556
Gain on sale of capital assets					20,721	22,500	43,221
Transfers - Internal Activities					(285,168)	285,158	-
Total General Revenues and Transfers					2,542,175	347,082	2,889,257
Change in Net Position					164,534	(355,273)	(190,739)
Net Position, January 1					16,337,253	27,491,298	43,828,551
Net Position, December 31					\$ 16,501,787	\$ 27,136,025	\$ 43,637,812

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

City of Carver, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

	101, 107	300's	403,404	460	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Park Development	City Hall Construction		
Assets						
Cash and temporary investments	\$ 1,367,389	\$ 1,230,046	\$ 484,473	\$ 3,756,001	\$ 90,047	\$ 6,927,956
Receivables						
Accrued interest	19,244	-	-	-	-	19,244
Taxes	21,319	5,284	-	-	-	26,603
Accounts	28	-	-	-	-	28
Special assessments	-	524,300	-	-	-	524,300
Loans	-	-	750,000	-	1,500	751,500
Due from other governments	28,465	-	-	-	13,123	41,588
Prepaid items	5,853	-	-	-	-	5,853
Total Assets	\$ 1,442,298	\$ 1,759,630	\$ 1,234,473	\$ 3,756,001	\$ 104,670	\$ 8,297,072
Liabilities						
Accrued salaries payable	\$ 29,138	\$ -	\$ -	\$ -	\$ -	\$ 29,138
Accounts payable	93,118	-	36,804	371,324	373,443	874,689
Due to other governments	48,051	-	-	-	1,438	49,489
Total Liabilities	170,307	-	36,804	371,324	374,881	953,316
Deferred Inflows of Resources						
Unavailable revenue - taxes	9,025	3,013	-	-	-	12,038
Unavailable revenue - special assessments	-	523,092	-	-	-	523,092
Total Deferred Inflows of Resources	9,025	526,105	-	-	-	535,130
Fund Balances						
Nonspendable	5,853	-	-	-	-	5,853
Restricted	-	1,233,525	1,197,669	3,384,677	107,787	5,923,658
Committed	-	-	-	-	56,356	56,356
Assigned	-	-	-	-	207,204	207,204
Unassigned	1,257,113	-	-	-	(641,558)	615,555
Total Fund Balances	1,262,966	1,233,525	1,197,669	3,384,677	(270,211)	6,808,626
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,442,298	\$ 1,759,630	\$ 1,234,473	\$ 3,756,001	\$ 104,670	\$ 8,297,072

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

City of Carver, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2018

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

Total Fund Balances - Governmental Funds	\$ 6,808,626
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	404,756
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	27,022,671
Less accumulated depreciation	(4,801,092)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(11,720,000)
Plus unamortized bond premium	(305,684)
Loans payable	(750,000)
Pension liability	(427,007)
Compensated absences payable	(53,213)
Some receivables are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.	
Taxes	12,038
Special assessments	523,092
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	156,103
Deferred inflows of pension resources	(206,818)
Governmental funds do not report a liability for accrued interest until due and payable.	(161,685)
Total Net Position - Governmental Activities	\$ 16,501,787

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

City of Carver, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	101, 107	300's	403, 404	460	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Park Development	City Hall Construction		
Revenues						
Taxes	\$ 1,757,714	\$ 661,782	\$ -	\$ -	\$ 204,612	\$ 2,624,108
Licenses and permits	253,540	-	-	-	-	253,540
Intergovernmental	229,952	-	-	-	91,657	321,609
Charges for services	172,998	-	1,075,882	-	53,727	1,302,607
Fines and forfeitures	3,841	-	-	-	-	3,841
Special assessments	-	158,867	-	-	-	158,867
Investment earnings	2,992	3,309	1,734	5,540	1,557	15,132
Miscellaneous	1,860	-	-	25,000	73,790	100,650
Total Revenues	<u>2,422,897</u>	<u>823,958</u>	<u>1,077,616</u>	<u>30,540</u>	<u>425,343</u>	<u>4,780,354</u>
Expenditures						
Current						
General government	883,010	-	-	12,063	-	895,073
Public safety	726,799	-	-	-	-	726,799
Public works	650,983	-	-	-	148,725	799,708
Culture and recreation	54,239	-	-	-	8,000	62,239
Economic development	-	-	-	-	230,387	230,387
Miscellaneous	-	-	-	-	22	22
Capital outlay						
General government	-	-	-	1,715,188	18,441	1,733,629
Public safety	710	-	-	-	38,965	39,675
Public works	36,664	-	-	-	615,029	651,693
Culture and recreation	-	-	353,444	-	9,643	363,087
Economic development	-	-	-	-	36,962	36,962
Debt service						
Principal	-	470,000	-	-	-	470,000
Interest and other	-	215,280	10,356	48,295	-	273,931
Total Expenditures	<u>2,362,405</u>	<u>685,280</u>	<u>363,800</u>	<u>1,775,546</u>	<u>1,106,174</u>	<u>6,283,205</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>70,492</u>	<u>138,678</u>	<u>713,816</u>	<u>(1,745,006)</u>	<u>(680,831)</u>	<u>(1,502,851)</u>
Other Financing Sources (Uses)						
Transfers in	60,000	-	16,891	121,331	201,645	399,867
Proceeds from sale of capital assets	-	-	-	-	327,880	327,880
Bonds issued	-	-	-	4,950,000	-	4,950,000
Debt transfers	-	-	-	-	(142,548)	(142,548)
Premium on bonds issued	-	-	-	192,685	-	192,685
Transfers out	(52,998)	(14,687)	-	-	(617,340)	(685,025)
Total Other Financing Sources (Uses)	<u>7,002</u>	<u>(14,687)</u>	<u>16,891</u>	<u>5,264,016</u>	<u>(230,363)</u>	<u>5,042,859</u>
Net Change in Fund Balances	77,494	123,991	730,707	3,519,010	(911,194)	3,540,008
Fund Balances, January 1	1,185,472	1,109,534	466,962	(134,333)	640,983	3,268,618
Fund Balances, December 31	<u>\$ 1,262,966</u>	<u>\$ 1,233,525</u>	<u>\$ 1,197,669</u>	<u>\$ 3,384,677</u>	<u>\$ (270,211)</u>	<u>\$ 6,808,626</u>

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

City of Carver, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,750,926	\$ 1,750,926	\$ 1,757,714	\$ 6,788
Licenses and permits	219,800	219,800	253,540	33,740
Intergovernmental	160,886	160,886	229,952	69,066
Charges for services	133,300	133,300	172,998	39,698
Fines and forfeitures	7,000	7,000	3,841	(3,159)
Investment earnings	16,500	16,500	2,992	(13,508)
Miscellaneous	2,500	2,500	1,860	(640)
Total Revenues	<u>2,290,912</u>	<u>2,290,912</u>	<u>2,422,897</u>	<u>131,985</u>
Expenditures				
Current				
General government	780,662	784,912	883,010	(98,098)
Public safety	756,940	761,315	726,799	34,516
Public works	694,169	685,544	650,983	34,561
Culture and recreation	55,250	55,250	54,239	1,011
Capital outlay	30,000	30,000	37,374	(7,374)
Total Expenditures	<u>2,317,021</u>	<u>2,317,021</u>	<u>2,352,405</u>	<u>(35,384)</u>
Excess of Revenues Over (Under) Expenditures				
	<u>(26,109)</u>	<u>(26,109)</u>	<u>70,492</u>	<u>96,601</u>
Other Financing Sources (Uses)				
Transfers in	60,000	60,000	60,000	-
Transfers out	(33,891)	(33,891)	(52,998)	(19,107)
Total Other Financing Sources (Uses)	<u>26,109</u>	<u>26,109</u>	<u>7,002</u>	<u>(19,107)</u>
Net Change in Fund Balances				
	-	-	77,494	77,494
Fund Balances, January 1				
	<u>1,185,472</u>	<u>1,185,472</u>	<u>1,185,472</u>	<u>-</u>
Fund Balances, December 31				
	<u>\$ 1,185,472</u>	<u>\$ 1,185,472</u>	<u>\$ 1,262,966</u>	<u>\$ 77,494</u>

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

City of Carver, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	419 Storm Water	Total
Assets				
Current Assets				
Cash and temporary investments	\$ 1,050,649	\$ 1,693,177	\$ 1,944,877	\$ 4,688,703
Receivables				
Accounts	41,498	46,512	16,553	104,563
Special assessments	1,471	-	347	1,818
Prepaid items	582	20,554	32	21,168
Total Current Assets	<u>1,094,200</u>	<u>1,760,243</u>	<u>1,961,809</u>	<u>4,816,252</u>
Noncurrent Assets				
Capital assets				
Land	290,223	188,807	148,344	627,374
Buildings	209,359	-	-	209,359
Infrastructure	13,797,099	20,353,735	4,098,358	38,249,192
Vehicle and equipment	317,393	148,346	154,101	619,840
Construction in progress	-	-	447,488	447,488
Less accumulated depreciation	(3,986,622)	(3,009,110)	(678,226)	(7,673,958)
Total Capital Assets (Net of Accumulated Depreciation)	<u>10,627,452</u>	<u>17,681,778</u>	<u>4,170,065</u>	<u>32,479,295</u>
Total Assets	<u>11,721,652</u>	<u>19,442,021</u>	<u>6,131,874</u>	<u>37,295,547</u>
Deferred Outflows of Resources				
Deferred pension resources	44,022	22,595	9,417	76,034
Liabilities				
Current Liabilities				
Accrued salaries payable	\$ 7,846	\$ 3,573	\$ 1,022	\$ 12,441
Accounts payable	42,832	34,408	217,497	294,737
Due to other governments	1,062	12,340	1,034	14,436
Accrued interest payable	60,265	14,964	28,382	103,611
Bonds payable - current	524,645	190,002	83,792	798,439
Compensated absences payable - current	19,194	8,409	2,157	29,760
Total Current Liabilities	<u>655,844</u>	<u>263,696</u>	<u>333,884</u>	<u>1,253,424</u>
Noncurrent Liabilities				
Bonds payable	4,920,465	1,208,337	2,313,759	8,442,561
Unamortized bond premium	77,002	14,149	87,388	178,539
Pension liability	163,901	84,123	35,060	283,084
Compensated absences payable	4,799	2,102	539	7,440
Total Noncurrent Liabilities	<u>5,166,167</u>	<u>1,308,711</u>	<u>2,436,746</u>	<u>8,911,624</u>
Total Liabilities	<u>5,822,011</u>	<u>1,572,407</u>	<u>2,770,630</u>	<u>10,165,048</u>
Deferred Inflows of Resources				
Deferred pension resources	40,823	20,953	8,732	70,508
Net Position				
Net investment in capital assets	5,105,340	16,269,290	2,350,725	23,725,355
Unrestricted	797,500	1,601,966	1,011,204	3,410,670
Total Net Position	<u>\$ 5,902,840</u>	<u>\$ 17,871,256</u>	<u>\$ 3,361,929</u>	<u>\$ 27,136,025</u>

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

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

	Business-type Activities - Enterprise Funds			Total
	601 Water	602 Sewer	419 Storm Water	
Operating Revenues				
Charges for services	\$ 697,827	\$ 550,843	\$ 174,822	\$ 1,423,492
Operating Expenses				
Personnel services	315,110	150,450	58,652	524,212
Supplies	77,217	21,157	20,584	118,958
Repairs and maintenance	98,644	58,212	-	156,856
Professional services	181,654	359,142	148,252	689,048
Insurance	10,721	9,836	-	20,557
Utilities	84,953	22,392	-	107,345
Depreciation	337,964	439,422	106,214	883,600
Other	8,548	3,433	1,927	13,908
Total Operating Expenses	<u>1,114,811</u>	<u>1,064,044</u>	<u>335,629</u>	<u>2,514,484</u>
Operating Loss	<u>(416,984)</u>	<u>(513,201)</u>	<u>(160,807)</u>	<u>(1,090,992)</u>
Nonoperating Revenues (Expenses)				
Investment earnings	17,523	17,504	4,397	39,424
Miscellaneous revenue	1,757	1,106	250	3,113
Amortization expense	51,362	9,437	6,837	67,636
Interest expense and other	(166,511)	(46,788)	(97,155)	(310,454)
Gain on disposal of asset	7,500	7,500	7,500	22,500
Total Nonoperating Revenues (Expenses)	<u>(88,369)</u>	<u>(11,241)</u>	<u>(78,171)</u>	<u>(177,781)</u>
Loss Before Contributions and Transfers	<u>(505,353)</u>	<u>(524,442)</u>	<u>(238,978)</u>	<u>(1,268,773)</u>
Capital Contributions	299,352	64,956	264,034	628,342
Transfers In	315,000	-	14,687	329,687
Transfers Out	<u>(11,113)</u>	<u>(6,851)</u>	<u>(26,565)</u>	<u>(44,529)</u>
Change in Net Position	97,886	(466,337)	13,178	(355,273)
Net Position, January 1	<u>5,804,954</u>	<u>18,337,593</u>	<u>3,348,751</u>	<u>27,491,298</u>
Net Position, December 31	<u>\$ 5,902,840</u>	<u>\$ 17,871,256</u>	<u>\$ 3,361,929</u>	<u>\$ 27,136,025</u>

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

City of Carver, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	419 Storm Water	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 703,046	\$ 555,054	\$ 176,059	\$ 1,434,159
Payments to suppliers, contractors and other governments	(447,508)	(448,230)	(143,625)	(1,039,363)
Payments to employees	(338,703)	(154,259)	(44,374)	(537,336)
Net Cash Used by Operating Activities	<u>(83,165)</u>	<u>(47,435)</u>	<u>(11,940)</u>	<u>(142,540)</u>
Cash Flows from Noncapital Financing Activities				
Payment received on interfund loan	-	557,113	-	557,113
Transfers from other funds	315,000	-	14,687	329,687
Transfers to other funds	(11,113)	(6,851)	(26,565)	(44,529)
Net Cash Provided by Noncapital Financing Activities	<u>303,887</u>	<u>550,262</u>	<u>(11,878)</u>	<u>842,271</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(206,171)	(166,118)	(293,394)	(665,683)
Water and sewer access fees received	299,163	64,893	-	364,056
Stormwater area charge received	-	-	264,017	264,017
Special assessments received	1,702	1,111	17	2,830
Proceeds from bonds issued, net	-	-	1,113,087	1,113,087
Debt transfers	228,482	(50,689)	(35,245)	142,548
Principal paid on long-term debt	(486,800)	(172,550)	(62,650)	(722,000)
Withdrawals from refunding bond escrow agent	15,247	2,757	-	18,004
Payment made to refunding bond escrow agent	(3,501,406)	(634,338)	-	(4,135,744)
Interest paid on long-term debt	(183,709)	(49,786)	(62,236)	(295,731)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,833,492)</u>	<u>(1,004,720)</u>	<u>923,596</u>	<u>(3,914,616)</u>
Cash Flows from Investing Activities				
Interest received on investments	2,276	14,747	4,397	21,420
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,610,494)</u>	<u>(487,146)</u>	<u>904,175</u>	<u>(3,193,465)</u>
Cash and Cash Equivalents, January 1	<u>4,661,143</u>	<u>2,180,323</u>	<u>1,040,702</u>	<u>7,882,168</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,050,649</u>	<u>\$ 1,693,177</u>	<u>\$ 1,944,877</u>	<u>\$ 4,688,703</u>

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

City of Carver, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	419 Storm Water	Total
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and temporary investments	<u>\$ 1,050,649</u>	<u>\$ 1,693,177</u>	<u>\$ 1,944,877</u>	<u>\$ 4,688,703</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities				
Operating loss	\$ (416,984)	\$ (513,201)	\$ (160,807)	\$ (1,090,992)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Other revenue related to operations	1,757	1,106	250	3,113
Depreciation	337,964	439,422	106,214	883,600
(Increase) decrease in assets/deferred outflows				
Accounts receivable	3,462	3,105	843	7,410
Special assessments receivable	-	-	144	144
Prepaid items	3,321	53	374	3,748
Pension resources	16,254	5,197	(2,922)	18,529
Increase (decrease) in liabilities/deferred inflows				
Accounts payable	10,145	18,498	25,744	54,387
Due to other governments	763	7,391	1,020	9,174
Pension liability	(38,362)	(9,138)	13,265	(34,235)
Accrued salaries and compensated absences payable	5,456	1,202	350	7,008
Pension resources	(6,941)	(1,070)	3,585	(4,426)
Net Cash Used by Operating Activities	<u>\$ (83,165)</u>	<u>\$ (47,435)</u>	<u>\$ (11,940)</u>	<u>\$ (142,540)</u>
Schedule of Noncash Capital and Related Financing Activities				
Capital assets purchased on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,176</u>	<u>\$ 173,176</u>
Gain on sale of assets	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 22,500</u>
Amortization of bond premium	<u>\$ 51,362</u>	<u>\$ 9,437</u>	<u>\$ 6,837</u>	<u>\$ 67,636</u>

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

City of Carver, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2018

	Agency Fund
	Developer
	Escrows
Assets	
Cash and temporary investments	\$ 188,692
Accounts receivable	266,059
Total Assets	\$ 454,751
Liabilities	
Accounts payable	\$ 100,954
Deposits payable	352,569
Due to other governments	1,228
Total Liabilities	\$ 454,751

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Carver, Minnesota (the City), operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. The City has the following component unit.

Blended component unit. The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.080 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of the members of the City Council. Also, the City has operational responsibility of the EDA. It is these criteria that results in the EDA being reported as a blended component unit as separate special revenue fund of the City. The EDA has a December 31 year end. Separate financial statements are not issued for this component unit.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is 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, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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 *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Park Development fund* accounts for the accumulation of resources for improving parks in the City.

The *City Hall Construction fund* accounts for the resources used to build the new City hall.

The City reports the following major proprietary funds:

The *Water fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for costs associated with the City's storm water system and to ensure that user charges are sufficient to pay for those costs.

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

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

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, this fund is not incorporated into the government-wide statements. These funds are used to account for assets that the City holds for development related costs.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2018:

- US Government Securities of \$703,745 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$1,841,132 and brokered certificates of deposits of \$1,563,080 are valued using a matrix pricing model (Level 2 inputs)

Note 1: Summary of Significant Accounting Policies (Continued)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. Generally, the City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the amounts defined below and an estimated useful life in excess of one year.

Note 1: Summary of Significant Accounting Policies (Continued)

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and Land Improvements	\$ 5,000
Other Improvements	5,000
Buildings	10,000
Building Improvements	10,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtracking (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

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

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

Assets	Useful Lives In Years
Buildings and Improvements	15 to 75
System Improvements/Infrastructure	20 to 60
Vehicles and Equipment	3 to 15
Vehicles	3 to 10
Other Assets	3 to 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the term, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

It is the City's policy to permit employees to accumulate a percentage of earned but unused "paid time off" (PTO) benefits. Employees also earn "catastrophic sick bank" and upon termination in good standing will be paid up to 240 hours of earned, unused sick bank. All PTO and up to 240 hours of sick bank is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Note 1: Summary of Significant Accounting Policies (Continued)
Fund Balance

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

- Nonspendable** - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- Restricted** - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.
- Committed** - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.
- Assigned** - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds. The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 40 percent of budgeted expenditures for cash-flow timing needs.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

The total pension expense for the GERR and Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)	Fire Relief Association	Total All Plans
Pension expense	\$ 47,321	\$ 23,520	\$ 70,841

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs are reported as an expense in the period incurred.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has 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: delinquent taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of corporate surety bonds include:

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

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

At year end, the City's carrying amount of deposits was \$3,162,784 and the bank balance was \$3,160,363. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the City's name.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. Annual appropriations lapse at year end for all funds. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. The General fund budget was not amended during 2018.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the General fund.

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 2,317,021	\$ 2,352,405	\$ 35,384

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2018:

Fund	Amount
Nonmajor Special Revenue	\$ 119,278
Park & Ride Transit	34,102
Nonmajor Capital Projects	333,663
TIF Industrial Project	154,515
2019 Street Improvements	
Commerce Drive Improvements	

The above deficits will be eliminated through future charges for services, grants and transfers from other funds.

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

- **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities which are in the possession of an outside party. The City's investment policy requires appropriate collateralization of investments.
- **Concentration of Credit Risk** is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer, however, the investment policy does strive for diversification of investment instruments. The City has no concentrations greater than 5% in any one issuer.
- **Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Using the segmented time distribution method, the interest rate risk of the City's investments ranges from less than 6 months to more than 3 years. The City's investment policy requires diversification of investment maturity dates in order to mitigate interest rate risk.
- **Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings provided by various credit rating agencies where applicable indicate associated credit risk. The City's investment policy and Minnesota statutes limit the City's investments to the list on page 52 of the notes.

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

Type of Investments	Quality/ Ratings (1)	Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	Less than 6 months	\$ 4,501,333	\$ -	\$ -	\$ -
Broker Money Market Funds	N/A	Less than 6 months	43,277	-	-	-
Non-pooled Investments at Fair Value						
U.S. Government Securities	AA+	1 - 3 years	245,053	245,053	-	-
Municipal Bonds	AA+	More than 3 years	458,692	458,692	-	-
Municipal Bonds	N/A	More than 3 years	223,967	-	223,967	-
Municipal Bonds	AA	More than 3 years	794,804	-	794,804	-
Municipal Bonds	AAA	More than 3 years	195,967	-	195,967	-
Municipal Bonds	AA+	More than 3 years	74,493	-	74,493	-
Municipal Bonds	A	More than 3 years	117,888	-	117,888	-
Municipal Bonds	A+	More than 3 years	170,533	-	170,533	-
Municipal Bonds	Aa2	More than 3 years	93,986	-	93,986	-
Municipal Bonds	Aa3	More than 3 years	120,087	-	120,087	-
Municipal Bonds	BBB	More than 3 years	88,807	-	88,807	-
Brokered Certificates of Deposit	N/A	6 mo. - 1 year	79,493	-	79,493	-
Brokered Certificates of Deposit	N/A	1 - 3 years	635,713	-	635,713	-
Brokered Certificates of Deposit	N/A	More than 3 years	837,874	-	837,874	-
Total Investments			\$ 8,642,567	\$ 703,745	\$ 3,394,212	\$ -

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A indicates not applicable or available

Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 3,162,784
Investments	8,642,567
Total	\$ 11,805,351
Statement of Net Position	
Cash and temporary investments	\$ 11,616,659
Statement of Fiduciary Net Position	
Cash and temporary investments	188,692
Total	\$ 11,805,351

B. Loans Receivable and Payable

The City issued a loan in 2015 for \$750,000 to a developer through the Metropolitan Council Livable Communities Demonstration Account (LCDA), all of which is outstanding at year-end. The loan is secured through a mortgage on the project parcel. Additionally, the loan bears no interest rate and is due in 2045. The portion of the LCDA grant which is loaned to the developer is subject to repayment (both by the Developer to the City and then by the City to the Metropolitan Council) on the following conditions:

1. The developer becomes obligated to repay the City's loan or defaults on the City's loan.
2. When the initial thirty year compliance period expires (unless the Metropolitan Council agrees in writing to allow the LCDA grant fund structured as a loan to continue in place for an extended use).
3. There is non-compliance by the developer with the low income housing tax credit program requirements or some other event that triggers the developer's obligation to repay the loan.
4. The project is sold (unless the City consents to allowing an assumption of the loan and mortgage).

The City is only obligated to repay the Metropolitan Council the amount the City lends to the developer to the extent the City is able to enforce and collect the loan.

Annual requirements to maturity for loans payable are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2045	\$ 750,000	\$ -
Total	\$ 750,000	\$ 750,000

In 2015 there was also a zero interest loan issued to Harvey's Bar and Grill in the amount of \$2,500. The loan is to be paid back over five years at \$500 per year. The outstanding amount of the loan is \$1,500 at year-end.

City of Carver, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,327,191	\$ -	\$ (291,547)	\$ 2,035,644
Historical treasures and collectibles	30,000	-	-	30,000
Construction in progress	2,108,803	1,837,755	(2,282,064)	1,664,494
Total Capital Assets not Being Depreciated	4,465,994	1,837,755	(2,573,611)	3,730,138
Capital Assets Being Depreciated				
Buildings	1,901,667	-	-	1,901,667
Infrastructure	16,342,863	2,647,966	-	18,990,829
Vehicles and equipment	2,408,965	31,578	(40,506)	2,400,037
Total Capital Assets Being Depreciated	20,653,495	2,679,544	(40,506)	23,292,533
Less Accumulated Depreciation for				
Buildings	(617,980)	(50,232)	-	(668,212)
Infrastructure	(2,136,471)	(387,326)	-	(2,523,797)
Vehicles and equipment	(1,478,360)	(155,597)	24,894	(1,608,063)
Total Accumulated Depreciation	(4,232,811)	(593,155)	24,894	(4,801,062)
Total Capital Assets Being Depreciated, Net	16,420,684	2,086,389	(15,612)	18,491,441
Governmental Activities Capital Assets, Net	\$ 20,886,658	\$ 3,924,144	\$ (2,589,223)	\$ 22,221,579

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

Governmental Activities	
General Government	\$ 9,526
Public Safety	166,743
Public Works	374,731
Culture and Recreation	42,155
Total Depreciation Expense - Governmental Activities	\$ 593,155

City of Carver, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 827,374	\$ -	\$ -	\$ 827,374
Construction in progress	795,696	673,228	(1,021,436)	447,488
Total Capital Assets not Being Depreciated	1,423,070	673,228	(1,021,436)	1,074,862
Capital Assets Being Depreciated				
Buildings	209,359	-	-	209,359
Infrastructure	37,135,415	1,113,777	-	38,249,192
Vehicles and equipment	524,050	95,780	-	619,830
Total Capital Assets Being Depreciated	37,868,824	1,209,567	-	39,078,391
Less Accumulated Depreciation for				
Buildings	(78,074)	(5,234)	-	(83,308)
Infrastructure	(6,342,015)	(827,895)	-	(7,169,910)
Vehicles and equipment	(370,269)	(50,471)	-	(420,740)
Total Accumulated Depreciation	(6,790,358)	(883,600)	-	(7,673,958)
Total Capital Assets Being Depreciated, Net	31,078,466	325,967	-	31,404,433
Business-type Activities Capital Assets, Net	\$ 32,501,536	\$ 999,195	\$ (1,021,436)	\$ 32,479,295

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

Business-type Activities	
Water	\$ 337,964
Sewer	439,422
Storm water	106,214
Total Depreciation Expense - Business-type Activities	\$ 883,600

Construction Commitments

	Spent to Date	Remaining Commitment
New City Hall	\$ 12,118,813	\$ 2,520,968
2018 Stormwater Project	149,574	948,677
Total	\$ 12,268,387	\$ 3,469,645

The City has active construction projects as of December 31, 2018. At year end the City's commitments with contractors are as follows:

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2018 is as follows:

Fund	Transfers In						Total
	General	City Hall Construction	Park Development	Nonmajor Governmental	Water Enterprise	Storm Water Enterprise	
General	\$ -	\$ -	\$ 16,881	\$ 36,107	\$ -	\$ -	\$ 52,988
Debt Service	-	-	-	-	-	14,687	14,687
Nonmajor Governmental	60,000	121,331	-	121,009	315,000	-	617,340
Water enterprise	-	-	-	11,113	-	-	11,113
Sewer enterprise	-	-	-	6,851	-	-	6,851
Storm water enterprise	-	-	-	26,565	-	-	26,565
Total Transfers In	\$ 60,000	\$ 121,331	\$ 16,881	\$ 204,645	\$ 315,000	\$ 14,687	\$ 729,554

The City made the following one time transfers during 2018:

- Nonmajor governmental funds transferred \$40,097 to other nonmajor funds to close funds.
- Nonmajor governmental funds transferred \$315,000 to the water enterprise fund to reimburse the fund for development related activity.
- The General fund transferred \$19,107 to nonmajor governmental funds per fund balance policy, for future capital improvements.
- Nonmajor governmental funds transferred \$121,331 to the City Hall Construction fund to cover building remodel costs.
- Nonmajor governmental funds transferred \$14,687 to the Storm Water Fund for debt payments.
- Nonmajor governmental funds transferred \$19,483 to other nonmajor governmental funds to cover costs of installing a new emergency siren.
- Nonmajor governmental funds transferred \$61,489 to other nonmajor governmental funds for future street maintenance.

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund G.O. improvement and G.O. revenue bonds. G.O. bonds are direct obligations and pledge the full faith and credit of the City. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates	\$ 485,000	1.0-2.55 %	11/4/2010	2/1/2020	\$ 120,000
Bonds, 2010A					
G.O. Refunding Bonds	1,335,000	1.0-3.0	11/4/2010	2/1/2023	650,000
Series 2010A					
G.O. Equipment Certificates	370,000	2.00	06/04/15	02/01/25	290,000
Bonds, 2015A					
G.O. Capital Improvement	4,950,000	3.00 - 5.00	08/02/18	02/01/39	4,950,000
Bonds, 2018A					
Total General Obligation Bonds					\$ 6,010,000

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

Year Ending December 31,	General Obligation Bonds		Total
	Principal	Interest	
2019	\$ 220,000	\$ 210,927	\$ 430,927
2020	300,000	204,344	504,344
2021	345,000	193,148	538,148
2022	355,000	179,660	534,660
2023	370,000	165,485	535,485
2024-2028	1,190,000	656,125	1,846,125
2029-2033	1,390,000	431,481	1,761,481
2034-2038	1,555,000	198,088	1,753,088
2039	345,000	6,036	351,036
Total	\$ 6,010,000	\$ 2,245,294	\$ 8,255,294

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water, Sewer, and Storm Water funds and are backed by the taxing power of the City. Annual principal and interest payments excluding amounts paid from escrow agent on the bonds are expected to require over 128, 49, and 139 percent of revenues from the Water, Sewer, and Storm Water funds, respectively. For 2018, principal and interest paid and total charges for services for the Water fund were \$970,509 and \$697,827, respectively. For 2018, principal and interest paid and total charges for services for the Sewer fund were \$222,336 and \$550,843, respectively. For 2018, principal and interest paid and total charges for services for the Storm Water fund were \$124,886 and \$174,822, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA Sewer Revenue Note, 2000	\$ 1,188,000	2.86 %	02/16/00	08/20/19	\$ 79,000
MPFA Water Revenue Note, 2004	2,522,966	2.82	03/03/04	08/20/23	762,000
G.O. Water Revenue Refunding Bonds, 2010A	350,000	1.00 - 3.00	11/04/10	02/01/22	136,000
G.O. Sewer Revenue Refunding Bonds, 2010A	280,000	1.00 - 3.00	11/04/10	02/01/22	110,000
G.O. Storm Revenue Refunding Bonds, 2010A	180,000	1.00-2.75	11/04/10	02/01/21	80,000
G.O. Water Revenue Refunding Bonds, 2012A	675,000	1.00 - 2.15	03/28/12	02/01/25	445,000
G.O. Revenue Bonds, Series 2013A	895,000	0.65 - 3.85	09/03/13	02/01/29	705,000
G.O. Revenue Bonds, Series 2015A	155,000	2.00 - 3.00	06/04/15	02/01/26	125,000
G.O. Utility Revenue Refunding Bonds, 2015B	4,140,000	2.00 - 4.00	06/18/15	02/01/29	4,140,000
G.O. Improvement Bonds, 2017A	1,515,000	3.00 - 3.125	08/17/17	02/01/38	1,515,000
G.O. Improvement Bonds, 2018B	1,040,000	3.00 - 5.00	08/02/18	02/01/39	1,040,000
Total G.O. Revenue Bonds					\$ 9,116,000

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		Total
	Principal	Interest	
2019	\$ 778,439	\$ 269,161	\$ 1,047,600
2020	807,803	245,913	1,053,716
2021	861,803	221,189	1,082,992
2022	861,232	293,318	1,154,550
2023	855,232	163,701	966,933
2024-2028	3,447,171	487,318	3,934,489
2029-2033	1,050,329	114,743	1,165,072
2034-2038	473,991	38,100	512,091
Total	\$ 9,116,000	\$ 1,833,443	\$ 10,949,443

Note 3: Detailed Notes on All Funds (Continued)

G.O. Improvement (Special Assessment) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental G.O. Improvement Refunding Bonds, 2010A	\$ 375,000	1.00 - 2.75 %	01/04/10	02/01/21	\$ 130,000
G.O. Improvement Bonds, 2011A	1,630,000	2.00 - 3.70	12/01/11	02/01/34	1,515,000
G.O. Improvement Bonds, 2013A	1,345,000	0.65 - 3.85	09/03/13	02/01/30	1,150,000
G.O. Improvement Bonds, 2015A	695,000	2.00 - 3.00	06/04/15	02/01/31	615,000
G.O. Improvement Refunding Bonds, 2015B	505,000	2.00 - 4.00	06/04/15	02/01/24	395,000
G.O. Improvement Bonds, 2017A	1,905,000	3.00 - 3.125	08/17/17	02/01/38	1,905,000
Total Governmental Business					5,710,000
G.O. Improvement Refunding Bonds, 2015B	165,000	2.00 - 4.00	06/04/15	02/01/24	125,000
Total G.O. Improvement Bonds					\$ 5,835,000

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

Year Ending December 31,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 309,561	\$ 169,606	\$ 479,167	\$ 3,600	\$ 23,600
2020	380,197	161,044	541,241	3,000	23,000
2021	390,197	150,988	541,186	2,400	22,400
2022	360,768	140,550	501,318	1,700	21,700
2023	360,768	129,909	490,677	900	20,900
2024-2028	1,637,829	500,404	2,138,233	250	25,250
2029-2033	1,519,871	240,032	1,759,703	-	-
2034-2038	751,009	50,778	801,787	-	-
Total	\$ 5,710,000	\$ 1,543,312	\$ 7,253,312	\$ 11,850	\$ 136,850

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Balance (as Restated)	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Loans Payable	\$ 1,275,000	\$ 4,950,000	\$ (215,000)	\$ 6,010,000	\$ 220,000
G.O. bonds	5,965,000	-	(255,000)	5,710,000	309,581
G.O. improvement bonds	750,000	-	-	750,000	-
Loans payable	7,990,000	4,950,000	(470,000)	12,470,000	529,561
Total Bonds and Loans Payable	134,235	192,685	(21,236)	305,684	-
Unamortized Bond Premium	48,100	64,585	(59,472)	53,213	42,570
Compensated Absences Payable	448,753	16,104	(37,850)	427,007	-
Pension Liability					
GERF					
Governmental Activity	\$ 8,621,088	\$ 5,223,374	\$ (588,558)	\$ 13,255,904	\$ 572,131
Business-type Activities					
Bonds and Loans Payable	\$ 12,853,000	\$ 1,040,000	\$ (4,777,000)	\$ 9,116,000	\$ 778,439
G.O. revenue bonds	145,000	-	(20,000)	125,000	20,000
G.O. improvement bonds	12,998,000	1,040,000	(4,797,000)	9,241,000	798,439
Total Bonds and Loans Payable	160,820	85,555	(67,836)	178,539	-
Unamortized Bond Premium	32,146	46,629	(41,575)	37,200	29,760
Compensated Absences Payable	317,319	18,435	(52,670)	283,084	-
Pension Liability					
GERF					
Business-type Activity	\$ 13,508,085	\$ 1,190,619	\$ (4,956,861)	\$ 9,739,823	\$ 828,199

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2018, portions of the City's governmental fund balances are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General	Debt Service	Park Development	City Hall Construction	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 5,853	-	-	-	-	\$ 5,853
Restricted for						
Debt service	-	\$ 1,233,525	-	-	-	\$ 1,233,525
Economic development	-	-	-	-	107,787	107,787
Park improvements	-	-	1,197,689	-	-	1,197,689
Capital improvements	-	-	-	3,384,677	-	3,384,677
Total Restricted	-	\$ 1,233,525	\$ 1,197,689	\$ 3,384,677	\$ 107,787	\$ 5,923,658
Committed to						
Economic development	-	-	-	-	14,287	14,287
Mount Hope Cemetery	-	-	-	-	39,683	39,683
Community events	-	-	-	-	2,376	2,376
Total Committed	-	-	-	-	\$ 56,356	\$ 56,356
Assigned to						
Capital improvements	-	-	-	-	-	-
Total Assigned	-	-	-	-	-	-
Total	\$ 5,853	\$ 1,233,525	\$ 1,197,689	\$ 3,384,677	\$ 204,888	\$ 5,923,658

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

Full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

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.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

GERE Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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.

C. Contributions

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

GERE Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERE for the years ending December 31, 2018, 2017 and 2016 were \$69,774, \$59,225 and \$64,614, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERE Pension Costs

At December 31, 2018, the City reported a liability of \$710,092 for its proportionate share of the GERE'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 State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$23,257. 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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 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 proportionate share was 0.0128 percent which was an increase of 0.0008 percent from its proportion measured as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$ 710,092
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>23,257</u>
Total	<u>\$ 733,349</u>

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended December 31, 2018, the City recognized pension expense of \$47,321 for its proportionate share of GERE's pension expense. In addition, the City recognized \$5,424 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERE.

At December 31, 2018, the City reported its proportionate share of GERE's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 16,857	\$ 27,288
Changes in Actuarial Assumptions	69,674	79,786
Net Difference Between Projected And Actual Earnings on Plan Investments	-	89,789
Changes in Proportion	67,184	-
Contributions to GERE Subsequent to the Measurement Date	<u>35,009</u>	<u>-</u>
Total	<u>\$ 190,724</u>	<u>\$ 176,863</u>

Deferred outflows of resources totaling \$35,009 related to pensions resulting from the City's contributions to GERE 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 GERE pensions will be recognized in pension expense as follows:

2019	\$ 48,390
2020	(13,575)
2021	(41,141)
2022	(14,822)

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
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

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 GERE plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions occurred in 2018:

GERE

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 GERE 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERE	\$ 1,153,930	\$ 710,091	\$ 343,666

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.

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Carver Fire Department (the Department) are covered by a defined benefit plan administered by the Carver Firemen's Relief Association (the Association). As of December 31, 2017, the plan covered 25 active firefighters and 12 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighters' Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1990). Funds are also derived from investment income.

B. Benefits Provided

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

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 5 years of service, shall be equal to 400 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-vestible percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$34,615 in 2018 in fire state aid to the plan on behalf of the Carver Fire Department, which was recorded as a revenue within the City's financial statements. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2017 were \$34,615. The City made a voluntary contribution of \$16,120 to the plan in 2017. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2018, the City reported a net pension asset of \$404,756 for the plan. The net pension asset was measured as of December 31, 2017. The total pension liability was calculated in accordance with GASB 68 and was determined by Van Huzarsten Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$23,620.

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2018, the City reported deferred inflows of resources and deferred outflows of resources for its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 37,595
Changes in Actuarial Assumptions	-	20,106
Net Difference Between Projected and Actual Earnings on Plan Investments	4,790	42,762
Contributions to Plan Subsequent to the Measurement Date	36,623	-
Total	\$ 41,413	\$ 100,463

Deferred outflows of resources totaling \$36,623 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2019	\$ (15,282)
2020	(14,888)
2021	(23,083)
2022	(21,853)
2023	(6,086)
Thereafter	(12,481)

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

E. Actuarial Assumptions

The total pension liability at December 31, 2017 was determined using the entry age normal level percent of payrol actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent for the later of Age 50 and 20 Years of Service	2.75%
and 50 Percent. Retire each Subsequent Year until Age 65 or 30 Years of Service	6.50%
Inflation Rate	6.50%
Discount Rate	6.50%
Expected Return on Plan Assets	6.50%

The expected investment return and discount rate decreased from 6.75% to 6.50% to reflect updated capital market assumptions in 2017 assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75 percent). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data. Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	52.00 %	5.39 %
International Equity	18.00	5.20
Fixed Income	30.00	1.98
Real Estate	-	4.25
Cash	-	0.79
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

G. Pension Asset Sensitivity

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

1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
\$ (381,412)	\$ (404,756)	\$ (427,058)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Carver Fire Department Relief Association, Post Office Box 361, Carver, Minnesota 55315.

Note 6: Deferred Compensation Plans - Statewide

Plan Description

Under Minnesota statute 353.028, subdivision 2, City managers or administrators may elect to be excluded from membership in PERA. They must choose exclusion within six months of the day they begin employment. The law also provides for refunds of contributions made before the election. If they elect exclusion, they and their cities may agree that the cities will defer and contribute additional compensation on behalf of the employees to a deferred compensation program. The program must meet federal income tax laws. The City contribution cannot exceed the amount it would have made under the PERA contribution.

The City Administrator is covered by deferred compensation plan 457(b) administered by ICMA-RC. The City's contribution to the plan for the year ending December 31, 2018, 2017, 2016 were \$8,936, \$8,537 and \$8,140 respectively.

In general, any amount of compensation deferred, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income is paid to the participant or other beneficiary. Under federal requirements, a plan meets distribution requirements if under the plan amounts will not be made available to participants or beneficiaries earlier than (i) the calendar year in which the participant attains age 70½, (ii) when the participant has a severance from employment with the employer, or (iii) when the participant is faced with an unforeseeable emergency (determined in the manner prescribed by the Secretary in regulations).

ICMA-RC issues a publicly available financial report that includes financial statements and required supplementary information for the 457(b) plan. That report may be obtained by writing to ICMA-RC Headquarters, 777 North Capitol Street, NE Washington, DC 20002 or by calling 202-962-4600.

Note 7: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2018, the market value of property within the City is \$465,570,900 for an allowable margin of \$13,967,127. There is \$1,040,000 of outstanding debt at year end that is applied against the statutory limit.

C. Tax Increment Districts

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

D. Joint Powers Agreement

Minnesota River Valley Rail Line

In 2008, the City entered into the Minnesota River Valley Rail Line joint powers agreement with the Carver County Regional Rail Authority, the Scott County Regional Rail Authority, the City of Chaska, and the Metropolitan Council to acquire and preserve the Union Pacific - Chaska Industrial Lead rail line right of way proposed to be abandoned by the Union Pacific Railroad extending through the jurisdictions of the regional rail authorities and the cities for future trail use and public purposes or uses, which may include, but are not limited to, utility corridor, transit line, and preservation of public safety.

CSAH 111 Jonathan Carver Parkway Corridor Study

In 2017, the City entered into a joint powers agreement with Carver County for the CSAH 111 Jonathan Carver Parkway Corridor Study. The City Council identified a need to create a long-range plan for the corridor as it is expected to encounter significant development and traffic demands over the next several decades. The corridor study uses a combination of analytics, stakeholder input, and direction from policy makers to plan for future intersection development, lane configurations, and other design elements along CSAH111 Jonathan Carver Parkway. The study is expected to take a year to complete.

City of Carver, Minnesota
Notes to the Financial Statements
December 31, 2018

City of Carver, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

Note 8: Conduit Debt Obligations

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

The outstanding balance of Senior Housing revenue refunding note at December 31, 2018 is \$5,631,321.

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Share of the Net Pension Liability	State'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	
	(a)	(b)	(b)	(c)	(a+b/c)		
06/30/18	0.0128 %	\$ 710,092	\$ 23,257	\$ 733,349	\$ 858,438	85.4 %	79.5 %
09/30/17	0.0120	766,072	9,647	775,719	774,184	100.2	75.9
06/30/16	0.0112	909,384	11,828	921,212	669,592	133.8	66.9
06/30/15	0.0109	564,895	-	564,895	640,137	88.2	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Contributions in Relation to the Statutorily Required Contribution			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(a)	(b)	(a-b)		
12/31/18	\$ 69,774	\$ 69,774	\$ -	\$ 930,319	7.5 %
12/31/17	59,225	59,225	-	789,671	7.5 %
12/31/16	54,614	54,614	-	728,181	7.5 %
12/31/15	50,568	50,568	-	674,239	7.5 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Carver, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2018

City of Carver, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$692 million. Upon consolidation, state and employer contributions were revised.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 36,623	\$ 36,623	\$ -
12/31/17	34,615	49,735	(15,120)
12/31/16	34,461	34,461	-
12/31/15	33,811	33,811	-

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability	\$ 20,541	\$ 26,220	\$ 25,612	\$ 24,927
Service cost	26,212	26,395	23,704	21,759
Interest	14,919	(48,921)	-	-
Differences between expected and actual experience	5,457	(16,382)	(11,567)	-
Changes of assumptions	(17,125)	(47,830)	(12,938)	(11,088)
Benefit payments, including refunds of employee contributions	50,004	(60,277)	24,793	35,588
Net Change in Total Pension Liability	376,351	498,628	411,835	376,237
Total Pension Liability - January 1,	426,355	376,351	436,628	411,835
Total Pension Liability - December 31, (a)	\$ 14,029	\$ 34,461	\$ 38,979	\$ 17,952
Plan Fiduciary Net Position	36,263	200	-	32,210
Contributions - employer	114,743	44,246	(4,066)	35,845
Contributions - state	(17,125)	(47,830)	(12,938)	(11,088)
Net investment income	(14,180)	(15,115)	(9,144)	(8,938)
Benefit payments, including refunds of employee contributions	133,730	15,982	12,833	66,081
Administrative expense	687,381	681,419	688,568	602,505
Net Change in Plan Fiduciary Net Position	851,111	687,361	681,419	658,588
Plan Fiduciary Net Position - January 1,	(404,759)	(321,030)	(244,791)	(256,711)
Plan Fiduciary Net Position - December 31, (b)	\$ 194,833	\$ 185,300	\$ 166,060	\$ 162,349
Fire Relier's Net Pension Liability (Asset) - December 31, (a-b)	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	136.00%	136.00%	136.00%	136.00%
Covered-employee Payroll	N/A	N/A	N/A	N/A
Fire Relier's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A

Notes to Schedule:
 The expected investment return and discount rate decreased from 6.75% to 6.50% to reflect updated capital market assumptions.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Carver, Minnesota
\$1,075,000* General Obligation Tax Increment Revenue Bonds, Series 2019A

For the Series 2019A 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 \$1,065,325) 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>
2022	_____ %	_____ %	_____ %	2027	_____ %	_____ %	_____ %
2023	_____ %	_____ %	_____ %	2028	_____ %	_____ %	_____ %
2024	_____ %	_____ %	_____ %	2029	_____ %	_____ %	_____ %
2025	_____ %	_____ %	_____ %	2030	_____ %	_____ %	_____ %
2026	_____ %	_____ %	_____ %				

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of July 15, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated June 28, 2019 including the City’s right to modify the principal amount of the Series 2018A Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Series 2019A 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 Series 2019A 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: _____ %

The Bidder will not will purchase municipal bond insurance from _____.

Account Members

Account Manager
By: _____
Phone: _____

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

Attest: _____ Date: _____
.....

City of Carver, Minnesota
\$5,095,000* General Obligation Bonds, Series 2019B

For the Series 2019B 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 \$5,033,860) 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	_____%	_____%	_____%	2031	_____%	_____%	_____%
2022	_____%	_____%	_____%	2032	_____%	_____%	_____%
2023	_____%	_____%	_____%	2033	_____%	_____%	_____%
2024	_____%	_____%	_____%	2034	_____%	_____%	_____%
2025	_____%	_____%	_____%	2035	_____%	_____%	_____%
2026	_____%	_____%	_____%	2036	_____%	_____%	_____%
2027	_____%	_____%	_____%	2037	_____%	_____%	_____%
2028	_____%	_____%	_____%	2038	_____%	_____%	_____%
2029	_____%	_____%	_____%	2039	_____%	_____%	_____%
2030	_____%	_____%	_____%	2040	_____%	_____%	_____%

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of July 15, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated June 28, 2019 including the City’s right to modify the principal amount of the Series 2019B Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Series 2019B 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 Series 2019B 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: _____ %

The Bidder will not will purchase municipal bond insurance from _____.

Account Members

Account Manager

By: _____

Phone: _____

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

Attest: _____

Date: _____

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