PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2019

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.

NEW ISSUES
BANK QUALIFIED

Moody's Rating: Requested
S&P Rating: Requested
Fitch Rating: Requested

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect) and, assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, is excluded from taxable net income of individuals, estates, or trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the 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" herein.

City of Bloomington, Minnesota

$4,740,000*

General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53 (the "Series 53 Bonds")

$2,440,000*

General Obligation Charter 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 Series 53 Bonds and the Series 2019B Bonds (collectively, the "Bonds") 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 each respective maturity schedule set forth on the following page.

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).

	Minimum Bid
The Series 53 Bonds	$4,702,080
The Series 2019B Bonds	$2,420,480

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

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) The Chief Financial Officer of the City will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about November 26, 2019.

PROPOSALS RECEIVED: Monday, October 28, 2019 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Council meeting commencing Monday, October 28, 2019 at 7:00 P.M., Central Time

bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

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.*

City of Bloomington, Minnesota

$4,740,000* General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53

The **Series 53 Bonds** will mature February 1 in the years and amounts* as follows:

2021	$440,000	2023	$460,000	2025	$470,000	2027	$485,000	2029	$495,000
2022	$455,000	2024	$465,000	2026	$475,000	2028	$490,000	2030	$505,000

The City may elect on February 1, 2028, and on any day thereafter, to redeem Series 53 Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

The Series 53 Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 and 429, as amended, and the City Charter. The Series 53 Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Series 53 Bonds. The proceeds of the Series 53 Bonds will be used to finance various improvements within the City, including improvements described in the City's 2019 Pavement Management Program.

$2,440,000* General Obligation Charter Bonds, Series 2019B

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

2021	$190,000	2023	$240,000	2025	$245,000	2027	$255,000	2029	$260,000
2022	$235,000	2024	$240,000	2026	$250,000	2028	$260,000	2030	$265,000

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.

The Series 2019B Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and the City Charter. 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. The proceeds of the Series 2019B Bonds will be used to finance various park and recreation improvements within the City.

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* *Preliminary; subject to change.*

CITY OF BLOOMINGTON, MINNESOTA

City Council*
Gene Winstead, Mayor*
Jack Baloga, Council Member
Tim Busse, Council Member*
Nathan Coulter, Council Member
Dwayne Lowman, Council Member*
Patrick Martin, Council Member
Shawn Nelson, Council Member*

* *In the upcoming November 5, 2019 election, Mr. Winstead is not running for reelection; Mr. Busse is not running for reelection as a council member, but is running for Mayor; and Mr. Lowman and Mr. Nelson are running opposed.*

Administration

James D. Verbrugge, City Manager
Melissa Manderschied, City Attorney
Lori Economy-Scholler, Chief Financial Officer
Kris Wilson, Assistant City Manager
Eric Johnson, Director of Community Development
Diann Kirby, Director of Community Services
Karl Keel, Director of Public Works
Jeff Potts, Chief of Police
Ulysses Seal, Fire Chief
Amy Cheney, Chief Information Officer

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Kennedy & Graven, Chartered
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 promulgated by 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 each 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 DATES 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

$4,740,000*

CITY OF BLOOMINGTON, MINNESOTA

GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND BONDS OF 2019, SERIES 53

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Series 53 Bonds") will be received by City of Bloomington, Minnesota (the "City") on Monday, October 28, 2019, (the "Sale Date") until 10:00 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 53 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 53 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 53 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 53 BONDS

The Series 53 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 53 Bonds will mature February 1 in the years and amounts* as follows:

2021	$440,000	2023	$460,000	2025	$470,000	2027	$485,000	2029	$495,000
2022	$455,000	2024	$465,000	2026	$475,000	2028	$490,000	2030	$505,000

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Series 53 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 53 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 53 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 53 Bonds will be issued by means of a book entry system with no physical distribution of Series 53 Bonds made to the public. The Series 53 Bonds will be issued in fully registered form and one Series 53 Bond, representing the aggregate principal amount of the Series 53 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 53 Bonds. Individual purchases of the Series 53 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 53 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 53 Bonds, will be required to deposit the Series 53 Bonds with DTC.

REGISTRAR

The Chief Financial Officer of the City will serve as registrar for the Series 53 Bonds.

OPTIONAL REDEMPTION

The City may elect on February 1, 2028, and on any day thereafter, to redeem Series 53 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 53 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 53 Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Series 53 Bonds. The proceeds of the Series 53 Bonds will be used to finance various improvements within the City, including improvements described in the City's 2019 Pavement Management Program.

BIDDING PARAMETERS

Proposals shall be for not less than $4,702,080 plus accrued interest, if any, on the total principal amount of the Series 53 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 53 Bonds is adjourned, recessed, or continued to another date without award of the Series 53 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 53 Bonds of the same maturity shall bear a single rate from the date of the Series 53 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 53 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 53 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 53 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 53 Bonds; and

(iv) the City anticipates awarding the sale of the Series 53 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 53 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 53 Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Series 53 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 53 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 53 Bonds, the Purchaser shall advise the City and Baker Tilly

MA if 10% of any maturity of the Series 53 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 require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities. The City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities.

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 $47,400 (the "Deposit") no later than 1:00 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 53 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 53 Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

CUSIP NUMBERS

If the Series 53 Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 53 Bonds; however, neither the failure to print such numbers on any Series 53 Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Series 53 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 November 26, 2019, the Series 53 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 Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Series 53 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 53 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

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Series 53 Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Series 53 Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Series 53 Bonds.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Series 53 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 53 Bonds, together with any other information required by law. By awarding the Series 53 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 September 23, 2019 BY ORDER OF THE CITY COUNCIL

/s/ Janet Lewis
City Clerk

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

$2,440,000*

CITY OF BLOOMINGTON, MINNESOTA

GENERAL OBLIGATION CHARTER BONDS, SERIES 2019B

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Series 2019B Bonds") will be received by City of Bloomington, Minnesota (the "City") on Monday, October 28, 2019, (the "Sale Date") until 10:00 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	$190,000	2023	$240,000	2025	$245,000	2027	$255,000	2029	$260,000
2022	$235,000	2024	$240,000	2026	$250,000	2028	$260,000	2030	$265,000

* *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 Chief Financial Officer of the City will serve as registrar for the Series 2019B Bonds.

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. The proceeds of the Series 2019B Bonds will be used to finance various park and recreation improvements within the City.

BIDDING PARAMETERS

Proposals shall be for not less than $2,420,480 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 require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities. The City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities.

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 $24,400 (the "Deposit") no later than 1:00 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.

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 November 26, 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 Kennedy & Graven, Chartered 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

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Series 2019B Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Series 2019B Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Series 2019B Bonds.

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 September 23, 2019 BY ORDER OF THE CITY COUNCIL

/s/ Janet Lewis
City Clerk

OFFICIAL STATEMENT

CITY OF BLOOMINGTON, MINNESOTA

$4,740,000*
GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND BONDS OF 2019, SERIES 53

$2,440,000*
GENERAL OBLIGATION CHARTER BONDS, SERIES 2019B

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Bloomington, Minnesota (the "City") and its issuance of $4,740,000* General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53 (the "Series 53 Bonds") and $2,440,000* General Obligation Charter Bonds, Series 2019B (the "Series 2019B Bonds" and, together with the Series 53 Bonds, the "Bonds"). The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Series 53 Bonds.

Inquiries may be directed to Ms. Lori Economy-Scholler, Chief Financial Officer, City of Bloomington, 1800 West Old Shakopee Road, Bloomington, Minnesota 55431-3027, by telephoning (952) 563-8791, or by emailing leconomy@bloomingtonmn.gov. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing bond_services@bakertilly.com.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof (the "Rule"), pursuant to resolutions adopted by the City authorizing the issuance and awarding the sale of the Bonds (the "Resolutions"), the City has entered into undertakings (the "Undertakings") for the benefit of holders including beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to the Electronic Municipal Market Access system ("EMMA") annually, and to provide notices of the occurrence of certain events enumerated in the Rule to EMMA or the Municipal Securities Rulemaking Board (the "MSRB"). 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 Continuing Disclosure Certificates to be executed and delivered at the time the Bonds are delivered in substantially the forms attached hereto as Appendix II.

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 timely filed within the required twelve (12) month timeframe as provided for 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 or under any provisions of the Resolutions (although holders will have any other available remedy at law or in equity subject to certain limitations). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery, and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month preceding such interest payment dates. 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." The Chief Financial Officer of the City will serve as Registrar for the Bonds.

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, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part, and if in part, at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be 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 the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 53 BONDS

Authority and Purpose

The Series 53 Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 and 429, as amended, and the Bloomington City Charter (the "City Charter"). The proceeds of the Series 53 Bonds, along with available City funds, will be used to finance various improvements within the City, including improvements described in the City's 2019 Pavement Management Program.

Sources and Uses of Funds

The composition of the Series 53 Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	$4,740,000
Available City Funds	2,032,418
Total Sources of Funds	$6,772,418
Uses of Funds:	
Deposit to Project Fund	$6,665,167
Costs of Issuance	69,331
Allowance for Discount Bidding	37,920
Total Uses of Funds	$6,772,418

Security and Financing

The Series 53 Bonds will be general obligations of the City to which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Series 53 Bonds. Special assessments in the principal amount of approximately $1,327,931 are expected to be filed in December 2019 for first collection in 2020. The City expects to receive approximately $398,400 in prepayments of assessments, with the remaining assessments to be filed over a term of 10 years with equal annual payments of principal. Interest on the unpaid balance will be charged at an interest rate of 5.5%.

The City will also levy taxes for repayment of a portion of the Series 53 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 SERIES 2019B BONDS

Authority and Purpose

The Series 2019B Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and the City Charter. The proceeds of the Series 2019B Bonds will be used to finance various park and recreation improvements within the City.

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount	$2,440,000
Total Sources of Funds	$2,440,000
Uses of Funds:	
Deposit to Project Fund	$2,376,097
Costs of Issuance	44,383
Allowance for Discount Bidding	19,520
Total Uses of Funds	$2,440,000

Security and Financing

The Series 2019B Bonds will be general obligations of the City to which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will make its first levy 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 60 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 legal matters by Kennedy & Graven, Chartered, 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 by Bond Counsel at closing.

TAX EXEMPTION

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the resolutions authorizing the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Resolution may result in the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes and in net taxable income of individuals, estates, and trusts for Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of the Bonds over its stated redemption price at maturity constitutes a premium with respect to such Premium Bonds. A purchaser of a Premium Bond must amortize the premium over the term of the Premium Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Original Issue Discount

Certain maturities of the Bonds (the "Discount Bonds") may be sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount 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, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATINGS

Application for ratings of the Bonds has been made to Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York; S&P Global Ratings ("S&P"), 55 Water Street, New York, New York; and Fitch Ratings ("Fitch"), One State Street Plaza, New York, New York. If ratings are assigned, they will reflect only the opinion of Moody's, S&P, and Fitch. Any explanation of the significance of the ratings may be obtained only from Moody's, S&P, and Fitch.

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 Moody's, S&P, and Fitch, circumstances so warrant. The City reserves the right to discontinue utilizing the services of any rating agency in its discretion. A revision, suspension, withdrawal, or discontinuance of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

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

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following the award of the sale of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that such officers, on behalf of 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.

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	$13,472,272,600	95.93%	$14,094,237,228	$338,288,541	$13,099,998,848	$154,095,368
2017/18	12,802,264,000	92.35	13,927,317,393	363,881,945	12,403,142,230	143,857,556
2016/17	12,080,139,600	92.92	13,088,048,279	397,035,811	11,651,882,887	135,860,233
2015/16	11,463,977,000	93.38	12,316,534,269	410,763,506	11,023,396,609	119,064,793
2014/15	10,435,859,700	91.27	11,461,897,009	439,047,692	9,970,946,414	108,884,024

(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/economic-market-values.*

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

Source: City of Bloomington, Minnesota, March 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: $154,095,368*

Real Estate:		
Commercial/Industrial, Railroad, and Public Utility	$ 91,620,253	50.74%
Residential Homestead	64,331,761	35.62
Residential Non-Homestead, Agriculture, and Other	23,135,347	12.81
Personal Property	1,493,356	0.83
2018/19 Net Tax Capacity	$180,580,717	100.00%
Less: Captured Tax Increment	(12,054,371)	
Contribution to Fiscal Disparities	(24,116,556)	
Plus: Distribution from Fiscal Disparities	9,685,578	
2018/19 Adjusted Taxable Net Tax Capacity	$154,095,368	

* *Excludes mobile home valuation of $28,738.*

Ten of the Largest Taxpayers in the City

Taxpayer	2018/19 Total Market Value	2018/19 Total Tax Capacity	Share of City Total Tax Capacity
Mall of America/Triple Five (shopping center/office/land)	$ 975,653,000	$19,513,060	10.81%
Metropolitan Life Insurance (office buildings)	323,488,000	6,469,760	3.58
Kraus-Anderson (shopping centers/office/industrial/ restaurant/auto dealer/bank)	117,691,900	2,353,838	1.30
Carlson Companies (hotels)	85,410,000	1,708,200	0.95
Workspace Property Trust (office/industrial buildings)	76,127,500	1,522,550	0.84
HealthPartners (office buildings)	65,925,000	1,318,500	0.73
Frauenshuh (office buildings/land)	59,116,200	1,177,831	0.65
Mdewakanton Sioux (hotel)	56,800,000	1,136,000	0.63
KBS Capital Advisors (office buildings)	53,494,000	1,069,880	0.59
DRA Advisors (office and bank buildings)	51,868,000	1,037,360	0.57
Total	$1,865,573,600	$37,306,979	20.65%

Source: City of Bloomington, Assessor's Office.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2018/19 Estimated Market Value of $13,472,272,600)	$404,168,178
Less: Outstanding Debt Subject to Limit	(13,500,000)
Legal Debt Margin as of November 26, 2019	$390,668,178

* *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[(a)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 11-26-19
11-4-10	$5,900,000	Capital Improvement Plan	2-1-2021	$1,270,000
12-8-16	1,610,000	Arts Center Refunding	2-1-2021	840,000
5-4-17	1,420,000	Charter	2-1-2027	1,135,000
6-21-18	1,020,000	Charter	2-1-2029	1,020,000
5-30-19	1,645,000	Taxable Charter	2-1-2030	1,645,000
11-26-19	2,440,000[(b)]	Charter (the Series 2019B Bonds)	2-1-2030	2,440,000[(b)]
Total				$8,350,000

[(a)] *These issues are subject to the legal debt limit.*

[(b)] *Preliminary; subject to change.*

General Obligation Special Assessment Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 11-26-19
11-4-10	$6,235,000	Permanent Improvement Revolving Fund ("PIRF"), Series 44	2-1-2021	$ 1,345,000
11-15-11	7,545,000	PIRF, Series 45	2-1-2031	2,620,000
6-15-12	5,615,000	PIRF, Series 46	2-1-2023	2,220,000
6-15-12	5,900,000	PIRF Refunding, Series 2012A	2-1-2025	3,095,000
11-15-13	4,180,000	PIRF, Series 47	2-1-2024	2,225,000
11-15-13	5,135,000	PIRF Refunding, Series 2013A	2-1-2030	2,235,000
12-18-14	7,685,000	PIRF and Refunding, Series 48	2-1-2025	4,090,000
10-27-15	5,810,000	PIRF and Refunding, Series 49	2-1-2036	3,995,000
12-8-16	6,115,000	PIRF, Series 50	2-1-2037	5,100,000
12-8-16	3,730,000	PIRF and Refunding, Series 2016C	2-1-2029	2,955,000
12-6-17	6,720,000	PIRF, Series 51	2-1-2028	4,585,000
12-5-18	5,270,000	PIRF, Series 52	2-1-2029	5,270,000
11-26-19	4,740,000*	PIRF, Series 53 (the Series 53 Bonds)	2-1-2030	4,740,000*
Total				$44,475,000

* *Preliminary; subject to change.*

General Obligation Utility Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 11-26-19
5-4-17	$ 1,170,000	Water Utility	2-1-2027	$ 955,000
12-5-18	10,805,000	Storm Water Utility (Green Bonds)*	2-1-2034	10,805,000
Total				$11,760,000

* *These bonds are being repaid from net revenues of the City's storm water system and special assessments against benefited properties.*

General Obligation Tax Increment Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 11-26-19
11-15-11	$3,095,000	Taxable Tax Increment Refunding	2-1-2032	$ 2,315,000
10-27-15	7,300,000	Taxable Tax Increment	2-1-2035	6,770,000*
12-8-16	2,045,000	Taxable Tax Increment	2-1-2022	1,245,000
Total				$10,330,000

* *General obligations of the City issued by the Bloomington Port Authority which are expected to be repaid from captured tax increment revenues.*

General Obligation Housing Improvement Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 11-26-19
6-21-18	$920,000	Taxable Housing Improvements	2-1-2034	$920,000

Lease Revenue Debt[(a)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 11-26-19
12-5-18	$5,150,000	Taxable Lease Revenue	2-1-2023	$5,150,000[(b)]

(a) *This issue is subject to the legal debt limit.*

(b) *These bonds were issued by the Bloomington Housing and Redevelopment Authority pursuant to a lease agreement with the City. This issue is being repaid from revenues from a sublease agreement.*

Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
Year	Principal	Principal & Interest[(a)]	Principal	Principal & Interest[(b)]
2019 (at 11-26)	(Paid)	(Paid)	(Paid)	(Paid)
2020	$1,260,000	$1,463,493	$ 6,245,000	$ 7,424,514
2021	1,615,000	1,778,701	6,410,000	7,424,513
2022	610,000	741,504	5,825,000	6,657,320
2023	620,000	733,969	5,270,000	5,941,934
2024	640,000	734,404	4,790,000	5,313,405
2025	665,000	741,105	4,400,000	4,784,963
2026	680,000	740,555	3,235,000	3,507,745
2027	700,000	744,955	2,790,000	2,977,523
2028	555,000	585,180	2,315,000	2,433,965
2029	555,000	572,105	1,670,000	1,735,228
2030	450,000	455,240	795,000	826,666
2031			165,000	184,528
2032			110,000	125,300
2033			100,000	112,150
2034			100,000	109,150
2035			100,000	106,150
2036			95,000	98,225
2037			60,000	60,900
Total	$8,350,000[(c)]	$9,291,211	$44,475,000[(d)]	$49,824,179

(a) *Includes debt service on the Series 2019B Bonds based on an assumed average annual interest rate of 1.73%.*

(b) *Includes debt service on the Series 53 Bonds based on an assumed average annual interest rate of 1.73%.*

(c) *94.6% of this debt will be repaid within ten years.*

(d) *96.6% of this debt will be repaid within ten years.*

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

Year	G.O. Utility Revenue Debt Principal	G.O. Utility Revenue Debt Principal & Interest	G.O. Tax Increment Debt Principal	G.O. Tax Increment Debt Principal & Interest
2019 (at 11-26)	(Paid)	(Paid)	(Paid)	(Paid)
2020	$ 575,000	$ 1,065,306	$ 925,000	$ 1,234,914
2021	665,000	1,126,456	955,000	1,247,460
2022	690,000	1,119,781	975,000	1,248,380
2023	725,000	1,120,506	570,000	825,713
2024	755,000	1,113,506	525,000	765,453
2025	795,000	1,116,706	540,000	764,450
2026	820,000	1,105,231	560,000	766,885
2027	860,000	1,107,122	575,000	761,868
2028	755,000	963,688	605,000	769,615
2029	790,000	967,963	630,000	771,205
2030	810,000	963,456	655,000	771,730
2031	835,000	959,100	680,000	771,180
2032	865,000	955,100	635,000	701,068
2033	895,000	949,900	480,000	525,360
2034	925,000	943,500	500,000	527,720
2035			520,000	529,360
Total	$11,760,000[(a)]	$15,577,321	$10,330,000[(b)]	$12,982,361

Year	G.O. Housing Improvement Debt Principal	G.O. Housing Improvement Debt Principal & Interest	Lease Revenue Debt Principal	Lease Revenue Debt Principal & Interest
2019 (at 11-26)	-0-	(Paid)	-0-	(Paid)
2020	$ 50,000	$ 82,760	-0-	$ 154,500
2021	50,000	81,235	-0-	154,500
2022	50,000	79,660	-0-	154,500
2023	55,000	82,953	$5,150,000	5,304,500
2024	55,000	81,110		
2025	55,000	79,213		
2026	60,000	82,170		
2027	60,000	79,980		
2028	65,000	82,651		
2029	65,000	80,198		
2030	65,000	77,711		
2031	70,000	80,095		
2032	70,000	77,365		
2033	75,000	79,500		
2034	75,000	76,500		
Total	$920,000[(c)]	$1,203,101	$5,150,000	$5,768,000

[(a)] *63.2% of this debt will be repaid within ten years.*

[(b)] *66.4% of this debt will be repaid within ten years.*

(c) 61.4% of this debt will be repaid within ten years.

Overlapping Debt

Taxing Unit[a]	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 11-26-19[b]	Debt Applicable to Tax Capacity in City Percent	Amount
Hennepin County	$1,979,015,644	$1,038,700,000	7.8%	$ 81,018,600
Three Rivers Park District	1,392,585,502	51,690,000	11.1	5,737,590
Hennepin County Regional Rail Authority	1,979,015,644	104,075,000	7.8	8,117,850
ISD No. 271 (Bloomington)	152,201,627	138,020,000	99.4	137,191,880
ISD No. 272 (Eden Prairie)	112,000,738	63,630,000	0.6	381,780
ISD No. 273 (Edina)	112,849,625	192,670,000[c]	1.9	3,660,730
Metropolitan Council	4,281,620,797	5,735,000[d]	3.6	206,460
Metropolitan Transit	3,433,535,041	262,085,000	4.5	11,793,825
Total				$248,108,715

(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) Includes lease purchase obligations paid by annual appropriations.

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

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2018/19 Estimated Market Value ($13,472,272,600)	0.51%	2.36%
Per Capita – (85,578 – 2018 U.S. Census Estimate)	$809	$3,708

* *Excludes general obligation utility revenue debt and includes lease revenue debt.*

Trend of Debt Ratios*

General Obligation Direct Debt

Fiscal Year (12-31)	Bonded Debt	Debt To Estimated Market Value	Debt Per Capita
2018	$41,913,011	0.33%	$490
2017	42,846,362	0.35	499
2016	43,713,832	0.38	512
2015	42,836,300	0.41	496
2014	46,346,678	0.47	537

General Obligation Overlapping and Direct Debt

Fiscal Year (12-31)	Debt	Debt To Estimated Market Value	Debt Per Capita
2018	$237,568,465	1.86%	$2,776
2017	237,531,989	1.97	2,766
2016	210,110,103	1.83	2,463
2015	194,646,819	1.87	2,252
2014	193,241,519	1.96	2,239

* *Excludes general obligation debt supported by revenues and revenue debt supported by tax increment and enterprise funds. Includes general obligation debt supported by tax increment.*

Source: Bloomington Finance Department.

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a City Resident in ISD No. 271 (Bloomington)

					2018/19	
	2014/15	2015/16	2016/17	2017/18	Total	For Debt Only
Hennepin County	46.398%	45.356%	44.087%	42.808%	41.861%	4.579%
City of Bloomington	47.336	45.909	40.926	42.127	41.581	3.098
ISD No. 271 (Bloomington)(a)	25.739	24.254	20.627	20.764	20.133	7.018
Special Districts(b)	9.785	9.530	10.877	8.973	8.550	2.219
Total	129.258%	125.049%	116.517%	114.672%	112.125%	16.914%

(a) *Independent School District No. 271 (Bloomington) also has a 2018/19 tax rate of 0.20271% spread on the market value of property in support of an excess operating levy.*

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

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

Special Levies

The Bloomington Port Authority (the "Port Authority") is limited to 0.01813% of the City's taxable market value. Additionally, 0.00282% of taxable market value can be levied for development district purposes. Currently, the Port Authority does not levy any property tax and does not intend to levy for 2019.

The Bloomington Housing and Redevelopment Authority (the "HRA") is limited to 0.0185% of the City's taxable market value.

General Tax Levies and Collections

Levy/ Collect	Amount of Net Levy[a]	Current Collections Amount	Current Collections Percent	Delinquent Collections (Abatements)[b]	Total Collections to Levy Amount	Total Collections to Levy Percent
2018/19	$61,756,432	(In Process of Collection)				
2017/18	58,398,517	$58,069,379	99.4%	$(341,739)	$57,727,640	98.9%
2016/17	55,883,748	55,477,546	99.3	(562,215)	54,915,331	98.3
2015/16	52,845,152	52,561,489	99.5	(336,619)	52,224,870	98.8
2014/15	49,971,775	49,888,157	99.8	(25,883)	49,862,274	99.8

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

(b) *The current collection's percentage is reduced as a result of commercial property valuation adjustments.*

Source: City of Bloomington.

Special Assessment Levies and Collections

Levy/Collect	Amount of Assessment Levy	Current Collections Amount	Current Collections Percent	Collection of Prior Years	Total Collections to Current Levy Amount	Total Collections to Current Levy Percent
2018/19	(Not Yet Available)					
2017/18	$3,450,488	$3,424,920	99.3%	$52,910	$3,477,830	100.8%
2016/17	3,630,378	3,604,148	99.3	63,986	3,668,135	101.0
2015/16	3,581,969	3,555,769	99.3	21,791	3,577,560	99.9
2014/15	3,667,907	3,636,167	99.1	41,989	3,678,156	100.3
2013/14	3,586,105	3,554,750	99.1	27,879	3,582,629	99.9

Source: City of Bloomington.

FUNDS ON HAND
As of July 31, 2019

Fund	Cash and Investments
Operating Funds:	
General	$ 36,809,620
Utility	20,162,402
Recreational Facilities	3,259,070
All Others	61,151,142
Total Operating Funds	$121,382,234
Capital Projects	$152,929,951
Debt Service Funds:	
G.O. Tax Levy	$ 449,566
G.O. Tax Increment City/HRA	1,338,373
G.O. Special Assessment	13,228,052
Taxable Lease Revenue/HRA	101,658
Tax Increment Revenue/Port Authority	450,640
Total Debt Service Funds	$ 15,568,289
Total all City, HRA, and Port Authority Funds	$289,880,474

INVESTMENTS

The City's investments are managed in accordance with an investment policy adopted by the City Council. It is the policy of the City to invest public funds in a manner that will provide the highest investment return with minimum risk while meeting the City's daily cash flow demands and conforming to all federal, state and local regulations governing the investment of public funds. The primary objectives of the City's investment activities shall be safety of principal, sufficient liquidity and market return on investments. The investment portfolio must remain sufficiently liquid to enable the City to meet all operating requirements that might reasonably be anticipated. The City may directly invest in securities maturing more than five years from the date of purchase based on certain market conditions. Directly investing in derivatives is prohibited. No more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution (with the exception of U.S. Treasury securities and authorized pools) and no more than 50% of the portfolio may be invested in a single corporation. The management of the investment program is the responsibility of the City Manager delegated to the Chief Financial Officer and is conducted in accordance with Minnesota Statutes, Chapter 118A, and the City Charter. The Chief Financial Officer is responsible for establishing written procedures for the operations of the investment program consistent with the investment policy. The Chief Financial Officer is also responsible for all investment transactions and establishing a system of controls to regulate the financial activities of the City. An investment committee, consisting of the Chief Financial Officer, Finance Manager, representatives from the HRA and the Port Authority and an Accountant meets semi-annually or as needed to review the performance of investments and investment strategy. The City's financial staff manages the investments of the City, HRA and Port Authority. They provide Investment Performance Reports on a monthly basis to the City Council, Executive staff, HRA, and Port Authority.

As of July 31, 2019, approximately $82.1 million (42.2%) of the City's $194.4 million investment portfolio is invested in securities that will mature at par in less than one year. An additional $104.6 million (53.8%) of the City's operating fund investments are securities that have maturity dates within one to five years and $ 7.7 million (4.0%) are securities that have maturity dates within five to ten years.

GENERAL INFORMATION CONCERNING THE CITY

The City covers an area of approximately 38.8 square miles and is situated wholly within Hennepin County. The City has many national and international corporations within its boundaries, including Seagate Technology, The Toro Company, Thermo King/Ingersoll Rand Corporation, HealthPartners, Wells Fargo Bank, Polar Semiconductor, Inc., Ceridian Corporation, and Donaldson Company, Inc. In addition, the City, with approximately 9,100 hotel/motel rooms, many entertainment facilities, the Mall of America and proximity to the Minneapolis-Saint Paul International Airport, has become a major regional and national business and meeting center.

Population

The City's population trend is shown below.

	Population	Percent Change
2018 U.S. Census Estimate	85,578	3.2%
2010 U.S. Census	82,893	(2.7)
2000 U.S. Census	85,172	(1.4)
1990 U.S. Census	86,355	5.5
1980 U.S. Census	81,831	--

Source: United States Census Bureau, http://www.census.gov/.

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

Data Year/ Report Year	0-17	18-34	35-64	65 and Over
2018/19	17,155	18,581	34,911	18,587
2017/18	16,858	18,240	34,327	17,851
2016/17	16,834	18,380	34,368	17,576
2015/16	16,768	18,359	34,355	17,341
2014/15	16,815	18,326	34,236	16,916

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

Major Employers in the City

Employer	Product/Service	Approximate Number of Employees
Mall of America	Retail/entertainment	13,000
HealthPartners	Health insurance provider	3,965
I.S.D. No. 271 (Bloomington)	Education	1,870
Seagate Technology	Computers and manufacturing	1,400
Donaldson Company	Filtration systems	1,103
The Toro Company	Lawn equipment and snowblowers	983
General Dynamics	Defense contractor	807
NCS Pearson, Inc	Education services and assessment	792
Normandale Community College	Post-secondary education	653
City of Bloomington	Municipal government	580
Minnesota Masonic Home Care Center	Home care/assisted living	568
Express Scripts	Pharmacy benefit management	563
GN Resound	Hearing aids	542
Thermo King/Ingersoll Rand Corporation	Transport refrigeration	538
Polar Semiconductor, Inc	Micro chips	526
Presbyterian Homes	Senior community	495
Ziegler, Inc	Heavy equipment sales and service	493
Quality Bicycle Products	Bicycle distributor	476
Wells Fargo Bank Minnesota, NA	Bank/financial institution	460
Barr Engineering	Engineering	447
Skywater Technology Foundry*	Semiconductor Manufacturing	436
Consolidated Precision Products (CPP)	Metal castings	418
Holiday Companies	Home office/warehouse/retail	356
Cray	Supercomputing	341
The Hartford - GDB Claim Office	Financial services	326

* *Formerly Cypress Semiconductor (MN), Inc*

Source: *City of Bloomington survey completed in summer 2019.*

NOTE: *Employee count reflects only employees physically located in Bloomington. It does not include staff such as contractors, temps, or employees working out of other locations.*

Labor Force Data

	Annual Average				August
	2015	2016	2017	2018	2019
Labor Force:					
City of Bloomington	45,841	46,362	47,329	47,274	47,694
Hennepin County	676,722	687,472	698,548	703,310	719,849
Minneapolis – Saint Paul - Bloomington MSA	1,916,011	1,938,642	1,979,780	2,016,208	2,041,411
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,130,214
Unemployment Rate:					
City of Bloomington	3.4%	3.5%	3.1%	2.6%	3.1%
Hennepin County	3.3	3.3	3.0	2.5	2.9
Minneapolis – Saint Paul - Bloomington MSA	3.5	3.6	3.3	2.7	2.9
State of Minnesota	3.7	3.9	3.4	2.9	3.0

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

Demographic Statistics

The City's residents are employed not only in the City, but throughout the Minneapolis-Saint Paul metropolitan area. In 2018/19, 41.6% of Minneapolis-Saint Paul-Bloomington Metropolitan area households had effective buying incomes (EBIs) in excess of $75,000; 21.3% had EBIs from $50,000 to $75,000; and 22.2% had EBIs from $25,000 to $50,000.

The following table shows the total retail sales and EBI figures for the Minneapolis-Saint Paul-Bloomington Metropolitan area:

Data Year/ Report Year	Retail Sales ($000)	Effective Buying Income (EBI) ($000)	Median Household EBI
2018/19	$76,609,442	$121,060,973	$64,845
2017/18	69,759,477	113,873,167	62,577
2016/17	69,778,211	108,787,172	60,134
2015/16	60,529,092	101,644,635	58,010
2014/15	52,893,227	96,767,078	55,558

The 2018/19 median household EBI for the State of Minnesota is $58,777.

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

Economic Development

Growth within the City has been spurred by freeways reaching out from the metropolitan area population hub, adjacent to and through the City, and further enhanced by the City's proximity to the Minneapolis-Saint Paul International Airport.

The City's water and sewer systems were installed at the beginning of the City's development and the capital outlay programs for extensions have been planned to keep pace with expected development.

Building Permits

Year	New Residential Value	Residential Remodel Value	New Commercial/ Industrial Value	Commercial/ Industrial Remodel Tenant Finish Value	Trade and All Other Value	Total
2019*	$ 620,138	$ 8,133,981	$ 6,004,279	$ 55,922,993	$ 41,224,991	$111,906,313
2018	1,710,254	16,722,013	64,163,903	157,124,426	71,845,442	311,566,038
2017	35,353,832	13,689,352	50,396,401	109,399,472	66,139,308	274,978,365
2016	9,825,934	4,780,251	30,164,200	64,049,858	76,548,140	185,368,384
2015	70,880,538	6,262,198	186,348,675	107,579,347	114,138,156	485,208,914
2014	18,328,599	5,359,533	113,442,172	91,001,075	114,059,411	342,190,790
2013	42,254,429	5,430,076	12,903,868	47,961,220	93,065,016	201,614,609
2012	9,006,292	3,628,988	10,865,167	88,838,928	86,093,208	198,432,583
2011	88,515,939	4,220,858	36,939,316	56,590,423	77,038,469	263,305,005
2010	1,352,619	6,615,879	8,009,091	58,906,582	53,317,647	128,201,818

* *Through July 31, 2019.*

Source: City of Bloomington, Minnesota.

Current and Pending Development

Residential, Public and Quasi Public Development

Portland Commons – Located at 8715 and 8735 Portland Avenue South, Bloomington Senior Partners received approval for a four-story, 166-unit senior independent and assisted living building and a 50-unit apartment building (216 total units). The 50-unit apartment building has been completed and the site is being prepared for the senior independent and assisted living building.

The Winston – In the spring of 2018, a new four-story, 32-unit market rate apartment building opened for occupancy at 9101 Old Cedar Avenue South.

Friendship Village – In late 2017, the City approved a major expansion of the Friendship Village senior campus at 8100 Highwood Drive. The expansion will include a new five-story 93-unit independent housing building and a new 140-bed health center plus various renovations and conversions of existing buildings. Construction has not yet commenced.

Opus Senior Development – In the summer of 2018, the City issued zoning approvals for a 183-unit senior development with independent, assisted, and memory care units. The development will also include a 10,600 square-foot children's day care. Construction has not yet commenced.

108 Place – In the summer of 2018, the City issued zoning approvals for a 42-unit, three-story affordable apartment development at 4008-4100 West 108th Street. Construction is in progress.

Penn Place – In the summer of 2018, the City issued zoning approvals for a 43-unit, four-story affordable apartment development at 10041 Penn Avenue South. Construction has not yet commenced.

The District – In 2019, the City issued zoning approvals for a four-story, 248-unit apartment building near Knox Avenue and American Boulevard. Construction is anticipated to begin in 2019.

Cherrywood Pointe – In 2019, the City issued zoning approvals for a four-story, 108-unit assisted living facility at 5501 American Boulevard West. Construction is anticipated to begin in 2019.

The Pointe – In 2019, the City issued zoning approvals for a four-story, 143-unit independent senior rental apartment building at 5601 American Boulevard West. Construction has not yet commenced.

Founder's Ridge – Construction is anticipated in 2019 on Phases II, III, and IV of the Founder's Ridge Development at 6600 Auto Club Road. While approved for 134 additional units, 111 additional units of senior rental housing are anticipated across three buildings.

Fire Station #3 – In 2019, the City issued zoning approvals for a 29,800 square-foot, two-story fire station at 2305 East 86th Street. Construction is underway.

Mixed Use

Bloomington Central Station – Located at 8100 34th Avenue, Bloomington Central Station (BCS) is a mixed-use transit-oriented development (TOD) initially approved in 2005. The 50-acre project is planned to have up to 2.5 million square feet of office space, 1,100 high-density residential units, 75,000 square feet of retail space, and a 300-room full service hotel. In addition to the previously opened 17-story Reflections condominium twin towers, with a total of 263 dwelling units, and the 550,000 square-foot HealthPartners headquarters, 2016 saw the opening of a 302-room full-service Hyatt Regency hotel. The 394-unit, six-story IndiGO apartment building by Lennar Multi-Family, opened in phases starting in 2016 with completion and final occupancy in 2017. The project is centered on the Bloomington Central Station, one of four Light Rail Transit (LRT) stations in the City along the Blue Line, and the Bloomington Central Station Park featuring seating areas, garden rooms, water walls and fountains, paved and lighted walkways, and public placemaking features. Construction commenced in 2019 on a new six-story, 402-unit apartment building called The Fenley in-between the IndiGO apartments and

Reflections condominiums. The developer recently constructed an eight-level parking structure to support the office campus and make way for the redevelopment of surface parking. The 2013 Legislative session approved extending the tax increment financing district by eight years to 2039 facilitating public infrastructure funding for these projects.

Mall of America Phase II – The Mall of America (MOA) is an international travel destination that attracts tourists to the region and generates significant income and sales tax revenues for the State of Minnesota. In November 2006, the City Council approved a Preliminary Development Plan for subsequent phases of the Mall of America (TIF Districts 1-C and 1-G). A revised preliminary development plan was approved in early 2016. The expansion plan includes retail, hotels, office, entertainment uses, and structured parking. The Radisson Blu Hotel (Phase IB), the second component of the Mall of America expansion (in addition to IKEA), opened in early 2013. Phase IC, a $300 million, 746,628 square-foot Mall of America expansion including a 332-room JW Marriott hotel, 271,000 square feet of retail and restaurant space, a 562-space two-level underground parking structure, 175,000 square feet of office space, and a bus/shuttle/taxi drop off area opened in 2015. The Mall of America partnered with Mortenson Development and the Shakopee Mdewakanton Sioux Community (SMSC) to build the retail and luxury hotel. SMSC will be the owner of the hotel and the MOA will own and manage the retail and office as an integrated part of the existing mall. The 2013 Legislative session approved a TIF alternative for public improvements using the metro-area fiscal disparities program; the funding runs until 2034. The MOA is home to Minnesota's largest transit station, serving light rail, bus rapid transit and numerous bus lines. A major reconstruction of the transit station is underway and is scheduled to be complete in 2019.

South Loop Waterpark – The City is proposing to expand its parks and recreation program by adding a new waterpark (the "South Loop Waterpark") to the City's existing park and recreation amenities. The City and the Port Authority have elected to seek assistance from third parties in the form of a public-private partnership with respect to various activities related to the development, financing, ownership, construction, equipping, and operation of the South Loop Waterpark. On October 29, 2019, the City Council is expected to consider a resolution approving the form of the Waterpark Nonprofit Agreement between the City, the Port Authority, and the Minnesota nonprofit corporation, Provident Group—Old Met Properties Inc., being formed by Provident Resources Group Inc., a Georgia nonprofit corporation (the "Borrower"). Neither the City nor the Port Authority is the Issuer or the borrower. As additional security for the debt, the City will enact certain sales and use taxes authorized by 2008 and 2010 special legislation. If the South Loop Waterpark revenues fall below a certain threshold, the City would commence collecting limited sales and use taxes to pay debt service on the bonds issued to finance the construction of the South Loop Waterpark. Collection of the sales and use taxes will be limited to the MOA property including the parcels where the MOA is built and the expansion site to the north, which is currently IKEA and surface parking and the proposed South Loop Waterpark. No ad valorem taxes or other funds of the City will be pledged to the South Loop Waterpark debt, either now or in the future. Adjacent public improvements for parking and related infrastructure would be funded by existing tax increment cash balances in an estimated amount of $50 million. Bonds are anticipated to be sold in the first quarter of 2020, and the South Loop Waterpark is expected to open in 2022. More information on the South Loop Waterpark project is available on the City's website or upon request.

<u>Industrial</u>

Donaldson Expansion – Construction is underway on a 14,000 square foot building addition at the Donaldson Headquarters at 1400 W. 94th Street.

Storage Depot Self Storage Facility – In the summer of 2019, a new four-story, 140,000 square-foot self-storage facility opened at 9601 Penn Avenue South.

Extra Space Self Storage Facility – Construction is underway on a new three-story, 116,000 square-foot self-storage facility at 101 West American Boulevard.

Acorn Self Storage Facility – Construction is underway on a conversion and expansion of a one-story office building to a 550-unit self-storage facility at 9100 West Bloomington Freeway.

Budget Rental Truck Facility – In late 2018, a new 1,800 square-foot rental truck facility opened at 305 American Boulevard West.

Hotels, Retail, Restaurants and Other Commercial

Alpha Business Center – In 2010, the City purchased 13.6 acres of land immediately east of the Mall of America to extend Lindau Lane and open new sites for redevelopment. The City sold two acres to a developer for a 118-room Towne Place Suites extended stay hotel which opened on July 27, 2015. The same developer constructed a 148-room, five-story AC hotel and an 11,800 square-foot, three-tenant retail building anchored by the Hazelwood restaurant. The developer has recently begun construction on a seven-story, 144-room Element by Westin Hotel. Negotiations are underway regarding development of the remaining land with a technology company which would build up to 500,000 square feet by 2035, in phases.

Cambria Hotel plus Restaurant – Construction is underway on a new 164-room, five-story Cambria hotel at 8001 28th Avenue South. The site also has approval for a second phase, 7,300 square-foot restaurant.

Holiday Inn Express – Construction is underway on a new five-story, 171-room hotel at 1225 East 78th Street.

Drury Inn and Freestanding Restaurant – Construction is on hold on a new nine-story, 214-room Drury Inn hotel at 3901 Minnesota Drive. The site also has approval for a second phase, which consists of a 7,000 square-foot restaurant.

Tru Hotel/Home2Suites – In 2017, the City granted zoning approval for a new four-story, two flag, 182-room hotel at 2405 E. Old Shakopee Road. Construction is underway.

Whirlyball Entertainment Center – In the summer of 2019, a new two-story, 35,700 square-foot entertainment center and restaurant opened at 2405 E. Old Shakopee Road.

Hyatt House – In 2018, the City granted zoning approval for a new four-story, 151-room extended stay hotel at 2325 East Old Shakopee Road. Construction has not yet commenced.

HOM/Gabberts Furniture – In 2018, the City approved a 103,000 square-foot expansion of the existing HOM Furniture store at 7800 Dupont Avenue South to also house Gabberts Furniture. Construction is in progress..

RBCU Old Shakopee – In 2019, a new 3,000 square-foot credit union opened at 4025 West Old Shakopee Road.

RBCU Lyndale - In 2019, the City granted zoning approval for a 12,700 office expansion of an existing credit union and office building at 9500 Lyndale Avenue South. Construction is underway.

Olive Garden – Olive Garden has received zoning approval to build a new 9,500 square-foot restaurant to replace their existing restaurant at 4701 American Boulevard West.

Health Care Services

City residents have access to numerous hospitals and health care facilities located throughout the Minneapolis-Saint Paul Metropolitan area. The following is a list of some health care facilities located in the City:

Facility	Type	No. of Beds
Minnesota Masonic Home Care	Nursing Home	214
Martin Luther Care Center	Nursing Home	137
Presbyterian Homes of Bloomington	Nursing Home	98
The Estates at Bloomington	Nursing Home	68
Friendship Village of Bloomington	Nursing Home	66

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

Education

Public Education

The following districts serve the residents of the City:

School	Location	Grades	2018/19 Enrollment*
ISD No. 271 (Bloomington)	City of Bloomington	K-12	10,641
ISD No. 272 (Eden Prairie)	City of Eden Prairie	K-12	8,899
ISD No. 273 (Edina)	City of Edina	K-12	8,510

Non-Public Education

City residents are also served by the following private schools:

School	Location	Grades	2018/19 Enrollment*
Nativity of Mary	City of Bloomington	K-8	281
Bloomington Lutheran	City of Bloomington	K-8	207
Bethany Academy	City of Bloomington	K-12	154
Ramalynn Montessori	City of Bloomington	K-8	91
Life Academy	City of Bloomington	K-12	55

* *2019/20 Enrollment not yet available.*

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

Vocational/Technical Education

Vocational/technical training is available to City residents through Intermediate District No. 287. A school facility is located in the adjacent City of Eden Prairie. The Intermediate District offers Associate of Applied Science degree programs, vocational diploma programs, apprenticeship programs and other adult education services, as well as special education services, and gifted education services and early childhood programs.

Post-Secondary Education

Normandale Community College, a two-year college, is located in the City, but has no direct affiliation with the local public school district. It is State-supported (one of several in the Minneapolis-Saint Paul metropolitan area), has an enrollment of over 10,000 full- and part-time students, and employs a staff of approximately 653 full- and part-time persons. Normandale Community College has baccalaureate partnerships with post-secondary institutions Metropolitan State University, Minnesota State University - Mankato, and Southwest Minnesota State University and offers a total of 10 different bachelor's degree programs, with most classes offered at its Partnership Center.

Northwestern Health Sciences University, located in the City, offers bachelor of science degree completion programs, as well as professional programs in chiropractic and acupuncture and Oriental medicine, and massage therapy programs. The university enrolls approximately 900 full-time students.

City residents also have access to various community and technical colleges, colleges and universities located throughout the Minneapolis-Saint Paul metropolitan area.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The governing body, the City Council, consists of six council members and the Mayor. Four of the council members are elected by district and two of the council members and the Mayor are elected at large. The Mayor and three council members serve four-year terms, and the remaining members serve two-year terms, resulting in a return to overlapping four-year terms.

The present Mayor and Council Members are listed below:

		Expiration of Term
Gene Winstead	Mayor	January 2, 2020*
Jack Baloga	Council Member	January 3, 2022
Tim Busse	Council Member	January 2, 2020*
Nathan Coulter	Council Member	January 3, 2022
Dwayne Lowman	Council Member	January 2, 2020*
Patrick Martin	Council Member	January 3, 2022
Shawn Nelson	Council Member	January 2, 2020*

* *In the upcoming November 5, 2019 election, Mr. Winstead is not running for reelection; Mr. Busse is not running for reelection as a council member, but is running for Mayor; and Mr. Lowman and Mr. Nelson are running opposed.*

The City Manager is the Chief Administrative Officer of the City. The City Manager, James D. Verbrugge, controls and directs the administration of the City's affairs through the City's departments and divisions. The City employs approximately 580 full-time persons throughout the various City departments, programs, and teams.

City Departments

Community Development Department: Eric Johnson, Director – The Community Development Department has approximately 78 full-time employees in six divisions - Management and Services (9), Planning and Economic Development (9), Building and Inspection (16), Environmental Health (17), City Assessor (13), Housing and Redevelopment Authority (10) and the Port Authority (4). The Planning Division provides professional planning expertise to the City, including reviewing all zoning, rezoning, variances and subdivision plats, as well as developing comprehensive and district plans. The Building and Inspection Division is responsible for building, heating, plumbing and electrical plan reviews and code compliance delegated by the State of Minnesota. The Environmental Health Division reviews food service plans, conducts regular inspections of food service establishments, is responsible for rental housing inspections, enforces the City's property maintenance ordinances and responds to complaints about a range of environmental issues including noise, toxic materials and air and water pollution. The City Assessor's Division determines the annual valuation and classification of properties located within Bloomington's geographic boundaries for the purposes of property taxation. The Housing and Redevelopment Authority manages the City's housing and redevelopment programs and administers Federal housing assistance programs. The Port Authority manages public sector development assistance and financing of public infrastructure with a goal of facilitating development in the City's Airport South District.

Community Services Department: Diann Kirby, Director – The Community Services Department has a total of three divisions, involving approximately 42 full-time employees working in the following areas – Administration (2), Public Health (17), Office of Community Outreach and Engagement (6), Communications (9), Public Health Grants (7), and Support Services (1). Services of this department encompass the areas of public health, community outreach and referrals, and communications. The Public Health Division provides basic health services on contract to the neighboring cities of Richfield and Edina. The Office of Community Outreach and Engagement has an emphasis on implementing the City Council's equity and inclusion priority by serving as an advocate for traditionally underserved or underrepresented populations in the development and delivery of City programs and services.

Parks and Recreation Department: Ann Kattreh, Director - The Parks and Recreation Department was newly formed in fall of 2018 and includes approximately 25 full-time employees in the following divisions – Cultural Arts/Events (1), General Recreation (6), and Recreational Facilities (18). Collectively, these divisions operate the City's golf courses, Ice Garden, Creekside Community Center, aquatic facilities, Center for the Arts and all recreational programming. The City's municipally-owned recreational facilities consist of an 18-hole golf course; a nine hole, par 3 golf course; an ice arena with three sheets of ice; and a performing arts facility with an art gallery and theater that seats 366.

Finance Department: Lori Economy-Scholler, Chief Financial Officer – The Finance Department employs a staff of approximately 24 who support and coordinate various financial and administrative-related operations. These include Finance, Budget, Accounting, and Risk Management. The Finance Department coordinates the development of the City's program budgets for all operating budgets, the ten-year capital improvement program, the Comprehensive Annual Financial Report and the Popular Financial Report, and provides financial management services. The Finance, Budget, and Accounting operations also provide support to the City's Housing and Redevelopment Authority, Port Authority and Fire Relief Association agencies.

Fire Department/Fire Prevention: Ulysses Seal, Chief – The City has a 116-person Volunteer/Paid-on-Call Fire Department, providing fire protection that has resulted in a Class III fire rating in the City. The department operates out of six stations and utilizes the latest in firefighting equipment (a total of 30 units, including 9 Engines, 6 Ladders and other specialty units). Average response time is approximately four minutes and fifteen seconds from time dispatched, with the number of fire fighters responding depending upon the type, location and severity of the incident. Both fire and police vehicles have optional equipment, providing for automatic switching of traffic signals, to expedite emergency runs. Being "volunteer" or "paid-on-call" in nature, the firefighters receive only minimum pay for firefighting. However, this is supplemented by a pension plan covering the fire fighters, which is funded almost entirely by City contributions and investment earnings. The Fire Prevention Division reviews plans for fire code compliance and investigates fires to determine cause and origin.

Police Department: Jeff Potts, Chief – The Police Department staff totals 156, of which 124 are sworn officers, and have approximately 24 persons in the Police Reserves unit. The bulk of the staffing is in the Patrol Division, which provides around-the-clock police patrol in the City, including traffic control, plus other services as might be required for general safety and welfare. Another police service area is Police Investigations, providing special investigative services to and for the City in criminal proceedings as well as license inspections and crime prevention. In addition, the Police Department has a Pro Active Police Services unit that provides specialized services to residents and businesses on creative solutions to deter crime.

Public Works Department: Karl Keel, Director – This department has 189 full-time employees organized in five divisions – Maintenance (35), Utilities (67), Engineering (29), Public Works Administration (3), and Fleet and Facilities (55). Seasonally, with the addition of part-time and temporary positions, the total number of Public Works employees approaches 250. The department's typical annual operating budget is approximately $50 million. The department is responsible for the planning, design, operations and maintenance of Bloomington's public infrastructure including streets, vehicle fleet, water treatment plant, water distribution, sanitary sewer collection, storm water, parks and city facilities. In addition, the department provides technical and labor support to other city departments and functions.

Information Technology Department: Amy Cheney, Chief Information Officer – The Information Technology (IT) Department has 20 team members who support the City's full-time, part-time, elected, and volunteer technology users. IT is responsible for implementing and maintaining computer systems that are secure and effective in assisting internal departments with meeting established goals and completing daily operations. There are currently two divisions within IT. Enterprise Solutions is responsible for network and communication infrastructure, computer deployment, and enterprise systems such as E-mail and the City's Enterprise Resource Planning system. Implementation and Development is responsible for implementing new software applications and maintaining many of the City's over 120 existing applications. Five IT employees are currently dedicated to supporting and maintaining technology within the Public Works Department. As a result of a recent restructuring, these employees are now part of the IT team.

Other operating departments: These include the Administration and Legal Departments.

Labor Contracts

The City has five collective bargaining units that cover 33 percent of its full-time workforce. Two are represented by the American Federation of State, County and Municipal Employees (AFSCME), including the 48-member Professional/Technical unit and the 6-member Assistant City Attorneys unit. The others are the 98 police officers represented by the Bloomington Police Officers Federation, the 23 police supervisors (Sergeants and Commanders) represented by Law Enforcement Labor Services (LELS), and the 13 civilian police and fire dispatchers represented by the International Association of Fire Fighters (IAFF). The City currently has contracts in place for 2018-19 with all five collective bargaining units.

Bloomington Housing and Redevelopment Authority (HRA)

Doug Grout has been the Administrator of the HRA since January 2013. The HRA encompasses the entire City of Bloomington. The HRA has taxing and bonding powers, but all general obligation bonds for redevelopment projects are issued by the City. The HRA concentrates its efforts on grants and loans for the improvement of low and moderate income housing and on both business and housing redevelopment projects. Lower-rent, multifamily housing is also receiving attention, with several projects completed and others in various stages of planning.

Bloomington Port Authority (Port Authority)

Schane Rudlang serves as the Port Authority's Administrator and has served in this position since the spring of 2011. The Port Authority was created by the City to provide a coordinated, cost-effective approach for private and public development within various development districts that may be established throughout the City. The Port Authority's boundaries encompass the entire City of Bloomington and the Port Authority is governed by commissioners appointed by the Mayor and confirmed by the City Council. The Port Authority has limited taxing powers, but has extensive authority to issue bonds or notes for public improvements and land development. The Port Authority may issue general obligation bonds secured by a pledge of the full faith and credit and taxing powers of the City with the consent of the City Council. The City guarantees certain Port Authority debt and manages the Port Authority's day-to-day operations.

Boards and Commissions

A valuable adjunct to the City Council's decision-making process is a network of nine Boards and Commissions, including Advisory Board of Health; Charter Commission; Creative Placemaking Commission; Human Rights Commission; Local Board of Appeal and Equalization; Merit Board; Parks, Arts and Recreation Commission; Planning Commission; and Sustainability Commission. These Boards and Commissions all report directly to the City Council.

City Services and Improvements

<u>City Services</u>

The results of the National Citizen Survey™ taken in 2019 continued to indicate overall high satisfaction and strong livability scores by residents and businesses. Ninety-one percent of residents who responded to the National Citizen Survey™ said the City is an excellent or good place to live. Eight in ten residents would recommend living in the City to others.

A majority of residents and businesses gave positive ratings to every aspect of the City's governance. Eight in ten respondents gave high marks to the overall quality of City services and to the customer service provided by City employees. The top-rated municipal services in the resident survey were fire, police, fire prevention, drinking water, parks and sewer services. With a 91 percent approval rating, the City's drinking water ranked first among its peer cities for the fifth year in a row and 10th among all jurisdictions polled nationwide.

<u>City Improvements</u>

Environmental Sustainability is one of the City Council strategic priorities.

- The City issued green bonds in November 2018 for a stormwater project. The designation applies to bonds certified as promoting environmental sustainability. Green bond financing is in keeping with the Council's strategic priorities to promote sustainability and to reduce the City's overall carbon footprint. To address flooding around American Boulevard and Knox Avenue, the City issued Green bonds for the first time. The $10.8 million linear stormwater storage project is expected to address flooding and improve water quality. Throughout the 15-year duration of the green bonds, the City will report sustainability results using standards certified by the Nine Mile Creek Watershed District. The City is one of the first cities in the State of Minnesota to issue green bonds. The cities of Minneapolis and Saint Paul have also recently enacted large-scale green bond projects. The expanding green bond market supports action on climate change on a local level for far-reaching initiatives such as the Paris Agreement to curb greenhouse gas emissions internationally.

- The Penn-American Linear Storm Water Storage Project (the Project), located in the City's Penn-American District, included utility infrastructure upgrades and construction of underground storm water storage and infiltration. This project significantly reduced risk for urban flooding and improved runoff water quality to downstream resources. Construction began in July 2018 and was substantially complete by July 1, 2019. With the overall project improvements in place and functioning re-development in area is moving forward with projects that support the higher density, pedestrian friendly, transit oriented development desired for the City's Penn-American District.

- Some of the best practices the City has completed are optimizing traffic signals around Mall of America; conducting a natural resource inventory; using recycled material in asphalt and road-bed projects; using community volunteers to aid in parks maintenance and revitalization; and partnering with community organizations to promote efficient water use among residents and businesses.

- Organic recycling began in the City in April 2018. Residents can bring organic waste to two drop-off locations in the City for collection and composting. Organics includes food scraps and non-recyclable paper items. This is a free program for all City residents. Organics collected at the drop-off locations will be turned into compost, which will be used to add valuable nutrients back into the soil. When compost is added to soil, it reduces the need for fertilizers and pesticides and increases water retention, allowing for more efficient water use. The compost will be used primarily by commercial landscapers, in road construction projects, and in gardens. Organics recycling reduces the amount of trash residents produce. Turning organics into compost is better for the environment than burying or burning it. Composting reduces greenhouse gas emissions at landfills and increases energy efficiency at garbage incinerators.

- The Nine Mile Creek Watershed District drained approximately three feet of water from Normandale Lake in August 2018 in hopes the bottom of the lake would freeze over the winter, killing invasive plant species such as curly-leaf pondweed. Any remaining curly-leaf pondweed was targeted with herbicide treatments in the Spring of 2019.

- In May 2019, the City Council approved an energy action plan for the City that sets community-wide goals to reduce greenhouse emissions from energy use. The plan was developed by a team of community representatives through Xcel Energy's Partners in Energy program. The plan calls for a 75 percent reduction in combined emissions from electricity and natural gas by the year 2035. To achieve this goal, the plan outlines near-term and long-term strategies to increase energy-efficient practices and renewable energy generation in commercial, residential and municipal sectors. The plan also includes strategies to reduce emissions from transportation.

Community Connections is one of the City Council strategic priorities.

- City Councilmembers are exploring new avenues to connect with constituents. In October 2018, more than 200 residents attended town hall forums—a new outreach event series—held in their council districts. At these events, councilmembers led discussions about the City's strategic priorities, including high-quality services and community amenities. They spoke about improvements to City fire stations, park buildings, playgrounds and facilities including the Bloomington Ice Garden, Dwan and Hyland Greens golf courses, the aquatic center and a potential 7new community center. After the presentation, attendees had the opportunity to ask councilmembers questions.

- More than 380 people registered to host a National Night Out party in August 2019—a new record for Bloomington Police's 36th annual National Night Out event. Each year, thousands of residents gather and enjoy a summer evening with neighbors, good food and information about keeping their communities safe. More than 100 residents also entered the new chalk drawing contest.

- The City's Welcome Meals take place throughout the community in homes, churches and other public buildings such as libraries and community centers in order to learn about different cultures, enjoy delicious food and meet new people. Sharing meals is a starting point to help build and foster relationships throughout the community. The mission of these meals is to build a feeling of community and belonging that connects people while sharing meals, culture and fun. More than 40 community members have worked with the Human Rights Commission to arrange these events.

CITY FINANCIAL POLICIES AND PRACTICES

Employee Pensions

All full-time and certain part-time employees of the City (except for the City Manager, who may choose to be exempt from coverage at time of employment) are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer retirement plans. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. The City makes annual contributions to the pension plans equal to the amount required by State statues. The City's contributions to GERF and PEPFF are equal to the contractually required contributions for each year as set by State statute, and are as follows for the past five years:

	GERF	PEPFF
2018	$2,606,658	$2,262,547
2017	2,553,026	2,131,306
2016	2,499,700	2,164,062
2015	2,414,889	1,995,234
2014	2,257,355	1,772,263

Volunteer firefighters of the Bloomington Fire Department are covered by a defined benefit plan administered by the Bloomington Firefighters Relief Association. The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69. The Relief Association provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established in accordance with the State Statute. The defined retirement benefits are based on the most recent 3-year average salary rates of the highest paid non-officer police officer in the City. Benefit provisions can be amended by the Minnesota State Legislature. Each member who is at least 50 years of age, has retained membership in the Association for 10 years, and has served at least twenty (20) years of active service with the Bloomington Fire Department before retirement shall be entitled to a full service monthly pension for the remainder of his or her life. Benefits are based on 33 1/3% of the average of the highest paid non-officer police officers pay over the last 3 years.

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City and State aid on an annual basis. These statutes are established and amended by the state legislature. The Relief Association is comprised of volunteers; therefore, members have no contribution requirements. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Relief Association.

A summary of contributions, benefits and estimated unfunded liability for the past three years for the Fire Relief Association is as follows:

Fiscal Year Ended	Annual Pension Cost	City Contributions	State Contributions	Percent Contributed	Net Pension Obligation
12/31/2018	$2,130,346	$1,535,985	$594,361	100.0%	-0-
12/31/2017	1,633,873	1,057,759	576,114	100.0	-0-
12/31/2016	1,469,482	905,855	563,627	100.0	-0-
12/31/2015	1,630,173	1,175,095	540,186	105.0	-0-
12/31/2014	3,016,121	2,548,092	622,164	105.0	-0-

For more information regarding the liability of the City with respect to its employees, please reference "Note 11, Defined Benefit Pension Plans" and "Required Supplementary Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

GASB 68

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

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

	GERF		PEPFF	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2018	0.5098%	$28,220,590	1.2831%	$13,676,526
2017	0.5297	33,815,698	1.2770	17,241,020
2016	0.5236	42,513,723	1.3650	54,779,825
2015	0.5389	27,928,595	1.2890	14,646,056

For more information regarding GASB 68 with respect to the City, please reference "Note 11, Defined Benefit Pension Plans" and "Required Supplementary Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

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

Source: City's Comprehensive Annual Financial Reports.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB").

The City provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

All retirees of the City upon retirement have the option under State law to continue their medical insurance coverage through the City with retirees paying the full city premium rate for their coverage. The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees. In the case of death of an employee whose dependents who were enrolled under the City's plan, the City will pay 100% of the group health insurance premium for the employee's dependents for two years after the employee's death.

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled $344,129.

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	52
Active plan members	565
Total	617

The City's total OPEB liability of $9,310,197 as of year-end was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the entry-age normal cost method and a discount rate of 4.00%. Components of the City's OPEB liability and related ratios for the fiscal year ended December 31, 2018 are as follows:

Total OPEB liability	
Service cost	$ 591,300
Interest	335,249
Contributions - employer	(299,661)
Differences between expected and actual experience	745,047
Net change in total OPEB liability	$ 1,371,935
Total OPEB liability - beginning of year	7,938,262
Total OPEB liability - end of year	$ 9,310,197
Covered payroll	$43,914,741
Total OPEB liability as a percentage of covered payroll	21%

The City implemented GASB Statement No. 75 in fiscal year 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Note: There are no assets in a trust to pay related benefits.

For more information regarding GASB 75 with respect to the City, please reference "Note 12, Post-Employment Benefits" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

Source: City's Comprehensive Annual Financial Reports.

Cash Flow and Tax Collections

The City uses its General Fund balance to finance operations until tax receipts come in and has not engaged in tax anticipation borrowing. Taxes flow to the City starting in July of the collection year, when it receives approximately 49% of its levy. The second settlement, also about 49% of the total levy, is received in December. The final settlement is received in January of the following year.

Local Lodging, Admission, and On-Sale Liquor Taxes

The City currently imposes and collects a 7% lodging tax, a portion (2/7) of which goes to the Bloomington Convention and Visitors Bureau. As of July 31, 2019, $6,073,658 (consisting of $5,050,259 for lodging and $1,023,399 for admission) represents revenues from a 3% entertainment and admissions tax and a portion (3/7) of the City's 7% lodging tax, which was recorded in the City's General Fund.

The total amount directed to the South Loop Capital Improvement Fund is comprised of the 3% on-sale liquor tax and a portion of the 7% lodging tax (2/7 or $3,366,831 for lodging and $1,016,762 for liquor as of July 31, 2019).

City Budget Process

Budget work-up for the following two calendar years begins in March of the even numbered years and the final proposed budget and tax levy is certified by September 15 under State law. A series of notices, publications and budget meetings are then established by the Council under State law for purposes of discussion and public input. Budget and tax levy deliberations for the following budget year are conducted between September 15 and December 20 of each year. The final levy is certified on or before five working days after December 20. The budget, as adopted, can be later modified by the City Council, but appropriations can be increased only if additional revenues can also be shown (pursuant to Section 7.08 of the City Charter). In odd numbered years budgets developed for the following year are reviewed and fine-tuned before final budgets are adopted.

Awards

The City has received the Distinguished Budget Presentation Award for its Budget Document from the Government Finance Officer's Association (GFOA) from 1997 through 2018, and the Popular Annual Financial Report Award from the GFOA for the years 1998 through 2003 and 2005 through 2017. The City has also received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for its Comprehensive Annual Financial Report from 1971 through 2017. The City has submitted its CAFR for the 2018 fiscal year to GFOA.

Ten-Year Capital Improvement Plan

The City utilizes a ten-year Capital Improvement Plan, outlining projected costs and probable sources of funding for proposed various capital improvement projects. Any unreserved fund balances of the Park Development Fund and the Facility and Park Maintenance Fund are identified for use as proposed in the Capital Improvement Plan, when and if such projects are ordered by the City Council.

The City's ten-year Capital Improvement Plan indicates the totals below for the ten-year period of 2018 through 2027:

Project Category	Estimated Project Costs (in millions)	Approximate Sources of Funding	
City Facilities, Parks and Park Development	$196	Cash on Hand	13%
		Bonds	52
		Grants, Other	35
Alternative/Surface Transportation	221	Federal Funds, Grants	8%
		Other Governments	5
		PIR. Bonds	43
		Municipal State Aid	15
		Franchise Fee	3
		Tax Abatement	2
		Other	24
Water, Sewer, and Stormwater Facilities	99	Cash on Hand	96%
		Bonds	4
Economic Development and Redevelopment	26	Liquor/Lodging Tax	100%
Total	$542		

Claims and Litigation

The City has no pending or threatened litigation or any claims or assessments that, in its opinion, would materially affect its ability to perform its obligations to the holders of the securities being offered, including the effects of legal proceedings on the securities being offered and on the source of payment thereof. Further, no unasserted claims or assessments are believed to have any reasonable possibility of an unfavorable effect. The City usually has, at any given time, a number of lawsuits pending relating to land development, constitutionality of laws and ordinances, and human rights complaints. The first two categories do not involve monetary damages. The third could, but in amounts not expected to be material. None of these claims exceed the policy limits or the statutory liability limits.

The City carries the following business and property loss insurance policies and coverages:

	Coverage	Deductible
Municipal General Liability	$2,000,000	$100,000 per occurrence/ $275,000 aggregate
Real and Personal Property blanket	$248,229,254	$50,000 per occurrence
Inland Marine	$13,965,086	$50,000 per occurrence
Crime	$250,000	$50,000 per occurrence
Faithful Performance Bond	$1,000,000	$50,000 per occurrence
Commercial Auto	2,000,000	$50,000 per occurrence
Worker's Compensation	Self-insured	$500,000 catastrophic loss
Health Care Professionals	$1,500,000 per occurrence/ $3,000,000 aggregate	$10,000 per claim
Liquor Liability	$1,000,000 per occurrence/ $2,000,000 aggregate	$1,000 per occurrence
Equipment Breakdown	$100,000,000	$5,000 per occurrence

The City also had a cash balance of $6.4 million in its Self-Insurance Fund as of September 10, 2019, from which to pay claims and expenses.

Major General Fund Revenue Sources

Revenue	2014	2015	2016	2017	2018
Property taxes	$37,497,251	$39,091,646	$41,913,743	$43,645,095	$45,566,902
Lodging and admissions tax	8,194,438	8,306,823	9,807,314	9,393,619	10,462,313
Business licenses	5,864,807	6,241,921	4,743,748	5,191,270	6,354,508
Transfers from other funds	2,869,272	2,845,681	3,615,169	3,917,820	3,701,068
Fiscal disparities	3,193,380	3,407,395	3,154,786	3,119,896	3,099,268
Intergovernmental	2,323,116	2,345,709	2,607,348	2,655,199	2,719,342

Sources: City's Comprehensive Annual Financial Reports.

GENERAL FUND SUMMARY OF REVENUES AND EXPENDITURES

For Years Ended December 31

	2018 Budget	2018 Actual	2019 Budget
REVENUES			
Property taxes	$48,815,256	$48,666,170	$50,898,546
Special Assessments	-0-	30,166	-0-
Lodging and admissions tax	8,880,463	10,410,932	9,180,583
Licenses/Permits	5,176,070	6,354,507	5,671,752
Fines	850,000	719,742	750,000
Intergovernmental	2,347,656	2,719,342	2,627,606
Program income	2,061,404	1,849,604	1,948,383
Interest	82,786	345,322	84,856
Net change in fair value of investments	-0-	52,183	-0-
Other	1,042,029	1,233,045	1,052,348
Transfers	3,297,574	3,701,072	3,066,642
Total Revenues	$72,553,238	$76,082,085	$75,280,716
EXPENDITURES			
General government	$ 586,629	$ 553,723	$ 676,802
Administration	2,784,787	2,813,161	2,485,342
Legal	1,535,321	1,463,384	1,729,813
Finance	1,138,565	1,056,865	1,193,578
Police	25,464,450	25,398,093	26,850,131
Fire	5,121,898	5,174,935	5,444,964
Community development	9,196,618	8,900,962	9,478,648
Community services	4,528,472	4,010,405	4,552,296
Parks and Recreation	9,798,155	9,487,535	9,987,811
Public works	12,224,728	12,262,007	12,771,984
Contingency/ Estimated unexpended	(124,385)	89,240	109,347
Transfers	298,000	1,145,768	-0-
Total Expenditures	$72,553,238	$72,356,078	$75,280,716
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -0-	$ 3,726,007	$ -0-
Fund Balance at Beginning of Year	$30,942,840	$30,942,840	$34,668,847
Fund Balance at End of Year	$30,942,840	$34,668,847	$34,668,847

Sources: The City, the City's 2018 CAFR, and the City's 2018 and 2019 Annual Budgets.

PROPOSED FORMS OF LEGAL OPINIONS

Kennedy & Graven
CHARTERED

Offices in Minneapolis Saint Paul St. Cloud

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Affirmative Action, Equal Opportunity Employer

$__________
City of Bloomington, Minnesota
General Obligation Permanent Improvement
Revolving Fund Bonds of 2019
Series 53

We have acted as bond counsel to the City of Bloomington (the "City" or "Issuer"), in connection with the issuance by the City of its General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53 (the "Bonds"), originally dated as of ____________, 2019, and issued in the original aggregate principal amount of $__________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from special assessments levied or to be levied on property specially benefited by local improvements and from ad valorem taxes for the City's share of the cost of the improvements but, if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is 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, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

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

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _____________, 2019 at Minneapolis, Minnesota.

Kennedy & Graven
CHARTERED

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$__________
City of Bloomington, Minnesota
General Obligation Charter Bonds
Series 2019B

We have acted as bond counsel to the City of Bloomington, a home rule city, municipal corporation, and political subdivision of the State of Minnesota (the "City" or "Issuer"), in connection with the issuance by the City of its General Obligation Charter Bonds, Series 2019B (the "Series 2019B Bonds"), originally dated the date hereof, and issued in the original aggregate principal amount of $__________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing, we are of the opinion that:

1. The Series 2019B Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Series 2019B Bonds are payable from ad valorem taxes. If necessary for the payment of the principal of and interest on the Series 2019B Bonds, additional ad valorem taxes are required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Series 2019B Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is 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 Series 2019B Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2019B Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Series 2019B Bonds. We express no opinion regarding tax consequences arising with respect to the Series 2019B Bonds other than as expressly set forth herein.

4. The rights of the owners of the Series 2019B Bonds and the enforceability of the Series 2019B Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Series 2019B Bonds and, accordingly, we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _____________, 2019, at Minneapolis, Minnesota.

CONTINUING DISCLOSURE CERTIFICATES

$__________
City of Bloomington, Minnesota
General Obligation Permanent Improvement
Revolving Fund Bonds of 2019
Series 53

CONTINUING DISCLOSURE CERTIFICATE

___________, 2019

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Bloomington, Minnesota (the "Issuer") in connection with the issuance of its General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53 (the "Bonds") in the original aggregate principal amount of $__________. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the "Resolutions"). The Bonds are being delivered to ____________________ (the "Purchaser"), on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

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

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

"Bonds" means the General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53, issued by the Issuer in the original aggregate principal amount of $__________.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the Preliminary Official Statement, dated ____________, 2019, as amended, and as supplemented by the Final Official Statement, dated ____________, 2019, which together constitute the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means 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 a Financial Obligation as described in clause (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Bloomington, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means ____________________.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. <u>Provision of Annual Financial Information and Audited Financial Statements</u>.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; <u>provided</u> that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. City Property Values
2. City Indebtedness
3. City Tax Rates, Levies and Collections

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material 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 security, or other material events affecting the tax status of the security;

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 securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

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; and

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.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds 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 under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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IN WITNESS WHEREOF, we have executed this Continuing Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF BLOOMINGTON, MINNESOTA

____
Mayor

____
City Manager

[Signature page to Continuing Disclosure Certificate as to
General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53]

$__________
City of Bloomington, Minnesota
General Obligation Charter Bonds
Series 2019B

CONTINUING DISCLOSURE CERTIFICATE

___________, 2019

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Bloomington, Minnesota (the "Issuer") in connection with the issuance of its General Obligation Charter Bonds, Series 2019B (the "Series 2019B Bonds") in the original aggregate principal amount of $__________. The Series 2019B Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the "Resolutions"). The Series 2019B Bonds are being delivered to ____________________ in _______________, __________ (the "Purchaser"), on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Series 2019B Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Series 2019B Bonds that is required by the Rule.

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

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the Preliminary Official Statement, dated ____________, 2019, as amended, and as supplemented by the final Official Statement, dated ____________, 2019, which together constitute the final official statement delivered in connection with the Series 2019B Bonds, which is available from the MSRB.

"Financial Obligation" means 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 a Financial Obligation as described in clause (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

"GASB" means the Governmental Accounting Standards Board.

"Holder" means the person in whose name a Series 2019B Bond is registered or a beneficial owner of such a Series 2019B Bond.

"Issuer" means the City of Bloomington, Minnesota, which is the obligated person with respect to the Series 2019B Bonds.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Series 2019B Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Series 2019B Bonds.

"Purchaser" means ____________________ in _______________, __________.

"Repository" means EMMA, or any successor thereto designated by the SEC.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means Securities and Exchange Commission, and any successor thereto.

"Series 2019B Bonds" means the General Obligation Charter Bonds, Series 2019B, issued by the Issuer in the original aggregate principal amount of $__________.

Section 3. <u>Provision of Annual Financial Information and Audited Financial Statements</u>.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; <u>provided</u> that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. <u>Content of Annual Reports</u>. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. City Property Values
2. City Indebtedness
3. City Tax Rates, Levies and Collections

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. <u>Reporting of Material Events</u>.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Series 2019B 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 security, or other material events affecting the tax status of the security;

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 securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

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.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Series 2019B Bonds or payment in full of all Series 2019B Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Series 2019B Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Series 2019B Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Series 2019B Bonds 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 under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Series 2019B Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Series 2019B Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Continuing Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF BLOOMINGTON, MINNESOTA

____
Mayor

____
City Manager

[Signature page to Continuing Disclosure Certificate as to
General Obligation Charter Bonds, Series 2019B]

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

Property Type	Local Tax Payable 2015-2019
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 THE CITY'S 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City's financial statements are audited annually by the independent certified public accounting firm HLB Tautges Redpath, Ltd. in conformance with generally accepted accounting principles. Data on the following pages was extracted from the City's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended December 31, 2018. The reader should be aware that the complete audit may contain additional information which may interpret, explain or modify the data presented here. The City's CAFRs can be found at http://www.bloomingtonmn.gov/.

The City's CAFR for the year ended December 31, 2017 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. The City has submitted its CAFR for the 2018 fiscal year to GFOA.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received the Certificate of Achievement each year since 1971.

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Bloomington, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bloomington, 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 from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 15 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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, supplementary information, other supplementary information – component units (including financial data schedules), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary information and other supplementary information – component units (including financial data 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 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, 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 18, 2019

As management of the City of Bloomington (the City), we offer readers of the City's financial statements a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2018. This discussion and analysis should be read in conjunction with the transmittal letter, which can be found on pages 9 - 20 of this report, and the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the 2018 fiscal year by $616.0 million (*net position*). Of this amount, $91.9 million (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors, $32.8 million is restricted for debt service, $18.6 million is restricted for fire pension, $26.8 million is restricted for tax increment, $2.3 million is restricted for street reconstruction, $6.0 million is restricted for other purposes, and $437.7 million is the City's net investment in capital assets.

- The City's net position increased by $36.1 million. A large reason for the increase in net position was the $6.0 million increase in Charges for Services revenue as a result of increased rates and fees. The General Revenues increase included a $3.2 million Property Tax levy increase, a $1.8 million Business Tax increase due in part to Minnesota's hosting of Super Bowl LII in February 2018, and a $800,000 Investment Earnings increase as a result of better yields.

- As of December 31, 2018, the City's governmental funds had combined fund balances of $126.5 million, an increase of $3.7 million in comparison with the prior year. Including committed, assigned, and unassigned fund balances, approximately 58% of the total fund balances are available to meet the City's current and future needs. The remaining 42% is restricted for mostly grants, debt service, and capital projects.

- At the end of the current fiscal year, total fund balance for the General Fund was $34.7 million, or 48.7% of actual total General Fund expenditures. This compares to $30.9 million from the prior year, an increase of roughly $3.7 million. The General Fund working capital goal policy states the City will strive to maintain a fund balance in the General Fund for working capital purposes of 35-40% of the following year's General Fund total budgeted revenues or expenditures. As of December 31, 2018, the fund balance of the General Fund was within this range. $2.1 million of this positive performance has been committed for budgeted carryover amounts unspent in 2018 and encumbrances for open purchase order contracts at the end of 2018 that were carried over to the 2019 budget.

- In 2018 the Net Pension liability decreased $9.2 million due to significant changes in actuarial assumptions with the General Employee Retirement Fund and Public Employees Police and Fire Fund. The pension related net deferred inflows and outflows increased $7.8 million effectively offsetting the large decrease in the net pension liability.

- The estimated market value for all taxable property is at $12.8 billion for assessment year 2017 (payable in 2018). After fifteen years of steadily increasing market values peaking in 2008 at $11.8 billion, values declined as a result of the worldwide "Great Recession" before bottoming in assessment years 2012 and 2013 at $9.9 billion. Total market value has been growing since and has now surpassed the 2008 peak. This growth trend is continuing as real estate markets have strengthened and significant new development is occurring.

- Entity-wide, the City recorded $19.6 million in depreciation expense on its capital assets.

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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between them 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 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 these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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 services, development services, public works, public safety, and community services. The business-type activities of the City include water/wastewater utility, storm water utility, solid waste management, recreational facilities, contractual police, and motor vehicle operations.

The government-wide financial statements include not only the City (*known as the primary government*), but also two legally separate entities for which the City is financially accountable. The *component units* are the Bloomington Housing and Redevelopment Authority and the Bloomington Port Authority. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on Exhibits 1 and 2 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 finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial 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 externally reports five major and eleven nonmajor governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Community Development Block Grant, Improvement Bonds, Capital Projects, and Improvement Construction Funds, 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 elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds: enterprise and internal service.

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/wastewater utility, storm water utility, recreational facilities, solid waste management, contractual police, and motor vehicle operations.

Internal service funds are used to allocate costs internally among the City's various functions. The City uses internal service funds to account for its information technology, fleet, support services, public safety radio, self-insurance, benefit accrual, insured benefits, facilities and parks maintenance, and PERA pension. Because these services predominately benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements; however, some allocations have been made to business-

CITY OF BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

type activities. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements provide separate information for water/wastewater, storm water, and recreational facilities (which are considered to be major funds of the City). Solid waste, contractual police, and motor vehicle operations are combined and presented as nonmajor funds. The City's enterprise funds are the same as the business-type activities reported in the government-wide statements (except for internal service fund amounts which are allocated to both the governmental and business-type activities) but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found on Exhibits 7 through 9 of this report.

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

The basic fiduciary fund financial statements can be found on Exhibits 10 and 11 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 70 - 123 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information.* Required supplementary information can be found on Exhibits A-1 through A-9 of this report.

The combining statements referred to earlier in connection with nonmajor funds and internal service funds are presented in the *supplementary information* section. Combining and individual fund statements and schedules can be found on Exhibits B-1 through F-2 of this report.

The *other supplementary information* section includes additional information on the two component units.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the *Statement of Net Position* and the *Statement of Activities.* These two statements report the City's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by $615,954,546 at December 31, 2018, as compared to $579,896,275 at the end of 2017.

CITY OF BLOOMINGTON'S NET POSITION

	Governmental activities		Business-type activities		Total		Total Percentage
	2018	2017	2018	2017	2018	2017	Change
Assets:							
Current and other assets	$ 247,713,342	$ 252,347,016	$ 31,052,553	$ 17,605,217	$ 278,765,895	$ 269,952,233	3.3%
Capital assets	407,170,737	392,046,122	93,794,542	86,500,605	500,965,279	478,546,727	4.7%
Total assets	654,884,079	644,393,138	124,847,095	104,105,822	779,731,174	748,498,960	4.2%
Deferred outflows:							
Deferred outflows of resources	32,231,615	35,665,561	-	-	32,231,615	35,665,561	(9.6)%
Total assets and deferred outflows	687,115,694	680,058,699	124,847,095	104,105,822	811,962,789	784,164,521	3.5%
Liabilities:							
Current and other liabilities	13,824,413	10,207,523	4,434,191	2,686,048	18,258,604	12,893,571	41.6%
Noncurrent liabilities	127,148,425	139,918,713	12,656,987	1,170,000	139,805,412	141,088,713	(0.9)%
Total liabilities	140,972,838	150,126,236	17,091,178	3,856,048	158,064,016	153,982,284	2.7%
Deferred inflows:							
Deferred inflows of resources	37,944,227	50,285,962	-	-	37,944,227	50,285,962	(24.5)%
Total liabilities and deferred inflows	178,917,065	200,412,198	17,091,178	3,856,048	196,008,243	204,268,246	(4.0)%
Net position:							
Net investment in capital assets	352,048,328	332,133,255	85,607,307	85,330,605	437,655,635	417,463,860	4.8%
Restricted	86,444,757	69,744,412	-	-	86,444,757	69,744,412	23.9%
Unrestricted	69,705,544	77,768,834	22,148,610	14,919,169	91,854,154	92,688,003	(0.9)%
Total net position	$ 508,198,629	$ 479,646,501	$ 107,755,917	$ 100,249,774	$ 615,954,546	$ 579,896,275	

As of December 31, 2018 the City had a positive net position balance for the government as a whole. The increase in restricted net position is related to an increase in amounts restricted for Fire Pension.

By far, the largest portion of the City's net position, $437,655,635 (approximately 71%), reflects the City's net investment in capital assets (e.g., land, buildings and structures, machinery and equipment, distribution system, improvements, and infrastructure) less any related debt used to acquire those assets. The City uses these capital assets as an integral part of providing services to citizens; consequently, these are not "liquid" assets and 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.

An additional portion of the City's net position, $86,444,757 (approximately 14%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $91,854,154 (approximately 15%), may be used to meet the government's ongoing obligation to citizens and creditors.

CITY OF BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following schedule provides a summary of the City's operations for the year ended December 31, 2018:

CITY OF BLOOMINGTON'S CHANGES IN NET POSITION

Year Ended December 31, 2018

	Governmental Activities		Business-Type Activities		Total		Total Percent
	2018	2017	2018	2017	2018	2017	Change
REVENUES:							
Program revenues:							
Charges for services	$ 13,035,181	$ 10,921,006	$ 46,856,727	$ 42,959,432	$ 59,891,908	$ 53,880,438	11.2 %
Operating grants and contributions	6,016,557	7,405,866	213,200	371,202	6,229,757	7,777,068	(19.9)%
Capital grants and contributions	26,869,409	24,802,770	768,452	306,382	27,637,861	25,109,152	10.1 %
General revenues:							
Property taxes	55,864,418	53,080,612	2,489,325	2,112,584	58,353,743	55,193,196	5.7 %
Business taxes	18,042,869	16,274,658	-	-	18,042,869	16,274,658	10.9 %
Grants and contributions not restricted	1,188,665	3,825,860	-	-	1,188,665	3,825,860	(68.9)%
Gain on sale of capital assets	39,997	195,169	-	-	39,997	195,169	(79.5)%
Interest and investment earnings	2,548,752	1,815,321	249,987	135,172	2,798,739	1,950,493	43.5 %
Total revenues	123,605,848	118,321,262	50,577,691	45,884,772	174,183,539	164,206,034	6.1 %
EXPENSES:							
General services	9,659,744	8,683,447	-	-	9,659,744	8,683,447	11.2 %
Development services	15,245,431	16,976,729	-	-	15,245,431	16,976,729	(10.2)%
Public works	18,613,129	16,680,711	-	-	18,613,129	16,680,711	11.6 %
Public safety	32,937,726	29,006,295	-	-	32,937,726	29,006,295	13.6 %
Community services	16,800,345	17,298,796	-	-	16,800,345	17,298,796	(2.9)%
Interest on long-term debt	1,183,925	1,553,254	-	-	1,183,925	1,553,254	(23.8)%
Water/wastewater utility	-	-	24,838,208	25,078,431	24,838,208	25,078,431	(1.0)%
Storm water utility	-	-	3,867,530	3,691,245	3,867,530	3,691,245	4.8 %
Recreational facilities	-	-	5,811,867	6,178,658	5,811,867	6,178,658	(5.9)%
Solid waste management	-	-	7,283,298	6,974,219	7,283,298	6,974,219	4.4 %
Contractual police	-	-	1,177,229	737,598	1,177,229	737,598	59.6 %
Motor vehicle	-	-	706,836	708,060	706,836	708,060	(0.2)%
Total expenses	94,440,300	90,199,232	43,684,968	43,368,211	138,125,268	133,567,443	3.4 %
Change in net position before transfers	29,165,548	28,122,030	6,892,723	2,516,561	36,058,271	30,638,591	17.7 %
Transfers	(613,420)	(21,936)	613,420	21,936	-	-	- %
Change in net position	28,552,128	28,100,094	7,506,143	2,538,497	36,058,271	30,638,591	17.7 %
Net position - January 1	479,646,501	451,546,407	100,249,774	97,711,277	579,896,275	549,257,684	5.6 %
Net position - December 31	$ 508,198,629	$ 479,646,501	$ 107,755,917	$ 100,249,774	$ 615,954,546	$ 579,896,275	6.2 %

Expenses above include $15,578,357 of depreciation expense for governmental activities under the full accrual basis of accounting. Charges for Services increased $6,011,470 mainly in the Water/Wastewater utility from increased rates and usage.

Governmental activities

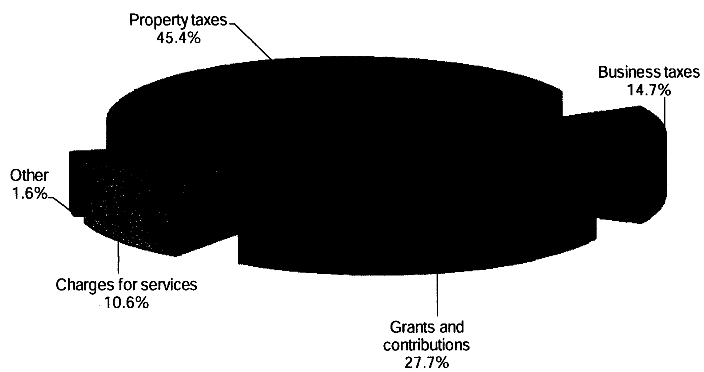
Internal service fund charges for services (program revenues of $41,386,028) and expenses ($37,401,842) were allocated to all the governmental and business-type activities. A comparison of revenue and expense changes from 2017 to 2018 follows:

Overall, governmental activities net position increased by $28.6 million. Within this increase, general revenues increased overall by $2.5 million in 2018 due to a combination of the following factors. Property taxes increased by $2.8 million as a result of the levy and market value increases, and Business taxes increased $1.8 million primarily as a positive result from having Super Bowl LII in Minnesota in 2018. Grants and contribution not restricted decreased $2.6 million as local government aids (LGA) are no longer received from the State of Minnesota.

Program revenues increased by $2.8 million in 2018 as Charges for services increased $2.1 million. Operating grants and contribution decreased by $1.4 million primarily due to Fire grant for firefighters' training ending. Capital grants and contributions increased by $2.1 million as a result of additional capital projects.

Development services expenses decreased by $1.7 million due to the completion of many capital projects that were mostly developed and expensed in 2016 and 2017, and the projects wrapped up in 2018. Public Safety expenses increased $3.9 million as a result of a $1.4 million increase in salaries and benefits and an increase in expenses for Fire Pension in the amount of $2.5 million in 2018.

City of Bloomington
2018 Revenue Sources - Governmental Activities



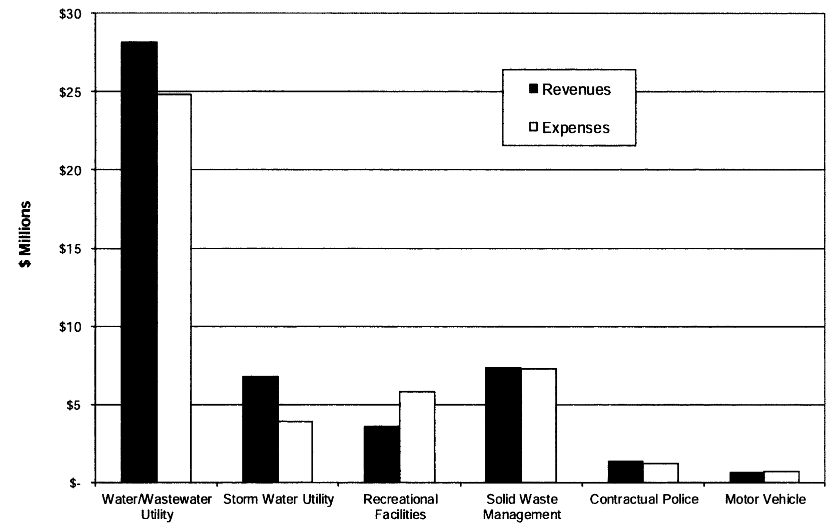
CITY OF BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Business-type activities

Business-type expenses increased in 2018 by about $300,000. These expenses include depreciation of capital assets that were funded in prior years. Where expenses exceeded revenues, there was a planned spend-down of net position.

City of Bloomington
2018 Expenses and Program Revenues - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Projects 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 financial requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At December 31, 2018, the City's governmental funds reported combined ending fund balances of $126,492,479, an increase of $3.7 million in comparison with the prior year. Fund balance of $52.5 million is *restricted* due to externally enforceable legal restrictions (creditors, grantors, contributors, and by law through constitutional provisions or enabling regulations).

Approximately, $74.0 million or 58% of total fund balance constitutes *unrestricted fund balance* which is the total of *committed fund balance* (amounts that can be used only for the specific purposes by a formal action of the City Council), *assigned fund balance* (amounts that are to be used for a specific purpose as expressed by an official that has been delegated authority from the City Council), and *unassigned fund balance* (amounts that are available for any purpose in the General Fund). The following presents the amounts of unrestricted fund balance by various fund types:

Fund Type	Unrestricted Fund Balance
General fund	$ 34,668,847
Special revenue funds	3,433,221
Capital projects funds	35,854,943
Total	$ 73,957,011

The following tables provide an overview of revenues by source and expenditures by function for all governmental funds:

Revenues by Source
Governmental Funds

	2018		2017		Increase
	Amount	Percent of Total	Amount	Percent of Total	(Decrease) Amount
Revenues by source:					
Taxes	$ 73,745,101	61.5%	$ 69,477,188	60.2%	$ 4,267,913
Special assessments	4,166,801	3.5	3,820,155	3.3	346,646
Business licenses	6,354,508	5.3	5,191,270	4.5	1,163,238
Fines and forfeitures	885,262	0.7	1,243,454	1.1	(358,192)
Intergovernmental	20,939,959	17.5	21,480,304	18.6	(540,345)
Program income	2,161,498	1.8	2,385,511	2.1	(224,013)
Interest and investment income	1,872,255	1.6	1,396,754	1.2	475,501
Franchise fees	6,377,901	5.3	6,453,295	5.6	(75,394)
Contractual component unit	360,058	0.3	886,722	0.8	(526,664)
Other	3,071,926	2.5	3,029,172	2.6	42,754
Total	$ 119,935,269	100.0%	$ 115,363,825	100.0%	$ 4,571,444

CITY OF BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Expenditures by Function
Governmental Funds

	2018		2017		Increase
	Amount	Percent of Total	Amount	Percent of Total	(Decrease) Amount
Expenditures by Function					
General services	$ 8,103,825	6.8%	$ 7,487,434	6.3%	$ 616,391
Development services	11,952,854	10.1	10,987,159	9.3	965,695
Public works	12,222,664	10.3	11,333,270	9.6	889,394
Public safety	33,071,958	27.8	31,496,674	26.6	1,575,284
Community services	16,749,515	14.1	16,410,862	13.9	338,653
Debt service	9,223,071	7.8	10,696,775	9.1	(1,473,704)
Capital outlay	27,417,190	23.1	29,780,396	25.2	(2,363,206)
Total	$ 118,741,077	100.0%	$ 118,192,570	100.0%	$ 548,507

Please note that the governmental fund information shown above is presented on the modified accrual basis of accounting. The information on the government-wide statements is presented on the full accrual basis. The two formats are prepared differently as required by generally accepted accounting principles (GAAP). See the reconciliations of these statements on Exhibits 4 and 6.

Following is a discussion of the major governmental funds that had large increases or decreases of fund balances:

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the General Fund was $34,668,847 which was comprised of $2,069,126 of committed fund balance, and $32,599,721 of unassigned fund balance. As a measure of the General Fund's liquidity it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 45.8% of total General Fund expenditures. It is important to note that the General Fund unassigned fund balance of $32,599,721 is designated in its entirety for a working capital goal of $32,181,412. The committed amount of $2,069,126 consists of a budget carryover amount of $1,409,940, and encumbrance rollover amount of $659,186. The budget carryover represents 2018 budgeted amounts that were unspent in 2018 and were carried over to the 2019 budget. The encumbrance rollover amount represents encumbrances for open purchase order contracts at the end of 2018 that were carried over to the 2019 budget.

Overall, General Fund revenues increased from $68.4 million in 2017 to $72.4 million in 2018. Of this increase, the largest factors included an increase in property tax revenue by $1.9 million as a result of increased market values and tax levy, lodging and admissions tax increased by $1.1 million as a result of the Super Bowl and business licenses increased by $1.2 million as a result of new businesses. General Fund expenditures increased from $68.6 million in 2017 to $71.2 million in 2018.

The $2,363,206 decrease in capital outlay in the governmental funds is largely due to park improvement projects in which the majority of work was done in 2017.

The Improvement Bonds Funds fund balance had a net decrease of $4.7 million, a large part due to an advanced refunding bond that refunded in 2018.

The Capital Projects fund balance increased $3.4 million, as a majority of the work on capital projects was done in 2017.

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

As discussed earlier, the City reports two types of proprietary funds: enterprise funds and internal service funds. The following sections describe the key balances and transactions for the different fund types.

The net position of the enterprise funds increased by $6.9 million during the current fiscal year. Key factors in this change include:

- The Water/Wastewater Utility Fund had an increase in net position of $3.9 million due to an increase in service charges.
- The Storm Water Utility Fund had an increase in net position of $3.0 million due to an increase in service charges.

The net position of the internal service funds increased by $4.6 million during the current fiscal year. Key factors in this change include:

- The Facilities & Parks Maintenance Fund had an increase of $2.1 million due to increase in service charges and transfers in from other funds for debt service abatement.
- The Self Insurance Fund had an increase of $1.1 million due to an increase in service charges.
- PERA Pension increased $1.4 million due to a decrease in Net Pension liabilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a $927,000 increase in appropriations and can be briefly summarized as follows:

- The council approved transfers out to Strategic Priorities in the amount of $843,235 as a result of 2017 positive performance.

The actual results compared to the final budget showed a $4.3 million favorable variance due to better than budgeted revenues as well as conservative spending. Significant details are as follows:

- Lodging and admissions tax revenue exceeded budget by $1.7 million due to an increase in hotel occupancy due to the Super Bowl and new admissions businesses.
- Business licenses exceeded budget by $1.2 million due to an increase in permits and licenses as a result of new developments.
- Community Services expenditures were $775,986 under budget due to savings from unfilled positions.

CITY OF BLOOMINGTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of December 31, 2018 amount to $500,965,279 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and structures, machinery and equipment, and distribution systems. Major capital asset additions during the fiscal year include the following:

- The City's Utilities Division improved the water, wastewater, and storm water distribution systems at a cost of $10,281,863.
- The 2018 Pavement Management Program expended $7,734,502. These improvements included 4.88 miles of reconstructed streets and 7.03 miles of overlaid streets.
- The City's Improvement Construction Fund spent $15,045,773 on street improvement projects in 2018.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements. Additional information on the City's capital assets can be found in Note 3.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding (excluding unrestricted premiums) of $68,245,000 as compared to $63,265,000 in the prior year. This amount is comprised of $56,380,000 related to governmental activities and $11,865,000 in debt related to business-type activities.

In 2018, the City issued $5,270,000 of General Obligation Permanent Improvement Revolving (PIR) Bonds. In addition the City issued $1,020,000 of General Obligation Charter Bonds, $920,000 of General Obligation Housing Improvement Bonds and $10,805,000 of General Obligation Storm Water Utility Bonds. In 2018 the City retired a total of $13,035,000 resulting in $68,245,000 in bonds payable as of December 31, 2018.

The City maintains an "Aaa" rating from Moody's, an "AAA" rating from Standard & Poor's, and an "AAA" rating from Fitch Ratings. The City is one of only 37 cities nationwide to hold this "Triple A" bond ratings combination. Additional information on the City's long-term debt can be found in Note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following key indicators provide highlights of the City's economic outlook and future budget impact:

- At December 2018, the unemployment rate in Bloomington was 2.7%, down 0.1% from a year ago. This compares favorably to the state's December unemployment rate of 3.2% and the national rate of 3.7%.
- As of January 2018 the assessor's estimated market value for Bloomington turned up an additional 5.2% on top of 6.0% growth in 2017 to a total of $13.5 billion. This is an 86% increase in total City market value since 2000, and the total is now 14.2% above the previous

peak in 2008. The City's diverse tax base, approximately half commercial and half residential, will provide stability in the coming year.
- The City's contract with its health care provider included a rate increase of 10% for the year 2018 and a 10% rate cap for 2019.
- The proposed Public Employees Retirement Association (PERA) pension costs to the City for 2019 are estimated at roughly $4.87 million.
- Property tax reforms and budget deficits at the state level significantly reduced general state government aid and market value homestead credit payments made to the City. In the late 1990s, the City created a prioritized list of downturn strategies. Starting with the 2002 budget process to address the "dot.com" downturn, the City has conservatively utilized these strategies to mitigate large fluctuations in the year-to-year revenues and expenditures. These strategies were again used during the most recent recession. The budgets, starting with the year 2013, began replenishing reserve funds used for the downturn.
- The 2019 budget was approved without the need to reduce existing service levels. In the approved 2019 budget, there was a 3.00% salary increase for City employees.
- The City uses a ten-year General Fund financial model to determine levels of service and to respond to short-term economic and financial changes to make good decisions for the long term. Other funds are modeled for ten to fifteen years to moderate fee increases and to plan for pay-as-you-go capital improvements.

All of these factors were considered in preparing the City of Bloomington'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 government's finances. Questions concerning any of the information provided in this report or the requests for additional financial information should be addressed to the Chief Financial Officer, Bloomington Civic Plaza, 1800 West Old Shakopee Road, Bloomington, Minnesota, 55431.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Net Position
December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Port Authority	Housing and Redevelopment Authority
ASSETS					
Cash, cash equivalents, and investments	$ 167,755,947	$ 24,472,446	$ 192,228,393	$ 79,896,561	$ 9,466,905
Receivables, net	46,077,625	10,852,962	56,930,587	1,428,917	11,377,625
Prepaid items	877,906	30,530	908,436	-	-
Due from primary government	-	-	-	-	5,233,871
Due from component units	5,815,727	-	5,815,727	-	-
Due from other governments	-	-	-	8,841	-
Inventory	10,705,483	-	10,705,483	17,150,000	4,201,421
Internal balances	4,303,385	(4,303,385)	-	-	-
Net pension asset	12,177,269	-	12,177,269	-	-
Capital assets:					
Capital assets - nondepreciable	104,026,370	4,856,539	108,882,909	-	1,600,300
Capital assets - net of accumulated depr	303,144,367	88,938,003	392,082,370	-	1,005,669
Net capital assets	407,170,737	93,794,542	500,965,279	-	2,605,969
Total assets	654,884,079	124,847,095	779,731,174	98,484,319	32,885,791
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	32,231,615	-	32,231,615	-	-
Total assets and deferred outflows of resources	687,115,694	124,847,095	811,962,789	98,484,319	32,885,791
LIABILITIES					
Accounts payable and other current liabilities	7,172,953	3,240,719	10,413,672	2,113,306	161,827
Accrued interest payable	622,579	52,480	675,059	90,935	44,395
Due to other governments	-	-	-	-	-
Unearned revenue	795,010	1,140,992	1,936,002	-	-
Due to component units	5,233,871	-	5,233,871	-	-
Due to primary government	-	-	-	693,551	150,160
Due to primary government - bonds	-	-	-	-	545,000
Noncurrent liabilities:					
Due to primary government -					
Loans payable due in more than one year	-	-	-	790,852	-
Bonds payable due in more than one year	-	-	-	-	3,587,820
Accrued interest payable	-	-	-	-	48,344
Due within one year	9,092,407	105,000	9,197,407	380,000	-
Due in more than one year	76,158,902	12,551,987	88,710,889	6,770,000	6,702,695
Net pension liability	41,897,116	-	41,897,116	-	-
Total liabilities	140,972,838	17,091,178	158,064,016	10,838,644	11,240,241
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of resources	37,944,227	-	37,944,227	-	-
Total liabilities and deferred inflows of resources	178,917,065	17,091,178	196,008,243	10,838,644	11,240,241
NET POSITION					
Net investment in capital assets	352,048,328	85,607,307	437,655,635	-	1,025,454
Restricted for:					
Debt service	32,801,484	-	32,801,484	555,561	65,998
Fire pension	18,593,579	-	18,593,579	-	-
Tax increment	26,785,291	-	26,785,291	86,949,203	2,099,622
Street reconstruction	2,256,676	-	2,256,676	-	-
Restricted - other	6,007,727	-	6,007,727	-	89,650
Unrestricted	69,705,544	22,148,610	91,854,154	140,911	18,364,826
Total net position	$ 508,198,629	$ 107,755,917	$ 615,954,546	$ 87,645,675	$ 21,645,550

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Activities
Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Port Authority	Housing and Redevelopment Authority
Primary Government:									
Governmental activities:									
General Services	$ 9,659,744	$ 3,849,226	$ 561,808	$ 235,613	$ (5,013,097)	$ -	$ (5,013,097)	$ -	$ -
Development Services	15,245,431	6,570,742	540,776	4,171,037	(3,962,876)	-	(3,962,876)	-	-
Public Works	18,613,129	142,735	-	22,182,910	3,712,516	-	3,712,516	-	-
Public Safety	32,937,726	455,900	1,099,148	-	(31,382,678)	-	(31,382,678)	-	-
Community Services	16,800,345	2,016,578	3,814,825	279,849	(10,689,093)	-	(10,689,093)	-	-
Interest on long-term debt	1,183,925	-	-	-	(1,183,925)	-	(1,183,925)	-	-
Total governmental activities	94,440,300	13,035,181	6,016,557	26,869,409	(48,519,153)	-	(48,519,153)	-	-
Business-type activities:									
Water/Wastewater Utility	24,838,208	27,907,362	-	290,436	-	3,359,590	3,359,590	-	-
Storm Water Utility	3,867,530	6,292,929	9,985	439,486	-	2,874,870	2,874,870	-	-
Recreational Facilities	5,811,867	3,544,045	36,546	-	-	(2,231,276)	(2,231,276)	-	-
Solid Waste Management	7,283,298	7,128,905	166,669	38,530	-	50,806	50,806	-	-
Contractual Police	1,177,229	1,349,945	-	-	-	172,716	172,716	-	-
Motor Vehicle	706,836	633,541	-	-	-	(73,295)	(73,295)	-	-
Total business-type activities	43,684,968	46,856,727	213,200	768,452	-	4,153,411	4,153,411	-	-
Total primary government	$ 138,125,268	$ 59,891,908	$ 6,229,757	$ 27,637,861	(48,519,153)	4,153,411	(44,365,742)	-	-
Component units:									
Port Authority	$ 7,088,262	$ -	$ 500,000	$ -	-	-	-	(6,588,262)	-
Housing and Redevelopment Authority	14,317,951	7,611,243	5,749,864	121,861	-	-	-	-	(834,983)
Total component units	$ 21,406,213	$ 7,611,243	$ 6,249,864	$ 121,861	-	-	-	(6,588,262)	(834,983)
		General revenues:							
		Property taxes			55,864,418	2,489,325	58,353,743	15,606,317	3,839,099
		Business taxes			18,042,869	-	18,042,869	-	-
		Grants and contributions not restricted			1,188,665	-	1,188,665	-	-
		Gain on sale of capital assets			39,997	-	39,997	-	-
		Interest and investment earnings			2,548,752	249,987	2,798,739	1,440,685	113,114
		Transfers			(613,420)	613,420	-	-	-
		Total general revenues and transfers			77,071,281	3,352,732	80,424,013	17,047,002	3,952,213
		Change in net position			28,552,128	7,506,143	36,058,271	10,458,740	3,117,230
		Net position - January 1			479,646,501	100,249,774	579,896,275	77,186,935	18,528,320
		Net position - December 31			$ 508,198,629	$ 107,755,917	$ 615,954,546	$ 87,645,675	$ 21,645,550

See notes to the basic financial statements.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

This fund accounts for all unrestricted resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special revenue funds are established to account for taxes and other revenues set aside for a particular purpose.

Community Development Block Grant Fund - This fund was established to account for funds received under Title I of the Housing and Community Development Act of 1974.

DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources for and payment of general long-term debt principal and interest.

Improvement Bonds Fund – This fund is used to account for the accumulation of resources for payment of principal and interest on general obligation improvement bonds.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the construction and financing of large capital projects.

Capital Projects Fund – This fund accounts for funds and monies required for financing land acquisitions, park development, housing, and construction and equipment related to public facilities.

Improvement Construction Fund – This fund accounts for the proceeds of bonds sold for the purpose of street, trails, sewer, water, and state aid construction.

CITY OF BLOOMINGTON, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Community Development Block Grant	Improvement Bonds	Capital Projects	Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents and investments	$ 34,029,434	$ 700	$ 16,401,842	$ 32,020,707	$ 34,769,909	$ 6,352,124	$ 123,574,716
Accrued interest receivable	99,012	1,049	58,006	82,648	107,300	17,036	365,051
Taxes receivable	709,097	-	28,251	-	-	2,355	739,703
Accounts receivable	1,824,489	-	-	60,003	1,243,365	373,447	3,501,304
Lease receivable	-	-	-	5,150,000	-	-	5,150,000
Mortgages receivable	-	10,843,308	-	-	-	-	10,843,308
Prepaids items	-	-	-	18,500	-	-	18,500
Land held for resale	-	-	-	9,913,047	606,477	-	10,519,524
Due from other funds	342,200	-	-	-	-	-	342,200
Due from component units	176,270	-	-	1,458,293	-	-	1,634,563
Due from other governments	411,934	106,097	-	-	4,839,494	256,478	5,614,003
Special assessments receivable	1,963,812	-	16,314,181	1,380,309	282,061	-	19,940,363
Total assets	$ 39,556,248	$ 10,951,154	$ 32,802,280	$ 50,083,507	$ 41,848,606	$ 7,001,440	$ 182,243,235
LIABILITIES							
Accounts payable	$ 2,051,914	$ 17,975	$ 17,752	$ 788,431	$ 523,473	$ 319,048	$ 3,718,593
Retainage payable	-	-	-	55,831	1,315,398	-	1,371,229
Due to other funds	-	6,000	-	-	162,000	29,200	197,200
Due to component units	-	83,871	-	5,150,000	-	-	5,233,871
Unearned revenue	414,253	-	-	-	-	305,756	720,009
Deposits payable	18,160	-	-	-	-	433,484	451,644
Total liabilities	2,484,327	107,846	17,752	5,994,262	2,000,871	1,087,488	11,692,546
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - mortgages	-	10,843,308	-	-	-	-	10,843,308
Deferred inflows - taxes	439,262	-	-	-	-	-	439,262
Deferred inflows - state aid	-	-	-	-	2,315,753	-	2,315,753
Deferred inflows - special assessments	1,963,812	-	16,314,181	1,380,309	282,061	-	19,940,363
Deferred inflows - land held for resale	-	-	-	9,913,047	606,477	-	10,519,524
Total deferred inflows of resources	2,403,074	10,843,308	16,314,181	11,293,356	3,204,291	-	44,058,210
FUND BALANCES							
Nonspendable	-	-	-	18,500	-	-	18,500
Restricted	-	-	16,470,347	26,992,931	6,572,959	2,480,731	52,516,968
Committed	2,069,126	-	-	5,784,458	-	3,438,272	11,291,856
Assigned	-	-	-	-	30,070,485	-	30,070,485
Unassigned	32,599,721	-	-	-	-	(5,051)	32,594,670
Total fund balances	34,668,847	-	16,470,347	32,795,889	36,643,444	5,913,952	126,492,479
Total liabilities, deferred inflows of resources, and fund balances	$ 39,556,248	$ 10,951,154	$ 32,802,280	$ 50,083,507	$ 41,848,606	$ 7,001,440	$ 182,243,235

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 126,492,479
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Cost of capital assets	$ 529,108,514	
Less accumulated depreciation	(169,759,874)	359,348,640
Governmental funds do not report a liability for accrued interest until due and payable.		(603,449)
Internal service funds are used by management to charge the costs of various services provided to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
Internal service fund net position per statements	19,346,560	
Add allocation to business-type activities	4,158,380	23,504,940
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(54,495,000)
A portion of other post employment benefits (OPEB) was not paid in the current period and, therefore, not reported in the governmental funds.		
Total OPEB liability	(9,310,197)	
Deferred outflows of resources - OPEB plan deferments	344,129	
Deferred inflows of resources - OPEB plan deferments	(1,070,669)	(10,036,737)
Bond premiums are reported as other financing sources in the governmental funds at the time of issuance. In the Statement of Net Position, these costs are amortized over the life of the debt issue.		(2,642,893)
Amounts due from component units-bonds payable are not reflected in the governmental funds and, therefore, must be added to reconcile to the total net position of governmental activities.		4,178,865
Amounts pertaining to the Bloomington Fire Relief Association pension plan are not current financial resources and, therefore, are not reported in governemental funds:		
Net pension asset	12,177,269	
Deferred outflows of resources	6,488,637	
Deferred inflows of resources	(72,327)	18,593,579
Other long-term assets related to delinquent property taxes, land held for resale, and special assessments are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		43,858,205
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 508,198,629

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	General Fund	Community Development Block Grant	Improvement Bonds	Capital Projects	Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 45,566,902	$ -	$ 3,391,671	$ 940,455	$ 939,902	$ 1,391,186	$ 52,230,116
Fiscal disparities	3,099,268	-	223,436	17,960	57,005	74,447	3,472,116
Special assessments	30,166	-	3,978,335	158,300	-	-	4,166,801
Lodging and admissions tax	10,462,313	-	-	7,580,556	-	-	18,042,869
Business licenses	6,354,508	-	-	-	-	-	6,354,508
Fines and forfeitures	719,742	-	-	-	-	165,520	885,262
Intergovernmental	2,719,342	1,506,406	-	195,755	14,532,235	1,986,221	20,939,959
Program income	1,856,904	-	-	-	-	304,594	2,161,498
Interest	345,322	117	200,019	514,013	540,873	84,602	1,684,946
Net change in fair value of investments	52,182	(117)	34,962	19,032	62,860	18,390	187,309
Other	1,174,365	-	23,980	1,011,628	125,709	736,244	3,071,926
Franchise fees	-	-	-	-	4,960,859	1,417,042	6,377,901
Contractual payments from component unit	-	-	-	360,058	-	-	360,058
Total revenues	72,381,014	1,506,406	7,852,403	10,797,757	21,219,443	6,178,246	119,935,269
EXPENDITURES							
Current:							
General services	7,736,736	-	121,642	53,212	25,043	167,192	8,103,825
Development services	7,140,604	1,462,530	-	3,049,567	4,571	295,582	11,952,854
Public works	12,173,325	-	-	-	49,339	-	12,222,664
Public safety	30,562,028	-	-	-	-	2,509,930	33,071,958
Community services	13,497,937	-	-	198,926	-	3,052,652	16,749,515
Debt service:							
Interest	-	-	1,360,135	-	6,107	151,829	1,518,071
Principal retirement	-	-	6,805,000	-	-	900,000	7,705,000
Capital outlay:							
Development services	-	-	-	2,147,303	-	-	2,147,303
Public works	88,682	-	-	-	23,168,757	108,584	23,366,023
Public safety	11,000	-	-	348,534	-	161,781	521,315
Community services	-	-	-	1,251,886	-	130,663	1,382,549
Total expenditures	71,210,312	1,462,530	8,286,777	7,049,428	23,253,817	7,478,213	118,741,077
Excess (deficiency) of revenues over (under) expenditures	1,170,702	43,876	(434,374)	3,748,329	(2,034,374)	(1,299,967)	1,194,192
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	3,701,068	-	678,268	1,869,589	316,553	2,000,562	8,566,040
Transfers to other funds	(1,145,763)	(43,876)	(522,903)	(3,968,992)	(2,372,226)	(1,067,894)	(9,121,654)
Issuance of debt	-	-	236,166	1,760,888	5,212,946	-	7,210,000
Refunded bonds paid from escrow	-	-	(4,615,000)	-	-	-	(4,615,000)
Premium on bonds issued	-	-	-	40,015	474,473	-	514,488
Total other financing sources (uses)	2,555,305	(43,876)	(4,223,469)	(298,500)	3,631,746	932,668	2,553,874
Net change in fund balance	3,726,007	-	(4,657,843)	3,449,829	1,597,372	(367,299)	3,748,066
Fund balance - January 1	30,942,840	-	21,128,190	29,346,060	35,046,072	6,281,251	122,744,413
Fund balance - December 31	$ 34,668,847	$ -	$ 16,470,347	$ 32,795,889	$ 36,643,444	$ 5,913,952	$ 126,492,479

Note: The General Fund is budgeted at the department level, as reported on Exhibit A-1, rather than by function.
See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 3,748,066
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized (subject to the City's capitalization policy) and depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 27,417,191	
Depreciation expense	(11,346,686)	
Loss on disposal of assets	(126,766)	15,943,739
The issuance of long-term debt (e.g., bonds payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Debt issued	(7,210,000)	
Principal paid	12,320,000	5,110,000
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		(190,026)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued interest payable, the total other post employment benefits (OPEB) obligation, and related deferred items.		(2,038,864)
Internal service funds are used by management to charge the costs of various services provided to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.		
Change in internal service fund net position per statements	4,592,118	
Add allocation to business-type activities	(597,628)	3,994,490
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		2,923,871
Interest revenue on Due from Component Units is not recorded in the governmental funds until received but reported in the Statement of Activities when earned.		(5,132)
Governmental Funds report Fire Department pension contribution as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions.		
Pension Expense		(404,016)
Repayments of Due from Component Units are treated as revenues in the governmental funds but reported as a reduction of the receivable in the Statement of Net Position. Bond proceeds loaned to the component unit are treated as expenditures in the governmental funds but reported as an increase in the receivable in the Statement of Net Position.		(530,000)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 28,552,128

See notes to the basic financial statements.

MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs are to be recovered primarily through user charges.

Water/Wastewater Utility Fund - This fund accounts for the operations of the City-owned water and sewer systems.

Storm Water Utility Fund - This fund accounts for the operations and improvements of the storm water drainage system.

Recreational Facilities Fund - This fund accounts for the operations of the City's ice garden, golf courses, aquatic recreation facilities and art center operations.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Water/Wastewater Utility	Storm Water Utility	Recreational Facilities	Nonmajor Proprietary Funds	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 7,048,540	$ 14,811,314	$ 1,492,903	$ 1,119,689	$ 24,472,446	$ 44,181,231
Accrued interest receivable	21,201	41,391	4,714	8,322	75,628	121,030
Taxes receivable	376,143	1,084,870	-	34,108	1,495,121	-
Accounts receivable	5,523,910	1,529,334	230,235	1,906,046	9,189,525	5,171
Prepaid items	30,530	-	-	-	30,530	859,406
Due from other governments	39,500	-	-	53,183	92,683	-
Inventory	-	-	-	-	-	185,959
Total current assets	13,039,824	17,466,909	1,727,852	3,121,348	35,355,933	45,352,797
Noncurrent assets:						
Land	2,280,001	478,858	1,955,757	-	4,714,616	11,432,262
Buildings and structures	18,436,732	791,498	16,933,137	-	36,161,367	40,151,539
Machinery and equipment	1,413,794	179,571	1,602,703	24,229	3,220,297	40,747,928
Improvements	2,544,541	1,850,326	2,675,741	-	7,070,608	2,934,138
Distribution system	98,291,375	54,728,079	-	-	153,019,454	-
Construction in progress	54,018	-	87,905	-	141,923	239,897
Accumulated depreciation	(76,867,804)	(19,112,074)	(14,529,616)	(24,229)	(110,533,723)	(47,683,668)
Total noncurrent assets	46,152,657	38,916,258	8,725,627	-	93,794,542	47,822,096
Total assets	59,192,481	56,383,167	10,453,479	3,121,348	129,150,475	93,174,893
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - related to pensions	-	-	-	-	-	25,398,849
LIABILITIES						
Current liabilities:						
Accounts payable	759,465	1,284,379	143,667	671,408	2,858,919	1,631,407
Estimated claims payable	-	-	-	-	-	427,230
Benefits payable	-	-	-	-	-	765,177
Due to other funds	-	-	-	145,000	145,000	-
Retainage payable	-	348,536	-	-	348,536	-
Unearned revenue	35,189	1,084,870	20,934	-	1,140,993	75,000
Bonds payable	105,000	-	-	-	105,000	615,000
Accrued interest payable	13,633	38,847	-	-	52,480	19,130
Deposits payable	25,582	-	6,481	1,200	33,263	79
Total current liabilities	938,869	2,756,632	171,082	817,608	4,684,191	3,533,023
Noncurrent liabilities:						
Benefits payable	-	-	-	-	-	14,538,369
Bonds payable	955,000	11,596,987	-	-	12,551,987	1,270,000
Estimated claims payable	-	-	-	-	-	1,187,443
Net pension liability	-	-	-	-	-	41,897,116
Total noncurrent liabilities	955,000	11,596,987	-	-	12,551,987	58,892,928
Total liabilities	1,893,869	14,353,619	171,082	817,608	17,236,178	62,425,951
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - related to pensions	-	-	-	-	-	36,801,231
NET POSITION						
Net investment in capital assets	45,092,657	31,789,023	8,725,627	-	85,607,307	45,937,096
Unrestricted	12,205,955	10,240,525	1,556,770	2,303,740	26,306,990	(26,590,536)
Total net position	$ 57,298,612	$ 42,029,548	$ 10,282,397	$ 2,303,740	111,914,297	$ 19,346,560

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(4,158,380)
Net position of business-type activities	$ 107,755,917

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Water/Wastewater Utility	Storm Water Utility	Recreational Facilities	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	$ 27,855,412	$ 6,213,332	$ 3,512,909	$ 9,095,684	$ 46,677,337	$ 41,295,018
Other	79,314	79,596	-	16,709	175,619	91,010
Total operating revenues	27,934,726	6,292,928	3,512,909	9,112,393	46,852,956	41,386,028
Operating expenses:						
Salaries and benefits	5,412,443	1,355,460	2,309,672	1,796,714	10,874,289	18,235,123
Materials, supplies and service	6,954,223	883,419	3,268,242	7,403,513	18,509,397	14,935,048
Depreciation	1,876,488	1,633,383	477,898	-	3,987,769	4,231,671
Water purchased	3,701,604	-	-	-	3,701,604	-
Wastewater disposal cost	7,137,730	-	-	-	7,137,730	-
Total operating expenses	25,082,488	3,872,262	6,055,812	9,200,227	44,210,789	37,401,842
Operating income (loss)	2,852,238	2,420,666	(2,542,903)	(87,834)	2,642,167	3,984,186
Nonoperating revenues (expenses):						
Taxes	-	-	2,400,475	-	2,400,475	-
Fiscal disparities	-	-	88,850	-	88,850	-
Intergovernmental	-	9,985	36,546	166,669	213,200	-
Interest income	87,152	154,715	14,319	40,153	296,339	626,326
Net change in fair value of investments	(14,963)	(29,191)	1,352	(3,550)	(46,352)	52,302
Gain (loss) on sale of capital assets	(27,365)	-	12,386	-	(14,979)	34,031
Other	-	-	18,750	-	18,750	-
Interest expense	(32,960)	(38,847)	-	-	(71,807)	(46,921)
Total nonoperating revenues (expenses)	11,864	96,662	2,572,678	203,272	2,884,476	665,738
Income before capital contributions and transfers	2,864,102	2,517,328	29,775	115,438	5,526,643	4,649,924
Transfers and capital contributions:						
Capital contributions from private sources	290,436	439,486	-	38,530	768,452	-
Transfers from other funds	747,624	-	50,004	297,996	1,095,624	949,026
Transfers to other funds	-	-	-	(482,204)	(482,204)	(1,006,832)
Change in net position	3,902,162	2,956,814	79,779	(30,240)	6,908,515	4,592,118
Total net position - January 1	53,396,450	39,072,734	10,202,618	2,333,980		14,754,442
Total net position - December 31	$ 57,298,612	$ 42,029,548	$ 10,282,397	$ 2,303,740		$ 19,346,560
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					597,628	
Change in net position of business-type activities (Exh. 2)					$ 7,506,143	

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Water/Wastewater Utility	Stormwater Utility	Recreational Facilities	Nonmajor Proprietary Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash from interfund services provided	$ -	$ -	$ -	$ -	$ -	$ 41,349,848
Cash receipts from customers	27,803,673	6,225,629	3,490,470	8,839,097	46,358,869	-
Cash payments to other funds	(3,496,187)	(325,732)	(1,872,962)	(339,404)	(6,034,285)	(5,556,715)
Payments to employees	(5,416,323)	(512,668)	(2,307,921)	(1,753,625)	(9,990,537)	(19,099,669)
Payments to suppliers	(14,695,405)	-	(1,453,589)	(7,414,671)	(23,563,665)	(9,777,974)
Net cash provided by (used in) operating activities	4,195,758	5,387,229	(2,144,002)	(668,603)	6,770,382	6,915,490
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grants	-	9,985	36,546	281,049	327,580	-
Transfers from other funds	747,624	-	50,004	297,996	1,095,624	949,026
Transfers to other funds	-	-	-	(482,204)	(482,204)	(1,006,832)
Subsidy from endowment fund	-	-	18,750	-	18,750	-
Taxes	-	-	2,489,325	-	2,489,325	-
Net cash provided by noncapital financing activities	747,624	9,985	2,594,625	96,841	3,449,075	(57,806)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond payments	(110,000)	-	-	-	(110,000)	(605,000)
Bond proceeds	-	11,596,987	-	-	11,596,987	-
Interest and other payments	(43,073)	-	-	-	(43,073)	(46,921)
Capital grants and contributions from private sources	290,436	439,486	-	38,530	768,452	-
Proceeds from sale of capital assets	-	-	19,500	-	19,500	286,167
Purchase of capital assets	(1,308,745)	(9,740,774)	(266,668)	-	(11,316,187)	(3,664,679)
Net cash used in capital and related financing activities	(1,171,382)	2,295,699	(247,168)	38,530	915,679	(4,030,433)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	72,189	125,524	15,670	36,604	249,987	678,627
Net increase (decrease) in cash and cash equivalents	3,844,189	7,818,437	219,125	(496,628)	11,385,123	3,505,878
Cash and cash equivalents - January 1	3,204,351	6,992,877	1,273,778	1,616,317	13,087,323	40,675,353
Cash and cash equivalents - December 31	$ 7,048,540	$ 14,811,314	$ 1,492,903	$ 1,119,689	$ 24,472,446	$ 44,181,231
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 2,852,238	$ 2,420,666	$ (2,542,903)	$ (87,834)	$ 2,642,167	$ 3,984,186
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,876,488	1,633,383	477,898	-	3,987,769	4,231,671
Changes in assets and liabilities:						
Accounts receivable	(121,442)	(1,133,414)	(22,210)	(270,468)	(1,547,534)	(37,462)
Other current assets	(9,612)	(18,755)	(230)	(2,826)	(31,423)	1,286
Inventory	-	-	-	-	-	(9,672)
Accounts payable	(347,960)	1,400,479	(50,455)	(307,475)	694,589	487,130
Unearned revenue	(53,954)	1,084,870	(6,102)	-	1,024,814	-
Interfund payables	-	-	-	-	-	(359,530)
Net pension liabilty	-	-	-	-	-	(9,159,602)
Deferred outflows of resources	-	-	-	-	-	9,822,038
Deferred inflows of resources	-	-	-	-	-	(2,044,555)
Net cash provided by (used in) operating activities	$ 4,195,758	$ 5,387,229	$ (2,144,002)	$ (668,603)	$ 6,770,382	$ 6,915,490

See notes to the basic financial statements.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held by the City as trustee or agent for the benefit of parties outside of the government.

Private-Purpose Trust Fund – This fund was established with the receipt of a $1,000,000 donation to the City. The interest earnings from this endowment fund are to be used to offset operating costs of the Bloomington Center for the Arts.

Agency Funds – These funds account for the collection and disbursement of funds received and disbursed for other parties and governmental units.

City of Bloomington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Private-Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 983,462	$ 694,841
Accounts receivable	-	384,528
Accrued interest receivable	7,969	-
Total assets	991,431	$ 1,079,369
LIABILITIES		
Accounts payable	-	$ 1,079,369
NET POSITION		
Held in trust	$ 991,431	

See notes to the basic financial statements.

City of Bloomington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2018

	Private-Purpose Trust
ADDITIONS	
Investment earnings - Interest	$ 11,301
DEDUCTIONS	
Current:	
General services	18,750
Change in net position	(7,449)
Net position - January 1	998,880
Net position - December 31	$ 991,431

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bloomington, Minnesota (the City) operates pursuant to applicable Minnesota laws and statutes. The governing body (the City Council) consists of six council members and the Mayor. Four of the council members are elected by district and two of the council members and the Mayor are elected at large. All serve four-year staggered terms, subject to redistricting every ten years, which results in two 2-year terms through that transition. The City Manager, the chief administrative officer, is selected by the City Council to serve an indefinite term. The City Manager controls and directs the administration of the City's affairs and supervises all departments and divisions.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles), as applied to governmental units by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

In accordance with GASB pronouncements and generally accepted accounting principles, the City's financial statements include all funds, organizations, and departments of the City and the City's component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

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

As a result of applying the entity definition criteria established by GASB, certain organizations have been included with the City's financial statements, as follows:

Discretely Presented Component Units - Entails reporting the component unit financial data in columns separate from the financial data of the City:

Port Authority of the City of Bloomington (Port Authority)

The Port Authority was created by the City in 1981 to provide a coordinated, cost-effective approach for private and public development within various development districts that may be established throughout the City. This goal is accomplished in many cases through the use of Tax Increment Financing, to be issued as needed to effect orderly development. The Port Authority is governed by commissioners appointed by the Mayor and confirmed by the City Council, and its boundaries encompass the entire City of Bloomington. The Port Authority has limited taxing powers, but extensive authority to issue bonds or notes for public improvements and land development. These are subject to approval by the City Council prior to issuance. The City Council appoints the Port Authority board, guarantees certain Port Authority debt, and contractually provides staff to manage the Port Authority's day-to-day operations; it is, therefore, considered a discretely presented component unit of the City.

Housing and Redevelopment Authority in and for the City of Bloomington (HRA)

The HRA is a statutory organization established in 1971 to provide housing and redevelopment assistance to Bloomington citizens. Assistance is provided through the administration of various programs. The HRA's boundaries encompass the entire City of Bloomington. The City Council appoints the members of the HRA board, and City employees on contract to the HRA manage the HRA's day-to-day operations; it is, therefore, considered a discretely presented component unit of the City.

Financial information for the Port Authority and HRA is provided in the Other Supplementary Information section of the City's comprehensive annual financial report. Separate financial statements are not issued for the component units.

B. GOVERNMENT-WIDE AND FUND ACCOUNTING

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type.

The government-wide statement of net position is designed to display the financial position of the primary government in the two categories of governmental and business-type activities. In this statement, both the governmental and business-type activities columns are reflected on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governments report all capital assets, including infrastructure, in the government-wide statement of net position and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of the government is broken down into three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's activities. This statement demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column includes capital-specific grants.

The governmental funds' major fund statements in the fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliations are presented which briefly explain the adjustments necessary to reconcile both the ending net position and the change in net position.

The focus of the government-wide and fund accounting reporting model is on the City as a whole and the City's major funds, including both governmental funds and proprietary funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities, deferred inflows of resources, and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

<u>Major governmental funds</u> - The City reports the following major governmental funds:

- *General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This fund records revenues such as property tax revenues, licenses and permits, fines and penalties, intergovernmental revenues, and interest earnings. Most of the current day-to-day operations of the governmental units are financed from this fund.

- *Community Development Block Grant Fund* - This fund was established to account for funds received under Title I of the Housing and Community Development Act of 1974. Revenues of the fund are restricted for housing and development purposes.

- *Improvement Bonds Fund* - This fund is used to account for the accumulation of resources for payment of principal and interest on general obligation improvement bonds.

- *Capital Projects Fund* - This fund accounts for funds and monies required for financing land acquisitions, construction, park development, and equipment related to public facilities. This fund also accounts for the state allotment of gasoline tax collections for road construction and for transitional costs for capital construction.

- *Improvement Construction Fund* - This fund accounts for the proceeds of bonds sold for the purpose of street, sewer, water, and state aid construction.

<u>Major proprietary funds</u> - The City reports the following major proprietary funds:

- *Water/Wastewater Utility Fund* - This fund accounts for the operations of the City-owned water and sewer systems.

- *Storm Water Utility Fund* - This fund accounts for the operations and improvements of the storm water drainage system.

- *Recreational Facilities Fund* - This fund accounts for the operations of the City's ice garden, golf courses, aquatic recreation facilities, and art center operations.

<u>Other funds</u> - The City reports the following other funds:

Internal Service Funds - The Internal Service Funds are used to account for information technology, fleet, support services, public safety radios, self-insurance, benefit accruals, insured benefits, facilities and parks maintenance, and PERA pension, all provided by one department to other departments of the City on a cost-reimbursement basis. The City has allocated the statement of fund net position and the statement of revenues, expenses, and changes in net position between various governmental and business-type activities in the government-wide statements.

Private-Purpose Trust and Agency Funds - The Private-Purpose Trust Fund is used to report the trust activity with the Bloomington Arts Center which benefits from the income earned on the principal of the endowment. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They account for collection and disbursement of lodging taxes for the Bloomington Visitors and Convention Bureau, State pass-through loans, and funds received for other parties and governments. These 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 programs.

C. BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus.

<u>Governmental Funds:</u>

Measurement Focus - Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting - Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenues - Major revenues that are susceptible to accrual include property taxes (excluding delinquent taxes received over 60 days after year-end), special assessments, intergovernmental revenues, charges for services, and interest on investments. Major revenues that are not susceptible to accrual include fees and miscellaneous revenues; such revenues are recorded only as received because they are not measurable until collected.

Unavailable Revenues – Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Such amounts are classified as deferred inflows of resources within governmental funds.

Unearned Revenues – Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when all revenue recognition criteria are met, the liability for unearned revenue is removed and revenue is recognized.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt and other long-term liabilities which are recognized when due.

Proprietary and Fiduciary Funds:

Measurement Focus - Proprietary funds and private-purpose trust funds are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, and all liabilities, including long-term liabilities, associated with fund activity are included on the statement of net position. The net position of the fund is broken down into three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Agency funds are custodial in nature and have no measurement focus.

Basis of Accounting - All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred. Unbilled utility service receivables are recorded at year-end.

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

D. BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General and the following special revenue funds: Community Development Block Grant, Public Health, Public Safety, Communications, Park Grants, South Loop Revolving Development Services, Creative Placemaking, and Cemetery Trust.

Budgeted amounts are reported as originally adopted and as amended by the City Council, if such action was taken. Budgeted expenditure appropriations lapse at year-end. During the year, several supplementary appropriations are approved by the City Council.

Encumbrances represent purchase commitments. Encumbrances outstanding at year-end are reported as committed fund balances.

Carryovers of prior-year budget appropriations are allowed when projects have been approved, but not completed, and funding has not been provided in the following year's budget. Budget carryovers at year-end are reported as committed fund balances.

Legal Compliance - Budgets

The City follows the procedures below in establishing the budget reflected in the accompanying financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The General and special revenue funds are legally adopted through the budgetary process as documented herein.

2. Public hearings are conducted to obtain taxpayer comments.

3. Both the General Fund and special revenue fund budgets are legally enacted through passage of resolutions.

4. Monitoring of budgets is maintained at the expenditure category level within each activity. Budgetary monitoring, by department, division, and by category is required by the City Charter. Management may alter the budget within a department but cannot exceed the total budgeted expenditures for that department unless approved by the City Council. The City Council may authorize transfer of budgeted amounts between departments or funds. These budget amendments must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for capital projects funds is accomplished through the use of project controls.

6. General Fund expenditures may not legally exceed budgeted appropriations at the departmental level. Special revenue fund expenditures may not legally exceed budgeted appropriations at the fund level.

E. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in authorized investments (see Note 2). Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Investments are stated at fair value, based upon quoted market prices at the reporting date, except for investments in money market investments and external investment pools that meet GASB 79 requirements, which are stated at amortized cost. Cash and cash equivalents consist of available cash, cash deposits, and highly liquid investments with an original maturity date at the time of purchase of three months or less. The City accounts for its investments in an entity-wide cash management pool, which is used essentially as a demand deposit account.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds and between the primary government and component units for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due from primary government/component unit" and "due to other funds" or "due to primary government/component unit," respectively, on the balance sheet (see Note 8).

G. INVENTORIES AND PREPAID ITEMS

Inventory is valued at average cost based on physical counts for all fund types. In the General Fund, inventory is not significant and is recorded as an expenditure at the time of purchase. In the proprietary funds, inventory is recorded as an expense when consumed.

Assets held for resale represent various property purchases made by the City with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of cost or acquisition value. During the year ended December 31, 2018 management has reviewed the cost value reported for these assets and has indicated the properties are fairly presented for financial reporting purposes.

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

H. CAPITAL ASSETS

Capital outlays are recorded as expenditures in the City's governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays are capitalized in the City's government-wide and proprietary funds statements of net position, which use the full accrual basis of accounting. Infrastructure has been capitalized retroactively to 1980. The carrying value of prior infrastructure assets is considered to be insignificant to the overall value of capital assets of the City. Depreciation on the City's capital assets (including infrastructure) is recorded on a government-wide basis and in the proprietary funds. All capital assets are recorded at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at the acquisition value as of the date received. The City's policy is to only capitalize capital assets exceeding $10,000.

Depreciation has been provided over the estimated useful lives using the straight-line method. Land and construction in progress are not depreciated. The estimated useful lives are as follows:

	Years
Land improvements	20-50
Buildings and structures	15-95
Distribution system	36
Equipment	3-15
Infrastructure	5-48

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources until then.

The City reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide and internal service funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, difference between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Unavailable revenue arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from five sources: mortgages, taxes, state aid, special assessments and land held for resale. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. COMPENSATED ABSENCES

The City compensates all employees upon termination for unused vacation up to a maximum range of 432 to 480 hours based upon length of service. The City also compensates employees for unused personal time up to a maximum of 1,000 hours. Personal leave balances in excess of 600 hours upon termination are converted to a tax deferred health care retirement account with the State Board of Investments. Such pay is accrued as an expenditure/expense as it is earned in all funds. The liability for all compensated absences is recorded in the Benefit Accrual Fund within the internal service funds.

K. LONG-TERM OBLIGATIONS

Long-term obligations are recorded in the City's government-wide statement of net position when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund only when due, or when resources have been accumulated in a debt service fund for payment early in the following year. Long-term obligations expected to be financed from proprietary funds are accounted for in those funds.

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

L. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial and Housing Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, housing, and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. A bank or financing institution finances this transaction, and the terms and conditions are contracted between the lender and the borrower. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there were three series of Industrial and Housing Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $58.9 million.

M. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - consists of internally imposed constraints for a specific purpose. In accordance with City Charter the City Council is the City's highest level of decision making authority and can, by legal resolution prior to the end of a fiscal year, approve to establish, modify or rescind a fund balance commitment.

Assigned – consists of internally imposed constraints for the specific purpose of the City's intended use. Pursuant to the City's Fund Balance Classification Policy, intent can be expressed by the government body or by an official or body to which the governing body delegates the authority. At this time the City Council has not delegated the authority to assign fund balance.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

N. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Interfund transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. The internal balances caption on the government-wide statement of net position represents interfund receivables or payables between the two types of activities: governmental and business-type.

O. PROPERTY TAXES

Property tax levies are set by the City Council in December of each year and are certified to Hennepin County (the County) for collection in the following year. In the state of Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Property taxes are accrued and recognized as revenue in the fund financial statements for collections within 60 days after year-end, net of delinquencies.

Real property taxes are required by state statute to be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are required to be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts in July, December, and January.

Taxes levied which remain unpaid at December 31 are classified as taxes receivable and are fully offset by deferred inflows in the governmental fund financial statements because they are not known to be available to finance current expenditures. Delinquent property taxes are recorded as earned in the government-wide statements, less a $200,000 allowance for uncollectible accounts.

P. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. Such reclassifications did not have an effect on fund net position or change in net position, as previously reported.

Q. DEFICIT NET POSITION AND FUND BALANCE

The PERA Pension internal service fund had a negative net position balance of $(53,299,498) on December 31, 2018 as a result of following accounting required by GASB 68. Future pension contributions and investment earnings will reduce the negative net position in the PERA Pension internal service fund. The Benefit Accrual internal service fund had a negative net position balance of $1,842,865 on December 31, 2018. This fund accounts for the compensated personal and vacation leave balances. Over the next few years, the City will increase internal charges and transfer funds to eliminate the deficit in this fund. The Contractual Police non-major enterprise fund has a deficit net position of $488. This deficit will be reduced by operating revenues.

R. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported on the financial statements during the reporting period. Actual results could differ from such estimates.

S. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

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.

PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at national or state banks within the state, as authorized by the City Council.

At December 31, 2018, the carrying amount of the City's deposits with financial institutions was $528,287 and the bank balances totaled $943,494.

Custodial Credit Risk-Deposits – Custodial credit risk is the risk that in event of a bank failure, the City's deposits may not be returned to it. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City treasury or in a financial institution other than that furnishing the collateral. City policy does not further add any restrictions to address custodial credit risk. As of December 31, 2018, the bank balance of the City's deposits was covered by federal depository insurance or covered by collateral pledged and held in the City's name.

B. INVESTMENTS

The City may also invest funds as authorized by Minnesota Statutes and its investment policy as follows:

- U.S. Treasury obligations including bonds, notes, Treasury bills, or other securities which are direct obligations of the United States. Instruments sold and issued by the U.S. Government carry the full faith guarantee of the U.S. Government. These instruments provide the highest quality available to purchase and are highly liquid.
- U.S. Agency securities Government Sponsored Enterprises (GSE's) are instrumentalities, or organizations created by an act of Congress. GSE securities have the implied guarantee of the United States Government and are privileged to certain access to capital and support of government programs. The most common GSE issuers are Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bureau (FFCB), and Federal National Mortgage Association (FNMA).
- General obligation bonds of state or local governments must have a taxing power rating of A, AA, or AAA. Tax exempt or taxable bonds qualify as long as they meet the rating standards.
- Banker's acceptances of United States banks, eligible for purchase by the Federal Reserve System, that mature in 270 days or less. Evaluation of the financial strength of the accepting bank is necessary through purchasing acceptances only from banks with a minimum A (very strong bank) rating by a nationally recognized rating agency.
- Money market mutual funds (excluding the 4M Fund) are rated Aa or higher by at least one nationally recognized statistical rating organization, invests in securities with a final maturity no longer than 13 months and for which the Investment Committee has obtained and reviewed the fund prospectus.
- Savings/demand deposits. A financial institution that is qualified as a "depository" of public funds of government entities. The City may hold balances in qualified bank deposits. Funds may be held in savings accounts at approved depository banks. If balances are greater than the FDIC limit, collateral of 110 percent will be held for the excess balances.
- Commercial paper is short term unsecured debt which has been issued by a United States corporation or their Canadian subsidiaries and is not a limited liability corporation (LLC) to fund their day-to-day operational needs. Maturities typically range from one day to 270 days. The City may only buy paper that meets the Minnesota Statute 118A with the exception that no Asset Backed or Structured Investment Vehicle (SIV) Commercial Paper are allowed. Only commercial paper with the highest quality rating of A1, P1, F1 and the underlying issuer of the commercial paper must have a long-term debt rating of AAA to be utilized.
- The City may enter into repurchase agreements and reverse repurchase agreements consisting of collateral allowable in Minnesota Statute, Chapter 118A.
- Investment products that are considered as derivatives are specifically excluded from approved direct investment purchases at this time.

As of December 31, 2018, the City had the following investments and maturities:

Investment Type	Fair Value	Less than One Year	One Year to Five Years	Five Years to Ten Years
Money Market	$ 17,334,794	$ 17,334,794	$ -	$ -
Commercial Paper	8,946,720	8,946,720	-	-
Commercial Paper Sweep	388,538	388,538	-	-
Treasury Notes	13,863,910	4,974,400	8,889,510	-
Farmer Mac	16,887,973	9,994,900	6,893,073	-
Federal Farm Credit Bank	26,933,518	7,997,954	18,935,564	-
Federal Home Loan Bank	26,066,568	11,173,712	14,892,856	-
Federal Home Loan Mortgage Corporation	31,766,120	9,936,150	21,829,970	-
Federal National Mortgage Association	21,437,033	13,951,500	7,485,533	-
Municipal Bonds	29,753,235	6,677,273	22,354,954	721,008
Total investments	193,378,409	$ 91,375,941	$101,281,460	$ 721,008
Total deposits	528,287			
Total investments and deposits	$ 193,906,696			

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. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

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

Investments by fair value level	12/31/18	Fair Value Measurements Using Level 1	Level 2	Level 3
Commercial Paper	$ 8,946,720	$ -	$ 8,946,720	$ -
Commercial Paper Sweep	388,538	-	388,538	-
Treasury Notes	13,863,910	-	13,863,910	-
Farmer Mac	16,887,973	-	16,887,973	-
Federal Farm Credit Bank	26,933,518	-	26,933,518	-
Federal Home Loan Bank	26,066,568	-	26,066,568	-
Federal Home Loan Mortgage Corporation	31,766,120	-	31,766,120	-
Federal National Mortgage Association	21,437,033	-	21,437,033	-
Municipal Bonds	29,753,235	-	29,753,235	-
Subtotal	176,043,615	$ -	$176,043,615	$ -
Investments not categorized				
External investment pools:				
US Bank Money Market	10,575,308			
4M Fund Money Market	6,759,486			
Bank Deposits	528,287			
Total	$ 193,906,696			

Custodial Credit Risk-Investments – For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investments that are in possession of an outside party. As of December 31, 2018, all investments of the City were insured, registered, and held by the City or its agent in the City's name. Investments in money market accounts are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk. The City has no policy for credit risk beyond what is provided by Minnesota state law.

Interest Rate Risk – The City's investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. The policy also states the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City will attempt to match its investment maturities with anticipated cash flow liquidity demands (static liquidity). The portfolio will be structured so that the liquid component, a minimum of 5% of total investments, will be invested in short term securities maturing in less than thirty days. Reserve funds may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds. The City has two types of portfolios: a short term portfolio with no less than 85% of the portfolio with maturities of five years or less and a long term portfolio with no more than 15% of the portfolio with maturities greater than five years. In no event does the City invest in securities with maturities exceeding 10 years. Total weighted average maturity of total funds will not exceed 3.5 years for the short term portfolio. Maturities will be diversified to avoid undue concentration of assets in a specific sector. An exception to this policy is made for maturities that may be placed in a reserve fund (per bond indentures), whereby maturities dates will coincide with expected use of funds. Another exception is allowed if the City purchases Component Unit bonds with a long duration, up to 20 years, with City Council approval.

Credit Risk – State law limits investments in commercial paper to the top rating issued by at least two of the nationally recognized statistical rating organizations. The City's investments in money market funds, Federal Farm Credit, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, and Federal National Mortgage Association Notes were all rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service and the municipal investments are all rated A+ or better by Standard & Poor's and Moody's Investors Service. The City does not have a policy on credit risk beyond State law.

The City's external investment pool investment is with the 4M fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1. The pool measures their investments in accordance with Government Accounting Standards Board Statement No. 79, at amortized cost.

The 4M Liquid Asset Fund has no redemption requirements. The 4M Plus Fund requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to 7 days interest on the amount withdrawn.

Concentration of Credit Risk – The City's investment policy allows for diversification with the following thresholds: 50% in Money Market funds, 20% in Savings/Demand deposits, 10% in Bankers Acceptances, 20% in Commercial Paper, 100% in US Treasury obligations, 100% in GSE-Agency securities, 55% in Municipal securities (35% with component units and 20% with non-component units), 10% in Repurchase Agreements, and Guaranteed Investment Contracts varying by project. The City diversifies its investments to substantially reduce the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, institution, or class of securities, with the exception of U.S. Treasury securities, and authorized pools. Due to fluctuations in the value of the portfolio, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio but consideration will be given for future purchases. More than 5% of the City's investments are in the following governmental agencies: Farmer Mac (9%), Federal Farm Credit Bank (14%), Federal Home Loan Bank (13%), Federal Home Loan Mortgage Corporation (16%), Federal National Mortgage Association (11%), and US Treasuries (7%).

Given the smaller portfolios of the Port Authority and the HRA, the above restrictions may be waived for specific project needs.

The following table reconciles cash, cash equivalents, and investments to the basic financial statements at December 31, 2018:

Governmental funds	$ 123,574,716
Proprietary funds:	
Enterprise	24,472,446
Internal service	44,181,231
Government-wide	192,228,393
Fiduciary funds	1,678,303
Total cash, cash equivalents, and investment	$ 193,906,696

3. CAPITAL ASSETS

During 2018 the City's capitalization threshold was $10,000. Capital asset activity for the year ended December 31, 2018 was as follows:

	Primary Government			
	Balance at 1/1/18	Additions	Retirements	Balance at 12/31/18
Governmental activities:				
Capital assets not being depreciated -				
Land	$ 99,610,216	$ 192,398	$ -	$ 99,802,614
Construction in progress	2,891,109	2,329,816	(997,169)	4,223,756
Total capital assets not being depreciated	102,501,325	2,522,214	(997,169)	104,026,370
Capital assets being depreciated:				
Buildings and structures	68,836,507	-	-	68,836,507
Machinery and equipment	46,052,986	3,439,372	(1,868,031)	47,624,327
Improvements	17,845,552	2,360,176	-	20,205,728
Infrastructure	360,164,066	23,757,280	-	383,921,346
Total capital assets being depreciated	492,899,111	29,556,828	(1,868,031)	520,587,908
Less accumulated depreciation for:				
Buildings and structures	(39,850,806)	(1,419,153)	-	(41,269,959)
Machinery and equipment	(32,989,961)	(3,201,456)	1,489,129	(34,702,288)
Improvements	(6,449,180)	(877,679)	-	(7,326,859)
Infrastructure	(124,064,366)	(10,080,069)	-	(134,144,435)
Total accumulated depreciation	(203,354,313)	(15,578,357)	1,489,129	(217,443,541)
Total capital assets being depreciated, net	289,544,798	13,978,471	(378,902)	303,144,367
Governmental capital assets, net	$ 392,046,123	$ 16,500,685	$ (1,376,071)	$ 407,170,737
Business-type activities:				
Capital assets not being depreciated -				
Land	$ 4,714,616	$ -	$ -	$ 4,714,616
Construction in progress	374,450	141,923	(374,450)	141,923
Total capital assets not being depreciated	5,089,066	141,923	(374,450)	4,856,539
Capital assets being depreciated:				
Buildings and structures	36,161,367	-	-	36,161,367
Machinery and equipment	3,238,385	239,621	(257,710)	3,220,296
Distribution system	142,121,620	10,897,834	-	153,019,454
Improvements	6,659,350	411,258	-	7,070,608
Total capital assets being depreciated	188,180,722	11,548,713	(257,710)	199,471,725
Less accumulated depreciation for:				
Buildings and structures	(17,125,613)	(610,619)	-	(17,736,232)
Machinery and equipment	(2,156,871)	(137,696)	223,230	(2,071,337)
Distribution system	(83,379,700)	(3,131,285)	-	(86,510,985)
Improvements	(4,106,999)	(108,169)	-	(4,215,168)
Total accumulated depreciation	(106,769,183)	(3,987,769)	223,230	(110,533,722)
Total capital assets being depreciated, net	81,411,539	7,560,944	(34,480)	88,938,003
Business-type activities capital assets, net	$ 86,500,605	$ 7,702,867	$ (408,930)	$ 93,794,542

Depreciation expense was charged to governmental functions and proprietary funds at December 31, 2018 as follows:

Function	Governmental	Fund	Proprietary
General services	$ 25,720	Water/Wastewater	$ 1,876,488
Development services	3,033,248	Storm Water	1,633,383
Public works	7,324,529	Recreational Facilities	477,898
Public safety	205,062		
Community services	758,127		
Internal Service Funds	4,231,671		
Total depreciation expense	$ 15,578,357		$ 3,987,769

4. COMMITMENTS

At December 31, 2018 encumbrances totaled $659,186 and are reported as a committed fund balance within the General Fund. At December 31, 2018, the City had commitments for twenty uncompleted construction contracts with a remaining balance of $7,352,276.

5. RISK MANAGEMENT

The City acts as a self-insurer for workers' compensation claims. Property, casualty, and automobile insurance coverage are provided through a pooled insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. The risk management activities of the City are accounted for by the Self-Insurance Fund, an internal service fund that charges its costs to user departments. There were no significant reductions in insurance coverages from coverage in the prior year. No settlement amounts exceeded insurance coverage for the past three fiscal years.

The liability recorded in the Self-Insurance Fund includes estimated settlements for claims reported but not settled as of year-end, as well as an estimate of claims incurred but not reported. When a new claim is filed with the City, the League of Minnesota Cities Insurance Trust establishes an estimated loss reserve. This reserve is expensed at year end and then increased or decreased annually.

	2018	2017
Unpaid claims at beginning of year	$1,552,602	$1,983,037
Claims paid	(424,024)	(430,435)
New claims	486,095	-
Unpaid claims at end of year	$1,614,673	$1,552,602

6. LONG-TERM LIABILITIES

The long-term debt obligations outstanding at year-end are summarized as follows:

Type of Bonds	Maturities	Rates	Balance at 12/31/18
Governmental activities:			
Governmental funds:			
General obligation (G.O.) bonds	2019-2034	2.00 - 5.00%	$ 4,435,000
G.O. improvement bonds	2019-2037	.80 - 5.00	45,955,000
G.O. tax increment bonds	2019-2032	.80 - 4.30	4,105,000
Total governmental funds			54,495,000
Internal service funds:			
G.O. capital improvement bonds	2019-2021	.60 - 2.60	1,885,000
Total governmental activities			56,380,000
Business-type activities			
General Obligation (G.O.) bonds	2019-2034	2.00 - 5.00	11,865,000
Total bonds			$ 68,245,000

Changes in long-term liabilities during 2018 are summarized as follows:

	Balance at 01/01/18	Additions	Retirements	Balance at 12/31/18	Due Within One Year
Governmental activities:					
G.O. bonds	$ 5,520,000	$ 1,940,000	$ 1,140,000	$ 6,320,000	$ 1,135,000
G.O. improvement bonds	51,940,000	5,270,000	11,255,000	45,955,000	6,220,000
G.O. tax increment bonds	4,635,000	-	530,000	4,105,000	545,000
Unamortized bond prems	2,452,867	514,488	324,462	2,642,893	-
Benefits payable	14,823,264	2,098,520	1,618,238	15,303,546	765,177
Estimated claims payable	1,552,602	486,095	424,024	1,614,673	427,230
OPEB liability	7,938,262	1,671,596	299,661	9,310,197	-
Net pension liability	51,056,718	4,825,865	13,985,467	41,897,116	-
Total governmental	139,918,713	16,806,564	29,576,852	127,148,425	9,092,407
Business-type activities -					
G.O. bonds	1,170,000	10,805,000	110,000	11,865,000	105,000
Unamortized bond premiums	-	796,363	4,376	791,987	-
Total business-type	1,170,000	11,601,363	114,376	12,656,987	105,000
Total	$141,088,713	$ 28,407,927	$29,691,228	$ 139,805,412	$ 9,197,407

The benefits payable are generally liquidated by the Benefit Accrual Internal Service Fund. It is not practicable to determine the specific year for payment of benefits payable. The OPEB liability is generally liquidated by the Insured Benefits Internal Service Fund. Net pension liability is generally liquidated by all funds in the City with salary-related expenditures/expenses.

Long-term debt maturities (including interest of $11,904,856) are as follows:

	Governmental Activities		Business-type Activities		
Year Ending December 31	Principal	Interest	Principal	Interest	Total
2019	$ 7,900,000	$ 1,523,975	$ 105,000	$ 341,918	$ 9,870,893
2020	8,095,000	1,376,044	575,000	490,307	10,536,351
2021	7,865,000	1,138,744	665,000	461,456	10,130,200
2022	6,220,000	926,682	690,000	429,782	8,266,464
2023	5,255,000	754,261	725,000	395,506	7,129,767
2024-2028	17,485,000	1,760,329	3,985,000	1,421,253	24,651,582
2029-2033	3,130,000	244,655	4,195,000	600,519	8,170,174
2034-2037	430,000	20,925	925,000	18,500	1,394,425
Total	$ 56,380,000	$ 7,745,615	$11,865,000	$ 4,159,241	$ 80,149,856

On June 21, 2018, the City issued $1,020,000 of General Obligation Charter Bonds with an effective rate of 2.63%, the proceeds of which were used to provide funding for park improvements within the City. In addition the City issued $920,000 of Taxable General Obligation Housing Improvement Bonds with an effective rate of 3.94%, the proceeds were used to finance various improvements within the Housing Improvement Area. On December 5, 2018, the City issued $5,270,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 52 with an effective rate of 2.79%, the proceeds of which were used to provide funding for public improvements. In addition the City issued $10,805,000 of General Obligation Storm Water Utility Bonds with an effective rate of 3.26%, the proceeds were used to finance storm sewer improvements within the City.

$3,730,000 of General Obligation Permanent Improvement Fund Refunding Bonds were issued as an advanced refunding in 2017 with an effective rate of 1.92%. The actual savings to the City regarding this refunding issue was $772,931 and the present value savings was $625,019. The proceeds and cash on hand refunded the 2007 PIR, Forty-One Series and the 2008 PIR, Forty-Two Series bonds and were paid on February 1, 2018.

The following is a schedule of bonds payable at December 31, 2018:

Type of Bonds	Original Amount	Maturities	Rates	Balance at 12/31/18
Governmental Activities:				
General Obligation (G.O.) Bonds:				
2010 Capital Improvement	$ 5,900,000	2019-2021	.60 - 2.60%	$ 1,885,000
2016 Art Center Refunding	1,610,000	2019-2021	4.00%	1,240,000
2017A Charter Bonds	1,420,000	2019-2027	2.00 - 5.00%	1,255,000
2018A Charter Bonds	1,020,000	2020-2029	3.00 - 4.00%	1,020,000
2018B Housing Imporovement Bonds	920,000	2020-2034	3.00 - 4.00%	920,000
Total G.O. Bonds	10,870,000			6,320,000
General Obligation (G.O.) Improvement Bonds:				
2010 PIR, Forty-Four Series	6,235,000	2019-2021	.80 - 3.50%	1,985,000
2011 PIR, Forty-Five Series	7,545,000	2019-2031	2.00 - 3.375%	3,310,000
2012 PIR Refunding, Thirty-Nine Series	5,900,000	2019-2025	3.00%	3,615,000
2012 PIR, Forty-Six Series	5,615,000	2019-2023	2.00 - 3.00%	2,780,000
2013 PIR Refunding, Forty-Three Series	5,135,000	2019-2030	2.40 - 3.25%	2,820,000
2013 PIR, Forty-Seven Series	4,180,000	2019-2024	2.10 - 3.00%	2,640,000
2014 PIR, Forty-Eight Series	7,465,000	2019-2025	2.00 - 2.50%	4,750,000
2015 PIR, Forty-Nine Series	5,355,000	2019-2036	2.00 - 3.00%	4,470,000
2016 PIR, Fifty Series	6,115,000	2019-2037	2.00 - 3.00%	5,615,000
2016 PIR, Refunding, Forty-One and Forty-Two Series	3,730,000	2019-2029	2.00 - 3.00%	3,730,000
2017 PIR, Fifty-One Series	4,970,000	2019-2028	2.00 - 5.00%	4,970,000
2018 PIR, Fifty-Two Series	5,270,000	2020-2029	3.00-5.00%	5,270,000
Total G.O. Improvement Bonds	67,515,000			45,955,000
General Obligation (G.O.) Tax Increment Bonds:				
2011 Serial Refunding Bonds	3,095,000	2019-2032	3.00 - 4.30%	2,455,000
2016 Serial Bonds	2,045,000	2019-2022	.80 - 1.60%	1,650,000
Total G.O. Tax Increment Bonds	5,140,000			4,105,000
Total governmental activities	$ 83,525,000			$ 56,380,000
Business-type Activities:				
General Obligation (G.O.) Bonds:				
2017B Water Utility Bonds	$ 1,170,000	2019-2027	2.00 - 5.00%	$ 1,060,000
2018D Storm Water Utility Green Bonds	10,805,000	2020-2034	3.00 - 5.00%	10,805,000
Total G.O. Bonds	11,975,000			11,865,000
Total bonds payable	$ 95,500,000			$ 68,245,000

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects and facilities. General obligation bonds have been issued for both general government and business-type activities. Bonds issued for business-type activities are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Revenues pledged are as follows:

Bond Issue	Use of Proceeds	Revenue Pledged: Type	Revenue Pledged: Percent of total debt service	Revenue Pledged: Debt service as a % of net revenues	Revenue Pledged: Term of Pledge	Remaining Principal and Interest	Current Year: Principal and Interest paid	Current Year: Pledged Revenue received
Governmental Activities:								
General Obligation (G.O.) Bonds:								
2010 Capital Improvement Bonds Nov-10	Paid Port Authority Lease Revenue Bonds	Debt Service Tax Levy	100%	n/a	2012 - 2021	$1,956,671	$656,963	$656,963
2016 G.O. Arts Center Refunding Dec-16	Refund 2007 Arts Center Bonds - Crossover	Debt Service Tax Levy	100%	n/a	2018 - 2021	1,315,400	427,000	427,000
2017 G.O. Charter Bonds May-17	Park improvements	Debt Service Tax Levy	100%	n/a	2018 - 2027	1,428,250	216,848	216,848
2018 G.O. Charter Bonds Jun-18	Park improvements	Debt Service Tax Levy	100%	n/a	2020 - 2029	1,224,122	-	-
2018 G.O. Taxable Housing Improvmt Jun-18	Housing improvements	Special Assessments	100%	n/a	2020 - 2034	1,240,333	-	-
General Obligation (G.O.) Improvement Bonds:								
2010 PIR Bonds, Forty-Four Series Nov-10	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	39% 61%	n/a n/a	2012 - 2021	2,086,713	708,356	708,356
2011 PIR Bonds, Forty-Five Series Nov-11	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	28% 72%	n/a n/a	2013 - 2031	3,588,700	777,388	777,388
2012 PIR Refunding, Thirty-Nine Srs Jun-12	Refunding 2004 PIR Bonds Infrastructure Improvements	Special Assessments Debt Service Tax Levy	57% 43%	n/a n/a	2015 - 2025	3,992,925	636,250	636,250
2012 PIR Bonds, Forty-Six Srs Jun-12	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	48% 52%	n/a n/a	2014 - 2023	2,984,213	675,075	675,075
2013 PIR Refunding, Forty-Three Srs Nov-13	Refunding 2009 PIR Bonds Current Refunding	Special Assessments Debt Service Tax Levy	90% 10%	n/a n/a	2015 - 2030	3,174,017	681,759	681,759
2013 PIR Bonds, Forty-Seven Srs Nov-13	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	24% 76%	n/a n/a	2015 - 2024	2,838,131	480,067	480,067
2014 PIR Bonds, Forty-Eight Srs Dec-14	Infrastructure Improvements & Refunding 2006 PIR Bonds	Special Assessments Debt Service Tax Levy	32% 68%	n/a n/a	2016-2025	5,118,138	766,825	766,825
2015 PIR Bonds, Forty-Nine Srs Oct-15	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	43% 57%	n/a n/a	2017 - 2036	5,071,538	599,750	599,750
2016 PIR Bonds, Fifty Srs Dec-16	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	41% 59%	n/a n/a	2018 - 2037	6,491,750	651,700	651,700
2016 PIR Refunding Bonds, Forty-One and Forty-Two Srs Dec-16	Refunding 2007 PIR and 2008 PIR bonds Advanced Refunding	Special Assessments	100%	n/a	2019 - 2029	4,198,375	96,850	96,850
2017 PIR Bonds, Fifty-One Srs Dec-17	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	19% 81%	n/a n/a	2018 - 2028	5,850,256	126,598	126,598
2018 PIR Bonds, Fifty-Two Srs Dec-18	Infrastructure Improvements	Special Assessments Debt Service Tax Levy	18% 82%	n/a n/a	2019 - 2029	6,654,978	-	-
General Obligation (G.O.) Tax Increment Bonds:								
2011 Serial G.O. TIF Refunding Bds Nov-11	Refund 2003 & 2004 TIF Bds Crossover Refunding	TIF Revenue	100%	n/a	2013 - 2032	3,213,123	231,140	231,140
2016 Serial G.O. TIF Bonds Dec-16	Housing development	TIF Revenue	100%	n/a	2018 - 2022	1,697,983	418,489	418,489
Business-type activities:								
Enterprise Bonds:								
2017B Water Utility May-17	Water system improvements	Utility revenues	100%	n/a	2018-2027	1,205,759	153,073	153,073
2018D Storm Water Utility Dec-18	Storm water utility	Special Assessments Utility revenues	10% 90%	n/a	2020-2034	14,818,481	-	-

General Obligation (G.O.) Bonds:

- 2010 Capital Improvement Bonds. The City has pledged future tax ad valorem revenue to repay the $5,900,000 bonds issued in November 2010. Proceeds from the bonds were used to acquire certain facilities previously leased to the City by the Port Authority. User charges through the Facilities and Parks Maintenance Fund are appropriated to pay debt service payments through the life of the bonds. Total principal and interest remaining on the bonds is $1,956,671, payable through February 2021. For the current year, principal and interest paid and total tax levy revenues were $656,963 and $656,963, respectively.

- 2016 Art Center Refunding. The City has pledged future tax ad valorem revenue to repay the $1,610,000 bonds issued in December 2016. Proceeds from the bonds refunded the 2007 Arts Center Bonds on February 1, 2017. Tax levies were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $1,315,400, payable through February 2021. For the current year, principal and interest paid and total tax levy revenues were $427,000 and $427,000, respectively.

- 2017 Charter Bonds. The City has pledged future tax ad valorem revenue to repay the $1,420,000 bonds issued in May 2017. Proceeds from the bonds were used to replace playground equipment in parks around the City. Tax levies were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $1,428,250, payable through February 2027. For the current year, principal and interest paid and total tax levy revenues were $216,848 and $216,848, respectively.

- 2018 Charter Bonds. The City has pledged future tax ad valorem revenue to repay the $1,020,000 bonds issued in June 2018. Proceeds from the bonds were used for various improvement to parks around the City. Tax levies were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $1,224,122, payable through February 2029. For the current year, principal and interest paid and total tax levy revenues were $0 and $0, respectively.

- 2018 Taxable Housing Improvement Bonds. The City has pledged special assessment revenue to repay the $920,000 bonds issued in June 2018. Proceeds from the bonds were used to finance various improvements within the Housing Improvement Area. Special assessments were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $1,240,333, payable through February 2034. For the current year, principal and interest paid and total tax levy revenues were $0 and $0, respectively.

General Obligation (G.O.) Improvement Bonds:

- 2010 PIR, Forty-Four Series. The City has pledged future ad valorem tax levies and special assessments to repay the $6,235,000 bonds issued in November 2010. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 61% and special assessments were projected to produce 39% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $2,086,713, payable through February 2021. For the current year, principal and interest paid and total tax levy and special assessment revenues were $708,356 and $708,356, respectively.

- 2011 PIR, Forty-Five Series. The City has pledged future ad valorem tax levies and special assessments to repay the $7,545,000 bonds issued in November 2011. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 72% and special assessments were projected to produce 28% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $3,588,700, payable through February 2031. For the current year, principal and interest paid and total tax levy and special assessment revenues were $777,388 and $777,388, respectively.

- 2012 PIR Refunding, Thirty-Nine Series. The City has pledged future tax ad valorem revenue to repay the $5,900,000 bonds issued in June 2012. Proceeds from the bonds refunded the 2004 PIR, 39 Series Bonds on February 1, 2014. Tax levies were projected to produce 43% and special assessments were projected to produce 57% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $3,992,925, payable through February 2025. For the current year, principal and interest paid and total tax levy and special assessment revenues were $636,250 and $636,250, respectively.

- 2012 PIR, Forty-Six Series. The City has pledged future ad valorem tax levies and special assessments to repay the $5,615,000 bonds issued in June 2012. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 52% and special assessments were projected to produce 48% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $2,984,213, payable through February 2023. For the current year, principal and interest paid and total tax levy and special assessment revenues were $675,075 and $675,075, respectively.

- 2013 PIR Refunding, Forty-Three Series. The City has pledged future tax ad valorem revenue to repay the $5,135,000 bonds issued in November 2013. Proceeds from the bonds refunded the 2009 PIR, 43 Series Bonds on February 1, 2014. Tax levies were projected to produce 10% and special assessments were projected to produce 90% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $3,174,017, payable through February 2030. For the current year, principal and interest paid and total tax levy and special assessment revenues were $681,759 and $681,759, respectively.

- 2013 PIR, Forty-Seven Series. The City has pledged future ad valorem tax levies and special assessments to repay the $4,180,000 bonds issued in November 2013. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 76% and special assessments were projected to produce 24% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $2,838,131, payable through February 2024. For the current year, principal and interest paid and total tax levy and special assessment revenues were $480,067 and $480,067, respectively.

- 2014 PIR, Forty-Eight Series. The City has pledged future ad valorem tax levies and special assessments to repay the $7,465,000 bonds issued in December 2014. Proceeds from the bonds partially refunded the 2006 PIR, 40 Series Bonds on February 1, 2015 and provided financing for various infrastructure improvements. Tax levies were projected to produce 68% and special assessments were projected to produce 32% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $5,118,138 payable through February 2025. For the current year, principal and interest paid and total tax levy and special assessment revenues were $766,825 and $766,825, respectively.

- 2015 PIR, Forty-Nine Series. The City has pledged future ad valorem tax levies and special assessments to repay the $5,355,000 bonds issued in October 2015. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 57% and special assessments were projected to produce 43% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $5,071,538 payable through February 2036. For the current year, principal and interest paid and total tax levy and special assessment revenues were $599,750 and $599,750, respectively.

- 2016 PIR, Fifty Series. The City has pledged future ad valorem tax levies and special assessments to repay the $6,115,000 bonds issued in December 2016. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 59% and special assessments were projected to produce 41% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $6,491,750, payable through February 2037. For the current year, principal and interest paid and total tax levy and special assessment revenues were $651,700 and $651,700, respectively.

- 2016 PIR Refunding, Forty-One Series and Forty-Two Series. The City has pledged future tax ad valorem revenue to repay the $3,730,000 bonds issued in December 2016. Available cash and proceeds from the bonds refunded the 2007 PIR, 41 Series Bonds and the 2008 PIR, 42 Series Bonds on February 1, 2018. Special assessments were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $4,198,375, payable through February 2029. For the current year, principal and interest paid and total tax levy and special assessment revenues were $96,850 and $96,850, respectively.

- 2017 PIR, Fifty-One Series. The City has pledged future ad valorem tax levies and special assessments to repay the $4,970,000 bonds issued in December 2017. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 81% and special assessments were projected to produce 19% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $5,850,256, payable through February 2028. For the current year, principal and interest paid and total tax levy and special assessment revenues were $126,598 and $126,598, respectively.

- 2018 PIR, Fifty-Two Series. The City has pledged future ad valorem tax levies and special assessments to repay the $5,270,000 bonds issued in December 2018. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 82% and special assessments were projected to produce 18% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $6,654,978 payable through February 2029. For the current year, principal and interest paid and total tax levy and special assessment revenues were $0 and $0, respectively.

General Obligation (G.O.) Tax Increment Bonds:

- 2011 Serial Refunding Bonds. The City has pledged tax increment revenue to repay the $3,095,000 bonds issued in November 2011. Proceeds from the bonds refunded the 2003 G.O. TIF Bonds and the 2004 G.O. TIF Bonds on February 1, 2013. Incremental property taxes were projected to produce 100% of the debt service requirements over the life of the bond issue. Total principal and interest remaining on the bonds is $3,213,123, payable through February 2032. For the current year, principal and interest paid and total tax increment revenues were $231,140 and $231,140, respectively.

- 2016 Serial Bonds. The City has pledged tax increment revenue to repay the $2,045,000 bonds issued in December 2016. Proceeds from the bonds provided funding for housing developments. Incremental property taxes were projected to produce 100% of the debt service requirements over the life of the bond issue. Total principal and interest remaining on the bonds is $1,697,983, payable through February 2022. For the current year, principal and interest paid and total tax increment revenues were $418,489 and $418,489, respectively.

Enterprise Bonds:

- 2017B Water Utility. The City has pledged future water utility revenues to repay the $1,170,000 bonds issued in May 2017. Utility revenues were projected to produce 100% of the debt service requirements over the life of the bond issue. Proceeds from the bonds provided financing for various water system improvements. Total principal and interest remaining on the bonds is $1,205,759, payable through February 2027. For the current year, principal and interest paid and total water utility net revenues were $153,073 and $153,073, respectively.

- 2018D Storm Water Utility. The City has pledged future storm water utility revenues and special assessments to repay the $10,805,000 bonds issued in December 2018. Utility revenues were projected to produce 90% and special assessments were projected to produce 10% of the debt service requirements over the life of the bond issue. Proceeds from the bonds provided financing for storm water system improvements. Total principal and interest remaining on the bonds is $14,818,481, payable through February 2034. For the current year, principal and interest paid and total water utility net revenues were $0 and $0, respectively.

7. FUND BALANCE/NET POSITION

A. GOVERNMENTAL CLASSIFICATIONS

At December 31, 2018, a summary of the governmental fund balance classifications is as follows:

	General Fund	Improvement Bonds	Capital Projects	Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid items	$ -	$ -	$ 18,500	$ -	$ -	$ 18,500
Restricted for:						
Debt service	-	16,470,347	-	-	639,535	17,109,882
Abatement purposes	-	-	-	4,163,407	-	4,163,407
Tax increment purposes	-	-	26,785,291	152,876	-	26,938,167
Capital purposes	-	-	-	-	9,714	9,714
Park development	-	-	198,500	-	22,935	221,435
Public safety	-	-	-	-	1,142,049	1,142,049
Public health	-	-	-	-	138,732	138,732
Housing development	-	-	6,016	-	-	6,016
Art center	-	-	3,124	-	-	3,124
Cemetery	-	-	-	-	527,766	527,766
Street reconstruction	-	-	-	2,256,676	-	2,256,676
Total restricted	-	16,470,347	26,992,931	6,572,959	2,480,731	52,516,968
Committed:						
Encumbrances	659,186	-	-	-	-	659,186
Budget carryovers	1,409,940	-	-	-	-	1,409,940
Capital purposes	-	-	-	-	88,616	88,616
Creative placemaking	-	-	-	-	288,911	288,911
Park development	-	-	445,874	-	-	445,874
Public safety	-	-	-	-	2,717,428	2,717,428
Future projects	-	-	5,338,584	-	-	5,338,584
Community landscape	-	-	-	-	1,703	1,703
Communications	-	-	-	-	341,614	341,614
Total committed	2,069,126	-	5,784,458	-	3,438,272	11,291,856
Assigned for:						
Street reconstruction	-	-	-	30,070,485	-	30,070,485
Unassigned	32,599,721	-	-	-	(5,051)	32,594,670
Total fund balances	$ 34,668,847	$ 16,470,347	$ 32,795,889	$ 36,643,444	$ 5,913,952	$126,492,479

B. WORKING CAPITAL FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the working capital fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes, the second largest is lodging and admission taxes.

The policy states the City will strive to maintain a fund balance in the General Fund for working capital purposes of 35-40% of the following year's General Fund total budgeted revenues or expenditures.

At December 31, 2018, the fund balance of the General Fund was $34,668,847 which sufficiently meets the working capital goal described above.

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a schedule of interfund receivables and payables as of December 31, 2018:

Fund/Component Unit		Receivable	Payable
General Fund	(1)	$ 342,200	$ -
Community Development Block Grant	(1)		6,000
Improvement Construction	(1)	-	162,000
Nonmajor governmental funds	(1)	-	29,200
Nonmajor enterprise funds	(1)	-	145,000
Total		$ 342,200	$ 342,200
Primary Government:			
General Fund		$ 176,270	$ -
Community Development Block Grant Fund		-	83,871
Capital Projects Fund		1,458,293	5,150,000
Bonds receivable – due:			
Within one year		545,000	-
In more than one year		3,587,820	-
Accrued interest receivable		48,344	-
Component Units:			
Port Authority		-	1,484,403
Housing and Redevelopment Authority:			
Primary government		5,233,871	150,160
Bonds payable – due:			
Within one year		-	545,000
In more than one year		-	3,587,820
Accrued interest payable		-	48,344
		$ 11,049,598	$ 11,049,598

Interfund receivables and payables represent (1) lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year.

The following is a schedule of interfund transfers for the year ended December 31, 2018:

Fund Transferred To	Fund Transferred From	Amount
General	Community Dev. Block Grant	$ 43,876
	Capital Projects	2,483,988
	Nonmajor Enterprise	173,204
	Improvement Construction	1,000,000
Total General		3,701,068
Improvement Bonds	Improvement Construction	678,268
Capital Projects	Internal Service	200,004
	Improvement Bonds	206,350
	Nonmajor Governmental	620,000
	General Fund	843,235
Total Capital Projects		1,869,589
Improvement Construction	Improvement Bonds	316,553
Nonmajor Governmental	Internal Service	193,632
	General Fund	4,532
	Nonmajor Governmental	367,398
	Capital Projects	1,435,000
Total Nonmajor Governmental		2,000,562
Enterprise		
Water/Wastewater Utility	Nonmajor Enterprise	309,000
Water/Wastewater Utility	Internal Service	438,624
Recreational Facilities	Capital Projects	50,004
Nonmajor Enterprise	General Fund	297,996
Total Enterprise		1,095,624
Internal Service	Nonmajor Governmental	80,496
	Improvement Construction	693,958
	Internal Service	174,572
Total Internal Service		949,026
Total		$ 10,610,690

Generally, transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them.

9. SEGMENT INFORMATION

The City maintains six enterprise funds that account for the water/wastewater utilities, storm water utilities, recreational facilities, solid waste management, contractual police services, and motor vehicle services. The City considers each of its enterprise funds to be a segment. Since the required segment information is already included in the City's proprietary funds' statement of net position and statement of revenues, expenses, and changes in net position (and combining statements thereof), this information has not been repeated in the notes to the basic financial statements.

10. CONTINGENCIES

A. LEGAL CONTINGENCIES

There are several lawsuits pending in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and it is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2018.

C. TAX INCREMENT DISTRICTS

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

11. DEFINED PENSION BENEFIT PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTIONS

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.

1. General Employees Retirement Fund (GERF)

   All full-time (with the exception of employees covered by PEPFF) 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.

2. Public Employees Police and Fire Fund (PEPFF)

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

BENEFITS PROVIDED

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

1. GERF Benefits

   Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent 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 Plan 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 GERF is at least 90.0% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90.0% funded, or has fallen below 80.0%, 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.

2. PEPFF Benefits

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

   Benefit increases are provided to benefit recipients each January. PEPFF benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90.0% funded ratio for two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80.0% for one year, or 85.0% for two consecutive years, the post-retirement benefit increase will be lowered to 1.0%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month, but less than 12 full months as of June 30, will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

CONTRIBUTIONS

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

1. GERF Contributions

Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2018. The City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2018 were $2,606,658. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2018. The City was required to contribute 16.20% of pay for PEPFF members. The City's contributions to the PEPFF for the year ended December 31, 2018 were $2,262,547. The City's contributions were equal to the required contributions as set by state statute.

PENSION COSTS

1. GERF Pension Costs

At December 31, 2018, the City reported a liability of $28,220,590 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .5098% at the end of the measurement period and .5297% for the beginning of the period.

The City's net pension liability reflected a reduction due to the State of Minnesota's (State) contribution of $16 million to the fund in 2018. The State is considered a nonemployer contributing entity and the State's contribution meets the definition of a special funding situation. The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of net pension liability	$ 28,220,590
State's proportionate share of the net pension liability associated with the City	$ 925,710

For the year ended December 31, 2018, the City recognized pension expense of $2,056,143 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional $215,874 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 776,407	$ 847,181
Changes in actuarial assumptions	2,774,741	3,260,483
Difference between projected and actual actual investment earnings	-	2,929,975
Changes in proportion	247,645	1,203,701
Contributions paid to PERA subsequent to the measurement date	1,304,988	-
Total	$ 5,103,781	$ 8,241,340

Deferred outflows of resources reported $1,304,988 related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2019	$ 609,343
2020	(1,780,953)
2021	(2,681,925)
2022	(589,012)
Total	$ (4,442,547)

2. PEPFF Pension Costs

At December 31, 2018, the City reported a liability of $13,676,526 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 1.2831% at the end of the measurement period and 1.2770% for the beginning of the period.

For the year ended December 31, 2018, the City recognized pension expense of $1,550,655 for its proportionate share of the PEPFF's pension expense. The City also recognized $115,479 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 549,723	$ 3,513,343
Changes in actuarial assumptions	18,088,639	20,040,084
Difference between projected and actual investment earnings	-	2,652,069
Changes in proportion	511,200	2,354,395
Contributions paid to PERA subsequent to the measurement date	1,145,506	-
Total	$ 20,295,068	$ 28,559,891

Deferred outflows of resources reported $1,145,506 related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2019	$ (321,617)
2020	(959,575)
2021	(2,073,220)
2022	(6,024,549)
2023	(31,368)
Total	$(9,410,329)

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018 actuarial valuation was determined using and individual entry-age normal actuarial cost method and 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 disabilitants for all plans were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the GERF and 1.00% per year for the PEPFF.

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 GERF was completed in 2015. The most recent four-year experience study for the PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERF

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

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statutes, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064, and 2.5 percent per year thereafter, to 1.0 percent for all years with no trigger.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness 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%	5.10%
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	-
Total	100%	

DISCOUNT RATE

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota statutes. Based on these assumptions, the fiduciary net positions of the GERF and PEPFF were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENSION LIABILITY SENSITIVITY

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERF net pension liability	$ 45,862,072	$ 28,220,590	$ 13,658,051

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the PEPFF net pension liability	$ 29,323,326	$ 13,676,526	$ 737,269

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 PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

B. SINGLE EMPLOYER PLAN – BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pensions. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Bloomington Fire Department Relief Association (Relief Association) and additions to deductions from the Relief Association's fiduciary net position have been determined on the same basis as they were reported by the Relief Association. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PLAN DESCRIPTION

Volunteer firefighters of the Bloomington Fire Department are covered by a defined benefit plan administered by the Relief Association. The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69.

BENEFITS PROVIDED

The Relief Association provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established in accordance with the State Statute. The defined retirement benefits are based on the most recent 3-year average salary rates of the highest paid non-officer police officer in the City. Benefit provisions can be amended by the Minnesota State Legislature.

Twenty Year Service Pension

Each member who is at least 50 years of age; has retained membership in the Relief Association for 10 years, and has served at least twenty (20) years of active service with the Bloomington Fire Department before retirement; shall be entitled to a full service monthly pension for the remainder of his or her life. Benefits are based on 33 1/3% of the average of the highest paid non-officer police officers pay over the last 3 years.

Disability Benefits

A member who becomes disabled will be eligible for a monthly disability benefit based on the most recent three year average salary rates of the highest paid non-officer police officer for the City. If the period of disability continues to the time when the member would qualify for a service pension, the member will be placed on the service pension rolls and disability benefits shall terminate.

Death Benefits

Upon the death of a Relief Association member, the Relief Association shall pay to the designated beneficiary or estate, the sum of $500.

EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	209
Retired members entitled to benefits, but who have not received them	11
Current members:	
Fully vested (20 years or more)	8
Nonvested (less than 20 years)	111
Total	339

CONTRIBUTIONS

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City and State aid on an annual basis. These statutes are established and amended by the state legislature. The Relief Association is comprised of volunteers; therefore, members have no contribution requirements. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Relief Association. The City's contributions to the Relief Association for the year ended December 31, 2018, were $1,535,985. The City's contributions was equal to the required contribution as set by state statute. State aid contributions for the year ended December 31, 2018, were $594,361. The actuary also compares the actual statutory contribution rate to an actuarial determined contribution rate. The actuarial determined contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expenses.

NET PENSION LIABILITY

The City's net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2019.

ACTUARIAL ASSUMPTIONS

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement date	December 31, 2018
Investment rate of return	6.00%
Projected salary increases	4.00%
Inflation	Built into other rate assumptions
Cost-of-living adjustments	4.00%
Age of service retirement	50 with 20 years of service
Post-retirement benefit increase	None

The plan has not had a formal actuarial experience study performed.

Mortality assumptions for pre-retirement, post-retirement and disability are as follows:

Pre-retirement – RP 2000 non-annuitant mortality table with white collar adjustment, generationally projected using scale AA, and set back two years for males and females.

Post-retirement – RP 2000 annuitant mortality table with white collar adjustment, generationally projected using scale AA for males and females.

Post-disabled – RP 2000 non-annuitant mortality table with white collar adjustment, set forward eight years for males and females.

The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expectant long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of January 1, 2019.

Asset Class	Long-Term Expected Geometric Real Rate of Return
Cash	0.33%
Broad U.S. equities	3.81
Large Cap U.S. equities	3.62
Core fixed income	2.02
Developed foreign equities	4.59

DISCOUNT RATES

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Relief Association's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the plan's long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

CHANGES IN THE NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at December 31, 2017	$ 145,849,298	$ 175,842,396	$ (29,993,098)
Charges for the year:			
Service cost	3,529,986	-	3,529,986
Interest on total pension liability	8,791,865	-	8,791,865
Effect of economic/demographic gains or losses	257,010	-	257,010
Benefit payments	(5,780,618)	(5,780,618)	-
Employer contributions	-	2,130,346	(2,130,346)
Net investment income	-	(7,266,532)	7,266,532
Administrative expense	-	(100,782)	100,782
Net changes	6,798,243	(11,017,586)	(17,815,829)
Balance at December 31, 2018	$ 152,647,541	$ 164,824,810	$ (12,177,269)

PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease in Discount Rate (5.00%)	Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net pension liability (asset)	$ 13,343,617	$ (12,177,269)	$ (32,314,624)

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Relief Association financial report. That report may be obtained by writing to Bloomington Fire Department Relief Association, 1800 West Old Shakopee Road, Bloomington, Minnesota, 55431, or by calling (952) 563-8700.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RLEATED TO PENSIONS

For the year ended December 31, 2018, the City recognized pension expense of $404,016. The City also recognized $594,361 for the year ended December 31, 2018, as pension expense (and grant revenue) for the State of Minnesota's on-behalf contribution to the plan. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 444,095	$ 72,327
Difference between projected and actual investment earnings	6,044,542	-
Total	$ 6,488,637	$ 72,327

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

Year Ended December 31,	Pension Expense
2019	$ 2,234,258
2020	96,073
2021	544,744
2022	3,541,235

C. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2018 is as follows:

GERF	$ 2,272,017
PEPFF	1,666,134
Fire Relief	404,016
Total	$ 4,342,167

12. POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The City provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. BENEFITS PROVIDED

RETIREES

All retirees of the City upon retirement have the option under state law to continue their medical insurance coverage through the City with retirees paying the full city premium rate for their coverage.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

ACTIVE DEATH BENEFITS

In the case of death of an employee whose dependents who were enrolled under the City's plan, the City will pay 100% of the group health insurance premium for the employee's dependents for two years after the employee's death.

C. CONTRIBUTIONS

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled $344,129.

D. MEMBERSHIP

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	52
Active plan members	565
Total	617

E. TOTAL OPEB LIABILITY OF THE CITY

The City's total OPEB liability of $9,310,197 as of year-end was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the entry-age normal cost method and following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.00%
20-year municipal bond yield	4.00%
Inflation rate	3.75%
Salary increases	3.75%
Medical trend rate	9.00% grading to 5.00% over 8 years

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota city employees. The state pension plans base their assumptions on periodic experience studies. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 4.00 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The City discount rate used in the prior measurement date was 4.00 percent.

Mortality rates were based on the RP-2014 White Collar Mortality Tables which was used in the previous study.

Future retirees electing coverage is assumed to be 75 percent.

G. CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Beginning balance – January 1, 2018	$ 7,938,262
Changes for the year	
Service cost	591,300
Interest	335,249
Contributions - employer	(299,661)
Differences between expected and actual experience	745,047
Total net changes	1,371,935
Ending balance – December 31, 2018	$ 9,310,197

Assumption changes since the prior measurement date include the following:

- The actuarial cost method was changed from entry age, level dollar to entry age, level percent of pay as prescribed by GASB 75.

H. TOTAL OPEB LIABILITY SENSITIVITY TO DISCOUNT AND HEALTHCARE COST TREND RATE CHANGES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	3.00%	4.00%	5.00%
Total OPEB liability	$ 9,808,797	$ 9,310,197	$ 8,838,252

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are 1 percentage point lower or 1 percentage point higher than the current medical trend rates:

	1% Decrease in Medical Trend Rate	Medical Trend Rate	1% Increase in Medical Trend Rate
Medical trend rate	8.00% decreasing to 4.00% over 8 years	9.00% decreasing to 5.00% over 8 years	10.00% decreasing to 6.00% over 8 years
Total OPEB liability	$ 8,481,487	$ 9,310,197	$ 10,265,993

I. OPEB EXPENSE AND RELATED DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the current year ended, the City recognized OPEB expense of $2,460,527. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,070,669
City contributions subsequent to the measurement date	344,129	-
Total	$ 344,129	$ 1,070,669

A total of $344,129 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2019	$ (97,511)
2020	$ (97,511)
2021	$ (97,511)
2022	$ (97,511)
2023	$ (97,511)
Thereafter	$ (583,114)

13. RECEIVABLES AND DEFERRED INFLOWS

Receivables not expected to be collected within one year are mortgages receivable of $9,758,978 and deferred special assessments receivable of $17,946,324. Ten percent of the listed receivables are estimated to be collected within one year.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year the various components of deferred inflows reported in the governmental funds were as follows:

	Property Taxes	State Aid	Special Assessments	Mortgages	Land Held For Resale	Total
Major Funds:						
General Fund	$ 439,262	$ -	$ 1,963,812	$ -	$ -	$ 2,403,074
Community Development Block Grant	-	-	-	10,843,308	-	10,843,308
Capital Projects	-	-	1,380,309	-	9,913,047	11,293,356
Improvement Construction	-	2,315,753	282,061	-	606,477	3,204,291
Improvement Bonds	-	-	16,314,181	-	-	16,314,181
Total Deferred Inflows	$ 439,262	$2,315,753	$ 19,940,363	$10,843,308	$ 10,519,524	$ 44,058,210

14. SUBSEQUENT EVENTS

In May of 2019 the City sold a bond issue in the amount of $1,645,000. These bonds are General Obligation Charter Bonds. The bond proceeds in conjunction with City funds and a grant from Kraft Hockeyville will finance locker room and other usability improvements to the Bloomington Ice Garden.

On April 17, 2019 the City Council and Port Authority board approved resolutions directing staff to execute a Development Services Agreement for a proposed waterpark project in the amount of $7,500,000. The Development Services Agreement would mark the beginning of the City and Port's involvement in the design of the waterpark. This approval to spend South Loop funds does not authorize the entire waterpark project to move forward.

15. CHANGE IN ACCOUNTING PRINCIPLE

During the 2018 fiscal year, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement establishes new standards for employer recognition and measurement of liabilities, deferred outflows/inflows of resources, and expense for OPEB. This standard requires retroactive implementation. However, the cumulative net effect of this change in accounting principle was not material to these financial statements, and was therefore included in current year activity.

16. INDIVIDUAL COMPONENT UNIT DISCLOSURES

Discretely Presented Component Units - Notes 1 through 15 to the basic financial statements apply to the City and generally to its component units. The City's two component units are reported in a separate column, or discretely presented, in the financial statements to emphasize that they are legally separate from the City. The following notes provide disclosures that are specific to each of the component units. Further detail regarding component units is provided under the Component Unit tab within the "Other Supplementary Information" section of the financial statements.

Port Authority in and for the City of Bloomington (Port Authority)

Cash, Cash Equivalents, and Investments

A. DEPOSITS

In accordance with Minnesota Statutes, the Port Authority maintains deposits at national or state banks within the state, all of which are members of the Federal Reserve System, as authorized by its Commissioners.

Custodial Credit Risk-Deposits – Custodial credit risk is the risk that in event of a bank failure, the Port Authority's deposits may not be returned to it. Minnesota Statutes require that all Port Authority deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City treasury or in a financial institution other than that furnishing the collateral.

At December 31, 2018, the carrying amount of the Port Authority's deposits with financial institutions and the bank balances totaled $45,718. As of December 31, 2018, the bank balance of the Port's deposits was covered by federal depository insurance or covered by collateral pledged and held in the Port Authorities name.

B. INVESTMENTS

The Port Authority invests funds, as authorized by Minnesota Statutes and its investment policy is as follows:

See Note 2 of the City for a description of qualifying depositories, collateralization, qualifying investments, and investment categorization.

At December 31, 2018, the Port Authority had the following investments and maturities:

Investment Type	Fair Value	Less than One Year	One Year to Five Years	Five Years to Ten Years
Money Market	$ 9,310,258	$ 9,310,258	$ -	$ -
Commercial Paper	4,992,700	4,992,700	-	-
Federal Farm Credit Bank	2,997,930	2,997,930		-
Federal National Mortgage Association Note	9,893,500	9,893,500	-	-
Federal Home Loan Bank	29,900,390	14,930,240	14,970,150	-
Federal Home Loan Mortgage Corporation	10,003,950	-	10,003,950	-
Municipal Bonds	12,752,115	2,771,310	9,980,805	-
Total investments	79,850,843	$ 44,895,938	$ 34,954,905	$ -
Total deposits	45,718			
Total investments and deposits	$ 79,896,561			

The Port Authority 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. The hierarchy has three levels. Level 1 investmewsnts are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

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

		Fair Value Measurements Using		
Investments by fair value level	12/31/18	Level 1	Level 2	Level 3
Commercial Paper	$ 4,992,700	$ -	$ 4,992,700	$ -
Federal Farm Credit Bank	2,997,930	-	2,997,930	-
Federal National Mortgage Association Note	9,893,500	-	9,893,500	-
Federal Home Loan Bank	29,900,390	-	29,900,390	-
Federal Home Loan Mortgage Corporation	10,003,950	-	10,003,950	-
Municipal Bonds	12,752,115	-	12,752,115	-
Subtotal	70,540,585	$ -	$ 70,540,585	$ -
Investments not categorized				
External investment pools:				
4M Fund Money Market	9,310,258			
Bank deposits	45,718			
Total	$ 79,896,561			

Custodial Credit Risk-Investments – For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the Port Authority will not be able to recover the value of its investments that are in possession of an outside party. As of December 31, 2018, all investments of the Port Authority were insured, registered, and held by the Port Authority or its agent in the Port Authority's name.

Interest Rate Risk - The Port Authority's investment policy does not have limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper to the top rating issued by at least two of the nationally recognized statistical rating organizations; at December 31, 2018 the Port Authority held commercial paper. The Port Authority's investments in money market funds, government securities, and the municipal investments are all rated AA or better by Standard & Poor's and Moody's Investors Service.

Concentration of Credit Risk - The Port Authority places no limit on the amount the Port Authority may invest in any one issuer. More than 5% of the Port Authority's investments are in the following governmental agencies: Federal National Mortgage Association (12%), Federal Home Loan Bank (37%), Federal Home Loan Mortgage Corporation (13%), and municipals (6%).

Long-term Debt

The long-term debt obligations outstanding at year-end are summarized as follows:

Type of Bonds	Original Issue	Maturities	Rates	Balance 12/31/18
Governmental activities -				
Taxable G.O. Tax Increment Bonds	$ 7,150,000	2019-2035	2.00 – 3.60%	$ 7,150,000

On October 13, 2015, the Port authority issued $7,150,000 of Taxable General Obligation Tax Increment Bonds; the effective interest is 3.32%. The proceeds of the bonds were used to finance the construction of a 662-space parking ramp located in the IndiGO Development. A private party independently financed the apartment complex that was built in conjunction with the construction of the parking ramp.

Changes in long-term liabilities during 2018 are summarized as follows:

	Balance 01/01/18	Additions	Retirements	Balance 12/31/18	Due Within One Year
Governmental Activities:					
G.O. Tax Increment Bonds	$ 7,150,000	$ -	$ -	$ 7,150,000	$ 380,000
Due to Primary Government - Loan from City	2,109,266	23,598	(648,461)	1,484,403	693,551
Total	$ 9,259,266	$ 23,598	$ (648,461)	$ 8,634,403	$ 1,073,551

Long-term debt maturities (including interest of $2,172,558) are as follows:

	Governmental Activities		
Year Ending December 31	Principal	Interest	Total
2019	$ 380,000	$ 214,445	$ 594,445
2020	385,000	206,795	591,795
2021	395,000	198,995	593,995
2022	405,000	190,793	595,793
2023	410,000	181,722	591,722
2024-2028	1,905,000	751,228	2,656,228
2029-2033	2,250,000	391,500	2,641,500
2034-2035	1,020,000	37,080	1,057,080
Total	$ 7,150,000	$ 2,172,558	$ 9,322,558

Due to City

At December 31, 2018, the Port Authority owed the City $44,907 for services, facilities provided and payments made by the City that are Port Authority related. The Port Authority also has a loan due to the City of $1,439,496, the proceeds of which were used to catch up special assessments owed and for future special assessments that will be levied for public improvements. The expected repayment to the City in 2019 is $693,551.

Payments to City

During 2018 the Port contributed $273,188 to the Old Cedar Avenue Bridge project.

Loan Receivable

In 2014 the Port Authority loaned a developer $2 million at an interest rate of four percent. Semi-annual principal payments began in 2016 with the last payment scheduled in 2021. The balance at December 31, 2018, including interest, was $1,105,196.

Tax Abatements-Pay-As-You-Go Tax Increment

The Port Authority provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The Port Authority has one tax increment pay-as-you-go agreement relating to Bloomington Central Station District 1-I. Under the terms of the agreement, the developer was assessed $8,853,505 ($13,792,570 with interest). As the developer makes assessment payments to the City, the Port Authority reimburses the developer via the counted value formula.

The agreement is not a general obligation of the Port Authority and is payable solely from available tax increment derived from the redevelopment property during the prior six months, less a 10% administrative fee. The Port Authority shall have no obligation to pay any unpaid balance that may remain after decertification of the district on December 31, 2031. Accordingly, the obligation is not reflected in the financial statements of the Port Authority.

Current year abatement (TIF payments) totaled $250,000. At December 31, 2018, the total amount outstanding on the contract, including interest, was $5,540,484.

Governmental Classifications

At December 31, 2018, a summary of the governmental fund balance classifications is as follows:

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Restricted for:				
Debt service	$ -	$ 646,496	$ -	$ 646,496
Tax increment purposes	-	-	76,792,941	76,792,941
Committed –				
Capital purposes	-	-	156,262	156,262
Unassigned	140,911	-	-	140,911
Total fund balances	$ 140,911	$ 646,496	$ 76,949,203	$77,736,610

Conduit Debt Obligations

From time to time, the Port Authority has issued Recovery Zone Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, housing, and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. A bank or financing institution finances this transaction, and the terms and conditions are contracted between the lender and the borrower. Neither the Port Authority, nor the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there was one series of Recovery Zone Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $36.5 million.

Cash, Cash Equivalents, and Investments

See Note 2 for a description of qualifying depositories, collateralization, qualifying investments, and investment categorization.

Minnesota Statutes require that all HRA deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City treasury or in a financial institution other than that furnishing the collateral.

Authorized collateral includes the legal investments described as follows, as well as certain first mortgage notes, and certain other state or local government obligations.

Cash balances at December 31, 2018 were:

Credit Risk Category	Bank Balances	Carrying Amount
Insured or collateralized by securities held by the HRA or its agent in the HRA's name	$ 115,998	$ 88,827

Investment balances at December 31, 2018 were:

Investment	Maturities	Value	Percentage of Total
4M Money market	N/A	$ 9,378,078	100%
Total deposits		88,827	
Net cash, cash equivalents, and investments		$ 9,466,905	

Housing and Redevelopment Authority of the City of Bloomington (HRA)

Capital Assets and Land Held for Resale

Changes in general capital assets during 2018 are summarized as follows:

	Balance 01/01/18	Additions	Retirements	Balance 12/31/18
Governmental activities:				
Capital assets not being depreciated -				
Land	$ 130,300	$ -	$ -	$ 130,300
Capital assets being depreciated -				
Machinery and equipment	30,764	-	(12,563)	18,201
Less accumulated depreciation for -				
Machinery and equipment	(30,764)	-	12,563	(18,201)
Total capital assets being depreciated, net	-	-	-	-
Governmental activities capital assets, net	$ 130,300	$ -	$ -	$ 130,300
Business-type activities:				
Capital assets not being depreciated -				
Land	$1,470,000	$ -	$ -	$ 1,470,000
Capital assets being depreciated -				
Buildings and structures	3,285,617	-	-	3,285,617
Less accumulated depreciation for -				
Buildings and structures	(2,181,778)	(98,170)	-	(2,279,948)
Total capital assets being depreciated, net	1,103,839	(98,170)	-	1,005,669
Business-type activities capital assets, net	$2,573,839	$ (98,170)	$ -	$ 2,475,669

Land held for resale activity for the year ended December 31, 2018 was as follows:

	Balance 01/01/18	Additions	Retirements	Balance 12/31/18
Land Held for Resale (Inventory)	$ 4,321,321	$ -	$ (119,900)	$ 4,201,421

Long-Term Debt and Obligations Due to Primary Government

The long-term debt obligations outstanding at year-end are summarized as follows:

	Original Issue	Maturities	Rates	Balance 12/31/18
Governmental activities -				
Due to primary government:				
2011B Crossover Refunding Bonds	$ 3,095,000	2019-2032	3.00-4.35%	$ 2,455,000
2016A GO Tax Increment Bonds	2,045,000	2019-2022	0.80-1.60%	1,650,000
	5,140,000			4,105,000
Due in more than one year:				
2018C Taxable Lease Revenue Bonds	5,150,000	2023	3.00%	5,150,000
Total	$10,290,000			$ 9,255,000
Business-type activities:				
Family Housing Fund	$ 175,000	2023	0.0%	$ 175,000
Hennepin County-HOME Funds	419,450	2023	0.0%	419,450
Hennepin County-HOME Funds	730,270	2024	0.0%	730,270
Hennepin County-HOME Funds	250,000	2030	0.0%	250,000
Total	$ 1,574,720			$ 1,574,720

The long-term debt outstanding related to business-type activities bears no interest rate. The HRA has not imputed interest on these obligations.

Changes in long-term debt during 2018 are summarized as follows:

	Balance 01/01/18	Additions	Retirements	Balance 12/31/18	Due Within One Year
Governmental Activities:					
Due to Primary Government-					
Bonds Payable	$4,635,000	$ -	$ (530,000)	$ 4,105,000	$ 545,000
Unamortized Bond Premium	29,947	-	(2,127)	27,820	-
Bonds Payable	-	5,150,000	-	5,150,000	-
Unamortized Bond Discount	-	(23,226)	1,201	(22,025)	-
Business-type Activities -					
Enterprise Fund Loan Agreements	1,574,720	-	-	1,574,720	-
Total	$ 6,239,667	$ 5,126,774	$ (530,926)	$10,835,515	$ 545,000

Housing and Redevelopment Authority of the City of Bloomington (HRA)

Debt Service Payments

The following is a schedule of the total future debt service and tax increment payment requirements for the HRA:

Years ending	Governmental Activities		Business-type Activities		
December 31	Principal	Interest	Principal	Interest	Total
2019	$ 545,000	$ 246,188	$ -	$ -	$ 791,188
2020	540,000	257,619	-	-	797,619
2021	560,000	247,965	-	-	807,965
2022	570,000	237,088	-	-	807,088
2023	5,310,000	228,490	-	-	5,538,490
2024-2028	900,000	272,043	1,324,720	-	2,496,763
2029-2032	830,000	69,043	250,000	-	1,149,043
Total	$ 9,255,000	$ 1,558,436	$ 1,574,720	$ -	$ 12,388,156

Fund Balance Classifications

At December 31, 2018 a summary of the governmental fund balance classifications is as follows:

	General Fund	Housing Develop	Section 8 Vouchers	Housing Rehab	TIF Special Revenue	Debt Service	Capital Projects	Totals
Nonspendable:								
Long term receivables	$ -	$ 417,236	$ -	$ -	$ -	$ -	$ -	$ 417,236
Restricted for:								
Debt service	-	-	-	-	-	158,737	-	158,737
Tax increment purposes	-	-	-	-	2,099,622	-	-	2,099,622
HUD rehab loans	-	-	-	79,073	-	-	-	79,073
HUD section 8 vouchers	-	-	10,577	-	-	-	-	10,577
Committed to:								
Development activities	-	6,586,720	-	-	-	-	-	6,586,720
Rehabilitation loans	-	-	-	1,015,512	-	-	-	1,015,512
Assigned	-	-	118,601	-	-	-	96,691	215,292
Unassigned	656,423	-	-	-	(2,404,361)	-	-	(1,747,938)
Total fund balances	$ 656,423	$ 7,003,956	$ 129,178	$ 1,094,585	$ (304,739)	$ 158,737	$ 96,691	$ 8,834,831

Due to the City

At December 31, 2018, the HRA owed the City $150,160 for services and facilities provided to the HRA, $48,344 for accrued interest, $545,000 for the current portion, and $3,587,820 for the long-term portion of the debt obligation.

Due to HRA

At December 31, 2018, the City owed $83,871 to the HRA for HRA rehabilitation loan program activities. In addition, $5,150,000 is due from the City in 2023 for a lease receivable related to the Days Inn project. The City purchased the land at 7851 Normandale Boulevard in 2018 with bond proceeds and leased it to the City. The City is subleasing the property to a developer who plans on redeveloping the property.

Deficit Fund Balance

The HRA TIF Special Revenue fund had a negative balance of $304,739 as of December 31, 2018. This fund accounts for Tax Increment Financing (TIF) districts' activity. The negative balance will be covered in the future, primarily by TIF funding.

Conduit Debt Obligations

From time to time, the HRA has issued Housing Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The HRA, the State, or any other political subdivision thereof is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there is one series of Housing Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $1.4 million.

The following table shows the balance of the conduit debt obligations as of December 31, 2018:

	Original Balance	Beginning Balance 01/01/18	Additions	Less Payments/ Refinance	Ending Balance 12/31/18
Masonic Homes	$ 4,000,000	$ 1,600,000	$ -	$ (200,000)	$ 1,400,000

Mortgages Receivable

The Neighborhood Home Improvement Loan (Neighborhood) program is funded primarily by the HRA tax levy, loan repayments and occasionally from Strategic Initiative funds granted to the HRA by the City. The Neighborhood loans are to be repaid at such time as the related properties are transferred or sold. A lien is placed against the property by the HRA to ensure principal and interest is repaid. Proceeds for the Neighborhood loan principle and interest repayments will be recognized as revenue by the HRA when received. The Neighborhood loan balances outstanding, including interest, total $7,204,040 as of December 31, 2018. The Neighborhood loans have been recognized on the balance sheet as mortgage receivable and deferred inflow.

The HRA entered into an agreement with Hennepin County to match funds for a rehabilitation program specifically focusing on foreclosed single family homes in 2009. Each entity provided $200,000 in funds for a program total of $400,000 with a maximum $20,000 per property. The HRA reapplied in 2010 and entered into another agreement with Hennepin County for an additional $200,000 to continue this successful program. Half of the amount provided to the homeowner from Hennepin County will become a grant if the homeowner remains in the home for a minimum of five years. The other half of the amount provided to the homeowner from the HRA is a five percent interest rate loan with the accrual of interest ceasing after ten years. Therefore, the proceeds from repayments for the amount loaned from the HRA is recognized as revenue when received. The foreclosure home (FHIP) loan balances outstanding, including interest, total $336,542 as of December 31, 2018. The outstanding balances are recognized on the balance sheet as mortgage receivable and deferred inflow.

In 2012, the HRA entered into another agreement with Hennepin County to match funds for the Community Enhancement Program II (CEPII). This program also provides funding for rehabilitation loans. The first round of funding in early 2012 provided $250,000 each from the HRA and the County for loans. In late 2012, another agreement was entered into with $200,000 being pledged from each entity. The third round of funding was committed in 2013 providing an additional $233,934 from the HRA and the County. The HRA and County alternated the loans which were committed in terms of who is the mortgage holder. The CEPII loan balances outstanding, including interest, total $747,781 as of December 31, 2018. The HRA loans are recognized as mortgage receivable and deferred inflow on the balance sheet.

In 2016, a new Curb Appeal Loan Program (CALP) was initiated by the HRA. This program provides up to a $10,000 loan for income eligible homeowners to use towards exterior home improvements. These loans are 0% deferred loans that are required to be repaid when the properties are transferred or sold. The CALP loan balances outstanding, including interest, total $403,358 as of December 31, 2018. These loans are recognized as mortgage receivable and deferred inflow on the balance sheet.

In 2005, the HRA entered into four mortgage note agreements for the Essex Knoll property. The funds were loaned to low-income families to allow them the ability to purchase a home at an affordable price. Each mortgage note receivable was for $80,000, for a total of $320,000. The interest rate on each loan is 0% and the term is 30 years. The mortgage note has been recognized on the balance sheet as mortgage receivable and deferred inflow.

The HRA has a $406,000 mortgage note receivable dated December 17, 1990, from the sale of land to a developer, Bloomington Family Townhomes LP. The funds were loaned to the developer for the purpose of constructing townhouse projects. The note accrues interest at 3% simple interest per year until the adjustment date, as defined in the note. The accumulated interest and principal was amended in 2008 to be due in the year 2025, or upon sale of the property. In 2018, the mortgage note and interest totaling $747,507 was recognized on the balance sheet as a mortgage note receivable and deferred inflow. Proceeds will be recognized as revenue by the HRA when received. If the townhomes are no longer used as affordable units, the note will bear an interest rate of 9% on the adjusted balance from the adjustment date to the year 2025, or upon sale of the property.

In 2002, the HRA entered into two loan agreements with Bloomington Southview Limited Partnership (BSLP). The funds were used to facilitate the development of affordable housing, site demolition, and abatement of environmental hazards. Under the terms of the loan agreements, the HRA provided BSLP with $165,000 and $150,000 loans, recognized on the balance sheet as notes receivable. There are no interim payments due; the compounded interest on the $165,000 loan is calculated at 3% and is recognized as revenue by the HRA as it accrues. The $150,000 loan has no interim payments due, the interest rate is 0%, and the term is 30 years. The HRA has not imputed interest on this loan.

The HRA entered into two loan agreements with Bloomington Leased Housing Associates III Limited Partnership in 2007. The funds were used solely to assist with the payment of the purchase price of real property located at 10140 Lyndale Avenue also known as Blooming Glen and to rehabilitate a fifty-unit residential rental facility for low-income housing located on that property. The amounts of the loans are $200,000 accruing interest at 3% simple interest per year payable at maturity and $290,000 with a 0% interest rate. The principal and accumulated interest is due at maturity, August 18, 2037, or upon sale of the property for each loan. The mortgage notes and interest has been recognized on the balance sheet as mortgage receivable and deferred inflow.

In 2008, the HRA entered into a loan agreement with Crossings at Valley View Limited Partnership (Crossings). Crossings received a $600,000 loan from the HRA to assist with the cost of acquiring property located in the northeast quadrant of Portland Avenue and 88th Street in Bloomington. This land was used to construct fifty low income housing units. The interest rate on the $600,000 loan is 0% and the term is 30 years.

The following table shows the balance of the mortgage loans receivable as of December 31, 2018:

	Balance 01/01/18	Additions	Interest	Payoffs	Balance 12/31/18
Neighborhood Loans	$ 6,200,109	$1,184,658	$ 80,618	$ (261,346)	$ 7,204,040
Foreclosure Loans	389,737	-	12,947	(66,143)	336,542
CEP II Loans	820,208	-	27,206	(99,633)	747,781
CALP Loans	353,542	67,277	-	(17,461)	403,358
Essex Knoll	320,000	-	-	-	320,000
Bloomington Family Townhomes	735,327	-	12,180	-	747,507
Bloomington Southview LP	150,000	-	-	-	150,000
Bloomington Southview LP	259,453	-	7,783	-	267,236
Blooming Glen	261,758	-	6,000	-	267,758
Blooming Glen	290,000	-	-	-	290,000
Crossings at Valley View	600,000	-	-	-	600,000
VEPP	1	-	-	-	1
Total	$10,380,135	$1,251,935	$ 146,734	$ (444,583)	$11,334,223

Equity Participation/Contingent Repayment Agreements

The HRA has ten equity participation agreements with various developers of development sites in Bloomington. The developers are L.W. Fraser Independent Living Project II, Henry Court Inc., AHEPA/Penelope, NHHI/ASI Bloomington Inc. (Garfield Commons and the Meadows), NHHI/Catalpa, non-profit entities of the Presbyterian Homes of Bloomington Inc. (Newton Manor, Ridgeview Terrace, and Summer House), and Cornerstone Advocacy Services. The agreements contain equity-share provisions giving the HRA portions of certain proceeds upon subsequent sales of the development sites. Such proceeds, if any, will be recognized as revenue by the HRA when received. In 2008, the City increased its equity participation agreement with AHEPA/Penelope by contributing an additional $50,000 to assist with construction of additional units of low income senior housing.

On April 11, 2001, the HRA entered into a contingent repayment agreement with Lyndale Avenue Townhomes, Limited Partnership for the purpose of constructing townhomes for low-income tenants. The townhomes are operated by a management company on behalf of the HRA.

Housing and Redevelopment Authority of the City of Bloomington (HRA)

Value in Excess of Purchase Price (VEPP) Agreements

The HRA owns one VEPP agreement with face values totaling $5,000. The agreements defer payment for portions of property values that were underwritten by the HRA under various homeownership programs. Each agreement is secured by a promissory note and a second mortgage against the individual property. The notes are repaid when a property is sold, leased, or upon maturity of the note (31 years), whichever comes first. There are no interim installment payments required by the note. Proceeds will be recognized as revenue by the HRA when received.

Tax Abatements-Pay-As-You-Go Tax Increment

The HRA provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The HRA has one tax increment pay-as-you-go agreement. The agreement is not a general obligation of the HRA and is payable solely from available tax increment. Accordingly, this agreement is not reflected in the financial statements of the HRA. Oxboro O-4 TIF District issued a pay-as-you-go note in 2008 in the principal sum of $231,000 with an interest rate of 6% per annum. Principal and interest shall be paid on each February 1 and August 1, commencing February 1, 2009 and paid through August 1, 2035. Payments are payable solely from available tax increment derived from the redeveloped property and paid to the HRA. The pay-as-you-go note provides for payment to the developer equal to 100% of tax increment received in the prior six months less the administrative fees charged by the County. The HRA shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on August 1, 2035. The current year abatement (TIF note payments) totaled $20,294. At December 31, 2018, the principal amount outstanding on the note was $231,000.

Committed Contracts

The HRA purchased 8000 Knox Avenue South in February 2016 with cash. City-issued bonds payable by the HRA financed the purchase of 1901 American Boulevard West in December 2016. The HRA signed a pre-development agreement with Knox & American I, LLC (the "developer") in 2016. The developer also purchased two parcels of land adjacent to the parcels the HRA obtained. The anticipated development includes a certified housing TIF district and approved redevelopment TIF district which is yet to be certified. This site will include a mixed-use project that will include both market rate and affordable multi-family rental housing along a commercial development that may include a hotel. As of December 31, 2018 the development is scheduled to begin in August 2019.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget
REVENUES				
Property taxes	$ 45,815,256	$ 45,815,256	$ 45,566,902	$ (248,354)
Fiscal disparities	3,000,000	3,000,000	3,099,268	99,268
Special assessments	-	-	30,166	30,166
Lodging and admissions tax	8,800,463	8,800,463	10,462,313	1,661,850
Business licenses	5,176,070	5,176,070	6,354,508	1,178,438
Fines and forfeitures	850,000	850,000	719,742	(130,258)
Intergovernmental	2,347,656	2,567,250	2,719,342	152,092
Program income	2,061,404	2,061,404	1,856,904	(204,500)
Interest	82,786	82,786	345,322	262,536
Net change in fair value of investments	-	-	52,182	52,182
Other	1,042,029	1,057,680	1,174,365	116,685
Total revenues	69,175,664	69,410,909	72,381,014	2,970,105
EXPENDITURES				
General Government	586,629	593,352	553,720	39,632
City Manager	712,701	682,701	635,241	47,460
Legal	1,535,321	1,580,810	1,463,384	117,426
Human Resources	866,463	959,763	959,584	179
Finance	1,138,565	1,136,772	1,056,869	79,903
Public Safety	30,586,348	30,713,946	30,573,028	140,918
Community Development	7,317,711	7,186,601	7,140,604	45,997
Community Services	14,326,627	14,273,927	13,497,941	775,986
Public Works	12,224,728	12,306,946	12,262,007	44,939
Technical Services	3,084,530	3,023,998	2,978,694	45,304
Contingency/estmated unspent	(124,385)	(124,385)	89,240	(213,625)
Total expenditures	72,255,238	72,334,431	71,210,312	1,124,119
Excess (deficiency) of revenues over (under) expenditures	(3,079,574)	(2,923,522)	1,170,702	4,094,224
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	3,377,574	3,483,994	3,701,068	217,074
Transfers to other funds	(298,000)	(1,145,767)	(1,145,763)	4
Total other financing sources (uses)	3,079,574	2,338,227	2,555,305	217,078
Net change in fund balance	-	(585,295)	3,726,007	4,311,302
Fund balance - January 1	30,942,840	30,942,840	30,942,840	-
Fund balance - December 31	$ 30,942,840	$ 30,357,545	$ 34,668,847	$ 4,311,302

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Fund
Year Ended December 31, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget
REVENUES				
Intergovernmental	$ 1,355,267	$ 1,622,209	$ 1,506,406	$ (115,803)
Interest	-	-	117	117
Net change in fair value of investments	-	-	(117)	(117)
Total revenues	1,355,267	1,622,209	1,506,406	(115,803)
EXPENDITURES				
Current -				
Development services	1,330,267	1,597,209	1,462,530	134,679
Excess (deficiency) of revenues over (under) expenditures	25,000	25,000	43,876	18,876
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(25,000)	(25,000)	(43,876)	(18,876)
Net change in fund balance	-	-	-	-
Fund balance - January 1	-	-	-	-
Fund balance - December 31	$ -	$ -	$ -	$ -

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Other Post-Employment Benefits Plan
Schedule of Changes in the City's Total
OPEB Liability and Related Ratios
Year Ended December 31, 2018

	2018
Total OPEB liability	
Service cost	$ 591,300
Interest	335,249
Contributions - employer	(299,661)
Differences between expected and actual experience	745,047
Net change in total OPEB liability	1,371,935
Total OPEB liability - beginning of year	7,938,262
Total OPEB liability - end of year	$ 9,310,197
Covered payroll	$ 43,914,741
Total OPEB liability as a percentage of covered payroll	21%

The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Note: There are no assets in a trust to pay related benefits.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of Net Pension Liability -
General Employees Retirement Fund
Year Ended December 31, 2018

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Jun. 30, 2015	Dec. 31, 2015	0.5389%	$27,928,595	$ -	$31,663,355	88.2%	78.2%
Jun. 30, 2016	Dec. 31, 2016	0.5236%	$42,513,723	$555,205	$32,489,268	130.9%	68.9%
Jun. 30, 2017	Dec. 31, 2017	0.5297%	$33,815,698	$425,166	$34,121,425	99.1%	75.9%
Jun. 30, 2018	Dec. 31, 2018	0.5098%	$28,220,590	$925,710	$34,192,349	82.5%	79.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Pension Contributions -
General Employees Retirement Fund
Year Ended December 31, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Dec. 31, 2015	$2,414,889	$2,414,889	$0	$32,198,520	7.5%
Dec. 31, 2016	$2,499,700	$2,499,700	$0	$33,329,333	7.5%
Dec. 31, 2017	$2,553,026	$2,553,026	$0	$34,040,335	7.5%
Dec. 31, 2018	$2,606,658	$2,606,658	$0	$34,755,384	7.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of Net Pension Liability -
Public Employees Police and Fire Fund
Year Ended December 31, 2018

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Jun. 30, 2015	Dec. 31, 2015	1.2890%	$14,646,056	$11,806,022	124.1%	86.6%
Jun. 30, 2016	Dec. 31, 2016	1.3650%	$54,779,825	$13,147,924	416.6%	63.9%
Jun. 30, 2017	Dec. 31, 2017	1.2770%	$17,241,020	$13,109,393	131.5%	85.4%
Jun. 30, 2018	Dec. 31, 2018	1.2831%	$13,676,526	$13,522,504	101.1%	88.8%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Pension Contributions -
Public Employees Police and Fire Fund
Year Ended December 31, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Dec. 31, 2015	$1,995,234	$1,995,234	$ -	$12,316,259	16.2%
Dec. 31, 2016	$2,164,062	$2,164,062	$ -	$13,147,924	16.5%
Dec. 31, 2017	$2,131,306	$2,131,306	$ -	$13,156,231	16.2%
Dec. 31, 2018	$2,262,547	$2,262,547	$ -	$13,966,353	16.2%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios -
Bloomington Fire Department Relief Association
Year Ended December 31, 2018

Fiscal Year Ending	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Measurement Date	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Total pension liability:					
Service cost	$3,529,986	$3,482,212	$2,955,252	$3,141,630	$3,047,649
Interest cost	8,791,865	8,421,504	7,998,295	8,072,050	7,443,533
Effect of economic/demographic gains or losses	257,010	(152,691)	831,346	-	-
Difference between expected and actual experience	-	-	(5,046,951)	(7,292,468)	(1,567,433)
Benefit payments, including refunds of employee contributions	(5,780,618)	(5,476,046)	-	(4,883,583)	(4,566,912)
Net change in total pension liability	6,798,243	6,274,979	6,737,942	(962,371)	4,356,837
Total pension liability - beginning	145,849,298	139,574,319	132,836,377	133,798,748	129,441,911
Total pension liability - ending (a)	$152,647,541	$145,849,298	$139,574,319	$132,836,377	$133,798,748
Plan fiduciary net position:					
Contributions - employer	$1,535,985	$1,057,759	$905,855	$1,175,095	$2,548,091
Contributions - State of Minnesota	594,361	576,114	563,627	540,186	622,164
Net investment income	(7,266,532)	24,503,859	11,133,373	(1,023,994)	9,982,524
Benefit payments, including refunds of employee contributions	(5,780,618)	(5,476,046)	(5,046,951)	(4,883,583)	(4,566,912)
Administrative expense	(100,782)	(94,692)	(109,128)	(93,226)	(83,410)
Net change in plan fiduciary net position	(11,017,586)	20,566,994	7,446,776	(4,285,522)	8,502,457
Plan fiduciary net position - beginning	175,842,396	155,275,402	147,828,626	152,114,148	143,611,691
Plan fiduciary net position - ending (b)	$164,824,810	$175,842,396	$155,275,402	$147,828,626	$152,114,148
Net pension liability / (asset) - ending (a) - (b)	($12,177,269)	($29,993,098)	($15,701,083)	($14,992,249)	($18,315,400)
Plan fiduciary net position as a percentage of the total pension liability	107.98%	120.56%	111.25%	111.29%	113.69%
Covered payroll*	$11,486,832	$10,513,294	$11,003,580	$10,773,375	$10,110,384
Net pension liability (asset) as a percentage of covered payroll	-106.01%	-285.29%	-142.69%	-139.16%	-181.15%

GASB 68 was implemented in 2015. Information prior to 2014 is not available.

* The Fire Relief Association is comprised of volunteers; therefore, there are no actual payroll expenditures. Covered payroll is based on the assumption that each active plan member earns the most recent salary rate of the highest paid non-office police officer in the City of Bloomington.

CITY OF BLOOMINGTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Pension Contributions -
Bloomington Fire Department Relief Association
Year Ended December 31, 2018

Fiscal Year Ending	Actuarial Determined Contribution (a)	Contributions in Relation to the Actuarial Determined Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll* (b/c)
Dec. 31, 2015	$1,396,485	$1,715,281	($318,796)	$10,773,375	15.9%
Dec. 31, 2016	$1,552,692	$1,469,482	$83,210	$11,003,580	13.4%
Dec. 31, 2017	$2,024,948	$1,633,873	$391,075	$10,513,294	15.5%
Dec. 31, 2018	$2,416,691	$2,130,346	$286,345	$11,486,832	18.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

* The Fire Relief Association is comprised of volunteers; therefore, there are no actual payroll expenditures. Covered payroll is based on the assumption that each active plan member earns the most recent salary rate of the highest paid non-office police officer in the City of Bloomington.

CITY OF BLOOMINGTON, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1. BUDGETARY INFORMATION

Budgetary comparisons for the City's General Fund and the annually budgeted Community Development Block Grant are required supplementary information.

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

The legal level of budgetary control for the General Fund is at the department level (such as General Government, City Manager's Office, Legal, and Human Resources) and at the fund level for the Community Development Block Grant Fund. Neither the General Fund nor the Community Development Block Grant Fund expenditures exceeded the legal level of budgetary control for fiscal year ended December 31, 2018.

2. PENSION INFORMATION

A. PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES

Changes in Actuarial Assumptions:

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

2017 CHANGES

Changes in Plan Provisions:

- The state's special funding contribution increased from $6 million to $16 million.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60.0% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044, and 2.5% per year thereafter.

2016 CHANGES

Changes in Actuarial Assumptions:

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

2015 CHANGES

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

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

B. PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2018 CHANGES

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064, and 2.5% per year thereafter, to 1.0% for all years with no trigger.

2017 CHANGES

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.0% for vested and nonvested deferred members. The CSA has been changed to 33.0% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 Fully Generational Table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.0% to 60.0%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064, and 2.50% thereafter.
- The single discount rate changed from 5.60% to 7.50%.

2016 CHANGES

Changes in Actuarial Assumptions:

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

2015 CHANGES

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030, and 2.5% per year thereafter, to 1.0% per year through 2037, and 2.5% per year thereafter.

C. OPEB Information

In 2018 the actuarial cost method was changed from entry age, level dollar to entry age, level percent of pay as prescribed by GASB 75.

PROPOSAL SALE DATE: October 28, 2019

City of Bloomington, Minnesota
$4,740,000* General Obligation Permanent Improvement Revolving Fund Bonds of 2019, Series 53

For the Series 53 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 $4,702,080) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2026	_______%	_______%	_______%
2022	_______%	_______%	_______%	2027	_______%	_______%	_______%
2023	_______%	_______%	_______%	2028	_______%	_______%	_______%
2024	_______%	_______%	_______%	2029	_______%	_______%	_______%
2025	_______%	_______%	_______%	2030	_______%	_______%	_______%

Designation of Term Maturities

Years of Term Maturities ______________ ______________
______________ ______________

In making this offer on the sale date of October 28, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated October 11, 2019, including the City's right to modify the principal amount of the Series 53 Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Series 53 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 53 Bonds.

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

NET INTEREST COST: $___________________________

TRUE INTEREST RATE: ______________ %

Account Members

____
Account Manager

By: __________________________

Phone: ________________________

....

The foregoing proposal has been accepted by the City.

Attest: ______________________________ Date: ______________________________

....

* *Preliminary; subject to change.*

Phone: 651-223-3000
Fax: 651-223-3046
Email: bond_services@bakertilly.com

PROPOSAL SALE DATE: October 28, 2019

City of Bloomington, Minnesota
$2,440,000* General Obligation Charter 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 $2,420,480) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2026	_______%	_______%	_______%
2022	_______%	_______%	_______%	2027	_______%	_______%	_______%
2023	_______%	_______%	_______%	2028	_______%	_______%	_______%
2024	_______%	_______%	_______%	2029	_______%	_______%	_______%
2025	_______%	_______%	_______%	2030	_______%	_______%	_______%

Designation of Term Maturities

Years of Term Maturities _______________ _______________
_______________ _______________

In making this offer on the sale date of October 28, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated October 11, 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: ______________ %

Account Members

____
Account Manager

By: ___________________________

Phone: _________________________

The foregoing proposal has been accepted by the City.

Attest: ________________________________ Date: _________________________________

* *Preliminary; subject to change.*

Phone: 651-223-3000
Fax: 651-223-3046
Email: bond_services@bakertilly.com