

ADDENDUM DATED OCTOBER 7, 2010
TO OFFICIAL STATEMENT DATED SEPTEMBER 22, 2010

REFUNDING ISSUE

Moody's Rating: Aaa
Standard & Poor's Rating: AAA
Fitch Rating: AAA

\$5,900,000*

City of Bloomington, Minnesota

General Obligation Capital Improvement Plan Bonds, Series 2010A

(Book Entry Only)

Schedule of Maturity Dates, Principal Amounts and Interest Rates

| <u>Maturity</u> <u>(February 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> <u>or Price</u> | <u>CUSIP</u> <u>094780</u> | <u>Maturity</u> <u>(February 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> <u>or Price</u> | <u>CUSIP</u> <u>094780</u> |
|--|---------------|--------------------------------|---------------------------------|-------------------------------|--|---------------|--------------------------------|---------------------------------|-------------------------------|
| 2012 | \$535,000 | 0.60% | 0.60% | VZ 3 | 2017 | \$595,000 | 1.80% | 1.80% | WE 9 |
| 2013 | \$565,000 | 1.00% | 0.75% | WA 7 | 2018 | \$605,000 | 2.00% | 2.00% | WF 6 |
| 2014 | \$565,000 | 1.00% | 1.00% | WB 5 | 2019 | \$615,000 | 2.25% | 2.25% | WG 4 |
| 2015 | \$575,000 | 1.20% | 1.20% | WC 3 | 2020 | \$630,000 | 2.45% | 2.50% | WH 2 |
| 2016 | \$575,000 | 1.50% | 1.50% | WD 1 | 2021 | \$640,000 | 2.60% | 2.65% | WJ 8 |

* *Reflects final principal amount.*

UMB Bank, N.A. has agreed to purchase the Bonds from the City for an aggregate price of \$5,859,880.03, plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about November 4, 2010.

Original Issue Discount

The difference between the principal amount of the February 1, 2020 and February 1, 2021 maturities (the "OID Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Such original issue discount accrues actuarially on the constant yield basis over the term of each OID Bond and the basis of each OID Bond acquired at the initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE CITY DATED SEPTEMBER 22, 2010, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

Ratings: Requested from Fitch Ratings
Moody's Investors Service
and Standard & Poor's Ratings Services

NEW AND REFUNDING ISSUES

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, according to present federal and Minnesota laws, regulations, rulings, and decisions, the interest on the Series 2010A 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. Interest on the Series 2010A Bonds is not a preference item but will be included in adjusted current earnings for purposes of the computation of the federal alternative minimum tax and the computation of the Minnesota alternative minimum tax imposed on individuals, trust and estates. Interest on the Series 2010A Bonds is subject to Minnesota franchise taxes imposed on corporations (including financial institutions) measured by income. (See "Tax Exemption" herein.)

In the opinion of Bond Counsel, according to present federal and Minnesota laws, regulations, rulings, and decisions, the interest on the Series 44 Bonds, if issued as tax-exempt 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 taken into account in determining adjusted current earnings for the purpose of computing the federal minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes imposed on corporations (including financial institutions) measured by income and the alternative minimum tax. (See "Tax Exemption" herein.) If the Series 44 Bonds are issued as taxable bonds, interest on the Series 44 Bonds will be includible in gross income for purposes of United States and State of Minnesota income tax.

City of Bloomington, Minnesota

\$6,265,000*

**Taxable General Obligation Permanent Improvement Revolving Fund
Bonds of 2010, Series 44 (Build America Bonds – Direct Pay)**

or

**General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44
(the "Series 44 Bonds")**

(Option offered to bid as Tax-Exempt Bonds or as Taxable Build America Bonds)

\$5,920,000*

**General Obligation Capital Improvement Plan Bonds, Series 2010A
(the "Series 2010A Bonds")**

(collectively referred to as the "Bonds", the "Obligations" or the "Issues")

(Book Entry Only)

Dated Date: Date of Delivery

**Interest Due: Each February 1 and August 1,
commencing August 1, 2011**

The Bonds will mature and bear interest as shown on the inside cover of this Official Statement.

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. Additional sources of security for the Series 44 Bonds are discussed herein.

A separate proposal must be submitted for each Issue for not less than the amounts shown below. If the Series 44 Bonds are bid as Taxable Bonds, proposals may not exceed the maximum permitted prices for each maturity as described in the Terms of Proposal herein. Proposals shall specify rates in integral multiples of 5/100 or 1/8 of 1%. Rates are not required to be in level or ascending order; however, the rate for any maturity cannot be more than 1% lower than the highest rate of any of the preceding maturities. Proposals must be accompanied by a good faith deposit in the amounts shown below in the form of a certified or cashier's check payable to the order of the City, a wire transfer, or a Financial Surety Bond, and delivered to Springsted Incorporated prior to the time proposals will be opened. Award of the Bonds will be made on the basis of True Interest Cost (TIC). If the Series 44 Bonds are issued as Taxable Bonds constituting "Build America Bonds," the credit available to the City will be treated as a reduction in each interest payment.

| | <u>Minimum Bid</u> | <u>Good Faith Deposit</u> |
|------------------------|--------------------|---------------------------|
| The Series 44 Bonds | \$6,214,880 | \$62,650 |
| The Series 2010A Bonds | 5,866,720 | 59,200 |

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 act as registrar (the "Registrar"). Bonds will be available for delivery at DTC on or about November 4, 2010.

* Preliminary; subject to change.

BID OPENING: October 4, 2010 (Monday) until 10:00 A.M., Central Time

AWARD: October 4, 2010 (Monday) at 7:00 P.M., Central Time



Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the City, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

City of Bloomington, Minnesota

\$6,265,000* Taxable General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (Build America Bonds – Direct Pay)

or

General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44

The **Series 44 Bonds** will bear interest on February 1 and August 1 of each year, commencing August 1, 2011, and will mature February 1 in the years and amounts as follows:

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| 2012 | \$570,000 | 2014 | \$605,000 | 2016 | \$615,000 | 2018 | \$640,000 | 2020 | \$665,000 |
| 2013 | \$600,000 | 2015 | \$610,000 | 2017 | \$625,000 | 2019 | \$650,000 | 2021 | \$685,000 |

Proposals for the Series 44 Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. In the event the Series 44 Bonds are bid as Tax-Exempt Bonds, term bonds will be allowed in all maturities. **In the event the Series 44 Bonds are bid as Taxable Bonds, term bonds are allowed for only the Series 44 Bonds maturing in the years 2019 and thereafter.** All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption and must conform to the maturity schedule set forth above.

The City may elect on February 1, 2019, and on any day thereafter, to prepay the Series 44 Bonds due on or after February 1, 2020 at a price of par plus accrued interest. The Series 44 Bonds, if issued as Taxable Bonds, are also subject to extraordinary redemption under certain circumstances as described herein.

\$5,920,000* General Obligation Capital Improvement Plan Bonds, Series 2010A

The **Series 2010A Bonds** will bear interest on February 1 and August 1 of each year, commencing August 1, 2011, and will mature February 1 in the years and amounts as follows:

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| 2012 | \$540,000 | 2014 | \$570,000 | 2016 | \$580,000 | 2018 | \$605,000 | 2020 | \$630,000 |
| 2013 | \$565,000 | 2015 | \$580,000 | 2017 | \$595,000 | 2019 | \$615,000 | 2021 | \$640,000 |

Proposals for the Series 2010A 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 and must conform to the maturity schedule set forth above.

The City may elect on February 1, 2019, and on any day thereafter, to prepay the Series 2010A Bonds due on or after February 1, 2020 at a price of par plus accrued interest.

* Preliminary; subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Issuer from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Obligations described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Issuer, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Obligations, together with any other information required by law, shall constitute a "Final Official Statement" of the Issuer with respect to the Obligations, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

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

The Issuer designates the senior managing underwriter of the syndicate to which the Obligations are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Obligations agrees thereby that if its bid is accepted by the Issuer (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Obligations for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Issuer to give any information or to make any representations with respect to the Obligations, other than as contained in the 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 Issuer. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Issuer and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR 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 ISSUER SINCE THE DATE THEREOF.

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

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

CITY OF BLOOMINGTON, MINNESOTA

City Council

Gene Winstead, Mayor

Steve Elkins
Amy Grady
Thomas Hulting

Karen Nordstrom
Steve Peterson
Vern Wilcox

Administration

City Manager
City Attorney
Chief Financial Officer
Director of Human Resources
Director of Community Development
Director of Community Services
Director of Public Works
Chief of Police
Fire Chief

Mark E. Bernhardson
Sandra Johnson
Lori Economy-Scholler
Kent T. Michaelson
Lawrence E. Lee
Diann Kirby
Karl Keel
Jeff Potts
Ulysses Seal

Bond Counsel

Kennedy & Graven, Chartered
Minneapolis, Minnesota

Financial Advisor

Springsted Incorporated
Saint Paul, Minnesota

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|--|----------------|
| Terms of Proposal: | |
| \$6,265,000 Taxable General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (Build America Bonds – Direct Pay) or General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 | i-vi |
| \$5,920,000 General Obligation Capital Improvement Plan Bonds, Series 2010A | vii-xi |
| Introductory Statement..... | 1 |
| Continuing Disclosure | 1 |
| The Bonds..... | 2 |
| The Series 44 Bonds | 5 |
| The Series 2010A Bonds | 6 |
| Future Financing | 6 |
| Litigation..... | 7 |
| Legality..... | 7 |
| Tax Exemption | 7 |
| Bank-Qualified Tax-Exempt Obligations | 8 |
| Taxability of Interest..... | 8 |
| Ratings..... | 8 |
| Financial Advisor..... | 9 |
| Certification | 9 |
| City Property Values | 10 |
| City Indebtedness | 11 |
| Funds on Hand | 17 |
| City Investments | 18 |
| City Tax Rates, Levies and Collections | 18 |
| General Information Concerning the City..... | 19 |
| Governmental Organization and Services | 26 |
| City Financial Policies and Practices | 29 |
| General Fund Summary of Revenues and Expenditures..... | 33 |
| Proposed Forms of Legal Opinions | Appendix I |
| Continuing Disclosure Certificate..... | Appendix II |
| Summary of Tax Levies, Payment Provisions, and Minnesota Real Property Valuation | Appendix III |
| Excerpt of 2009 Annual Financial Statements | Appendix IV |

THE CITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

\$6,265,000*

CITY OF BLOOMINGTON, MINNESOTA

TAXABLE GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND BONDS OF 2010, SERIES 44 (BUILD AMERICA BONDS – DIRECT PAY)

OR

GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND BONDS OF 2010, SERIES 44

(BOOK ENTRY ONLY)

The City is requesting proposals (the “Proposals” or “Bids”) for the above-named Issue (the “Bonds”) optionally as conventional tax-exempt general obligations (the “Tax-Exempt Bonds”) or as taxable general obligations which the City will elect to designate “Qualified Build America Bonds (Direct Pay)” (the “Taxable Bonds”). Proposals for the Bonds and the Good Faith Deposit (“Deposit”) will be received on Monday, October 4, 2010, until 10:00 A.M., Central Time, at the offices of Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

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

(a) **Sealed Bidding.** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The bidder shall be responsible for submitting to Springsted 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 Bids submitted to PARITY[®]. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY[®] for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents nor PARITY[®] shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY[®] shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY[®]. The City is using the services of PARITY[®] solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY[®] is not an agent of the City.

* Preliminary; subject to change.

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

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2011. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| 2012 | \$570,000 | 2014 | \$605,000 | 2016 | \$615,000 | 2018 | \$640,000 | 2020 | \$665,000 |
| 2013 | \$600,000 | 2015 | \$610,000 | 2017 | \$625,000 | 2019 | \$650,000 | 2021 | \$685,000 |

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the maturity amounts offered for sale. Any such increase or reduction will be made in multiples of \$5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

TERM BONDS

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. In the event the Bonds are issued as Tax-Exempt Bonds, term bonds will be allowed in all maturities. **In the event the Bonds are issued as Taxable Bonds, term bonds are allowed for only the Bonds maturing in the years 2019 and thereafter.** All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption and must conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify “Years of Term Maturities” in the spaces provided on the Proposal Form.

BOOK ENTRY SYSTEM

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

REGISTRAR

The Chief Financial Officer of the City will serve as registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2019, and on any day thereafter, to prepay Bonds due on or after February 1, 2020. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be 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 prepayments shall be at a price of par plus accrued interest.

EXTRAORDINARY REDEMPTION

If the Bonds are designated and issued as Taxable Bonds under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), at the option of the City, the Taxable Bonds are also subject to extraordinary redemption in whole, and not in part, at a redemption price equal to par plus accrued interest to the redemption date, upon or on any date after the occurrence of a Determination of Ineligibility. A "Determination of Ineligibility" means (i) the enactment of legislation or the adoption of final regulations or a final decision, ruling, or technical advice by any federal judicial or administrative authority which would have the effect of deeming, determining, or rendering the Taxable Bonds not qualified for treatment as Qualified Build America Bonds under Section 54AA of the Code; (ii) the federal government discontinues the Build America Bonds direct payment program with retroactive applicability to bonds issued prior to the date of such discontinuance (including the Taxable Bonds); or (iii) the receipt by the city of a written opinion of nationally recognized bond counsel selected by the City to the effect that the Taxable Bonds are not Qualified Build America Bonds under Section 54AA of the Code.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties. The proceeds will be used to finance various improvement projects within the City.

TAXABILITY OF INTEREST

In the event the Bonds are issued as Taxable Bonds, the interest to be paid on the Bonds is includable in gross income of the recipient for United States and State of Minnesota income tax purposes, and is subject to Minnesota corporate and bank excise taxes measured by net income.

TAX EXEMPTION OF INTEREST

In the event the Bonds are issued as Tax-Exempt Bonds, the interest to be paid on the Bonds will be excludable from gross income for purposes of federal income taxation and will be excludable from net taxable income of individuals, estates, or trusts for Minnesota income tax purposes. See "TAX EXEMPTION" in this Official Statement.

BIDDING PARAMETERS

Bidders may provide proposals for the Bonds specifying interest rates for the Bonds if issued as Tax-Exempt Bonds, or alternatively, specifying interest rates for the Bonds if issued as Taxable Bonds. To comply with the "Build America Bond" provisions of the Internal Revenue Code of 1986, as amended (the "Code"), each proposal for the Taxable Bonds must specify the expected reoffering price for each maturity of the Bonds, and (i) each such reoffering price cannot exceed the par amount of the maturity by more than .25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for the

maturity of the Bonds and (ii) in the initial offering no bond may be sold for a price in excess of such limit unless the IRS provides authoritative guidance to the contrary. Separate proposal forms and Parity provisions have been provided for submitting proposals for the Bonds if to be designated Tax-Exempt Bonds or designated Taxable Bonds.

Proposals for the Tax-Exempt Bonds shall be for not less than \$6,214,880 (the "Minimum Bid") and accrued interest on the total principal amount of the Bonds. Proposals for the Taxable Bonds shall be for not less than the Minimum Bid and for not more than the Maximum Permitted Price, as described below.

| <u>Year</u> | <u>Maximum Permitted Price</u> | <u>Year</u> | <u>Maximum Permitted Price</u> | <u>Year</u> | <u>Maximum Permitted Price</u> | <u>Year</u> | <u>Maximum Permitted Price</u> |
|-------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|
| 2012 | 100.25% | 2015 | 101.00% | 2018 | 101.75% | 2020 | 102.00% |
| 2013 | 100.50% | 2016 | 101.25% | 2019 | 102.00% | 2021 | 102.00% |
| 2014 | 100.75% | 2017 | 101.50% | | | | |

No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates are not required to be in level or ascending order; however, the rate for any maturity cannot be more than 1% lower than the highest rate of any of the preceding maturities. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

GOOD FAITH DEPOSIT

Proposals, regardless of method of submission, shall be accompanied by a Deposit in the amount of \$62,650, in the form of a certified or cashier's check, a wire transfer, or Financial Surety Bond and delivered to Springsted Incorporated prior to the time proposals will be opened. Each bidder shall be solely responsible for the timely delivery of their Deposit whether by check, wire transfer or Financial Surety Bond. Neither the City nor Springsted Incorporated have any liability for delays in the transmission of the Deposit.

Any Deposit made by **certified or cashier's check** should be made payable to the City and delivered to Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101.

Any Deposit sent via **wire transfer** should be sent to Springsted Incorporated as the City's agent according to the following instructions:

Wells Fargo Bank, N.A., San Francisco, CA 94104
 ABA #121000248
 For credit to Springsted Incorporated, Account #635-5007954

Contemporaneously with such wire transfer, the bidder shall send an e-mail to bond_services@springsted.com, including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, and (iv) the return wire instructions if such bidder is not awarded the Bonds.

Any Deposit made by the successful bidder by check or wire transfer will be delivered to the City following the award of the Bonds. Any Deposit made by check or wire transfer by an unsuccessful bidder will be returned to such bidder following City action relative to an award of the Bonds.

If a **Financial Surety Bond** is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota and pre-approved by the City. Such bond must be submitted to Springsted Incorporated prior to the opening of the proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that underwriter is required to submit its Deposit to the City in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement.

The Deposit received from the purchaser, the amount of which will be deducted at settlement, will be deposited by the City and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (TIC) basis, treating the credit available to the City if the Bonds are issued as Taxable Bonds constituting "Qualified Build America Bonds" as a reduction in each interest payment. No proposal for the Taxable Bonds may require reoffering premiums in excess of the maximums set for the Taxable Bonds issued as "Qualified Build America Bonds." The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

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

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

SETTLEMENT

On or about November 4, 2010, the Bonds will be delivered without cost to the purchaser through DTC in New York, New York. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless

compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

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

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 250 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated September 13, 2010

BY ORDER OF THE CITY COUNCIL

/s/ Thomas Ferber
City Clerk

THE CITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

\$5,920,000*

CITY OF BLOOMINGTON, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2010A

(BOOK ENTRY ONLY)

Proposals for the Bonds and the Good Faith Deposit ("Deposit") will be received on Monday, October 4, 2010, until 10:00 A.M., Central Time, at the offices of Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

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

(a) **Sealed Bidding.** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The bidder shall be responsible for submitting to Springsted 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 Bids submitted to PARITY[®]. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY[®] for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents nor PARITY[®] shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY[®] shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY[®]. The City is using the services of PARITY[®] solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY[®] is not an agent of the City.

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

PARITY[®], 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* Preliminary; subject to change.

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2011. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| 2012 | \$540,000 | 2014 | \$570,000 | 2016 | \$580,000 | 2018 | \$605,000 | 2020 | \$630,000 |
| 2013 | \$565,000 | 2015 | \$580,000 | 2017 | \$595,000 | 2019 | \$615,000 | 2021 | \$640,000 |

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the maturity amounts offered for sale. Any such increase or reduction will be made in multiples of \$5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

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 and must conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the Proposal Form.

BOOK ENTRY SYSTEM

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

REGISTRAR

The Chief Financial Officer of the City will serve as registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2019, and on any day thereafter, to prepay Bonds due on or after February 1, 2020. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be 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 prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds will be used to acquire certain facilities currently leased to the City by the Port Authority of the City of Bloomington, Minnesota (the "Authority"). In order to accomplish this, the City will transfer proceeds of the sale of the Bonds to the Authority to apply to the redemption and prepayment of the February 1, 2011 through February 1, 2021 maturities of its Lease Revenue Bonds (City Hall Lease Obligation), Series 2001, dated August 1, 2001.

BIDDING PARAMETERS

Proposals shall be for not less than \$5,866,720 and accrued interest on the total principal amount of the Bonds.

No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates are not required to be in level or ascending order; however, the rate for any maturity cannot be more than 1% lower than the highest rate of any of the preceding maturities. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

GOOD FAITH DEPOSIT

Proposals, regardless of method of submission, shall be accompanied by a Deposit in the amount of \$59,200, in the form of a certified or cashier's check, a wire transfer, or Financial Surety Bond and delivered to Springsted Incorporated prior to the time proposals will be opened. Each bidder shall be solely responsible for the timely delivery of their Deposit whether by check, wire transfer or Financial Surety Bond. Neither the City nor Springsted Incorporated have any liability for delays in the transmission of the Deposit.

Any Deposit made by **certified or cashier's check** should be made payable to the City and delivered to Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101.

Any Deposit sent via **wire transfer** should be sent to Springsted Incorporated as the City's agent according to the following instructions:

Wells Fargo Bank, N.A., San Francisco, CA 94104
ABA #121000248

For credit to Springsted Incorporated, Account #635-5007954

Contemporaneously with such wire transfer, the bidder shall send an e-mail to bond_services@springsted.com, including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, and (iv) the return wire instructions if such bidder is not awarded the Bonds.

Any Deposit made by the successful bidder by check or wire transfer will be delivered to the City following the award of the Bonds. Any Deposit made by check or wire transfer by an unsuccessful bidder will be returned to such bidder following City action relative to an award of the Bonds.

If a **Financial Surety Bond** is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota and pre-approved by the City. Such bond must be submitted to Springsted Incorporated prior to the opening of the proposals. The Financial

Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that underwriter is required to submit its Deposit to the City in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement.

The Deposit received from the purchaser, the amount of which will be deducted at settlement, will be deposited by the City and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. 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 matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

SETTLEMENT

On or about November 4, 2010, the Bonds will be delivered without cost to the purchaser through DTC in New York, New York. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

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

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 235 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated September 13, 2010

BY ORDER OF THE CITY COUNCIL

/s/ Thomas Ferber
City Clerk

OFFICIAL STATEMENT

CITY OF BLOOMINGTON, MINNESOTA

\$6,265,000*
**TAXABLE GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND
BONDS OF 2010, SERIES 44 (BUILD AMERICA BONDS – DIRECT PAY)**
OR
**GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND
BONDS OF 2010, SERIES 44**

\$5,920,000*
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2010A
(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Bloomington, Minnesota (the “City” or the “Issuer”) and its issuance of \$6,265,000* Taxable General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (Build America Bonds – Direct Pay) or General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (the “Series 44 Bonds”); and \$5,920,000* General Obligation Capital Improvement Plan Bonds, Series 2010A (the “Series 2010A Bonds”), collectively referred to as the “Bonds”, the “Obligations” or the “Issues”. The Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. Additional pledged sources of security for the Series 44 Bonds are described herein.

Depending upon the bids received, the City may issue the Series 44 Bonds as tax-exempt general obligations (the “Tax-Exempt Bonds”) or as taxable general obligations (the “Taxable 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, or by telephoning (952) 563-8791. Inquiries may also be made to Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101-2887, or by telephoning (651) 223-3000.

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 the Award Resolutions, the City has entered into an undertaking (the “Undertaking”)

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be made in multiples of \$5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

for the benefit of holders including beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered in substantially the form attached hereto as Appendix II.

The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1, as set forth on the inside front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2011. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar on the fifteenth day of the calendar month next preceding such interest payment date. 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.

Optional Redemption

The City may elect on February 1, 2019 and on any day thereafter, to prepay the Bonds due on or after February 1, 2020. Redemption may be in whole or in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be 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 prepayments shall be at a price of par plus accrued interest.

Extraordinary Redemption

If the Series 44 Bonds are designated and issued as Taxable Bonds under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), at the option of the City, the Taxable Bonds are also subject to extraordinary redemption in whole, and not in part, at a redemption price equal to par plus accrued interest to the redemption date, upon or on any date after the occurrence of a Determination of Ineligibility. A "Determination of Ineligibility" means (i) the enactment of legislation or the adoption of final regulations or a final decision, ruling, or technical advice by any federal judicial or administrative authority which would have the effect of deeming, determining, or rendering the Taxable Bonds not qualified for treatment as Qualified Build

America Bonds under Section 54AA of the Code; (ii) the federal government discontinues the Build America Bonds direct payment program with retroactive applicability to bonds issued prior to the date of such discontinuance (including the Taxable Bonds); or (iii) the receipt by the city of a written opinion of nationally recognized bond counsel selected by the City to the effect that the Taxable Bonds are not Qualified Build America Bonds under Section 54AA of the Code.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Obligations, 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 securities that its 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 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, in turn, is owned by a number of Direct Participants of DTC and members of the 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 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 and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts

such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations 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 the notices be provided directly to them.

Redemption notices are required to be sent to DTC. If less than all of the Obligations 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 such other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or Bond Registrar 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations 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 Issuer 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, Agent, the Bond Registrar, or the Issuer, 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 Bond Registrar, Issuer, or the Issuer's 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.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to Agent. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to Trustee's DTC account.

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

The Issuer 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 Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE SERIES 44 BONDS

Authority and Purpose

The Series 44 Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475 and the City Charter. The proceeds of the Bonds will be used to finance various improvement projects within the City.

| | |
|--------------------------------|--------------------|
| Sources of Funds: | |
| Par Amount | <u>\$6,265,000</u> |
| Total Sources of Funds | \$6,265,000 |
| Uses of Funds: | |
| Project Costs | \$6,153,511 |
| Allowance for Discount Bidding | 50,120 |
| Costs of Issuance | <u>61,369</u> |
| Total Uses of Funds | \$6,265,000 |

Security and Financing

The Series 44 Bonds will be general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City pledges special assessments against benefited properties for repayment of the Series 44 Bonds. Special assessments in the principal amount of approximately \$2,159,318 will be filed in 2010 for first collection in 2011. Assessments have been spread over a term of ten years with equal annual payments of principal. Interest on the unpaid balance will be charged at a rate of 6.0%.

The City expects to make its first levy in 2010 for collection in 2011. Each year's collections of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the August 1 interest payment due in the collection year, and the February 1 principal and interest payment due the following year.

THE SERIES 2010A BONDS

Authority and Purpose

The Series 2010A Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and the City Charter. Proceeds of the Bonds will be used to acquire certain facilities currently leased to the City by the Port Authority of the City of Bloomington, Minnesota (the "Authority"). In order to accomplish this, the City will transfer proceeds of the sale of the Series 2010A Bonds to the Authority to apply to the redemption and prepayment of the February 1, 2011 through February 1, 2021 maturities (the "Refunded Maturities") of its Lease Revenue Bonds (City Hall Lease Obligation), Series 2001, dated August 1, 2001 (the "Series 2001 Bonds").

The Series 2010A Bonds will constitute a "current" refunding since the Refunded Maturities will be called within 90 days of settlement of the Series 2010A Bonds. The Refunded Maturities will be called and prepaid on February 1, 2011 at a price of par plus accrued interest.

Sources of Funds:

| | |
|--------------------------------|----------------|
| Par Amount | \$5,920,000 |
| Transfer from Prior Issue Debt | |
| Service Reserve Fund | <u>215,011</u> |
| Total Sources of Funds | \$6,135,011 |

Uses of Funds:

| | |
|--------------------------------|---------------|
| Project Costs | \$6,027,633 |
| Allowance for Discount Bidding | 53,280 |
| Costs of Issuance | <u>54,098</u> |
| Total Uses of Funds | \$6,135,011 |

Security and Financing

The Series 2010A Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. The City expects to make its first levy in 2010 for collection in 2011. Each year's tax levy collections, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 in the collection year and the principal and interest payment due February 1 of the following year.

Minnesota Statutes, Section 475.521, limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the taxable market value of property taxes payable in the year in which the Series 2010A Bonds are issued or sold. The statutory maximum based on the City's 2009/10 taxable market value of \$11,103,651,500, is \$17,765,842. The maximum annual debt service on all outstanding capital improvement plan bonds, including the Series 2010A Bonds, is projected at approximately \$660,893, which is within the statutory limit.

FUTURE FINANCING

The City expects to issue and sell through a private placement general obligation taxable pension obligations in an amount of approximately \$2,300,000 on or about November 1, 2010.

The City anticipates approving the use of its general obligation pledge by the Port Authority of the City of Bloomington for general obligation taxable parking facilities bonds that the Port Authority intends to issue in an amount of up to \$15,000,000 on or about November 15, 2010 to finance parking facilities adjacent to the Mall of America.

LITIGATION

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

LEGALITY

The Bonds are subject to approval as to certain matters by Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as Bond Counsel for the City. Bond Counsel has not participated in the preparation of this Official Statement, except for the following "Tax Exemption" and "Taxability of Interest" sections, and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has neither 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 to this Official Statement will be delivered at closing.

TAX EXEMPTION

This section applies to the Series 2010A Bonds, and shall apply to the Series 44 Bonds if issued as Tax-Exempt Bonds.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is not includable in the "gross income" of the owners thereof for purposes of federal income taxation and is not includable in net taxable income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations and financial institutions.

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 bond resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and net taxable income for State of Minnesota tax purposes of the owners thereof. 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 United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Due to changes in the Code made pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Series 44 Bonds will not be taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

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 15% of the interest on the Bonds that is received or accrued during the taxable year.

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 State 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.

BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

This section applies to the Series 2010A Bonds, and shall apply to the Series 44 Bonds if issued as Tax-Exempt Bonds.

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

TAXABILITY OF INTEREST

This section shall apply to the Series 44 Bonds if issued as Taxable Bonds.

The interest to be paid on the Taxable Bonds is includable in the income of the recipient for purposes of the United States and State of Minnesota income taxation.

RATINGS

Applications for ratings of the Bonds have been made to Moody’s Investors Service (“Moody’s”), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York; Standard & Poor’s Ratings Services (“S&P”), 55 Water Street, New York, New York; and Fitch Ratings (“Fitch”), 55 East Monroe Street, Suite 3500, Chicago, Illinois. If ratings are assigned, they will reflect only the opinions of Moody’s, S&P and Fitch. Any explanation of the significance of the ratings may be obtained only from Moody’s, S&P, or Fitch.

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

FINANCIAL ADVISOR

The City has retained Springsted Incorporated, Public Sector Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

CERTIFICATION

The City has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Official Statement, the Official Statement did not and does not as of the date of the certificate 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.

(The Balance of This Page Has Been Intentionally Left Blank)

CITY PROPERTY VALUES

2009/10 Indicated Market Value of Taxable Property: \$11,590,450,418*

* *Indicated market value is calculated by dividing the City's taxable market value of \$11,103,651,500 by the 2009 sales ratio of 95.8% for the City as determined by the State Department of Revenue.*

2009/10 Taxable Net Tax Capacity: \$118,121,893

| | | |
|--|---------------|--|
| 2009/10 Total Net Tax Capacity | \$150,231,185 | |
| Less: Captured Tax Increment Tax Capacity | (8,838,581) | |
| Contribution to Fiscal Disparities | (33,777,922) | |
| Plus: Distribution from Fiscal Disparities | 10,507,211 | |
| 2009/10 Taxable Net Tax Capacity | \$118,121,893 | |

2009/10 Taxable Net Tax Capacity by Class of Property

| | | |
|---|---------------|---------|
| Residential Homestead | \$ 66,309,526 | 56.13% |
| Commercial/Industrial, Railroad, and Public Utility* | 42,130,801 | 35.67 |
| Residential Non-Homestead | 8,779,233 | 7.43 |
| Personal Property | 896,605 | 0.76 |
| Agricultural and Seasonal Recreational | 5,728 | 0.01 |
| Total | \$118,121,893 | 100.00% |

* *Reflects adjustments for fiscal disparities and captured tax increment.*

Trend of Values

| | <u>Indicated Market Value^(a)</u> | <u>Taxable Market Value</u> | <u>Taxable Net Tax Capacity^(b)</u> |
|---------|---|---------------------------------|---|
| 2009/10 | \$11,590,450,418 | \$11,103,651,500 | \$118,121,893 |
| 2008/09 | 12,313,704,289 | 11,771,901,300 | 126,856,768 |
| 2007/08 | 12,502,745,435 | 11,777,586,200 | 131,305,123 |
| 2006/07 | 12,227,252,928 | 11,063,392,800 | 121,587,279 |
| 2005/06 | 11,407,023,836 | 10,289,135,500 | 112,674,516 |

(a) *Indicated market values are calculated by dividing the City's taxable market value by the aggregate sales ratio computed for the City each year by the State Department of Revenue.*

(b) *See Appendix III for an explanation of taxable net tax capacity and the Minnesota property tax system.*

Ten of the Largest Taxpayers in the City

| <u>Taxpayer</u> | <u>Payable 2010 Taxable Market Value</u> | <u>Payable 2010 Total Net Tax Capacity</u> | <u>% of Total City Net Tax Capacity</u> |
|--|--|--|---|
| Mall of America/Triple Five (shopping center/land/hotel) | \$ 641,341,000 | \$12,824,570 | 8.54% * |
| Teachers Insurance and Annuity/MN ND Properties, Inc. (office buildings) | 240,502,000 | 4,808,540 | 3.20 |
| United Properties/Am Financial The Northland Company (office buildings) | 153,790,100 | 3,070,552 | 2.04 |
| Kraus-Anderson/Engelsma/Osborne (shopping centers/office) | 105,668,200 | 2,107,364 | 1.40 |
| Duke Realty LP/Weeks Realty LP (office/industrial buildings/land) | 101,116,800 | 2,020,086 | 1.34 |
| Liberty Property LP (office/industrial buildings/land) | 77,793,200 | 1,553,614 | 1.03 |
| Gateway Lake Prop Inc. (office & bank buildings) | 52,170,000 | 1,042,650 | 0.69 |
| Bloomington Central Station (office/industrial buildings/land) | 53,101,900 | 1,029,663 | 0.69 |
| Porky's West Lake/Two Marketpointe Bloomington Association 2005 (office/land) | 41,910,600 | 835,962 | 0.56 |
| Bloomgate Holdings/Creekside/Welsh/ CC Plaza Joint Venture (office & retail buildings) | <u>41,963,100</u> | <u>835,512</u> | <u>0.56</u> |
| Total | \$1,509,356,900 | \$30,128,513 | 20.05% |

* Tax capacity falls within a tax increment financing district.

Source: City of Bloomington, Assessor's Office.

CITY INDEBTEDNESS

Legal Debt Limit and Margin*

| | |
|---|---------------------|
| Legal Debt Limit (3% of Taxable Market Value) | \$333,109,545 |
| Less: Outstanding GO Debt Subject to Limit | <u>(10,860,000)</u> |
| Legal Net Debt Margin at November 4, 2010 | \$322,249,545 |

* The legal debt margin is referred to statutorily as the "Net Debt Limit" and permits debt to be offset by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year. To conservatively state the legal debt margin, no such offset has been used to increase the margin as shown above.

General Obligation Debt Supported by Taxes *

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Principal Outstanding As of 11-4-10</u> |
|----------------------|------------------------|---|-----------------------|--|
| 2-1-07 | \$5,590,000 | General Obligation Arts Center Refunding | 2-1-2021 | \$ 4,940,000 |
| 11-4-10 | 5,920,000 | Capital Improvement Plan (the Series 2010A Bonds) | 2-1-2031 | <u>5,920,000</u> |
| Total | | | | \$10,860,000 |

* These issues are subject to the statutory debt limit.

General Obligation Debt Supported Primarily by Special Assessments

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Principal Outstanding As of 11-4-10</u> |
|----------------------|------------------------|---|-----------------------|--|
| 7-1-01 | \$ 1,075,000 | Permanent Improvement Revolving Fund, Series 36 | 2-1-2011 | \$ 115,000 |
| 6-1-02 | 2,010,000 | Permanent Improvement Revolving Fund, Series 37 | 2-1-2012 | 395,000 |
| 3-15-03 | 5,280,000 | Permanent Improvement Revolving Fund, Series 38 | 2-1-2018 | 2,915,000 |
| 11-1-04 | 12,750,000 | Permanent Improvement Revolving Fund, Series 39 | 2-1-2025 | 8,960,000 |
| 11-15-06 | 5,855,000 | Permanent Improvement Revolving Fund, Series 40 | 2-1-2017 | 4,175,000 |
| 12-01-07 | 5,915,000 | Permanent Improvement Revolving Fund, Series 41 | 2-1-2028 | 4,960,000 |
| 10-15-08 | 11,125,000 | Permanent Improvement Revolving Fund, Series 42 | 2-1-2029 | 9,040,000 |
| 12-17-09 | 7,860,000 | Permanent Improvement Revolving Fund, Series 43 | 2-1-2030 | 7,835,000 |
| 11-4-10 | 6,265,000 | Permanent Improvement Revolving Fund, Series 44 (the Series 44 Bonds) | 2-1-2021 | <u>6,265,000</u> |
| Total | | | | \$44,660,000 |

General Obligation Debt Supported by Tax Increment

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Principal Outstanding As of 11-4-10</u> |
|----------------------|------------------------|-------------------------|-----------------------|--|
| 1-1-97 | \$ 875,000 | Tax Increment Refunding | 12-1-2013 | \$ 275,000 |
| 5-1-97 | 1,505,000 | Taxable Tax Increment | 2-1-2012 | 350,000 |
| 3-15-03 | 930,000 | Taxable Tax Increment | 2-1-2031 | 830,000 |
| 3-1-04 | 2,445,000 | Taxable Tax Increment | 2-1-2032 | 2,335,000 |
| 2-1-05 | 3,300,000 | Tax Increment Refunding | 2-1-2012 | <u>810,000</u> |
| Total | | | | \$4,600,000 |

**Revenue Debt Supported by Tax Increment and Other Revenues*
(Issued by Port Authority)**

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Principal Outstanding As of 11-4-10</u> |
|----------------------|------------------------|--|-----------------------|--|
| 10-14-09 | \$9,385,000 | Special Tax Revenue Refunding Bonds (Mall of America Project), Series 2009 | 2-1-2016 | \$8,635,000 |

* *This issue is being paid primarily from captured tax increment from the Mall of America and local lodging and liquor tax revenues.*

Revenue Debt Supported by Enterprise Funds

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Principal Outstanding As of 11-4-10</u> |
|----------------------|------------------------|---------------------------------|-----------------------|--|
| 6-1-02 | \$1,835,000 | Recreational Facility Refunding | 2-1-2013 | \$455,000 |

(The Balance of This Page Has Been Intentionally Left Blank)

**Annual Calendar Year Debt Service Payments Including These Issues
and Excluding the Refunded Maturities**

| Year | G.O. Debt Supported by Taxes | | G.O. Debt Supported Primarily by Special Assessments | |
|----------------|------------------------------|-------------------------------------|--|-------------------------------------|
| | Principal | Principal & Interest ^(a) | Principal | Principal & Interest ^(b) |
| 2010 (at 11-4) | (Paid) | (Paid) | (Paid) | (Paid) |
| 2011 | \$ 370,000 | \$ 631,680.63 | \$ 3,815,000 | \$ 5,374,369.38 |
| 2012 | 925,000 | 1,194,057.50 | 4,215,000 | 5,691,926.25 |
| 2013 | 960,000 | 1,210,412.50 | 4,095,000 | 5,444,421.25 |
| 2014 | 990,000 | 1,219,995.00 | 4,030,000 | 5,247,491.25 |
| 2015 | 1,015,000 | 1,221,992.50 | 4,065,000 | 5,142,881.25 |
| 2016 | 1,030,000 | 1,211,462.50 | 3,890,000 | 4,826,033.75 |
| 2017 | 1,060,000 | 1,213,308.75 | 3,885,000 | 4,677,321.25 |
| 2018 | 1,080,000 | 1,202,955.00 | 3,350,000 | 4,004,430.00 |
| 2019 | 1,115,000 | 1,205,640.00 | 2,555,000 | 3,093,497.50 |
| 2020 | 1,145,000 | 1,200,857.50 | 2,120,000 | 2,564,288.75 |
| 2021 | 1,170,000 | 1,188,920.00 | 1,760,000 | 2,124,605.00 |
| 2022 | | | 1,085,000 | 1,388,955.00 |
| 2023 | | | 1,110,000 | 1,364,898.75 |
| 2024 | | | 1,120,000 | 1,323,862.50 |
| 2025 | | | 1,130,000 | 1,281,120.00 |
| 2026 | | | 575,000 | 685,036.88 |
| 2027 | | | 585,000 | 665,910.00 |
| 2028 | | | 600,000 | 650,942.50 |
| 2029 | | | 525,000 | 547,140.00 |
| 2030 | | | 150,000 | 154,275.00 |
| Total | \$10,860,000 ^(c) | \$12,701,281.88 | \$44,660,000 ^(d) | \$56,253,406.26 |

(a) Includes the Series 2010A Bonds at an assumed average annual interest rate of 1.95%.

(b) Includes the Series 44 Bonds at an assumed average annual interest rate of 2.00%.

(c) 89.2% of this debt will be repaid within ten years.

(d) 80.7% of this debt will be repaid within ten years.

(The Balance of This Page Has Been Intentionally Left Blank)

**Annual Calendar Year Debt Service Payments Including These Issues
and Excluding the Refunded Maturities (continued)**

| <u>Year</u> | <u>G.O. Debt Supported by Tax Increment</u> | |
|----------------|---|-------------------------------------|
| | <u>Principal</u> | <u>Principal & Interest</u> |
| 2010 (at 11-4) | \$ 65,000 | \$ 72,257.50 |
| 2011 | 835,000 | 1,057,090.00 |
| 2012 | 620,000 | 801,475.00 |
| 2013 | 165,000 | 324,715.00 |
| 2014 | 90,000 | 241,473.75 |
| 2015 | 95,000 | 241,931.25 |
| 2016 | 100,000 | 241,965.63 |
| 2017 | 110,000 | 246,618.75 |
| 2018 | 110,000 | 241,018.75 |
| 2019 | 120,000 | 245,148.13 |
| 2020 | 125,000 | 243,878.75 |
| 2021 | 130,000 | 242,353.13 |
| 2022 | 140,000 | 245,443.75 |
| 2023 | 150,000 | 248,022.50 |
| 2024 | 160,000 | 250,055.63 |
| 2025 | 165,000 | 246,671.25 |
| 2026 | 175,000 | 247,665.00 |
| 2027 | 190,000 | 252,758.75 |
| 2028 | 200,000 | 252,171.25 |
| 2029 | 210,000 | 251,040.00 |
| 2030 | 225,000 | 254,185.00 |
| 2031 | 240,000 | 256,465.00 |
| 2032 | <u>180,000</u> | <u>184,950.00</u> |
| Total | \$4,600,000 * | \$6,889,353.77 |

| <u>Year</u> | <u>Revenue Debt Supported By Tax Increment and Other Revenues (Issued by Port Authority)</u> | | <u>Revenue Debt Supported by Enterprise Funds</u> | |
|----------------|--|-------------------------------------|---|-------------------------------------|
| | <u>Principal</u> | <u>Principal & Interest</u> | <u>Principal</u> | <u>Principal & Interest</u> |
| 2010 (at 11-4) | (Paid) | (Paid) | (Paid) | (Paid) |
| 2011 | \$1,365,000 | \$1,554,100.00 | \$155,000 | \$170,738.75 |
| 2012 | 1,395,000 | 1,556,500.00 | 150,000 | 159,487.50 |
| 2013 | 1,420,000 | 1,553,350.00 | 150,000 | 153,187.50 |
| 2014 | 1,450,000 | 1,554,650.00 | | |
| 2015 | 1,480,000 | 1,547,950.00 | | |
| 2016 | <u>1,525,000</u> | <u>1,547,875.00</u> | | |
| Total | \$8,635,000 | \$9,314,425.00 | \$455,000 | \$483,413.75 |

* 50.2% of this debt will be repaid within ten years.

Summary of Direct Debt

| | <u>Gross Debt</u> | <u>Less: Debt Service Funds</u> ^(a) | <u>Net Direct Debt</u> |
|--|-------------------|--|------------------------|
| G.O. Debt Supported by Taxes | \$10,860,000 | \$(1,234,022) | \$ 9,625,978 |
| G.O. Debt Supported Primarily by Special Assessments | 44,660,000 | (8,115,270) | 36,544,730 |
| G.O. Debt Supported by Tax Increment | 4,600,000 | (2,810,203) | 1,789,797 |
| Revenue Debt Supported by Tax Increment and Other Revenues | 8,635,000 | (5,394,227) | 3,240,773 |
| Revenue Debt Supported by Enterprise Funds | 455,000 | (b) | 455,000 |

(a) Debt service funds are as of July 31, 2010 and include money to pay both principal and interest.

(b) Debt service payments are made from net revenues of the respective enterprise funds.

Indirect Debt

| Governmental Unit ^(a) | 2009/10 Taxable Net Tax Capacity | G.O. Debt As of 11-4-10 ^(b) | Debt Applicable to Tax Capacity of City | |
|---|----------------------------------|--|---|------------------|
| | | | Percent | Amount |
| Hennepin County | \$1,600,479,532 | \$643,760,000 | 7.4% | \$ 47,638,240 |
| Three Rivers Park District | 1,161,337,991 | 74,080,000 | 10.2 | 7,556,160 |
| Hennepin County Regional Rail Authority | 1,600,479,532 | 43,690,000 | 7.4 | 3,233,060 |
| ISD No. 271 (Bloomington) | 116,754,847 | 115,865,000 | 99.9 | 115,749,135 |
| ISD No. 272 (Eden Prairie) | 102,044,692 | 81,935,000 | 0.3 | 245,805 |
| ISD No. 273 (Edina) | 91,340,180 | 79,415,000 | 1.3 | 1,032,395 |
| Metropolitan Council | 3,533,445,725 | 16,320,000 ^(c) | 3.3 | 538,560 |
| Metropolitan Transit | 3,113,706,156 | 162,675,000 | 3.8 | <u>6,181,650</u> |
| Total | | | | \$182,175,005 |

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

(b) Excludes debt supported by revenues and tax anticipation certificates of indebtedness.

(c) Excludes general obligation debt supported by sewer system revenues, 911 user fees, and housing rental payments. Includes Certificates of Participation.

Debt Ratios

| | <u>G.O. Direct Debt</u> [*] | <u>G.O. Indirect & Direct Debt</u> |
|--|--------------------------------------|--|
| To 2009/10 Indicated Market Value (\$11,590,450,418) | 0.52% | 2.09% |
| Per Capita (84,701- 2009 State Demographer Estimate) | \$710 | \$2,861 |

* Excludes revenue debt supported by tax increment and enterprise funds.

Note: To conservatively state the debt ratios, no offset of debt service funds on hand have been used in the above calculations.

Trend of Debt Ratios

General Obligation Direct Debt*

| <u>Fiscal Year (12-31)</u> | <u>Bonded Debt</u> | <u>Debt To Estimated Market Value</u> | <u>Debt Per Capita</u> |
|----------------------------|--------------------|---------------------------------------|------------------------|
| 2009 | \$40,618,303 | 0.34% | \$483 |
| 2008 | 38,126,190 | 0.32 | 447 |
| 2007 | 33,939,335 | 0.31 | 397 |
| 2006 | 32,769,568 | 0.32 | 382 |
| 2005 | 29,500,760 | 0.30 | 345 |

General Obligation Direct and Indirect Debt*

| <u>Fiscal Year (12-31)</u> | <u>Amount</u> | <u>Debt To Estimated Market Value</u> | <u>Debt Per Capita</u> |
|----------------------------|---------------|---------------------------------------|------------------------|
| 2009 | \$207,708,618 | 1.76% | \$2,472 |
| 2008 | 220,423,127 | 1.87 | 2,586 |
| 2007 | 329,246,030 | 2.97 | 3,856 |
| 2006 | 326,661,056 | 3.16 | 3,806 |
| 2005 | 234,788,455 | 2.27 | 2,748 |

* 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.

FUNDS ON HAND As of July 31, 2010

| <u>Fund</u> | <u>Cash and Investments</u> |
|--|-----------------------------|
| Operating Funds: | |
| General | \$ 20,832,086 |
| Utility | 11,670,375 |
| Recreational Facilities | 1,883,695 |
| All Others | <u>35,903,995</u> |
| Total Operating Funds | \$ 70,290,151 |
| Capital Projects | \$101,545,897 |
| Debt Service Funds: | |
| G.O. Tax Levy | \$ 1,234,022 |
| G.O. Tax Increment City/HRA | 2,661,178 |
| G.O. Tax Increment Port Authority | 149,025 |
| G.O. Special Assessment | 8,115,270 |
| Tax Increment Revenue/Port Authority | 5,394,227 |
| Lease Revenue/Port Authority | <u>377,614</u> |
| Total Debt Service Funds | <u>\$ 17,931,336</u> |
| Total all City, HRA and Port Authority Funds | <u>\$189,767,384</u> |

CITY 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, Assistant Finance Manager, representatives from the Housing and Redevelopment Authority (HRA) and the Port Authority and an Accountant meets quarterly to review the performance of investments and to review the 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 and Executive staff and Quarterly to the HRA and Port Authority.

Currently, approximately \$37,900,000 (28%) of the City's investment \$96 million (72%) of the City's operating fund investments are securities that have maturity dates within one to four years.

CITY TAX RATES, LEVIES AND COLLECTIONS

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

| | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> | <u>2009/10</u> | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | | | | | Total | For Debt Only |
| Hennepin County | 41.016% | 39.110% | 38.571% | 40.413% | 42.056% | 3.500% |
| City of Bloomington | 36.012 | 35.135 | 33.257 | 35.855 | 39.771 | 2.690 |
| ISD No. 271 | | | | | | |
| (Bloomington) ^(a) | 16.697 | 16.333 | 17.256 | 17.424 | 19.306 | 7.920 |
| Special Districts ^(b) | <u>6.998</u> | <u>7.310</u> | <u>7.397</u> | <u>7.154</u> | <u>8.138</u> | <u>3.412</u> |
| Total | 100.723% | 97.888% | 96.481% | 100.846% | 109.271% | 17.522% |

(a) Independent School District No. 271 (Bloomington) also has a 2009/10 tax rate of 0.16790% 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: Taxes are determined by multiplying the net tax capacity by the tax capacity rate, plus multiplying the referendum market value by the market value rate. This table does not include the market value based rates. See Appendix III.

Special Levies

The Bloomington Port Authority (the "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 Authority does not levy any property tax and does not intend to levy for 2010.

The Bloomington Housing and Redevelopment Authority (HRA) is limited to 0.0144% of the City's taxable market value.

General Tax Levies and Collections

| Levy/ Collect | Amount of Net Levy* | Current Collections | | Delinquent Collections (Abatements) | Total Collections to Levy | |
|------------------|------------------------|---------------------|---------|---|------------------------------|---------|
| | | Amount | Percent | | Amount | Percent |
| 2009/10 | \$43,230,933 | | | (In Process of Collection) | | |
| 2008/09 | 41,936,879 | \$41,636,622 | 99.3% | \$138,949 | \$41,775,571 | 99.6% |
| 2007/08 | 40,853,864 | 40,456,342 | 99.0 | 207,117 | 40,663,459 | 99.5 |
| 2006/07 | 38,800,770 | 38,607,066 | 99.5 | 66,373 | 38,673,439 | 99.7 |
| 2005/06 | 37,167,181 | 36,964,084 | 99.5 | 114,613 | 37,078,697 | 99.8 |

* 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.

Source: City of Bloomington.

Special Assessment Levies and Collections

| Levy/Collect | Amount of Assessment Levy | Current Collections | | Collection of Prior Years | Total Collections to Current Levy | |
|--------------|---------------------------------|---------------------|---------|------------------------------|--------------------------------------|---------|
| | | Amount | Percent | | Amount | Percent |
| 2008/09 | \$2,446,072 | \$2,430,792 | 99.4% | \$18,116 | \$2,448,908 | 100.1% |
| 2007/08 | 1,864,088 | 1,837,915 | 98.6 | 21,829 | 1,859,744 | 99.8 |
| 2006/07 | 1,702,944 | 1,688,957 | 99.2 | 31,444 | 1,720,401 | 101.0 |
| 2005/06 | 1,609,064 | 1,599,649 | 99.4 | 31,024 | 1,630,673 | 101.3 |
| 2004/05 | 1,886,564 | 1,875,067 | 99.4 | 11,033 | 1,886,100 | 100.0 |

Source: City of Bloomington.

GENERAL INFORMATION CONCERNING THE CITY

The City of Bloomington covers an area of 38.3 square miles and is situated wholly within Hennepin County. The City has many national and international corporations within its boundaries, including Seagate Technology, Toro, Thermo King Corporation, HealthPartners, Wells Fargo Bank, PolarFab, Ceridian Corporation, Cypress Semiconductors, and Donaldson Company, Inc. In addition, the City, with approximately 8,000 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 and Demographic Statistics

The City's 2000 Census population was 85,172, which represents a 1.3% decrease from the City's 1990 Census count of 86,335. The City's 2009 population was estimated by the State Demographer to be 84,701, a slight decrease from the 2000 Census.

Bloomington residents are employed not only in the City, but throughout the metropolitan area. The 2009 Nielsen Market Demographics shows that in 2008, 27.6% of Minneapolis-St. Paul-Bloomington Metropolitan area households had effective buying incomes (EBIs) in excess of \$75,000; 24.0% had EBIs from \$50,000 to \$75,000; and 31.3% had EBIs from \$25,000 to \$50,000.

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

| | Retail Sales (\$000) | Effective Buying Income (EBI) (\$000) | Median Household EBI |
|------|-------------------------|---|-------------------------|
| 2008 | \$52,057,582 | \$80,955,158 | \$51,380 |
| 2007 | 56,013,272 | 79,524,270 | 50,977 |
| 2006 | 56,554,398 | 77,487,347 | 50,566 |
| 2005 | 56,369,202 | 75,126,438 | 49,816 |
| 2004 | 57,404,466 | 71,789,306 | 48,419 |

The 2008 median household EBI for the State of Minnesota was \$46,158.

Source: 2008 data taken from Nielsen Market Demographics, 2009 edition. 2005 through 2007 data taken from Demographics USA, 2006 through 2008 editions. 2004 data taken from Sales and Marketing Management, "Survey of Buying Power," 2004 through 2005 editions.

Labor Force Data

| | Total Civilian Labor Force | | Unemployment Rate | |
|---------------|-------------------------------|------------------------|-----------------------|------------------------|
| | State of Minnesota | City of Bloomington | State of Minnesota | City of Bloomington |
| 2010 (August) | 2,991,220 | 48,835 | 6.9% | 7.0% |
| 2009 | 2,967,967 | 47,958 | 8.0 | 7.6 |
| 2008 | 2,937,540 | 48,074 | 5.4 | 5.0 |
| 2007 | 2,909,002 | 47,773 | 4.6 | 4.2 |
| 2006 | 2,890,863 | 47,582 | 4.1 | 3.6 |

Source: Minnesota Department of Employment and Economic Development, <http://positivelyminnesota.com/>. 2010 data are preliminary.

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 | | Multiple Dwellings | Commercial/Industrial | Trade & All Other | Total |
|----------------|-----------------|------------|--------------------|-----------------------|-------------------|---------------|
| | No. | Value | | | | |
| 2010 (at 7-31) | 2 | \$ 484,187 | -0- | \$ 51,206,342 | \$ 31,857,935 | \$ 83,064,277 |
| 2009 | 5 | 1,110,744 | \$30,582,338 | 72,770,943 | 63,129,456 | 167,593,481 |
| 2008 | 2 | 623,525 | 8,732,550 | 9,202,766 | 136,677,732 | 155,231,572 |
| 2007 | 21 | 5,139,166 | 1,994,575 | 135,675,321 | 151,722,750 | 294,531,812 |
| 2006 | 58 | 11,981,940 | 3,699,000 | 75,426,274 | 128,593,434 | 219,700,648 |
| 2005 | 71 | 17,257,520 | 37,202,083 | 92,404,089 | 94,282,436 | 241,146,128 |
| 2004 | 56 | 9,004,496 | 9,004,496 | 56,525,698 | 101,454,667 | 175,989,357 |
| 2003 | 21 | 13,275,925 | 14,006,819 | 95,543,072 | 81,149,775 | 203,975,591 |
| 2002 | 33 | 12,157,428 | 5,959,913 | 58,697,552 | 76,704,180 | 153,519,073 |
| 2001 | 22 | 9,085,900 | 4,096,827 | 55,117,218 | 146,539,615 | 214,839,560 |

Current and Pending Development

Paradise Car Wash Addition – Located at 9201 Lyndale Avenue South, this facility has operated as a carwash since 1965. Paradise Partners, Inc. has an application in progress for a facelift consisting of raising the building height by about one foot with a new exterior fascia band (a 431 square-foot triangular area), applying a new stucco finish to the existing exterior, and adding an express lane through the car wash.

Nissan Dealership – The former Bally’s Health Club site at 4901 West American Boulevard has been redeveloped into a 41,000 square-foot Nissan auto dealership designed to coordinate with the adjacent Mercedes dealership. On-site parking will be shared by both dealerships. The south portion of the site is under a scenic easement. This heavily wooded area will remain in place and none of the existing vegetation will be removed.

Mall of America South Pad Hotel – Mortenson Development, Inc. has secured the development rights for a full-service conference center hotel on the “south pad” of Mall of America (“MOA”), including publically financed parking. The hotel and parking will be located between Macy’s and Bloomingdales. The proposed 14-story hotel will include 501 rooms and 509 parking stalls in a 3-story parking structure. The hotel will front on Killebrew Drive and be attached to MOA by a new skyway connection. Access will be from the two existing access drives off Killebrew. These will lead to an interior drive aisle/entry courtyard between the proposed hotel and the south facade of the existing MOA.

White Castle – Construction is underway to replace the existing 2,121 square-foot 33-seat restaurant with a drive-through and new 3,016 square-foot 50-seat restaurant (including a 432 square-foot indoor trash facility) with drive-through that is centrally located on the site.

Richfield-Bloomington Credit Union – Phase one of an overall 36,490 square-foot three phase development, this project is under construction to include 2,764 square feet for a retail tenant and 14,036 square feet to be occupied by the Richfield Bloomington Credit Union. Future phased plans include an additional 9,300 square feet of commercial development in phase two, and 10,390 additional square feet of commercial development in phase three. Parking and circulation for phases one and two would be constructed as part of phase one.

900 American West/Credit Union – In 2008, the City Council approved a Preliminary and Final Development Plan to construct a 4,640 square-foot credit union with drive-through facilities on the vacant land. Access would be provided via a right in/out from American Boulevard as well as through the R.E.I. parcel via an access agreement to the west side of the site. A storm water pond would be located at the northwest corner of the site.

Mount Hope Church, Verizon Bell Tower – Located at 3515 West Old Shakopee Road, the applicant was issued a building permit and the project is under construction for a 65-foot bell tower with screened communication antennas. Verizon will lease the ground space in order to erect and operate the tower. The structure is a detached building and bell tower located to the west of the existing Mount Hope building.

Christ the King Lutheran Addition – In August 2010, the applicant received approval for a 1,070 square-foot addition onto an existing church. The addition creates an enhanced covered and secured entry as well as office and meeting space at the primary entrance into the church. Other modifications to the secondary entrances include handicapped access and lighting.

Park Place on France (Former Bloomdale Site) – In the permit review phase, this 20,676 square-foot multi-tenant retail project is located at the southwest corner of West Old Shakopee Road and France Avenue South, at the northeast corner of the site. Parking is provided in a central parking lot, located on-site behind the retail shops.

CVS Lyndale – Approval has been received on a proposal to remove the existing Holiday Station and small shopping center located at 8936 and 8946 Lyndale Avenue and construct a new 12,900 square-foot CVS Pharmacy and retail store. The new store would use the existing access location on West 90th Street, Lyndale Avenue and Aldrich Avenue and have 58 parking stalls. A drive through service is located at the northwest corner of the building.

Office Development

Office Building (Cattle Company Site) - A new two-story, 37,200 square-foot office building in the application phase, is proposed on the site of the former Cattle Company restaurant. The adjacent lot to the north includes 19 parking spaces that would be used for shared parking with the Park Plaza hotel just north of the site. The site has some environmental conditions that complicate development. These include a high water table and a deep layer of peat. A Phase 1 environmental report has been ordered. There may also be a wetland located west of the property. A wetland delineation has been ordered. A rain garden is proposed to retain and treat runoff.

Marketpointe III – Located adjacent to Marketpointe II along West 78th Street, this development is in the zoning approval process and proposes a 250,000 square-foot office building. A Final Development Plan for this office building will need to be approved by the City Council before construction can commence.

Norman Pointe III – This is the proposed third office building in the 25-acre Norman Pointe Planned Development that was approved in 2001. The planned development originally anticipated four office buildings with structured parking for each building. A Final Development Plan for this office building will need to be approved by the City Council before construction can commence.

700 American West – In 2008 a Preliminary Development Plan was approved for a two-story 30,000 square-foot office building with a Floor Area Ratio (FAR) for the office of 0.37 on the 1.854 acre vacant site. Medical offices are proposed. There would be 123 surface parking spaces on the west side of the building. Access is provided via a shared access with R.E.I. from American Boulevard.

Residential and Quasi Public Development

Founder's Ridge/Presbyterian Homes/Bethany – Located on Hampshire Avenue south, the proposed four-phase residential development in the application phase includes 236 units (106 units in Phase I and 266 previously approved) of assisted and independent senior living.

Nine Mile Creek Senior Living – A 93-unit senior care facility, the unit mix includes assisted living units, independent units, and memory care units. The structure has a community room, a full service kitchen and dining services available to all residents. Land use density on the 7.3 acre site is at 26.03 dwelling units per acre. This project was completed in 2010.

Covington– The City Council approved plans in 2008 to allow the development of 250 luxury rental apartment units on this 8.36 acre site. The proposed Covington apartment development consists of 5 stories of apartments built over a one-story parking ramp. The building encloses a courtyard that will be constructed as a green roof over the parking ramp. The courtyard includes a patio and swimming pool for use by residents.

Richdale – Located at 5100 West 82nd Street, the applicant received approval to redevelop the former Seagate property to include a 3-story apartment building (282 units) with attached, 4-story parking ramp (450 spaces). Additional parking is proposed in two surface lots and 24 garages located north of the apartment building. A permit to commence grading of the site has been issued. The City has not yet received application for required building permits, which must be issued before any construction can begin.

Wealshire Phase I – Located at 10601 Lyndale Avenue South, the applicant was issued a building permit and the project is under construction for a 56-bed residential memory care facility.

Wealshire Phase II – Located at 10601 Lyndale Avenue South, the applicant has received approval for a 74-bed residential memory care facility.

Portland Commons – Located at 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 is completed.

Applewood Pointe of Southtown - Located at 2600 West 82nd Street, the Applewood Pointe of Southtown multi-family senior residential development is currently under construction. Part of a larger planned development, Applewood Pointe includes 102 privately owned senior multi-family units and two guest units located in a long, irregularly shaped two, three and four-story building. An existing church has retained the west 4.1 acres of the planned development and recently completed a 10,096 square-foot addition at the west side of the church.

Friendship Village/Fitness Center Addition – Friendship Village, an independent living senior housing campus, proposes to construct a 19,378 square-foot single story fitness facility and 14,454 square-foot underground parking garage in the north tier of the site. The fitness center will displace 30 existing garage spaces and 33 surface spaces. These will be replaced by 35 new parking spaces in a below grade parking structure and 28 new surface spaces (total replacement = 63 spaces). The project has been approved and the foundation permit has been issued.

Normandale College/ Kopp Student Center Addition – Located on the northwest side of the existing campus, a 23,400 square-foot addition has been approved to the Kopp Student Center, and the project is now in the permit/construction phase. A classroom addition, located on the northwest side of the existing campus and in the application phase, includes a proposal to construct a 3 story classroom/office building, an addition of approximately 75,000 square feet. This is intended to be a comfortable extension of the Kopp Center addition, and also be a feature piece of the campus, creating a new major entry on the west side of campus.

Mixed Use

Genesee at Penn American - The applicant proposes to revise the Development Plan approved in 2008 to include 46,000-69,000 square feet of office, 49,040 to 52,740 square feet of retail, remove the previously approved 100 motel rooms, increase the dwelling unit count from 221 to 234 and provide 15,000 square feet of restaurant uses in the mixed use development.

Bloomington Central Station – Located at 8100 34th Avenue, Bloomington Central Station is a mixed-use transit-oriented development (TOD) project initially approved on December 6, 2005. City Council approved a Preliminary Development Plan for the entire 43-acre project and a Final Development Plan for the first phase of housing—two 17-story condominium towers with a total of 263 dwelling units. The approved Preliminary Development Plan included high density residential (1103 dwelling units), a 200-room full-service hotel, office (including the existing HealthPartners office tower) and retail uses, and parks and common open space. The project is centered around the Bloomington Central Station, one of three existing Hiawatha Light Rail Transit (LRT) stations in the City.

The approved revised plan includes refinement of the next phase of residential development (840 multi-family dwelling units) located north of the LRT line and the Reflections condominium project, a change in the location and program for a full-service (350 room) hotel, revision of the office development program, and additional improvements to the 1.9-acre public Bloomington Central Station Park. The Bloomington Central Station Park, now open, features seating areas, garden rooms, water walls and fountains, paved and lighted walkways, and public art.

Mall of America Phase II - In November 2006 the City Council approved a preliminary development plan for Mall of America Phase II (TIF District 1-G). The 5.6 million square foot plan includes retail, hotels, office, entertainment uses, and structured parking. The Mall of America is a regional asset which attracts tourists to the region and generates significant income and sales tax revenues for the State of Minnesota.

8100 Tower & Hampton Inn and Suites - United Properties received Preliminary Development Plan approval for an office building, hotel, and associated parking at 5501 and 5601 American Boulevard West. The 10-story, 257-room Hampton Inn and Suites and a future 10-story, 255,000 square-foot office building is to be built in two phases. The hotel/office development will be served by 1,198 structured and surface parking spaces, including 171 proof-of-parking spaces potentially available in future Level G of the shared parking ramp.

Industrial

Polar Fab Addition – This development proposal is to construct a 90,000 square-foot building addition (Polar Fab III) that would be physically connected to the recently expanded “Fab II” building. The new addition will extend north from Polar Fab II and will include construction of a new surface parking area. The applicant is currently exploring building design concepts. The new building will be developed as a single level cleanroom production fab, with a 15,000 square-foot internal fab support mezzanine. The building will be a standalone structure, but will be physically connected to Polar Fab II. A second phase to this development is a 9,000 square-foot building addition onto the “Fab II” portion of the existing building. The expansion extends 140 feet from the east end of Fab II to include a Class I cleanroom with clean service chase for manufacturing semiconductors.

Warehouse Addition – An application is in process for an 18,074 square-foot warehouse addition and exterior renovation at 10701 Hampshire Avenue South.

Major Employers in the City

| <u>Employer</u> | <u>Product/Service</u> | <u>Approximate Number of Employees</u> |
|---|---|--|
| Health Partners | Health insurance provider | 2,432 |
| Bloomington Public School District | Public education | 1,800 |
| Seagate Technology | Computers/manufacturing | 1,589 |
| Express Scripts | Pharmacy benefit management | 1,350 |
| Donaldson Company, Inc., Corporate Headquarters | Automotive equipment | 1,100 |
| The Toro Company | Lawn equipment, snowblowers | 700 |
| Normandale Community College | Post-secondary education | 600 |
| Thermo King/Ingersoll Rand Corporation | Heating and refrigeration units | 600 |
| Polar Semiconductor, Inc. | Microchips | 592 |
| City of Bloomington | City government | 570 |
| Minnesota Masonic Home Care Center | Home care/assisted living | 475 |
| Cypress Semiconductor (MN), Inc. | Semiconductor manufacturing | 450 |
| Ceridian | Computers/manufacturing | 400 |
| Consolidated Precision Products, formerly Hitchcock Industries | Metal castings | 400 |
| Ziegler, Inc. | Heavy equipment sales and service | 350 |
| IKON Office Solutions | Copiers and office equipment | 325 |
| IKEA | Household furnishings | 325 |
| Det-tronics | UV fire equipment | 300 |
| Wal-Mart | Retail | 290 |
| Josten's, Inc. (corporate headquarters) | School class rings, stationery, trophies | 270 |
| Life Time Fitness (two locations) | Fitness center | 225 |
| Target Stores, Inc. | Retail | 219 |
| Holiday Companies | Home office/warehouse/retail | 200 |
| Katun Corporation | Distributor of photocopy parts and supplies | 200 |

NOTE: Approximately 13,000 people are employed at businesses in the Mall of America and an additional 10,000 people are employed Bloomington's hospitality industry.

Source: Phone survey of individual employers, September 2010.

Education

Independent School District No. 271 (Bloomington) is basically coterminous with the City and had a 2009/10 enrollment of approximately 10,074 students. The District currently operates ten elementary schools, three middle schools, and two senior high schools, and employs approximately 1,800 people.

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. Many Bloomington public school students have the option to attend the vocational/technical school as part of their curriculum.

Normandale Community College, a two-year college, is located in the City. It has no direct affiliation with the local public school district. It is state-supported (one of several in the Minneapolis-St. Paul Metropolitan area), has a fall 2009 enrollment of approximately 10,092 full- and part-time students and employs a staff of approximately 630 full- and part-time persons.

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 currently enrolls approximately 900 full-time students.

GOVERNMENTAL ORGANIZATION AND SERVICES

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:

| | | <u>Expiration of Term</u> |
|-----------------|----------------|---------------------------|
| Gene Winstead | Mayor | January 1, 2012 |
| Steve Elkins | Council Member | January 1, 2012 |
| Amy Grady | Council Member | January 1, 2012 |
| Thomas Hulting | Council Member | January 1, 2014 |
| Karen Nordstrom | Council Member | January 1, 2014 |
| Steve Peterson | Council Member | January 1, 2014 |
| Vern Wilcox | Council Member | January 1, 2012 |

The City Manager is the Chief Administrative Officer of the City. The City Manager, Mark Bernhardson, controls and directs the administration of the City's affairs through the City's departments and divisions. The City employs approximately 570 full-time persons throughout the various City departments, programs and teams.

City Departments

Community Development Department: Lawrence E. Lee, Director – The Community Development Department has approximately 65 full-time employees in six divisions: Planning and Economic Development, Building and Inspection, Environmental Health, Fire Prevention, Housing and Redevelopment Authority and the Port Authority. 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 Fire Prevention Division reviews plans for fire code compliance and investigates fires to determine cause and origin. 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 six divisions, involving approximately 80 full-time employees, plus seasonal help as required in areas such as parks and recreation. Services of this department encompass the areas of public health, human services, communications and parks and recreation. The Public Health Division provides basic health services on contract to the neighboring cities of Richfield

and Edina. The Community Services Department also operates the City's golf courses, Ice Garden, Creekside Community Center, aquatic facilities and Center for the Arts. Bloomington's municipally-owned recreational facilities consist of an 18-hole golf course, two nine hole, par 3 golf courses, 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 22 who support and coordinate various financial and administrative related operations. These include Finance, Budget, Accounting, and Risk Management. The Department coordinates the development of the City's program budgets for all operating budgets, the five-year community investment 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 HRA, Port Authority and Fire Relief Association agencies.

Fire Department: Ulysses Seal, Chief - The City has a 135-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 fire fighting equipment (a total of 30 units, including 9 Engines , 6 Ladders and other specialty units). Average response time is approximately 4.5 minutes 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 fire fighting. However, this is supplemented by a pension plan covering the fire fighters, which is funded almost entirely by City contributions and investment earnings.

Police Department: Jeff Potts, Chief - The Police Department staff totals 150, of which 116 are sworn officers, and the Department has 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 both 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 184 full-time employees organized in four divisions – Maintenance (93), Utilities (54), Engineering (31) and Public Works Administration (6). 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, stormwater, parks and city facilities. In addition, the department provides technical and labor support to other city departments and functions.

Other operating departments: These include the Human Resources and Legal Departments. The Executive Management Team comprised of department heads and the City Manager, oversee the Technical Services Group.

Recognized bargaining units of the City include a 87-member Bloomington Police Officers Federation; a 22-member Police Supervisors group (Law Enforcement Labor Services); a 13-member civilian dispatchers group covered under the IAFF (International Association of Fire Fighters); and a 47-member AFSCME group (American Federation of State, County and Municipal Employees).

Bloomington Housing and Redevelopment Authority (HRA)

The Bloomington HRA encompasses the entire City of Bloomington. Ms. Regina Harris has been the Administrator of the HRA since 1995. The HRA has taxing and bonding powers, but, as in the case of the Port Authority, all general obligation bonds for redevelopment projects are issued by the City and are included in the City's direct debt statistics. 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 (BPA)

The BPA 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 BPA's boundaries encompass the entire City of Bloomington, and commissioners appointed by the Mayor and confirmed by the City Council govern it. Ms. Jill Hutmacher serves as the BPA's Acting Administrator and has served in this position since Spring 2008. The BPA has limited taxing powers, but has extensive authority to issue bonds or notes for public improvements and land development. The City guarantees certain BPA debt and manages the BPA's day-to-day operations.

Boards and Commissions

A valuable adjunct to the City Council's decision-making process is a network of eight Boards and Commissions, including Traffic and Transportation, Planning, Human Rights, Health, Parks and Recreation, Merit Board, Board of Appeal and Equalization and Charter Commission. These Boards and Commissions all report directly to the City Council.

City Services and Improvements

Ninety-five percent of the community is served by its sanitary sewer system, its water and sewer laterals and its storm sewer system. The City utilizes a five-year capital planning program which is updated each year and reviewed with the City Council prior to improvement hearings regarding new projects.

The City's current potable water supply comes from two sources. The majority of the water is supplied from the City's water treatment plant, which has a capacity of 14 million gallons per day. The City also contracts with the City of Minneapolis for part of its water supply. Any consumption over the plant output is purchased from Minneapolis. During 1997, a 20-year contract was entered into with the City of Minneapolis to allow the City of Bloomington to draw up to 30 million gallons of water per day at a cost-effective rate. The City system presently has an average daily consumption of approximately 12.5 million gallons per day, compared with a total system capability of 44 million gallons per day. The largest daily demand ever was recorded in 1988 at just below 40 million gallons per day. The system has 30 million gallons of storage, including four million gallons at the plant site, 23 million in three reservoirs and three million in two elevated tanks. A 1998 study of the water system indicated a need for an expanded water treatment plant and well field (including modifications to several water transmission lines). The expansion was completed in October 2002 and has increased the plant capacity from 6 to 14 million gallons per day. Capital needs in the range of \$18 million were financed with water fund reserves on hand and did not require debt issuance. Transmission line upgrades were started in 2002 and are planned to be completed in the next several years, using Working Capital Reserve funds to finance this work. Rates are adjusted annually based on modeling both operational and capital expenditures over the next 10 years.

The City owns the city-wide wastewater collection system. The interceptors and treatment plant which transport and treat the City's wastewater are owned and operated by the Metropolitan Council Environmental Services (MCES). City wastewater rates cover the cost of all expenditures including the Metropolitan Council sewage treatment charges. City wastewater rates cover the cost of all expenditures including the Metropolitan Council charges for the sewage treatment. Recently, the City has been expensing capital funds to renew their lift stations and sanitary sewer pipes. These programmed updates are planned to continue through the 2012 budget cycle and have resulted in a shift in the percentage of total expenditures attributed to MCES each year from roughly 80 percent to 60 percent.

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 Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer retirement plans. PERF 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 statutes. According to Minnesota Statutes Chapter 356.215, Subd. 4(g), the date of full funding required for the PERF and the PEPFF is the year 2020. The City's contributions to PERF for the years ended December 31, 2009, 2008, and 2007 were \$2,030,640, \$1,842,233, and \$1,707,184, respectively. The City's contributions to the PEPFF for the years ended December 31, 2009, 2008, and 2007, were \$1,482,130, \$1,325,105, and \$1,115,208, respectively.

Pension funds for the City fire personnel are funded and administered through the City's Fire Relief Association. This is a bona fide association under State law and the pension funding levels for the plan are established under Chapters 446 and 498 of Minnesota Laws of 1965, as amended in 1978, and under Section 69.77 of the Minnesota Statutes. The effect of these laws is to provide a phase-in of pension contributions to the point where the City will be funding 100% of the annual normal cost of the pension plan on a current basis as well as amortizing the actuarial deficit by 2010. The Association is self-governing, having its own Board of Trustees, By-Laws and officers. Benefits under the retirement plan are set, or can be amended, by the Association (by 2/3 vote), but are subject to approval of the City Council.

Volunteers of the Fire Department are required to contribute \$144 per year to be deposited in the Pension General Fund. The retirement benefit is one-third of the final average salary of a policeman of the highest grade. A member is eligible after 20 years of service and 50 years of age (or upon disability).

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

Fire Pension Plan

| <u>Year Ending December 31</u> | <u>City Contribution to Plan</u> | <u>Earnings and Other Revenues</u> | <u>Benefits Paid</u> | <u>Net Plan Assets (Including Investment at Cost)</u> | <u>Unfunded Actuarial Accrued Liability</u> |
|--------------------------------|----------------------------------|------------------------------------|----------------------|---|---|
| 2009 | -0- | \$ 13,838,303 | \$3,669,948 | \$ 98,707,362 | \$ 990,413 |
| 2008 | -0- | (30,330,580) | 3,457,910 | 88,639,439 | 8,465,842 |
| 2007 | -0- | 8,569,718 | 3,390,173 | 122,158,440 | (28,864,471) |

Based on actuarial calculation, a fire pension contribution is required in 2010. It is the City’s intention to issue taxable pension bonds on or about November 1, 2010 for this obligation with repayment of the debt to be less than ten years.

Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or “OPEB”). GASB 45 requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

The City does not provide any post-employment benefits for health care, life insurance, or other employee assistance programs. However, qualified former employees and their dependents may remain enrolled in benefit plans at their own expense provided they pay the full premiums, based on the same rates charged for active employees.

The City’s annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The ARC as of December 31, 2009 was calculated to be \$1,043,100. The City made a contribution of \$322,585 during the year for a net OPEB obligation of \$1,267,709 as of December 31, 2009.

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 of which (2/7) goes to the Bloomington Convention and Visitors Bureau. As of December 31, 2009, \$5,808,668, representing revenues from a 3% entertainment and admissions tax and a portion of the City's 7% lodging tax (3/7), was recorded in the City's General Fund.

In addition, a portion of the 7% lodging tax (2/7, or \$3,148,000 for the year 2009) is transferred to the Port Authority, as is a 3% on-sale liquor tax \$1,047,000 for the year 2009), to provide debt service moneys and reserves for payment of the Port Authority's \$9,385,000 Special Tax Revenue Refunding Bonds, Series 2009.

City Budget Process

Budget work-up for the following two calendar years begins in March of the even numbered years and the preliminary 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 preliminary and final budgets are adopted.

Awards

The City of Bloomington has received the Distinguished Budget Presentation Award for its Budget Document from the Government Finance Officer's Association (GFOA) for thirteen years, 1997 through 2009, and the Popular Annual Financial Report Award for eleven years, 1998 through 2003 and 2005 through 2009. The City has also received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for its Comprehensive Annual Financial Report for 37 consecutive years, 1971 through 2008.

Five-Year Capital Improvement Program

The City utilizes a five-year Capital Improvement Program, outlining projected costs and probable sources of funding for proposed various capital improvement projects. Any unreserved fund balances of the Park Acquisition Fund, the Park Development Fund and the Municipal Building and Facilities Fund are used as proposed in the Capital Improvement Program, when and if such projects are ordered by the City Council.

The City's five-year Capital Improvement Program indicates the totals on the following page for the five-year period of 2010 through 2014:

| <u>Project Category</u> | <u>Estimated Project Costs (in millions)</u> | <u>Approximate Sources of Funding</u> | |
|---|--|---------------------------------------|-----|
| City Facilities, Parks and Park Development | \$ 33 | Park Donations | 58% |
| | | G.O. Bonds | 18 |
| | | Park Capital | 2 |
| | | Grants, Other | 12 |
| | | Other | 10 |
| Alternative/Surface Transportation | 317 | Abatement/Assessment | 4% |
| | | Strategic Priorities | 1 |
| | | P.I.R. Bonds | 10 |
| | | Municipal State Aid | 1 |
| | | Federal Funds | 51 |
| | | Grants | 4 |
| | | Other Governments | 25 |
| | | Other | 4 |
| Water and Sewer Facilities | 18 | Cash on Hand | 96% |
| | | Other | 4 |
| Economic Development and Redevelopment | | Abatement | 22% |
| | | Cash on Hand | 3 |
| | <u>61</u> | Other | 15 |
| Total | \$429 | Liquor/Lodging Tax | 60 |

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. A fourth type of lawsuit involves claims for which the City is covered by liability insurance or by the League of Minnesota Cities Insurance Trust. Usually, 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:

| | <u>Coverage</u> | <u>Deductible</u> |
|------------------------------------|---------------------|---------------------------------|
| Comprehensive General Liability | \$1,000,000 | \$100,000/275,000 aggregate |
| Business Auto Liability | \$1,000,000 | \$50,000 per occurrence |
| Real and Personal Property blanket | \$149,984,507 | \$50,000 |
| Public Employees | \$1,000,000* | \$10,000 |
| Worker's Compensation | Self-insured | \$100,000 general/\$50,000 auto |
| Health Care Professionals | \$1,000,000 | \$0/100 patient's property |
| Liquor Liability | \$500,000/\$500,000 | -0- |
| Boiler & Machinery | \$60,000,000 | \$1,000 per accident |

The City also had a cash balance of \$3,061,437 in its Self-Insurance Fund as of December 31, 2009, from which to pay claims and expenses.

* Coverage on the Port Authority Treasurer is \$300,000.

GENERAL FUND SUMMARY OF REVENUES AND EXPENDITURES

For Years Ended December 31

| | 2009 <u>Actual</u> | 2010 <u>Budget</u> |
|--|-----------------------------|----------------------------|
| REVENUES | | |
| Property taxes | \$35,886,927 | \$36,848,928 |
| Lodging and admissions tax | 5,808,668 | 5,980,000 |
| Business licenses | 3,732,882 | 3,425,000 |
| Fines and forfeitures | 1,010,986 | 900,000 |
| Intergovernmental | 2,091,556 | 2,239,013 |
| Program income | 2,334,367 | 1,997,207 |
| Interest | 382,800 | 361,856 |
| Other | 187,562 | 350,195 |
| Transfers | <u>2,645,126</u> | <u>2,608,304</u> |
| Total Revenues | \$54,080,874 | \$54,710,503 |
| EXPENDITURES | | |
| General government | \$ 351,041 | \$ 549,568 |
| City Manager's office | 226,917 | 330,118 |
| Legal | 1,088,784 | 1,112,337 |
| Human resources | 623,394 | 694,254 |
| Finance | 1,133,431 | 1,030,772 |
| Public safety | 21,651,855 | 22,033,974 |
| Community development | 5,949,909 | 6,116,997 |
| Community services | 8,484,527 | 8,712,560 |
| Public works | 11,615,306 | 11,906,382 |
| Technical services | 2,096,320 | 2,403,897 |
| Contingency | 0 | 1,396,774 |
| Estimated unexpended | 0 | (1,827,130) |
| Transfers | <u>652,250</u> | <u>250,000</u> |
| Total Expenditures | \$53,873,734 | \$54,710,503 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ 207,140 | -0- |
| Fund Balance at Beginning of Year | <u>\$19,705,020*</u> | <u>\$19,912,160</u> |
| Fund Balance at End of Year | <u>\$19,912,160</u> | <u>\$19,912,160</u> |

* *As Restated.*

Source: City of Bloomington, Finance Department.

PROPOSED FORMS OF LEGAL OPINIONS

Kennedy

Offices in 470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis Minneapolis MN 55402

&

Graven

Saint Paul (612) 337-9300 telephone
(612) 337-9310 fax
St. Cloud <http://www.kennedy-graven.com>
Affirmative Action Equal Opportunity
Employer

CHARTERED

\$ _____

City of Bloomington, Minnesota
General Obligation Permanent Improvement
Revolving Fund Bonds of 2010, Series 44

We have acted as bond counsel to the City of Bloomington, Minnesota (the “City”), in connection with the issuance by the City of its General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (the “Bonds”), originally dated as of November __, 2010, in the total principal amount of \$_____. For the purpose of rendering this opinion we have examined certified copies of certain proceedings taken by the City in the authorization, sale, and issuance of the Bonds, including the form of the Bonds, and certain other proceedings and documents furnished by the City. From our examination of such proceedings and other documents, assuming the genuineness of the signatures thereon and the accuracy of the facts stated therein and continuing compliance by the City with its covenants to comply with the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations promulgated thereunder, and based upon laws, regulations, rulings, and decisions in effect on the date hereof, it is our opinion, as of the date hereof, that:

1. The Bonds are in due form, have been duly executed and delivered, and are valid and binding general obligations of the City, enforceable in accordance with their terms. 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.

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 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 not includable in gross income of the recipient for federal income tax purposes or in the taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item nor includable in adjusted current earnings 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, but such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and excluded from taxable net income for Minnesota income tax purposes. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

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 at Minneapolis, Minnesota, November __, 2010.

Kennedy

&

Graven

CHARTERED

Offices in 470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis Minneapolis MN 55402

Saint Paul (612) 337-9300 telephone
(612) 337-9310 fax
St. Cloud <http://www.kennedy-graven.com>
Affirmative Action Equal Opportunity
Employer

§ _____

**City of Bloomington, Minnesota
Taxable General Obligation Permanent Improvement
Revolving Fund Bonds of 2010, Series 44
(Build America Bonds – Direct Pay)**

We have acted as bond counsel to the City of Bloomington, Minnesota (the “City”), in connection with the issuance by the City of its Taxable General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (Build America Bonds – Direct Pay) (the “Bonds”), originally dated as of November __, 2010, in the total principal amount of \$_____. For the purpose of rendering this opinion we have examined certified copies of certain proceedings taken by the City in the authorization, sale, and issuance of the Bonds, including the form of the Bonds, and certain other proceedings and documents furnished by the City. From our examination of such proceedings and other documents, assuming the genuineness of the signatures thereon and the accuracy of the facts stated therein, and based upon laws, regulations, rulings, and decisions in effect on the date hereof, it is our opinion, as of the date hereof, that:

1. The Bonds are in due form, have been duly executed and delivered, and are valid and binding general obligations of the City, enforceable in accordance with their terms. 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.

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 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. We express no opinion as to the status of the interest on the Bonds for federal or state income tax purposes.

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 at Minneapolis, Minnesota, November __, 2010.

**Kennedy
&**

Offices in 470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis Minneapolis MN 55402

Graven

Saint Paul (612) 337-9300 telephone
(612) 337-9310 fax
St. Cloud <http://www.kennedy-graven.com>
Affirmative Action Equal Opportunity
Employer

CHARTERED

\$ _____
City of Bloomington, Minnesota
General Obligation Capital Improvement Plan Bonds
Series 2010A

We have acted as bond counsel to the City of Bloomington, Minnesota (the “City”), in connection with the issuance by the City of its General Obligation Improvement Bonds, Series 2010A (the “Bonds”), originally dated as of November __, 2010, and issued in the original aggregate principal amount of \$_____. For the purpose of rendering this opinion we have examined certified copies of certain proceedings taken by the City in the authorization, sale, and issuance of the Bonds, including the form of the Bonds, and certain other proceedings and documents furnished by the City. From our examination of such proceedings and other documents, assuming the genuineness of the signatures thereon and the accuracy of the facts stated therein and continuing compliance by the City with its covenants to comply with the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations promulgated thereunder, and based upon laws, regulations, rulings, and decisions in effect on the date hereof, it is our opinion, as of the date hereof, that:

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

2. The principal of and interest on the Bonds are payable primarily from ad valorem taxes levied by the City, 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. Interest on the Bonds is not a preference item but is includable in adjusted current earnings 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. 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 City 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 City 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 at Minneapolis, Minnesota, November __, 2010.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of November __, 2010 (the “Disclosure Certificate”), is executed and delivered by the City of Bloomington, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its [General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44] or [Taxable General Obligation Permanent Improvement Revolving Fund Bonds of 2010, Series 44 (Build America Bonds – Direct Pay)], in the original aggregate principal amount of \$_____, and its General Obligation Capital Improvement Plan Bonds, Series 2010A, in the original aggregate principal amount of \$_____ (collectively, the “Bonds”). The Bonds are issued pursuant to Ordinance No. 2010-____, Resolution No. 2010-____ and Resolution No. 2010-____ adopted by the City Council of the Issuer on September 13, 2010, authorizing the issuance of the Bonds, and two award resolutions, Resolution No. 2010-____ and Resolution No. 2010-____, adopted by the City Council of the Issuer on October 4, 2010 (collectively, the “Resolutions”). 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. In addition, 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 assist the Participating Underwriters (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 the Issuer’s annual financial statements, prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means, collectively, the deemed final Official Statement, dated September 22, 2010, prepared with respect to the offer and sale of the Bonds, as supplemented by the Addendum, dated _____, 2010, which together constitute the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

“Holder” means any person in whose name any Bonds are registered or a beneficial owner of any Bonds.

“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 1900 Duke Street, Suite 600 Alexandria, VA 22314.

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

“Purchaser” means _____, the purchaser of the Bonds.

“Repository” means EMMA.

“Resolutions” has the meaning set forth in the first paragraph of this Disclosure Certificate.

“Rule” means Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, 15 U.S.C. 77a-77jj, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means the Securities and Exchange Commission.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide, as soon as available, but not later than twelve (12) months after the end of each Fiscal Year, commencing with the Fiscal Year that ends December 31, 2010, the Repository with 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; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and will be submitted as soon as available.

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

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of the 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 notices of the occurrence of any of the following events if material with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;
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 or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities; and
11. Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Material Event, the Issuer shall promptly file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notices of Material Events described in clauses (8) and (9) of subsection (a) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

(c) The Issuer shall provide notice, in a timely manner to the Repository and the MSRB, of the occurrence of any of the following events or conditions: (i) the amendment or supplementing of the Disclosure Covenants pursuant to this Disclosure Certificate, together with a copy of such amendment or supplement and any explanation provided by the Issuer under the Disclosure Covenants; (ii) the termination of the obligations of the Issuer under the Disclosure Covenants pursuant to this Disclosure Certificate; (iii) any change in the accounting principles pursuant to which the Audited Financial Statements constituting a portion of the Disclosure Information are prepared; and (iv) any change in the Fiscal Year of the Issuer.

(d) 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 Repository.

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 obligations of the Issuer under the Resolutions and this Disclosure Certificate shall terminate upon the legal defeasance, or upon the redemption or payment in full, of all the 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. 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 require the Resolutions and this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions 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 the compliance of the Resolutions and this Disclosure Certificate and by the Issuer 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 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 the Resolutions with respect to the continuing disclosure obligations of the Issuer or 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 (with respect to the continuing disclosure obligations of the Issuer) or this Disclosure Certificate. A default under any provision of the Resolutions with respect to the continuing disclosure obligations of the Issuer or a default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy of the Holders 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.

Execution page of the Issuer to the Continuing Disclosure Certificate, dated as of November ___, 2010.

CITY OF BLOOMINGTON, MINNESOTA

Mayor

City Manager

**SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND
MINNESOTA REAL PROPERTY VALUATION
(effective through levy year 2009/payable year 2010)**

Following is a summary of certain statutory provisions effective through levy year 2009/payable year 2010 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."

Taxable Market Value. The Taxable Market Value is the value that property taxes are based on, after all reductions, limitations, exemptions and deferrals. It is also the value used to calculate a municipality's legal debt limit.

Indicated Market Value. The Indicated Market Value is determined by dividing the Taxable Market Value of a given year by the same year's sales ratio determined by the State Department of Revenue. The Indicated Market Value serves to eliminate disparities between individual assessors and equalize property values statewide.

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 determined by multiplying the Net Tax Capacity by the tax capacity rate, plus multiplying the referendum market value by the market value rate.

**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 that, depending on the type of property, increases from 2% to 4% on the day after the due date. In the case of the first installment of real property taxes due May 15, the penalty increases to 4% or 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, the penalty increases to 6% or 8% on

November 1 and increases again to 8% or 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 five years (5) in the case of all property located outside of cities or in the case of residential homestead, agricultural homestead and seasonal residential recreational property located within cities or three (3) years with respect to other types of property 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 circuit breaker credit, which relates property taxes to income and provides relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The circuit breaker credit 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.

Levy Limitations for Counties and Cities (Chapter 275)

The 2008 Legislature enacted provisions to establish levy limitations for taxes levied for collection in 2009, 2010, and 2011. Basically, levy increases for cities over 2,500 population and for counties are limited to its levy aid base or levy limit base for collection in the prior year, (1) plus the lesser of 3.9 percent or the percentage growth in the implicit price deflator, (2) plus an adjustment for population increases and (3) plus increases in taxable market value due to new construction of certain class 3 property (commercial/industrial).

Certain property tax levies are authorized outside of the new overall levy limitations ("special levies"). Special levies can be made outside of levy limits for multiple purposes including, but not limited to, bonded indebtedness, certificates of indebtedness, tax or aid anticipation certificates of indebtedness, and to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota. In order to receive approval for any special levy claims outside of the overall levy limitation, requests for such special levies must be submitted to the Commissioner of Revenue by the date specified in the year in which the levy is to be made for collection in the following year. The Commissioner of Revenue has the authority to approve, reduce, or deny a special levy request. Final adjustments to all levies must be made by the Department of Revenue on or before December 10. (275.74)

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 that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
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 any combination thereof, or for any other public convenience from which revenue is or may be derived.
6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against 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/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

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

| <u>Property Type</u> | <u>Local Tax Payable 2006</u> | <u>Local Tax Payable 2007</u> | <u>Local Tax Payable 2008</u> | <u>Local Tax Payable 2009</u> | <u>Local Tax Payable 2010</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Residential Homestead (1a) | | | | | |
| Up to \$500,000 | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Residential Non-homestead | | | | | |
| Single Unit | | | | | |
| Up to \$500,000 | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| 1-3 unit and undeveloped land (4b1) | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Market Rate Apartments | | | | | |
| Regular (4b1) | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Low-Income (4d) | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% |
| Commercial/Industrial/Public Utility (3a) | | | | | |
| Up to \$150,000 | 1.50% | 1.50% | 1.50% ¹ | 1.50% ¹ | 1.50% ¹ |
| Over \$150,000 | 2.00% | 2.00% | 2.00% ¹ | 2.00% ¹ | 2.00% ¹ |
| Electric Generation Machinery | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Commercial Seasonal Residential | | | | | |
| Homestead Resorts (1c) | | | | | |
| Up to \$600,000 ³ | 1.00% | 0.55% | 0.55% | 0.50% | 0.50% |
| \$600,000 - \$2,300,000 ³ | 1.25% | 1.00% | 1.00% | 1.00% | 1.00% |
| Over \$2,300,000 ³ | 1.25% | 1.25% | 1.25% ¹ | 1.25% ¹ | 1.25% ¹ |
| Seasonal Resorts (4c) | | | | | |
| Up to \$500,000 | 1.00% | 1.00% | 1.00% ¹ | 1.00% ¹ | 1.00% ¹ |
| Over \$500,000 | 1.25% | 1.25% | 1.25% ¹ | 1.25% ¹ | 1.25% ¹ |
| Non-Commercial (4c1) | | | | | |
| Up to \$500,000 | 1.00% ¹ | 1.00% ¹ | 1.00% ^{1,2} | 1.00% ^{1,2} | 1.00% ^{1,2} |
| Over \$500,000 | 1.25% ¹ | 1.25% ¹ | 1.25% ^{1,2} | 1.25% ^{1,2} | 1.25% ^{1,2} |
| Disabled Homestead (1b) | | | | | |
| Up to \$50,000 ³ | 0.45% | 0.45% | 0.45% | 0.45% | 0.45% |
| \$50,000 to \$500,000 ³ | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Agricultural Land & Buildings | | | | | |
| Homestead (2a) | | | | | |
| Up to \$500,000 | 1.00% ¹ | 1.00% ¹ | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.00% ¹ | 1.00% ¹ | 1.25% | 1.25% | 1.25% |
| Remainder of Farm | | | | | |
| Up to \$1,010,000 ⁴ | 0.55% ¹ | 0.55% ¹ | 0.55% ² | 0.50% ² | 0.50% ² |
| Over \$1,010,000 ⁴ | 1.00% ¹ | 1.00% ¹ | 1.00% ² | 1.00% ² | 1.00% ² |
| Non-homestead (2b) | 1.00% ¹ | 1.00% ¹ | 1.00% ² | 1.00% ² | 1.00% ² |

¹ Subject to the State General Property Tax.

² Exempt from referendum market value tax.

³ 2008 legislative increases.

⁴ 2009 legislative increases.

EXCERPT OF 2009 ANNUAL FINANCIAL STATEMENTS

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 audited financial statements for the fiscal year ended December 31, 2009. 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.ci.bloomington.mn.us/>.

The City's comprehensive annual financial report ("CAFR") for the year ended December 31, 2008, 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 plans to submit its 2009 CAFR to GFOA for review.

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 1972.



Tautges Redpath, Ltd.

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Bloomington, Minnesota

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, as of and for the year ended December 31, 2009, which collectively comprise the City of Bloomington, Minnesota's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bloomington, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bloomington, Minnesota, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2010 on our consideration of the City of Bloomington, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bloomington, Minnesota's basic financial statements. The introductory section, supplementary information, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Heidi Tautges Redpath, CPA

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

June 23, 2010

CITY OF BLOOMINGTON, MINNESOTA
Statement of Net Assets
December 31, 2009

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------------|----------------------|---|
| | Governmental Activities | Business-type Activities | Total | Port Authority | Housing and Redevelopment Authority |
| ASSETS | | | | | |
| Cash, cash equivalents, and investments | \$ 135,886,279 | \$ 14,115,960 | \$ 150,002,239 | \$ 51,072,093 | \$ 5,289,792 |
| Receivables, net | 30,817,834 | 4,209,744 | 35,027,578 | 283,072 | 6,907,695 |
| Prepaid items | 520,505 | - | 520,505 | 962,746 | - |
| Due from primary government | - | - | - | 5,177,990 | 95,302 |
| Due from component units | 12,624,198 | 578 | 12,624,776 | - | - |
| Lease receivable | - | - | - | 5,885,000 | - |
| Inventory | 275,385 | 224,211 | 499,596 | 5,273,000 | 6,145,456 |
| Other assets | 156,584 | 88,161 | 244,745 | 34,187 | 331,271 |
| Internal balances | 2,601,240 | (2,601,240) | - | - | - |
| Capital assets, net of related depreciation: | | | | | |
| Land - nondepreciable | 87,832,879 | 4,714,616 | 92,547,495 | - | 1,470,000 |
| Buildings and structures | 41,565,175 | 21,805,138 | 63,370,313 | - | 1,889,199 |
| Machinery and equipment | 13,399,804 | 901,241 | 14,301,045 | - | - |
| Improvements | 3,617,430 | 2,979,060 | 6,596,490 | - | - |
| Distribution system | - | 53,131,218 | 53,131,218 | - | - |
| Infrastructure | 147,583,912 | - | 147,583,912 | - | - |
| Total assets | <u>476,881,225</u> | <u>99,568,687</u> | <u>576,449,912</u> | <u>68,688,088</u> | <u>22,128,715</u> |
| LIABILITIES | | | | | |
| Accounts payable and other current liabilities | 6,857,295 | 1,213,211 | 8,070,506 | 34,402 | 100,236 |
| Accrued interest payable | 774,441 | 10,465 | 784,906 | 181,128 | - |
| Unearned revenue | 876,386 | 24,557 | 900,943 | 25,438 | 328,963 |
| Due to component units | 5,273,292 | - | 5,273,292 | - | - |
| Due to primary government | - | - | - | 7,029,481 | 933,564 |
| Noncurrent liabilities: | | | | | |
| Due to primary government - | | | | | |
| Bonds payable due in more than one year | - | - | - | - | 4,661,731 |
| Due within one year | 5,344,342 | 160,000 | 5,504,342 | 1,150,000 | - |
| Due in more than one year | 65,800,210 | 455,000 | 66,255,210 | 14,520,000 | 1,574,720 |
| Total liabilities | <u>84,925,966</u> | <u>1,863,233</u> | <u>86,789,199</u> | <u>22,940,449</u> | <u>7,599,214</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 235,909,200 | 82,916,273 | 318,825,473 | - | 1,784,479 |
| Restricted for: | | | | | |
| Debt service | 31,260,298 | - | 31,260,298 | 4,134,085 | 2,077,810 |
| Trust | 974,753 | - | 974,753 | - | - |
| Bond covenants | - | 183,500 | 183,500 | - | - |
| Unrestricted | 123,811,008 | 14,605,681 | 138,416,689 | 41,613,554 | 10,667,212 |
| Total net assets | <u>\$ 391,955,259</u> | <u>\$ 97,705,454</u> | <u>\$ 489,660,713</u> | <u>\$ 45,747,639</u> | <u>\$ 14,529,501</u> |

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Activities
Year Ended December 31, 2009

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|----------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | |
| | | | | | Governmental Activities | Business-type Activities | Total | Port Authority | Housing and Redevelopment Authority |
| Primary Government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General Services | \$ 8,832,923 | \$ 2,716,248 | \$ 14,390 | \$ - | \$ (6,202,285) | \$ - | \$ (6,202,285) | \$ - | \$ - |
| Development Services | 10,440,313 | 2,833,463 | 1,553,139 | 36,860 | (6,016,851) | - | (6,016,851) | - | - |
| Public Works | 16,483,155 | 1,275,586 | 100,070 | 16,205,514 | 1,098,015 | - | 1,098,015 | - | - |
| Public Safety | 23,123,311 | 759,798 | 965,629 | 1,383 | (21,396,501) | - | (21,396,501) | - | - |
| Community Services | 11,501,567 | 2,165,263 | 2,899,368 | 205,013 | (6,231,923) | - | (6,231,923) | - | - |
| Interest on long-term debt | 1,071,011 | - | - | - | (1,071,011) | - | (1,071,011) | - | - |
| Total governmental activities | <u>71,552,280</u> | <u>9,750,358</u> | <u>5,532,596</u> | <u>16,448,770</u> | <u>(39,820,556)</u> | <u>-</u> | <u>(39,820,556)</u> | <u>-</u> | <u>-</u> |
| Business-type activities: | | | | | | | | | |
| Water/Wastewater Utility | 21,095,746 | 21,262,140 | - | - | - | 166,394 | 166,394 | - | - |
| Storm Water Utility | 2,940,357 | 4,463,832 | - | - | - | 1,523,475 | 1,523,475 | - | - |
| Recreational Facilities | 5,180,193 | 3,694,046 | 39,369 | - | - | (1,446,778) | (1,446,778) | - | - |
| Solid Waste Management | 1,115,481 | 1,041,061 | - | - | - | (74,420) | (74,420) | - | - |
| Contractual Police | 508,585 | 521,247 | - | - | - | 12,662 | 12,662 | - | - |
| Motor Vehicle | 566,461 | 428,988 | - | - | - | (137,463) | (137,463) | - | - |
| Total business-type activities | <u>31,406,823</u> | <u>31,411,324</u> | <u>39,369</u> | <u>-</u> | <u>-</u> | <u>43,870</u> | <u>43,870</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 102,959,103</u> | <u>\$ 41,161,682</u> | <u>\$ 5,571,965</u> | <u>\$ 16,448,770</u> | <u>(39,820,556)</u> | <u>43,870</u> | <u>(39,776,686)</u> | <u>-</u> | <u>-</u> |
| Component units: | | | | | | | | | |
| Port Authority | \$ 13,041,185 | \$ - | \$ - | \$ - | - | - | - | (13,041,185) | - |
| Housing and Redevelopment Authority | 9,559,721 | 1,470,064 | 4,227,880 | 296,733 | - | - | - | - | (3,565,044) |
| Total component units | <u>\$ 22,600,906</u> | <u>\$ 1,470,064</u> | <u>\$ 4,227,880</u> | <u>\$ 296,733</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(13,041,185)</u> | <u>(3,565,044)</u> |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | 41,263,207 | 872,387 | 42,135,594 | 8,511,728 | 3,201,956 |
| Business taxes | | | | | 5,808,668 | - | 5,808,668 | 4,214,995 | - |
| Grants and contributions not restricted | | | | | 1,179,388 | - | 1,179,388 | - | - |
| Gain on sale of capital assets | | | | | 7,491 | 809 | 8,300 | - | - |
| Interest and investment earnings | | | | | 2,649,119 | 272,539 | 2,921,658 | 1,224,369 | 46,041 |
| Transfers | | | | | <u>(265,927)</u> | <u>265,927</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total general revenues and transfers | | | | | <u>50,641,846</u> | <u>1,411,662</u> | <u>52,053,608</u> | <u>13,951,092</u> | <u>3,247,997</u> |
| Change in net assets | | | | | <u>10,821,390</u> | <u>1,455,532</u> | <u>12,276,922</u> | <u>909,907</u> | <u>(317,047)</u> |
| Net assets - January 1 | | | | | <u>384,872,908</u> | <u>96,249,922</u> | <u>481,122,830</u> | <u>40,623,705</u> | <u>14,846,548</u> |
| Prior period adjustment - see Note 15 | | | | | <u>(3,739,039)</u> | <u>-</u> | <u>(3,739,039)</u> | <u>4,214,027</u> | <u>-</u> |
| Net assets - January 1, as restated | | | | | <u>381,133,869</u> | <u>96,249,922</u> | <u>477,383,791</u> | <u>44,837,732</u> | <u>14,846,548</u> |
| Net assets - December 31 | | | | | <u>\$ 391,955,259</u> | <u>\$ 97,705,454</u> | <u>\$ 489,660,713</u> | <u>\$ 45,747,639</u> | <u>\$ 14,529,501</u> |

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA

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.

General Obligation Bonds Fund – This fund is used to account for the accumulation of resources for payment of general obligation bonds and interest thereon.

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, construction and equipment related to public facilities.

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

State Aid Construction Fund – This fund accounts for the state allotment of gasoline tax collections for road construction.

CITY OF BLOOMINGTON, MINNESOTA
 Balance Sheet
 Governmental Funds
 December 31, 2009

| | General Fund | Community Development Block Grant | General Obligation Bonds | Improvement Bonds | Capital Projects | Improvement Construction | State Aid Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---|--------------------------------|----------------------|----------------------|-----------------------------|---------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | | | | |
| Cash, cash equivalents and investments | \$ 21,405,485 | \$ 168 | \$ 1,401,638 | \$ 9,300,481 | \$ 40,203,687 | \$ 19,116,460 | \$ 8,246,910 | \$ 8,597,784 | \$ 108,272,631 |
| Accrued interest receivable | 124,885 | - | 7,432 | 52,882 | 245,990 | 118,812 | 57,349 | 51,599 | 658,949 |
| Taxes receivable | 726,633 | - | 2,763 | 34,874 | - | 6,278 | - | 1,360 | 771,906 |
| Accounts receivable | 1,164,341 | 76,487 | - | - | 375,000 | - | 119,999 | 684,264 | 2,420,091 |
| Mortgages receivable | - | 7,312,275 | - | - | - | - | - | - | 7,312,275 |
| Due from other funds | 122,163 | - | - | - | 1,797,481 | - | - | - | 1,919,644 |
| Due from component units | 224,822 | - | - | - | 6,932,645 | - | - | - | 7,157,467 |
| Special assessments receivable | 26,404 | - | - | 19,448,042 | - | - | - | - | 19,474,446 |
| Total assets | \$ 23,794,733 | \$ 7,388,948 | \$ 1,411,833 | \$ 28,836,279 | \$ 49,554,803 | \$ 19,241,548 | \$ 8,424,258 | \$ 9,335,007 | \$ 147,987,409 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 2,094,788 | \$ 20,524 | \$ 91 | \$ 45,776 | \$ 2,234 | \$ 146,444 | \$ 607,818 | \$ 220,690 | \$ 3,338,363 |
| Retainage payable | - | - | - | - | 8,345 | 432,195 | 319,649 | - | 760,389 |
| Due to other funds | - | 8,000 | - | - | - | 1,171,649 | - | 18,500 | 1,196,149 |
| Due to component units | 587,220 | 48,149 | - | - | 4,611,923 | - | - | 26,000 | 5,273,292 |
| Deferred revenue | 1,200,565 | 7,312,275 | - | 19,448,042 | - | - | - | 260,783 | 28,221,665 |
| Deposits payable | - | - | - | - | - | - | - | 558,910 | 558,910 |
| Total liabilities | 3,882,573 | 7,388,948 | 91 | 19,493,818 | 4,622,502 | 1,750,288 | 1,127,685 | 1,080,883 | 39,346,768 |
| Fund Balances: | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | 261,546 | - | - | - | - | - | - | - | 261,546 |
| Trust | - | - | - | - | - | - | - | 974,753 | 974,753 |
| Debt service | - | - | 1,411,742 | 9,342,461 | - | - | - | 832,494 | 11,588,697 |
| Unreserved, designated, reported in: | | | | | | | | | |
| General fund | 19,650,614 | - | - | - | - | - | - | - | 19,650,614 |
| Special revenue | - | - | - | - | - | - | - | 4,615,480 | 4,615,480 |
| Capital projects | - | - | - | - | 44,932,301 | 17,491,260 | 7,296,593 | 1,831,397 | 71,551,551 |
| Total fund balances | 19,912,160 | - | 1,411,742 | 9,342,461 | 44,932,301 | 17,491,260 | 7,296,593 | 8,254,124 | 108,840,641 |
| Total liabilities and fund balances | \$ 23,794,733 | \$ 7,388,948 | \$ 1,411,833 | \$ 28,836,279 | \$ 49,554,803 | \$ 19,241,548 | \$ 8,424,258 | \$ 9,335,007 | \$ 147,987,409 |

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 December 31, 2009

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ 108,640,641**

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

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

| | | |
|-------------------------------|---------------------|-------------|
| Cost of capital assets | \$ 327,489,438 | |
| Less accumulated depreciation | <u>(89,699,541)</u> | 237,789,897 |

Governmental funds do not report a liability for accrued interest until due and payable. (774,441)

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 Assets.

| | | |
|---|------------------|------------|
| Internal service fund net assets per statements | 64,213,544 | |
| Add allocation to business-type activities | <u>2,488,947</u> | 66,702,491 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (52,205,000)

A portion of the annual required contribution for other post employment benefits was not paid in the current period and therefore not reported in the governmental funds. (1,267,709)

Issuance costs are reported as expenditures in the governmental funds at the time of issuance. In the Statement of Net Assets, these costs are amortized over the life of the debt issue. Bond premiums are reported as other financing sources in the governmental funds at the time of issuance. In the Statement of Net Assets, these costs are amortized over the life of the debt issue. 257,373

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 assets of governmental activities. 5,466,730

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 deferred in the governmental funds. 27,345,277

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 391,955,259**

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, 2009

| | General Fund | Community Development Block Grant | General Obligation Bonds | Improvement Bonds | Capital Projects | Improvement Construction | State Aid Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|--------------------------|---------------------|----------------------|--------------------------|------------------------|-----------------------------|--------------------------|
| REVENUES | | | | | | | | | |
| Property taxes | \$ 33,318,437 | \$ - | \$ 739,674 | \$ 2,217,687 | \$ 359,787 | \$ 1,468,451 | \$ - | \$ 266,691 | \$ 38,371,727 |
| Fiscal disparities | 2,531,630 | - | 44,149 | 182,695 | - | 125,301 | - | 21,979 | 2,905,754 |
| Special assessments | 36,860 | - | - | 2,836,610 | - | - | - | - | 2,873,470 |
| Lodging and admissions tax | 5,808,668 | - | - | - | - | - | - | - | 5,808,668 |
| Business licenses | 3,732,882 | - | - | - | - | - | - | - | 3,732,882 |
| Fines and forfeitures | 1,010,988 | - | - | - | - | - | - | 174,725 | 1,185,711 |
| Intergovernmental | 2,091,556 | 399,596 | - | - | 381,816 | 1,546,078 | 2,655,675 | 2,048,169 | 9,120,682 |
| Program income | 2,334,367 | 251,357 | - | - | - | - | - | 140,378 | 2,726,102 |
| Interest | 382,800 | - | 28,036 | 191,467 | 1,488,577 | 558,711 | 255,427 | 250,313 | 3,151,331 |
| Net change in fair value of investments | (223,670) | - | (9,486) | (71,116) | (413,640) | (184,425) | (84,542) | (64,231) | (1,051,110) |
| Other | 411,232 | - | - | - | (10,157) | 1,675 | 1,793,811 | 1,393,934 | 3,590,695 |
| Franchise fees | - | - | - | - | - | - | - | 1,057,138 | 1,057,138 |
| Other contractual component unit | - | - | - | - | 5,043,761 | - | - | - | 5,043,761 |
| Total revenues | 51,435,746 | 650,953 | 800,373 | 5,357,343 | 6,847,946 | 3,516,991 | 4,620,371 | 5,287,086 | 78,516,811 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General services | 5,519,887 | - | - | 471,539 | - | 12,937 | - | 20,501 | 6,024,864 |
| Development services | 5,949,909 | 627,413 | - | - | 368,876 | 779,775 | - | 270,327 | 7,996,300 |
| Public works | 11,561,861 | - | - | - | - | 159,354 | - | 35,815 | 11,756,830 |
| Public safety | 21,588,450 | - | - | - | - | - | - | 1,028,585 | 22,617,035 |
| Community services | 6,484,527 | - | - | - | - | - | - | 2,289,529 | 10,754,056 |
| Debt service: | | | | | | | | | |
| Administrative charges | - | - | 1,143 | 73,170 | - | - | - | 2,619 | 76,932 |
| Interest | - | - | 217,500 | 1,356,869 | - | 51,040 | - | 311,380 | 1,936,789 |
| Principal retirement | - | - | 305,000 | 3,465,000 | - | - | - | 840,000 | 4,810,000 |
| Capital outlay: | | | | | | | | | |
| Development services | - | - | - | - | 125,695 | 3,056,982 | - | - | 3,182,677 |
| Public works | 53,445 | - | - | - | - | 5,522,992 | 4,210,683 | - | 9,787,120 |
| Public safety | 63,405 | - | - | - | - | - | - | 62,266 | 125,671 |
| Community services | - | - | - | - | 47,476 | - | - | 865,492 | 912,968 |
| Total expenditures | 53,221,484 | 627,413 | 523,643 | 5,366,578 | 542,047 | 9,583,080 | 4,210,683 | 5,706,314 | 79,781,242 |
| Excess (deficiency) of revenues over (under) expenditures | (1,785,736) | 23,540 | 276,730 | (9,235) | 6,305,899 | (6,066,089) | 409,688 | (419,228) | (1,264,431) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers from other funds | 2,645,126 | - | - | 411,260 | - | 3,583,850 | 55,000 | 1,185,289 | 7,860,345 |
| Transfers to other funds | (652,250) | (23,540) | - | (411,260) | (4,647,163) | (3,583,850) | - | (1,286,454) | (10,804,337) |
| Issuance of debt | - | - | - | 75,000 | - | 7,780,000 | - | - | 7,835,000 |
| Discount on bonds issued | - | - | - | - | - | (59,155) | - | - | (59,155) |
| Total other financing sources (uses) | 1,992,876 | (23,540) | - | 75,000 | (4,647,163) | 7,700,845 | 55,000 | (121,185) | 4,831,853 |
| Net change in fund balance | 207,140 | - | 276,730 | 65,785 | 1,458,736 | 1,634,756 | 464,688 | (540,393) | 3,567,422 |
| Fund balance - January 1 | 19,705,020 | - | 1,135,012 | 9,276,696 | 47,661,592 | 15,381,516 | 8,831,905 | 8,820,517 | 108,812,258 |
| Prior period adjustment - see Note 15 | - | - | - | - | (4,188,027) | 474,988 | - | (26,000) | (3,739,039) |
| Fund balance - January 1, as restated | 19,705,020 | - | 1,135,012 | 9,276,696 | 43,473,565 | 15,856,504 | 8,831,905 | 8,794,517 | 105,073,219 |
| Fund balance - December 31 | \$ 19,912,160 | \$ - | \$ 1,411,742 | \$ 9,342,481 | \$ 44,932,301 | \$ 17,491,260 | \$ 7,296,593 | \$ 8,254,124 | \$ 108,640,641 |

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, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (171,617)**

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. Losses on disposal of capital assets are not reported in the fund statements.

| | | |
|--------------------------------|-----------------|-----------|
| Capital outlays | \$ 14,008,436 | |
| Capital outlay not capitalized | (301,677) | |
| Depreciation expense | (7,301,557) | |
| Loss on disposal of assets | <u>(47,269)</u> | 6,357,933 |

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 assets.

| | | |
|----------------|------------------|-------------|
| Debt issued | (7,835,000) | |
| Principal paid | <u>4,610,000</u> | (3,225,000) |

Governmental funds report the effect of premiums, discounts, and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 110,797

Some expenses reported in the Statement of Activities does 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 and the net other post employment benefits (OPEB) obligation. (731,883)

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 assets per statements | 2,075,457 | |
| Add allocation to business-type activities | <u>125,650</u> | 2,201,107 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 3,400,334

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. (19,320)

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 Assets. 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 Assets. (840,000)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 7,082,351**

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA

MAJOR ENTERPRISE 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. The storm water refunding bond issue of 1999 is included as part of this fund since revenues of the Storm Water Utility Fund are pledged to pay principal and interest on these bonds.

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 Assets
Proprietary Funds
December 31, 2009

| | Business-type Activities - Enterprise Funds | | | | Total | Governmental Activities - Internal Service Funds |
|---|---|-----------------------------|-----------------------------|----------------------------------|---------------------------|--|
| | Water/Wastewater Utility | Storm Water Utility | Recreational Facilities | Nonmajor Proprietary Funds | | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 7,862,722 | \$ 3,961,338 | \$ 1,816,491 | \$ 475,411 | \$ 14,115,960 | \$ 27,613,648 |
| Accrued interest receivable | 47,674 | 27,259 | 11,025 | 3,283 | 89,221 | 175,179 |
| Taxes receivable | 25,211 | - | 3,047 | 14,584 | 43,722 | - |
| Accounts receivable | 2,973,809 | 731,980 | 99,830 | 271,183 | 4,076,802 | 4,991 |
| Other assets | 85,733 | - | 2,428 | - | 88,161 | 419,716 |
| Due from other funds | 611,202 | - | - | - | 611,202 | - |
| Due from component units | 578 | - | - | - | 578 | - |
| Inventory | 224,211 | - | - | - | 224,211 | 275,387 |
| Total current assets | <u>11,831,140</u> | <u>4,720,575</u> | <u>1,933,721</u> | <u>764,421</u> | <u>19,249,857</u> | <u>28,488,921</u> |
| Noncurrent assets: | | | | | | |
| Land | 2,280,001 | 478,858 | 1,955,757 | - | 4,714,616 | 11,432,262 |
| Buildings and structures | 18,386,132 | 791,498 | 14,558,508 | - | 33,736,138 | 39,717,111 |
| Machinery and equipment | 1,224,562 | 36,094 | 1,101,551 | 91,863 | 2,454,070 | 28,555,875 |
| Improvements | 2,117,458 | 1,908,425 | 2,086,596 | - | 6,112,479 | 386,682 |
| Distribution system | 67,387,507 | 25,056,501 | - | - | 112,446,008 | - |
| Accumulated depreciation | (58,040,509) | (7,815,081) | (10,000,354) | (76,114) | (75,932,038) | (23,862,626) |
| Total noncurrent assets | <u>53,355,151</u> | <u>20,458,315</u> | <u>9,702,058</u> | <u>15,749</u> | <u>83,531,273</u> | <u>58,209,304</u> |
| Total assets | <u>65,186,291</u> | <u>25,178,890</u> | <u>11,635,779</u> | <u>780,170</u> | <u>102,781,130</u> | <u>84,698,225</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 925,339 | 45,358 | 90,841 | 92,129 | 1,153,667 | 1,563,273 |
| Estimated claims payable | - | - | - | - | - | 1,227,705 |
| Due to other funds | - | - | 625,832 | 97,663 | 723,495 | 611,202 |
| Unearned revenue | - | - | 24,557 | - | 24,557 | - |
| Bonds payable | - | - | 160,000 | - | 160,000 | - |
| Capital lease payable | - | - | - | - | - | 420,000 |
| Accrued interest payable | - | - | 10,466 | - | 10,466 | - |
| Deposits payable | 19,281 | - | - | - | 19,281 | - |
| Total current liabilities | <u>944,620</u> | <u>45,358</u> | <u>911,696</u> | <u>189,792</u> | <u>2,091,466</u> | <u>3,822,180</u> |
| Noncurrent liabilities: | | | | | | |
| Benefits payable | - | - | - | - | - | 11,197,501 |
| Bonds payable | - | - | 455,000 | - | 455,000 | - |
| Capital lease payable | - | - | - | - | - | 5,465,000 |
| Deposits payable | 40,263 | - | - | - | 40,263 | - |
| Total noncurrent liabilities | <u>40,263</u> | <u>-</u> | <u>455,000</u> | <u>-</u> | <u>495,263</u> | <u>16,662,501</u> |
| Total liabilities | <u>984,883</u> | <u>45,358</u> | <u>1,366,696</u> | <u>189,792</u> | <u>2,586,729</u> | <u>20,484,681</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 53,355,151 | 20,458,315 | 9,087,058 | 15,749 | 82,916,273 | 50,324,304 |
| Restricted - other purposes | - | - | 183,500 | - | 183,500 | - |
| Unrestricted | 10,846,257 | 4,675,217 | 998,525 | 574,629 | 17,094,628 | 13,889,240 |
| Total net assets | <u>\$ 64,201,408</u> | <u>\$ 25,133,532</u> | <u>\$ 10,269,083</u> | <u>\$ 590,376</u> | <u>100,194,401</u> | <u>\$ 64,213,544</u> |

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. (2,488,947)
Net assets of business-type activities \$ 97,705,454

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2009

| | Business-type Activities - Enterprise Funds | | | | Total | Governmental |
|---|---|------------------------|----------------------------|----------------------------------|----------------------|------------------------------|
| | Water/Wastewater Utility | Storm Water Utility | Recreational Facilities | Nonmajor Proprietary Funds | | Internal Service Funds |
| Operating revenues: | | | | | | |
| Charges for services | \$ 21,110,515 | \$ 4,280,435 | \$ 3,654,046 | \$ 1,777,659 | \$ 30,822,655 | \$ 24,295,644 |
| Other | 151,625 | 183,397 | - | - | 335,022 | 2,246 |
| Total operating revenues | 21,262,140 | 4,463,832 | 3,654,048 | 1,777,659 | 31,157,677 | 24,297,890 |
| Operating expenses: | | | | | | |
| Salaries and benefits | 4,686,557 | 1,100,624 | 2,212,433 | 1,089,419 | 9,069,233 | 13,394,775 |
| Materials, supplies and service | 5,501,497 | 890,420 | 2,240,655 | 1,091,773 | 9,724,345 | 8,268,021 |
| Depreciation | 2,080,065 | 939,386 | 648,690 | 2,423 | 3,680,584 | 3,472,761 |
| Water purchased | 3,178,051 | - | - | - | 3,178,051 | - |
| Wastewater disposal cost | 5,601,288 | - | - | - | 5,601,288 | - |
| Total operating expenses | 21,037,458 | 2,930,630 | 5,101,778 | 2,183,615 | 31,253,481 | 25,135,557 |
| Operating income (loss) | 224,682 | 1,533,202 | (1,447,732) | (405,956) | (95,804) | (837,667) |
| Nonoperating revenues (expenses): | | | | | | |
| Taxes | 14,511 | - | 792,289 | - | 806,800 | - |
| Fiscal disparities | - | - | 65,587 | - | 65,587 | - |
| Intergovernmental | - | - | 39,369 | 213,647 | 253,016 | - |
| Interest income | 232,149 | 120,182 | 44,974 | 14,867 | 412,172 | 824,244 |
| Net change in fair value of investments | (78,184) | (43,186) | (14,071) | (4,194) | (139,635) | (256,030) |
| Gain (loss) on sale of capital assets | - | - | 809 | - | 809 | (26,542) |
| Other | - | - | 40,000 | - | 40,000 | - |
| Interest expense | - | (565) | (27,125) | - | (27,890) | (308,613) |
| Total nonoperating revenues (expenses) | 168,476 | 76,431 | 941,832 | 224,320 | 1,411,059 | 235,059 |
| Income (loss) before transfers | 393,158 | 1,609,633 | (505,900) | (181,636) | 1,315,255 | (602,608) |
| Transfers from other funds | - | 47,250 | - | 250,000 | 297,250 | 2,904,914 |
| Transfers to other funds | - | - | - | (31,323) | (31,323) | (226,849) |
| Change in net assets | 393,158 | 1,656,883 | (505,900) | 37,041 | 1,581,162 | 2,075,457 |
| Total net assets - January 1 | 63,808,250 | 23,476,649 | 10,774,983 | 553,337 | 62,138,087 | 62,138,087 |
| Total net assets - December 31 | \$ 64,201,408 | \$ 25,133,532 | \$ 10,269,083 | \$ 590,378 | \$ 64,213,544 | \$ 64,213,544 |

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. (125,650)
Change in net assets of business-type activities (p. 41) \$ 1,455,532

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2009

| | Business-type Activities - Enterprise Funds | | | | Total | Governmental |
|--|---|-----------------------|----------------------------|----------------------------------|----------------------|------------------------------|
| | Water/Wastewater Utility | Stormwater Utility | Recreational Facilities | Nonmajor Proprietary Funds | | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash from interfund services provided | \$ 35,375 | \$ - | \$ 183,500 | \$ - | \$ 218,875 | \$ 24,254,803 |
| Cash receipts from customers | 20,830,438 | 4,343,336 | 3,672,260 | 2,425,217 | 31,071,251 | - |
| Other cash receipts | 254,791 | - | 1,535 | - | 256,326 | - |
| Cash payments to other funds | (2,391,455) | (627,492) | (1,354,704) | (685,123) | (5,058,774) | (1,603,150) |
| Payments to employees | (4,801,620) | (1,121,882) | (2,252,686) | (1,142,441) | (9,318,409) | (12,773,776) |
| Payments to suppliers | (11,922,166) | (301,682) | (1,050,058) | (1,059,837) | (14,333,743) | (7,473,014) |
| Net cash provided by (used in) operating activities | <u>1,805,363</u> | <u>2,292,500</u> | <u>(800,153)</u> | <u>(462,184)</u> | <u>2,835,526</u> | <u>2,404,863</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Grants | - | - | 39,369 | 213,647 | 253,016 | - |
| Transfers from other funds | - | 47,250 | - | 250,000 | 297,250 | 2,904,914 |
| Transfers to other funds | - | - | - | (31,323) | (31,323) | (226,849) |
| Subsidy from endowment fund | - | - | 40,000 | - | 40,000 | - |
| Taxes | 14,511 | - | 857,876 | - | 872,387 | - |
| Net cash provided by noncapital financing activities | <u>14,511</u> | <u>47,250</u> | <u>937,245</u> | <u>432,324</u> | <u>1,431,330</u> | <u>2,678,065</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Bond payments | - | (90,000) | (180,000) | - | (250,000) | (400,000) |
| Interest and other payments | - | (585) | (27,125) | - | (27,690) | (306,613) |
| Proceeds from sale of capital assets | - | - | 809 | - | 809 | 177,738 |
| Purchase of capital assets | (2,910,058) | (1,429,753) | (88,318) | - | (4,426,129) | (3,131,000) |
| Net cash used in capital and related financing activities | <u>(2,910,058)</u> | <u>(1,520,318)</u> | <u>(274,634)</u> | <u>-</u> | <u>(4,705,010)</u> | <u>(3,659,875)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Investment income | 153,968 | 76,996 | 31,690 | 10,673 | 273,325 | 568,214 |
| Net cash provided by investing activities | <u>153,968</u> | <u>76,996</u> | <u>31,690</u> | <u>10,673</u> | <u>273,325</u> | <u>568,214</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(938,218)</u> | <u>896,428</u> | <u>(105,852)</u> | <u>(19,187)</u> | <u>(164,829)</u> | <u>1,991,267</u> |
| Cash and cash equivalents - January 1 | <u>8,798,940</u> | <u>3,064,908</u> | <u>1,922,343</u> | <u>494,598</u> | <u>14,280,789</u> | <u>25,822,381</u> |
| Cash and cash equivalents - December 31 | <u>\$ 7,860,722</u> | <u>\$ 3,961,336</u> | <u>\$ 1,816,491</u> | <u>\$ 475,411</u> | <u>\$ 14,115,960</u> | <u>\$ 27,613,648</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Operating income (loss) | \$ 224,682 | \$ 1,533,202 | \$ (1,447,732) | \$ (405,956) | \$ (95,804) | \$ (837,667) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation | 2,090,065 | 939,386 | 648,690 | 2,423 | 3,680,564 | 3,472,761 |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable | (376,911) | (120,496) | 18,214 | 647,558 | 168,365 | (43,746) |
| Other operating receivables | - | - | 1,535 | - | 1,535 | 659 |
| Interfund receipts | 35,953 | - | 183,500 | - | 219,453 | - |
| Inventory | 23,502 | - | - | - | 23,502 | 35,416 |
| Accounts payable | (191,350) | (59,592) | (20,860) | (31,873) | (303,675) | 359,111 |
| Interfund payables | (578) | - | (183,500) | (674,336) | (858,414) | (581,671) |
| Net cash provided by (used in) operating activities | <u>\$ 1,805,363</u> | <u>\$ 2,292,500</u> | <u>\$ (800,153)</u> | <u>\$ (462,184)</u> | <u>\$ 2,835,526</u> | <u>\$ 2,404,863</u> |

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA

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 governmental units.

City of Bloomington
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2009

| | Private-Purpose Trust | Agency Funds |
|-----------------------------|--------------------------|-----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,045,719 | \$ 210,999 |
| Accounts receivable | - | 189,144 |
| Accrued interest receivable | 1,575 | - |
| Other assets | (9,063) | - |
| Total assets | 1,038,231 | 400,143 |
| LIABILITIES | | |
| Current liabilities - | | |
| Accounts payable | - | 400,143 |
| NET ASSETS | | |
| Held in trust | \$ 1,038,231 | \$ - |

See notes to the basic financial statements.

City of Bloomington
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2009

| | Private-Purpose Trust |
|-----------------------------------|--------------------------|
| ADDITIONS | |
| Investment earnings - Interest | \$ 21,721 |
| DEDUCTIONS | |
| Current: General services | 41,700 |
| Change in net assets | (19,979) |
| Net assets - January 1 | 1,058,210 |
| Net assets - December 31 | \$ 1,038,231 |

See notes to the basic financial statements.

CITY OF BLOOMINGTON, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 Statement No. 14, amended by GASB Statement No. 39, which had no impact on the City upon its adoption in 2004, 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 of GASB Statement No. 14, 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 Revenue Bonds, 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 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 assets 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 assets and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of the government are broken down into three categories: (1) invested in capital assets, net of related debt; (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 assets and the change in net assets.

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 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.

Major governmental funds - 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.
- *General Obligation Bonds Fund* - This fund is used to account for the accumulation of resources for payment of general obligation bonds or other general indebtedness and interest thereon.
- *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, and equipment related to public facilities.
- *Improvement Construction Fund* - This fund accounts for the proceeds of bonds sold for the purpose of street, sewer, and water construction.
- *State Aid Construction Fund* - This fund accounts for the state allotment of gasoline tax collections for road construction.

Major proprietary funds - 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. The storm water bond issue of 1999 is included as part of this fund since revenues of the Storm Water Utility Fund are pledged to pay principal and interest on these bonds.
- *Recreational Facilities Fund* - This fund accounts for the operations of the City's ice garden, golf courses, aquatic recreation facilities, and art center operations.

Other funds - The City reports the following other funds:

Internal Service Funds - The Internal Service Funds are used to account for support services, information systems, equipment, public safety radios, self-insurance, insured benefits, benefit accruals, and facilities replacement, all provided by one department to other departments of the City on a cost-reimbursement basis. The City has allocated the balance sheet and the statement of revenues, expenses, and changes in fund balances between various governmental 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 and consignment sales of bus tickets for Metro Mobility. 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.

Governmental Funds:

Measurement Focus - Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 net current assets.

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.

Deferred Revenues - Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also 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 deferred 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 which is recognized when due.

Proprietary and Fiduciary Funds:

Measurement Focus - Proprietary funds and fiduciary 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 assets. Reported fund equity is segregated into restricted, unrestricted, and invested in capital assets, net of related debt. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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. All applicable GASB pronouncements have been applied to the proprietary funds. Additionally, the following pronouncements issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB: Statements and Interpretation of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Practices.

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, Municipal Cable TV, Energy Efficient Block Grant, and Airport South Environmental.

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 reservations of fund balances since they do not constitute expenditures or liabilities.

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.

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. 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. Restricted cash and investments are included with cash equivalents for purposes of the statement of cash flows.

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 9).

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.

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.

H. CAPITAL ASSETS

Capital outlays are recorded as expenditures in the City's fund financial statements, which use the modified accrual basis of accounting. Capital outlays are capitalized in the City's government-wide statement of net assets, which uses the full accrual basis of accounting. Infrastructure has been capitalized retroactively to 1980. 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. 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 fair market 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. The estimated useful lives are as follows:

| | Years |
|--------------------------|-------|
| Land improvements | 20-50 |
| Buildings and structures | 15-95 |
| Distribution system | 30 |
| Equipment | 3-15 |
| Infrastructure | 5-48 |

I. COMPENSATED ABSENCES

The City compensates all employees upon termination for unused vacation up to a maximum of 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 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. Although employees no longer accrue sick leave, they are entitled to draw upon any unused sick leave previously earned. Employees are not compensated for unused sick leave upon termination.

J. LONG-TERM OBLIGATIONS

Long-term obligations are recorded in the City's government-wide statement of net assets 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.

K. 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, 2009, there were nine series of Industrial and Housing Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$478 million.

L. FUND EQUITY

Contributions received are recorded as revenue or deferred revenue until recognition criteria have been met.

Reservations of fund balances represent amounts that are not appropriate for expenditure or legally segregated for a specific future use. Reservations of net assets are limited to outside third-party restrictions. Designated fund balances represent tentative plans for future use of financial resources (see Note 8).

M. 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 assets represents interfund receivables or payables between the two types of activities: governmental and business-type.

N. 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.

Delinquent property taxes are recorded as earned in the government-wide statements given these revenues are earned and the likelihood of collection is high.

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, with a settlement in 2009 relating to December 2008 tax collections.

Taxes levied which remain unpaid at December 31 are classified as taxes receivable and are fully offset by deferred revenue in the fund financial statements because they are not known to be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

O. 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 assets or change in net assets, as previously reported.

P. DEFICIT NET ASSETS

The Benefit Accrual internal service fund had a negative net asset balance of \$1,940,068 on December 31, 2009. 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 Motor Vehicle enterprise fund had a negative net asset balance of \$20,161 on December 31, 2009. Management is reviewing this fund to determine the future funding and on-going operations of this fund.

Q. 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.

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, 2009, the carrying amount of the City's deposits with financial institutions was \$953,275 and the bank balances totaled \$1,237,201.

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. As of December 31, 2009, 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 GSE's (Government Sponsored Enterprises) are instrumentalities, or organizations created by an act of Congress. Government Sponsored Enterprise 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 which 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, section 118.
- Investment products that are considered as derivatives are specifically excluded from approved direct investment purchases at this time.

As of December 31, 2009, the City had the following investments and maturities:

| Investment Type | Fair Value | Less than Six Months | Six Months To One Year | One Year to Two Years | Two Years to Five Years |
|---|----------------|----------------------|------------------------|-----------------------|-------------------------|
| Money Market | \$ 25,129,070 | \$ 25,129,070 | \$ - | \$ - | \$ - |
| Treasury Bills | 5,015,650 | - | - | 5,015,650 | - |
| Federal Farm Credit Bureau | 8,118,760 | - | - | - | 8,118,760 |
| Federal Home Loan Bank | 27,657,293 | - | - | - | 27,657,293 |
| Federal Home Loan Mortgage Corporation Note | 26,856,930 | - | - | 504,071 | 26,352,859 |
| Federal National Mortgage Association Note | 39,761,637 | - | - | - | 39,761,637 |
| Municipal | 17,766,342 | 3,673,398 | - | 5,183,163 | 8,909,581 |
| Total investments | 150,305,682 | \$ 28,802,668 | \$ - | \$ 10,702,884 | \$ 110,800,130 |
| Total deposits | 953,275 | | | | |
| Total investments and deposits | 151,258,957 | | | | |
| Less restricted cash and investments | (183,500) | | | | |
| Net cash, cash equivalents, and investments | \$ 151,075,457 | | | | |

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, 2009, all investments of the City were insured, registered, and held by the City or its agent in the City's name. Investments in mutual funds are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk.

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). Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 3 years from the date of purchase. 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. In no event does the City invest in securities with maturities exceeding 10 years.

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, 2009, the City held no investments in commercial paper. Also, the City's investments in money market funds, Federal Farm Credit, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association notes were all rated AAA by Standard & Poor's and Aaa by Moody's Investors Service and the municipal investments are all rated AA or better by Standard & Poor's and Moody's Investors Service.

Concentration of Credit Risk - 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. No more than 50% of the entity's total investment portfolio is invested in a single security type or with a single financial institution. No more than 3% of the entity's total investment portfolio is invested in a single corporation. More than 5% of the City's investments are in the following governmental agencies: Federal Home Loan Bank (18%), Federal Home Loan Mortgage Corporation (18%), and Federal National Mortgage Association (26%), Federal Farm Credit Bank (6%), and municipals (12%).

Securities Lending Transactions - Minnesota State Statutes authorize governmental entities to enter into securities lending agreements with specified institutions. The City had appointed Wells Fargo Bank Minnesota, National Association as Agent for the purpose of lending securities from its account under the Wells Fargo Securities Lending Program.

Each loan when made is required to be collateralized in the amount of 102% of the market value of the loaned security and accrued interest. Each loaned security is marked to market daily using the closing valuation as of the prior business day. If the market value of the given collateral falls to 100% of the loaned security market value, the Agent shall request additional collateral to bring the collateralization back to 102%. Collateral in excess of 102% will be returned to the borrower if requested.

The City's securities available for lending are listed in the Securities Lending Omnibus Account as part of the lending inventory. A single borrower may be lent a significant portion, or all, of the City's securities available for lending.

The Agent will receive and take possession of collateral in the form of U.S. Government Securities, letters of credit, or cash. Cash shall be invested in repurchase agreements, master notes (VPN), U.S. treasuries and agencies, U.S. or Euro dollar certificates of deposit and time deposits, bankers acceptances, commercial paper and other short-term money market instruments, and mutual funds holding any of the previously mentioned securities and subject to policy and standard guidelines established from time to time by the Agent.

If the borrower defaults upon return of the lent security, as provided in the Borrower Securities Loan Agreement, the City, or Agent if authorized, may purchase securities identical to the borrowed securities and may apply the collateral to the payment of the purchase price, expenses and other obligations under the Borrower Securities Agreement. In the event that the Borrower fails to return the lent security, the Agent will indemnify the City's account in the following amounts:

- The difference between the closing market value of the security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or
- In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The system cannot pledge or sell collateral securities received unless the borrower defaults.

At December 31, 2009 the City had no securities held in any security lending program. Resolution to the security held on December 31, 2008 was agreed to on August 24, 2009. Total positive earnings net of any loss from security lending for the City were \$250,042 over the duration of the program.

Cash is restricted in the Recreational Facilities Fund for \$183,500 per bond covenants. The purpose is to ensure that this fund has sufficient cash to service the debt for the next year.

The following table reconciles cash, cash equivalents, and investments to the basic financial statements at December 31, 2009:

| | |
|--|-----------------------|
| Governmental funds | \$ 108,272,631 |
| Proprietary funds: | |
| Enterprise | 14,115,960 |
| Internal service | 27,613,648 |
| Government-wide | 150,002,239 |
| Fiduciary funds | 1,256,718 |
| Total cash, cash equivalents, and investment | 151,258,957 |
| Less restricted cash and investments | (183,500) |
| Net cash, cash equivalents, and investments | <u>\$ 151,075,457</u> |

3. CAPITAL ASSETS

During 2009 the City's capitalization threshold was \$10,000. Capital asset activity for the year ended December 31, 2009 was as follows:

| | Primary Government | | | Ending Balance |
|--|-----------------------|---------------------|---------------------|-----------------------|
| | Beginning Balance | Additions | Retirements | |
| Governmental activities: | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 85,588,598 | \$ 2,244,281 | \$ - | \$ 87,832,879 |
| Total capital assets not being depreciated | 85,588,598 | 2,244,281 | - | 87,832,879 |
| Capital assets being depreciated: | | | | |
| Buildings and structures | 68,417,686 | - | (25,314) | 68,392,372 |
| Machinery and equipment | 32,861,397 | 3,068,263 | (2,445,025) | 33,484,635 |
| Improvements | 5,490,630 | 992,753 | (99,011) | 6,384,372 |
| Infrastructure | 200,940,375 | 10,556,469 | (9,734) | 211,487,110 |
| Total capital assets being depreciated | 307,710,088 | 14,617,485 | (2,579,084) | 319,748,489 |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (24,809,322) | (2,042,970) | 25,095 | (26,827,197) |
| Machinery and equipment | (19,622,890) | (2,650,609) | 2,188,668 | (20,084,831) |
| Improvements | (2,475,845) | (373,134) | 82,037 | (2,766,942) |
| Infrastructure | (58,203,318) | (5,707,605) | 7,725 | (63,903,198) |
| Total accumulated depreciation | (105,111,375) | (10,774,318) | 2,303,525 | (113,582,168) |
| Total capital assets being depreciated, net | 202,598,713 | 3,843,167 | (275,559) | 206,166,321 |
| Governmental capital assets, net | <u>\$ 288,187,311</u> | <u>\$ 6,087,448</u> | <u>\$ (275,559)</u> | <u>\$ 293,999,200</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 4,714,616 | \$ - | \$ - | \$ 4,714,616 |
| Capital assets being depreciated: | | | | |
| Buildings and structures | 33,719,483 | 16,655 | - | 33,736,138 |
| Machinery and equipment | 2,383,269 | 111,521 | (40,720) | 2,454,070 |
| Distribution system | 108,161,295 | 4,299,952 | (15,239) | 112,446,008 |
| Improvements | 6,128,437 | - | (15,958) | 6,112,479 |
| Total capital assets being depreciated | 150,392,484 | 4,428,128 | (71,917) | 154,748,695 |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (11,202,188) | (728,812) | - | (11,931,000) |
| Machinery and equipment | (1,427,923) | (165,625) | 40,719 | (1,552,829) |
| Distribution system | (56,714,195) | (2,615,835) | 15,240 | (59,314,790) |
| Improvements | (2,979,083) | (170,294) | 15,958 | (3,133,419) |
| Total accumulated depreciation | (72,323,389) | (3,680,566) | 71,917 | (75,932,038) |
| Total capital assets being depreciated, net | 78,069,095 | 747,562 | - | 78,816,657 |
| Business-type activities capital assets, net | <u>\$ 82,783,711</u> | <u>\$ 747,562</u> | <u>\$ -</u> | <u>\$ 83,531,273</u> |

Depreciation expense was charged to governmental functions at December 31, 2009 as follows:

| | |
|----------------------------|----------------------|
| General services | \$ 2,355,847 |
| Development services | 1,529,495 |
| Public works | 5,658,178 |
| Public safety | 717,770 |
| Community services | 513,028 |
| Total depreciation expense | <u>\$ 10,774,318</u> |

4. **COMMITTED CONTRACTS**

At December 31, 2009, the City had commitments for seven uncompleted construction contracts with a remaining balance of \$2,546,438.

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 self-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. These deductibles are considered immaterial to the financial statements. The risk management activities of the City are accounted for by the Self-Insurance Fund, an intertal 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 potential. This reserve is expensed at year end and then adjusted up or down when the case is closed.

| | 2009 | 2008 |
|------------------------------------|-------------|-------------|
| Unpaid claims at beginning of year | \$1,263,193 | \$ 572,777 |
| Claims paid | (494,182) | (201,959) |
| New claims | 458,694 | 892,375 |
| Unpaid claims at end of year | \$1,227,705 | \$1,263,193 |

6. **LONG-TERM DEBT**

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

| Type of Bonds | Maturities | Rates | Balance at 12/31/09 |
|---------------------------------|------------|--------------|---------------------|
| Governmental activities: | | | |
| General obligation (G.O.) bonds | 2010-2021 | 4.00% | \$ 5,285,000 |
| G.O. improvement bonds | 2010-2030 | .85 - 5.70 | 41,580,000 |
| G.O. tax increment bonds | 2010-2032 | 2.60 - 7.60 | 5,340,000 |
| Total governmental | | | 52,205,000 |
| Business-type activities | 2010-2013 | 2.00 - 4.25% | 615,000 |
| Total bonds | | | \$ 52,820,000 |

Changes in long-term liabilities during 2009 are summarized as follows:

| | Balance at 01/01/09 | Additions | Retirements | Balance at 12/31/09 | Due Within One Year |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| Governmental activities: | | | | | |
| G.O. bonds | \$ 5,590,000 | \$ - | \$ 305,000 | \$ 5,285,000 | \$ 345,000 |
| G.O. improvement bonds | 37,210,000 | 7,835,000 | 3,465,000 | 41,580,000 | 3,185,000 |
| G.O. tax increment bonds | 6,180,000 | - | 840,000 | 5,340,000 | 805,000 |
| Capital lease payable | 6,285,000 | - | 400,000 | 5,885,000 | 420,000 |
| Benefits payable | 11,105,081 | 1,536,148 | 854,386 | 11,786,843 | 589,342 |
| OPEB liability | 547,194 | 1,043,100 | 322,585 | 1,267,709 | - |
| Total governmental | 66,917,275 | 10,404,151 | 6,176,874 | 71,144,552 | 5,344,342 |
| Business-type activities: | | | | | |
| Enterprise bonds | 865,000 | - | 250,000 | 615,000 | 160,000 |
| Total business-type | 865,000 | - | 250,000 | 615,000 | 160,000 |
| Total | \$ 67,782,275 | \$ 10,404,151 | \$ 6,426,874 | \$ 71,759,552 | \$ 5,504,342 |

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. It is also not practicable to determine the OPEB liability that is due within one year.

Due to changes in Chapter 299A of the *Minnesota Statutes* in 2003, as a result of the State not being able to fund an obligation it created for cities, the City must bear a substantial portion of health insurance costs for public safety employees who are injured in the line of duty and permanently disabled. The City must pay health insurance premiums for these employees and their dependents, if required, until age 65. The City has six public safety employees presently entitled to these benefits and has accrued the estimated present value cost of benefits of \$368,312 within the Insured Benefits Internal Service Fund.

Long-term debt maturities (including interest of \$15,878,068) are as follows:

| Year Ending December 31 | Governmental Activities | | Business-type Activities | | Total |
|-------------------------|-------------------------|---------------------|--------------------------|------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2010 | \$ 4,335,000 | \$ 1,925,014 | \$ 160,000 | \$ 21,998 | \$ 6,442,012 |
| 2011 | 5,020,000 | 1,850,266 | 155,000 | 15,739 | 7,041,005 |
| 2012 | 4,650,000 | 1,674,636 | 150,000 | 9,488 | 6,484,124 |
| 2013 | 4,055,000 | 1,516,215 | 150,000 | 3,188 | 5,724,403 |
| 2014 | 3,935,000 | 1,368,182 | - | - | 5,303,182 |
| 2015-2019 | 17,465,000 | 4,626,922 | - | - | 22,091,922 |
| 2020-2024 | 7,595,000 | 2,086,089 | - | - | 9,681,089 |
| 2025-2029 | 4,355,000 | 725,456 | - | - | 5,080,456 |
| 2030-2032 | 795,000 | 54,875 | - | - | 849,875 |
| Total | \$ 52,205,000 | \$15,827,655 | \$ 615,000 | \$ 50,413 | \$ 68,698,068 |

On December 17, 2009, the City issued \$7,835,000 of General Obligation Permanent Improvement Revolving Fund Bonds with an effective rate of 2.82%, the proceeds of which were used to provide funding for public improvements.

The following is a schedule of bonds payable at December 31, 2009:

| Type of Bonds | Original Amount | Maturities | Rates | Balance at Dec. 31, 2009 |
|---|----------------------|------------|--------------|--------------------------|
| Governmental Activities: | | | | |
| General Obligation (G.O.) Bonds: | | | | |
| 2007 Art Center Refunding | \$ 5,590,000 | 2010-2021 | 4.00% | \$ 5,285,000 |
| Total G.O. Bonds | <u>5,590,000</u> | | | <u>5,285,000</u> |
| General Obligation (G.O.) Improvement Bonds: | | | | |
| 2000 PIR, Thirty-Five Series | 1,330,000 | 2010 | 4.75% | 150,000 |
| 2001 PIR, Thirty-Six Series | 1,075,000 | 2010-2011 | 4.00 - 4.35% | 230,000 |
| 2002 PIR, Thirty-Seven Series | 2,010,000 | 2010-2012 | 2.50 - 4.00% | 605,000 |
| 2003 PIR, Thirty-Eight Series | 5,280,000 | 2010-2018 | 2.50 - 4.00% | 3,305,000 |
| 2004 PIR, Thirty-Nine Series | 12,750,000 | 2010-2025 | 2.50 - 4.50% | 8,715,000 |
| 2006 PIR, Forty Series | 5,855,000 | 2010-2017 | 4.00% | 4,725,000 |
| 2007 PIR, Forty-One Series | 5,915,000 | 2010-2028 | 4.00 - 4.50% | 5,445,000 |
| 2008 PIR, Forty-Two Series | 9,570,000 | 2010-2029 | 3.25 - 5.00% | 9,570,000 |
| 2009 PIR, Forty-Three Series | 7,835,000 | 2012-2030 | .85 - 5.70% | 7,835,000 |
| Total G.O. Improvement Bonds | <u>51,580,000</u> | | | <u>41,580,000</u> |
| General Obligation (G.O.) Tax Increment Bonds: | | | | |
| 1997 Serial Refunding Bonds | 875,000 | 2010-2013 | 3.75 - 5.35% | 275,000 |
| 1997 Serial Bonds | 1,505,000 | 2010-2012 | 6.85 - 7.80% | 505,000 |
| 2003 Serial Bonds | 930,000 | 2010-2031 | 2.80 - 5.40% | 850,000 |
| 2004 Serial Bonds | 2,445,000 | 2010-2032 | 4.65 - 5.50% | 2,390,000 |
| 2005 Serial Bonds | 3,300,000 | 2010-2012 | 3.00 - 5.00% | 1,320,000 |
| Total G.O. Tax Increment Bonds | <u>9,055,000</u> | | | <u>5,340,000</u> |
| Total governmental activities | <u>68,285,000</u> | | | <u>52,205,000</u> |
| Business-type activities: | | | | |
| Enterprise Bonds: | | | | |
| 20020 Recreational Facility Gross Revenue Refunding | 1,835,000 | 2010-2013 | 2.00 - 4.25% | 615,000 |
| Total business-type activities | <u>1,835,000</u> | | | <u>615,000</u> |
| Total bonds payable | <u>\$ 68,100,000</u> | | | <u>\$ 52,820,000</u> |

PIR = Permanent Improvement Revolving

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital 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.

General obligation storm water bonds are serviced by the utility funds and are reported as debt of those funds. General obligation bonds backed by the full faith, credit, and taxing power of the City are supported by various debt service funds and are included in the government-wide Statement of Net Assets.

The bond indentures for the enterprise fund bonds contain various restrictive financial covenants. The City is in compliance with all of these requirements at December 31, 2009.

Revenues pledged are as follows:

| Bond Issue | Use of Proceeds | Type | Revenue Pledged | | | Term of Pledge | Remaining Principal and Interest | Current Year | |
|---|---|--|-------------------------------|-------------------------------------|-------------|----------------|----------------------------------|------------------------|-----------------|
| | | | Percent of Total Debt Service | Debt Service as a % of net revenues | Revenue | | | Principal and Interest | Pledged Revenue |
| Governmental Activities: | | | | | | | | | |
| General Obligation (G.O.) Bonds: | | | | | | | | | |
| 2007 G.O. Art Center Refunding Bds Feb-07 | Refund 2000 Art Center Bonds - Crossover | Debt Service Tax Levy | 100% | n/a | 2007 - 2021 | \$ 6,647,300 | \$ 622,500 | \$ 622,500 | |
| General Obligation (G.O.) Improvement Bonds: | | | | | | | | | |
| 2000 PIR Bonds, Thirty-Five Series Nov-00 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 61% | n/a | 2000 - 2010 | 153,563 | 160,688 | 160,688 | |
| 2001 PIR Bonds, Thirty-Six Series Jan-01 | Infrastructure Improvements | Special Assessments | 100% | n/a | 2001 - 2011 | 289,848 | 132,350 | 132,350 | |
| 2002 PIR Bonds, Thirty-Seven Series Nov-02 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 32% | n/a | 2002 - 2012 | 639,413 | 232,408 | 232,408 | |
| 2003 PIR Bonds, Thirty-Eight Series Mar-03 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 33% | n/a | 2003 - 2018 | 3,856,800 | 511,845 | 511,845 | |
| 2004 PIR Bonds, Thirty-Nine Series Mar-05 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 64% | n/a | 2005 - 2025 | 12,663,606 | 1,180,770 | 1,130,770 | |
| 2006 PIR Bonds, Forty Series Nov-06 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 33% | n/a | 2006 - 2017 | 5,490,500 | 739,800 | 739,800 | |
| 2007 PIR Bonds, Forty-One Series Dec-07 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 55% | n/a | 2007 - 2028 | 6,789,480 | 689,169 | 689,169 | |
| 2008 PIR Bonds, Forty-Two Series Oct-08 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 76% | n/a | 2008 - 2029 | 13,244,400 | 317,680 | 317,680 | |
| 2009 PIR Bonds, Forty-Three Series Dec-09 | Infrastructure Improvements | Special Assessments Debt Service Tax Levy | 73% | n/a | 2009 - 2030 | 10,411,383 | | | |
| General Obligation (G.O.) Tax Increment Bonds: | | | | | | | | | |
| 1997 Serial TF G.O. Refunding Bds Jun-97 | Refund 1995 TF Bonds TF District 0-3 | TF Revenue | 100% | n/a | 1997 - 2013 | 312,385 | 77,676 | 77,676 | |
| 1997 Serial TF G.O. Bonds May-97 | Redevelopment in Carboro 0-3 TF District | TF Revenue | 100% | n/a | 1997 - 2012 | 564,268 | 169,541 | 169,541 | |
| 2003 Serial TF G.O. Bonds Mar-03 | Redevelopment in Carboro TF District H-2 | TF Revenue | 100% | n/a | 2003 - 2031 | 1,444,774 | 63,853 | 63,853 | |
| 2004 Serial TF G.O. Bonds Mar-04 | Redevelopment Lyndale Green -TF District | TF Revenue | 100% | n/a | 2004 - 2032 | 4,159,506 | 181,311 | 181,311 | |
| 2005 Serial TF G.O. Refunding Bds Feb-05 | Refund 1995 G.O. TF Bonds TF District 0-1 | TF Revenue Debt Service Tax Levy | 56% | n/a | 2005 - 2012 | 1,409,000 | 640,000 | 640,000 | |
| Business-type activities: | | | | | | | | | |
| Enterprise Bonds: | | | | | | | | | |
| 2002 Recreational Facility Gross Revenue Refunding Bonds Nov-02 | Refund 1992 Recreational Facility Revenue Bonds | Recreation Revenue net of expenses | 100% | 17% | 2002 - 2013 | 665,411 | 168,078 | 168,078 | |

General Obligation (G.O.) Bonds:

- 2007 Art Center Refunding. The City has pledged future tax ad valorem revenue to repay the \$5,590,000 bonds issued in February 2007. Proceeds from the bonds refunded the 2000 Arts Center Bonds on February 1, 2008. 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 \$6,647,300, payable through February 2021. For the current year, principal and interest paid and total tax levy revenues were \$522,500 and \$522,500, respectively.

General Obligation (G.O.) Improvement Bonds:

- 2000 PIR, Thirty-Five Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$1,330,000 bonds issued in November 2000. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 39% and special assessments were projected to produce 61% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$153,563, payable through February 2010. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$160,688 and \$160,688, respectively.
- 2001 PIR, Thirty-Six Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$1,075,000 bonds issued in July 2001. Proceeds from the bonds provided financing for various infrastructure improvements. 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 \$239,948, payable through February 2011. For the current year, principal and interest paid and total special assessment revenues were \$132,350 and \$132,350, respectively.
- 2002 PIR, Thirty-Seven Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$2,010,000 bonds issued in November 2002. Proceeds from the bonds 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 \$639,413, payable through February 2012. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$232,406 and \$232,406, respectively.
- 2003 PIR, Thirty-Eight Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$5,280,000 bonds issued in March 2003. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 67% and special assessments were projected to produce 33% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,856,890, payable through February 2018. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$511,945 and \$511,945, respectively.
- 2004 PIR, Thirty-Nine Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$12,750,000 bonds issued in March 2005. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 36% and special assessments were projected to produce 64% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$12,663,638, payable through February 2025. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$1,150,770 and \$1,150,770, respectively.
- 2006 PIR, Forty Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$5,855,000 bonds issued in November 2006. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 67% and special assessments were projected to produce 33% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$5,496,500, payable through February 2017. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$739,800 and \$739,800, respectively.
- 2007 PIR, Forty-One Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$5,915,000 bonds issued in December 2007. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 45% and special assessments were projected to produce 55% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$6,790,460, payable through February 2028. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$699,169 and \$699,169, respectively.
- 2008 PIR, Forty-Two Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$9,570,000 bonds issued in October 2008. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 24% and special assessments were projected to produce 76% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$13,244,480, payable through February 2029. For the current year, principal and interest paid and total tax levy and special assessment revenues were \$317,980 and \$317,980, respectively.
- 2009 PIR, Forty-Three Series. The City has pledged future ad valorem tax levies and special assessments to repay the \$7,835,000 bonds issued in December 2009. Proceeds from the bonds provided financing for various infrastructure improvements. Tax levies were projected to produce 27% and special assessments were projected to produce 73% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$10,411,383, payable through February 2030. 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:

- **1997 Serial Refunding.** The City has pledged future tax increment revenue to repay the \$875,000 bonds issued in January 1997. Proceeds from the bonds refunded the 1986 TIF Bonds. 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 \$312,385, payable through December 2013. For the current year, principal and interest paid and total tax increment revenues were \$77,575 and \$77,575, respectively.
- **1997 Serial Bonds.** The City has pledged tax increment revenue to repay the \$1,505,000 bonds issued in May 1997. Proceeds from the bonds provided financing for the redevelopment in Oxboro 0-3 TIF District. 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 \$564,265, payable through February 2012. For the current year, principal and interest paid and total tax increment revenues were \$188,541 and \$188,541, respectively.
- **2003 Serial Bonds.** The City has pledged tax increment revenue to repay the \$930,000 bonds issued in March 2003. Proceeds from the bonds provided financing for the redevelopment in Oxboro TIF District H-2. 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 \$1,444,774, payable through February 2031. For the current year, principal and interest paid and total tax increment revenues were \$63,953 and \$63,953, respectively.
- **2004 Serial Bonds.** The City has pledged tax increment revenue to repay the \$2,445,000 bonds issued in March 2004. Proceeds from the bonds provided financing for the redevelopment in Lyndale Green TIF District. 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 \$4,159,656, payable through February 2032. For the current year, principal and interest paid and total tax increment revenues were \$181,311 and \$181,311, respectively.
- **2005 Serial Refunding Bonds.** The City has pledged tax increment revenue to repay the \$3,300,000 bonds issued in February 2005. Proceeds from the bonds refunded the 1995 G.O. TIF Bonds. Tax levies were projected to produce 42% and incremental property taxes were projected to produce 58% of the debt service requirements over the life of the bond issue. Total principal and interest remaining on the bonds is \$1,408,000, payable through February 2012. For the current year, principal and interest paid and total tax increment revenues were \$640,000 and \$640,000, respectively.

Enterprise Bonds:

- **2002B Recreational Facility Gross Revenue Refunding.** The City has pledged future recreational facility revenues to repay the \$1,835,000 bonds issued in November 2002. Proceeds from the bonds refunded the 1992 Recreational Facility Revenue Bonds. The bonds are payable from recreation revenues. Annual principal and interest payments on the bonds are expected to require less than 17% of net revenues. Total principal and interest remaining on the bonds is \$665,411, payable through February 2013. For the current year, principal and interest paid and total customer net revenues were \$188,078 and \$188,078, respectively.

7. CAPITAL LEASE

The City entered into a lease agreement with the Bloomington Port Authority in 2001 as lessee to facilitate the financing of a portion of the construction of the new municipal campus that contains the new City Hall, Police, and Arts Center facilities. To facilitate the funding of a portion of the construction of the new municipal campus, the Port Authority issued revenue bonds in the amount of \$8,685,000, to be repaid with annual lease payments from the City to the Port Authority. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the

present value of the future minimum lease payments as of the date of its inception based on an interest rate range of 4-5%. The City acquired capital assets of \$8,685,000 under the terms of the capital lease. The accumulated depreciation for the Civic Plaza is \$6,769,747 at year end. The following is a schedule of the future minimum lease payments and the net present value of the net minimum lease payments at December 31, 2009:

| <u>Fiscal Year Ending Dec. 31</u> | <u>Facilities Replacement Internal Service Fund</u> |
|--|---|
| 2010 | \$ 705,265 |
| 2011 | 704,265 |
| 2012 | 704,465 |
| 2013 | 703,765 |
| 2014 | 703,766 |
| 2015 - 2019 | 3,530,119 |
| 2020 - 2021 | <u>703,500</u> |
| Total minimum lease payments | 7,755,145 |
| Less: amount representing interest | <u>(1,870,145)</u> |
| Present value of future minimum lease payments | <u>\$ 5,885,000</u> |

8. RESERVED AND DESIGNATED FUND BALANCE

Fund balance in the various funds has been reserved or designated at December 31, 2009 as follows:

| | |
|--|----------------------|
| <u>Reserved</u> | |
| General Fund - | |
| Encumbrances | <u>\$ 261,546</u> |
| Special Revenue Fund - | |
| Cemetery Permanent Care and Improvement: | |
| Land acquisition and improvement | \$ 291,715 |
| Perpetual care | 683,038 |
| Total | <u>\$ 974,753</u> |
| Debt Service Funds (all funds) - | |
| Reserved for debt service | <u>\$ 11,586,697</u> |
| <u>Restricted</u> | |
| Enterprise Fund - | |
| Recreational Facilities - | |
| Bonds and interest | <u>\$ 183,500</u> |

| | | |
|--|----|----------------------|
| Designated | | |
| General Fund: | | |
| Working capital | | \$ 19,393,438 |
| Carryforward | | 257,176 |
| Total | | <u>\$ 19,650,614</u> |
| Special Revenue Funds: | | |
| Nonmajor funds: | | |
| Escrow Trust | \$ | 503,673 |
| Municipal Cable Televisioo | | 931,748 |
| Public Safety Special Revenue | | 3,052,167 |
| Public Health | | 77,576 |
| Strategic Planning | | 48,648 |
| Airport South | | 1,668 |
| Total | \$ | <u>4,615,480</u> |
| Capital Projects Funds (future capital projects): | | |
| Nonmajor funds - | | |
| Park Development | \$ | 1,831,397 |
| Major funds: | | |
| Capital Projects | | 44,932,301 |
| Improvement Construction | | 17,491,260 |
| State Aid Construction | | 7,296,593 |
| Total major funds | | <u>69,720,154</u> |
| Total | \$ | <u>71,551,551</u> |

In addition to the reservations of net assets in the proprietary funds as reported above, a portion of the unreserved net assets of these funds has been identified for working capital and capital improvement needs.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a schedule of interfund receivables and payables as of December 31, 2009:

| Fund/Component Unit | Receivable | Payable |
|---|----------------------|----------------------|
| General Fund (1) | \$ 122,163 | \$ - |
| Capital Projects Fund (2) | 1,797,481 | - |
| Community Development Block Grant Fund (1) | - | 8,000 |
| Improvement Construction Fund (4) | - | 1,171,649 |
| Enterprise Funds: | | |
| Water/Wastewater Fund (3) | 611,202 | - |
| Recreational Facilities Fund (2) | - | 625,832 |
| Internal Service Fund (3) | - | 611,202 |
| Nonmajor governmental funds (1) | - | 16,500 |
| Nonmajor enterprise funds (1) | - | 97,663 |
| Total | 2,530,846 | 2,530,846 |
| Intra-activity elimination | (2,418,553) | (2,418,553) |
| Internal service fund allocation | 2,488,947 | 2,488,947 |
| Government-wide internal balances | <u>\$ 2,601,240</u> | <u>\$ 2,601,240</u> |
| Primary Government: | | |
| General Fund | \$ 224,822 | \$ 587,220 |
| Community Development Block Grant Fund | - | 48,149 |
| Capital Projects Fund | 6,932,644 | 4,611,923 |
| Bonds receivable -- due: | | |
| Within one year | 805,000 | - |
| In more than one year | 4,661,731 | - |
| Enterprise -- Water/Wastewater Fund | 578 | - |
| Nonmajor governmental fund | - | 26,000 |
| Component Units: | | |
| Housing and Redevelopment Authority: | | |
| Primary government | 95,303 | 128,564 |
| Bonds payable -- due: | | |
| Within one year | - | 805,000 |
| In more than one year | - | 4,661,731 |
| Port Authority | 5,177,990 | 7,029,481 |
| | <u>\$ 17,898,068</u> | <u>\$ 17,898,068</u> |

Interfund receivables and payables represent (1) lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year, (2) a loan to Recreation Facilities for Ice Garden construction, (3) a loan to an Internal Service Fund for facilities construction, and (4) loans made between Capital Project funds.

The following is a schedule of interfund transfers for the year ended December 31, 2009:

| Fund Transferred To | Fund Transferred From | | Amount |
|-----------------------------|----------------------------|-----|---------------|
| General | Community Dev. Block Grant | (1) | \$ 23,540 |
| | Capital Projects | (1) | 2,162,667 |
| | Nonmajor Governmental | (1) | 446,257 |
| | Nonmajor Enterprise | (1) | 12,662 |
| Total General | | | 2,645,126 |
| Improvement Bonds | Improvement Bonds | (2) | 411,280 |
| Improvement Construction | Improvement Construction | (1) | 3,583,650 |
| State Aid Fund | General Fund | (1) | 55,000 |
| Nonmajor Governmental | General Fund | (1) | 300,000 |
| | Capital Projects | (1) | 57,000 |
| | Internal Service | (1) | 97,092 |
| | Nonmajor Governmental | (1) | 711,197 |
| Total Nonmajor Governmental | | | 1,165,289 |
| Storm Water Enterprise | General Fund | (1) | 47,250 |
| Nonmajor Enterprise | General Fund | (1) | 250,000 |
| Internal Service | Capital Projects | (1) | 2,627,497 |
| | Nonmajor Governmental | (1) | 129,000 |
| | Nonmajor Enterprise | (1) | 18,660 |
| | Internal Service | (1) | 129,757 |
| Total Internal Service | | | 2,904,914 |
| Total | | | \$ 11,062,509 |

Generally, transfers are used to: (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, and (2) move receipts restricted to debt service from the funds collecting the receipts to a debt service fund.

10. 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 assets and statement of revenues, expenses, and changes in net assets (and combining statements thereof), this information has not been repeated in the notes to the basic financial statements.

11. 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.

A. 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 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 will 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, 2009.

B. TAX INCREMENT DISTRICTS

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. 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, per City of Bloomington letter dated May 21, 2010 to the Minnesota Office of the State Auditor.

12. DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Bloomington (except for the City Manager who may choose to be exempt from coverage at time of employment) are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

The majority of City members belong to the PERF Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

The State's actuarial accrued liability for PERF at June 30, 2009 was \$18,799,416,000; the unfunded actuarial accrued liability was \$5,640,926,000 or a funded ratio of 70.0%. The State's actuarial accrued liability for PEPFF at June 30, 2009 was \$6,296,274,000; the unfunded actuarial accrued liability was \$1,056,419,000, and the funded ratio was 83.2%.

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

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members were required to contribute 6.0% of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. The City is required to contribute the following percentages of annual covered payroll: 6.75% for Coordinated Plan PERF members and 14.10% for PEPFF members.

The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2009, 2008, and 2007 were \$2,030,640, \$1,842,233, and \$1,707,184, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2009, 2008, and 2007 were \$1,482,130, \$1,325,105, and \$1,115,208, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

RELATED-PARTY INVESTMENTS

As of June 30, 2009 and for the fiscal year then ended, PERA held minimal, if any, securities issued by the City, its components, or other related parties.

B. BLOOMINGTON FIRE DEPARTMENT RELIEF ASSOCIATION (THE ASSOCIATION)

PLAN DESCRIPTION

The City may levy taxes on behalf of a single-employer public employee retirement plan operated by the Association for volunteer firefighters.

Volunteer firefighters of the City are members of the Association. A member of the Association who has completed 20 or more years of service as a volunteer of the Fire Department shall, after age 50 and retirement, be entitled to a basic pension of 33-1/3% of the average of the highest paid non-officer police officer's pay over the last 3 years, in conformance with the by-laws of the Association. Disability benefits are the same as a normal pension and are payable while the member remains disabled. After age 50, the normal retirement benefit is payable. These benefit provisions and all other requirements are consistent with enabling Minnesota Statutes.

Volunteers of the Fire Department are required to contribute \$144 per year of their gross earnings to the Association. If a member leaves the department after 20 years of service, the accumulated contributions plus earned interest are refunded to the member or designated beneficiary. The City levies property taxes at the direction of and for the benefit of the Association and passes through state aids allocated to the plan, all in accordance with enabling Minnesota Statutes.

The Association's actuarial accrued liability is determined as part of an annual actuarial valuation on January 1, 2010. Significant methods are as follows:

- The most recent actuarial valuation date is January 1, 2010.
- Actuarial cost is determined using the Entry Age Normal Cost Method expressed as a level percentage of earnings.
- Actuarial value of assets is market value.
- The unfunded accrued liability is amortized using a 20-year rolling end date.

Significant actuarial assumptions are as follows:

- Investment rate of return is 6% per annum.
- Payroll increase is 4% per annum.
- Cost of Living Adjustment (COLA) increase is 4% per annum.
- The inflation rate assumption is built in to other rate assumptions.
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:

Male: 1971 Group Annuity Mortality Table, without margins, projected to 1976 by scale E.
Female: 1971 Group Annuity Mortality Table, without margins, projected to 1976 by scale E set back seven years.

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years, except the following:

- In 2004, the City made further contributions to the Association due to a funded ratio of less than 100% in 2002. This was the second year City contributions were needed since 1997.
- In 2005, the interest rate of return assumption was changed from 5 to 6% per annum. In addition, the payroll increase and the COLA increase assumptions were changed from 3.5 to 4% per annum.
- In 2005, per state legislature approval, the unfunded accrued liability amortization method and period changed from a level dollar amount to December 31, 2010, and a closed amortization approach to a 20-year rolling end date. Under the 20-year rolling end date approach, whenever the actuarial accrued liability initially exceeds current assets, the initial unfunded actuarial accrued liability is amortized as a level dollar amount over 20 years. Subsequent changes in the unfunded actuarial accrued liability that results from actuarial gains and losses, assumption changes, and plan amendments will generate a base that shall be amortized as a level amount over 20 years from the date of the establishment of the base. Otherwise, 10% of the excess of current assets over the actuarial accrued liability is treated as a supplemental credit and any amortization bases that existed prior to the plan's current assets exceeding the actuarial accrued liabilities are considered fully amortized.

The Association issues a publicly available financial report that includes financial statements and required supplementary information for the Association. That report may be obtained by writing to the Bloomington Fire Department Relief Association, 1800 West Old Shakopee Road, Bloomington, MN 55431, or by calling (952) 563-8700.

FUNDING POLICY

The Association's funding policy provides for contributions from the State and the City in amounts sufficient to accumulate sufficient assets to pay benefits when due. The annual contribution is the sum of the normal cost, the state contribution payment, and the provision for administrative expenses. The normal cost is a level percentage of pay assuming each firefighter would earn the same as a Bloomington police officer. The Bloomington Fire Department is comprised of volunteers; therefore, there are no covered payroll percentage calculations.

For the year ended December 31, 2009, the City made a contribution of \$0 to the Association. For the years ended 2008 and 2007, the City contributed \$0 and \$0, respectively. The City's contributions were in conformance to the contractually required contributions for each year as set by state statute.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Three-year trend information for the Association is as follows:

| Fiscal Year Ended | Annual Required Contributions | City Contributions | City Percentage Contributed | State Contribution | State Percentage Contributed | Net Pension Obligation |
|-------------------|-------------------------------|--------------------|-----------------------------|--------------------|------------------------------|------------------------|
| 12/31/07 | \$361,942 | \$ - | 0% | \$517,023 | 143% | \$ - |
| 12/31/08 | (520,335) | - | 0 | 439,902 | 185 | - |
| 12/31/09 | (150,559) | - | 0 | 372,096 | 347 | - |

Note: The annual required contributions are actuarially determined. The City, if necessary, and State are required by statute to make contributions, all of which have been made. The State's contributions on behalf of the City are recorded in a non-major special revenue fund as revenues and expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Association**

| Actuarial Valuation Date | Actuarial Value of Plan Assets (A) | Actuarial Accrued Liability (AAL) (B) | Unfunded AAL (UAAL) (B)-(A) | Funded Ratio (A)/(B) | Annual Covered Payroll* (Previous FY) (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------|------------------------------------|---------------------------------------|-----------------------------|----------------------|---|---|
| 12/31/07 | \$122,158,440 | \$93,293,968 | \$(28,864,471) | 130.9% | \$9,970,800 | (289.5)% |
| 12/31/08 | 88,639,493 | 97,105,335 | 8,465,842 | 91.3 | 10,235,736 | 82.7 |
| 12/31/09 | 98,707,362 | 99,697,775 | 990,413 | 99.0 | 9,790,704 | 10.1 |

* Annual covered payroll is based on the assumption that each active plan member earns the most recent three-year average salary rates of the highest paid non-supervisory police officer in the City of Bloomington. Because all active plan members are volunteers, there is no actual payroll.

RELATED-PARTY INVESTMENTS

During 2009, the Association held no securities issued by the City, its components, or other related parties.

13. POST-EMPLOYMENT BENEFITS

In 2008, the City prospectively implemented the requirement of a new accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 12, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees and police and firefighters disabled in the line of duty, through a single-employer defined benefit plan. The term *Plan* refers to the City's requirement by State Statute to provide retirees with access to health insurance. The Other Post Employment Benefit (OPEB) plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

RETIREES

The City is required by State Statute to allow a retiree to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Eligibility for continuing group health and dental insurance for City retirees is defined as follows:

Eligibility Requirements

The following eligibility requirements are the minimum allowed under Minnesota Statutes 471.61 and 299A.465 for local government entities:

- At retirement, employees of the City of Bloomington receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan (other than a volunteer Firefighter plan) may continue to participate in the City's group health insurance plan that the employee was a participant of immediately prior to retirement.
- For Police or Firefighters disabled in the line of duty, Minnesota Statute 299A.465 requires the Police or Firefighter's employer to continue payment of the employer's contribution toward health coverage for the Police or Firefighter and their dependents, if the dependents were covered at the time of the disability, until age 65.
- Employees may continue spouse/dependent coverage at retirement or add such coverage at the spouse's retirement or the beginning of an enrollment year. Covered spouses/dependents may continue coverage after the retiree's death.

Length of coverage

- Retirees and spouses/dependents are eligible to continue coverage in the City's group health insurance plans until they attain age 65 or until dependents become ineligible under the contract, provided the above eligibility requirements are met and applicable premiums are paid. Retirees that elect not to continue health coverage, at any time, are not eligible to re-enroll in the City's group health insurance plan.

- Upon attaining age 65, retirees and spouses are eligible to continue coverage in a City-sponsored Medicare Supplemental Plan (HealthPartners Freedom, Medica Prime Solution, or U-Care Minnesota) or two of four City-sponsored group health insurance plans (HealthPartners \$20 Copay plan or \$30 Copay plan).
- Retirees that initially obtained spouse coverage may drop spouse coverage and maintain coverage for themselves; retirees may not drop coverage for themselves and maintain spouse coverage (spouses are allowed to maintain coverage if the retiree has reached age 65).
- Surviving spouses may maintain coverage after a retiree's death provided the applicable premiums are paid.

All health care coverage is provided through the City's group health insurance plans. The retirees are required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Retirees and spouses are eligible to remain in the City-sponsored group health insurance plan until death or the attainment of Medicare, provided the applicable premiums are paid.

DISABLED POLICE AND FIREFIGHTER

In accordance with Minnesota Statute 299A.465, the City is responsible to continue payment of the City's contribution toward health coverage for police officers or the Fire Chief disabled in the line of duty; or a surviving spouse and/or dependents of a police officer or the Fire Chief killed in the line of duty. The contribution continues until the police officer or Fire Chief reaches age 65 or the spouse/dependents are no longer eligible under the contract.

ACTIVE DEATH BENEFITS

The City will pay 100% of the group health insurance premium for an employee's dependents for two years after the employee's death and 0% thereafter.

C. PARTICIPANTS

As of the actuarial valuation dated January 2009, participants consisted of:

| | |
|---|-------------------|
| Retirees and beneficiaries currently purchasing health insurance through the City | 137 |
| Active employees with coverage | 539 |
| Active employees without coverage | <u>2</u> |
| Total | <u>678</u> |
| Participating employers | <u>1</u> |

D. FUNDING POLICY

The additional cost of using a blended rate for actives and retirees is currently funded on a pay-as-you-go basis. The City Council may change the funding policy at any time.

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2009, was calculated as follows:

| | |
|--|--------------------------------|
| Annual required contribution (ARC) | \$ 1,038,892 |
| Interest on net OPEB obligation | 21,888 |
| Adjustment to ARC | <u>(17,680)</u> |
| Annual OPEB cost | 1,043,100 |
| Contributions made during the year | <u>(322,585)</u> |
| Increase (decrease) in net OPEB obligation | 720,515 |
| Net OPEB obligation – beginning of year | <u>547,194</u> |
| Net OPEB obligation – end of year | <u>\$ 1,267,709</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and the preceding year were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|--|---------------------|
| 12/31/08 | \$ 911,611 | \$ 364,417 | 40.0% | \$ 547,194 |
| 12/31/09 | 1,043,100 | 322,585 | 31.0 | 1,267,709 |

F. FUNDED STATUS AND FUNDING PROGRESS

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the plan was as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)* (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|--|-----------------------------|----------------------|---------------------|---|
| 01/01/08 | \$ - | \$ 10,556,024 | \$ 10,556,024 | 0.0% | \$ 33,189,000 | 32% |
| 01/01/09 | - | 10,771,898 | 10,771,898 | 0.0 | 35,109,000 | 31 |

*Using the entry age normal actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, will eventually present multi-

year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2009 actuarial valuation, the Entry-age Normal Level Percent of Pay cost method was used. The following assumptions were used:

- Discount rate – 4% (pay-as-you-go funding)
- Payroll growth rate – 4.5%
- Salary increase rates – the salary increase rates used in the PERA plan of which the employee is a participant.
- Mortality rates – life expectancies were based on 1983 Group Annuity Mortality Tables for Males and Females.
- Retirement rates – the retirement rates used in the PERA plan of which the employee is a participant.
- Dependent status – the marital percentage assessed in 85% of males and 65% of females. Current and future retirees were assumed to have no dependent children.
- Healthcare Cost Trend Rate – an initial rate of 9.5%, reducing to 5% over 10 years.

14. RECEIVABLES

Receivables not expected to be collected within one year are mortgages receivable of \$7,312,275 and deferred special assessments receivable of \$19,414,424.

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|----------------------|-------------------|
| Delinquent property taxes receivable (General Fund) | \$ 551,564 | - |
| Special assessments not yet due (General Fund) | 33,399 | - |
| Unearned license revenue (General Fund) | - | 466,467 |
| Unearned Community Services revenue (General Fund) | - | 149,136 |
| Community Development Block Grant housing loans (Major Fund) | 7,312,275 | - |
| Delinquent special assessments (Improvement Bonds Major Fund) | 33,618 | - |
| Special assessments not yet due (Improvement Bonds Major Fund) | 19,414,424 | - |
| Unearned special revenue (Nonmajor Funds) | - | 260,782 |
| Total | \$ 27,345,280 | \$ 876,385 |

15. PRIOR PERIOD ADJUSTMENTS

In 2009, the Office of the State Auditor commenced an audit of the TIF District 1-C. The result of this audit is that \$4,214,027 in prior period transfers of funds originally from the Port Authority to the City was transferred back to the Port Authority to ensure that the total amount of tax increment revenues generated by the TIF District will be expended on costs authorized by the terms and limitations of the Tax Increment Act. This transfer is reflected as reduction to the 2009 beginning fund balance of the Capital Projects Fund.

In February 2009, a state aid reimbursement was received and recorded as a 2009 revenue in error; it should have been a 2008 revenue. This resulted in a \$474,988 prior period adjustment to the 2009 beginning fund balance of the Improvement Construction Fund.

16. SUBSEQUENT EVENT

The purchase of the Alpha Business Center property in May 2010 was made to allow the City to expand Lindau Lane in 2013. An extension of Lindau Lane is proposed as part of the network which will also link the two key developments in this tax increment district, the Mall of America and Bloomington Central Station. This area is expected to account for 65% of the City's commercial growth in the next 20-30 years. Earnest money of \$170,000 was paid on March 30, 2010. While the property acquisition cost is \$11,700,000 plus closing costs, the total land, building acquisition, demolition, and roadway construction costs are estimated to be approximately \$25 million. The City expects to resell the remnant parcels for redevelopment.

17. INDIVIDUAL COMPONENT UNIT DISCLOSURES

Discretely Presented Component Units - Notes 1 through 16 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. In 2009, due to the Transaction Account Guarantee (TAG) program, which our banking partner participated in, collateral was not required to be pledged. The TAG program allowed the FDIC to insure balances at any level. This program will not be available from our banking partner after June 30, 2010 and the Port will again carry collateral for any uninsured deposits.

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

At December 31, 2009, the carrying amount of the Port Authority's deposits with financial institutions was \$79,044 and the bank balances totaled \$55,572.

B. INVESTMENTS

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

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

At December 31, 2009, the Port Authority had the following investments and maturities:

| Investment Type | Fair Value | Less than Six Months | Six Months To One Year | One Year to Two Years | Two Years to Five Years |
|---|----------------------|----------------------|------------------------|-----------------------|-------------------------|
| Money Market | \$ 18,328,818 | \$ 18,328,818 | \$ - | \$ - | \$ - |
| Municipal | 7,096,455 | 406,025 | - | 2,760,348 | 3,930,082 |
| Federal Home Loan Banks Note | 12,829,856 | - | - | - | 12,829,856 |
| Federal Home Loan Mortgage Corporation Note | 3,751,575 | - | - | - | 3,751,575 |
| Federal National Mortgage Association Note | 5,978,140 | - | - | - | 5,978,140 |
| US Treasury Note | 3,008,205 | - | - | 3,008,205 | - |
| Total investments | 50,993,049 | \$ 18,734,843 | \$ - | \$ 5,768,553 | \$ 26,489,653 |
| Total deposits | 79,044 | | | | |
| Total cash, cash equivalents, and investments | <u>\$ 51,072,093</u> | | | | |

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

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, 2009, 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, 2009 the Port Authority held no commercial paper. The Port Authority's investments in money market funds, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association notes, and U.S. Treasuries were all rated AAA by Standard & Poor's and Aaa by Moody's Investors Service 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: Municipals (13.9%), Federal Home Loan Banks (25.1%), Federal Home Loan Mortgage Corporation (7.3%), Federal National Mortgage Association (11.7%) notes and US Treasury Notes (5.9%).

Lease Payments Receivable

The Port Authority entered into a lease agreement with the City of Bloomington in 2001 as lessor to facilitate the financing of a portion of the construction of the new municipal campus that contains the new City Hall, Police and Arts Center facilities. To facilitate the funding of a portion of the construction of the new municipal campus, the Port Authority issued revenue bonds in the amount of \$8,685,000, to be repaid with annual lease payments from the City to the Port Authority.

Long-term Debt

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

| Bonds and Notes | Maturities | Rates | 12/31/09 |
|-------------------------------|------------|---------------|----------------------|
| Special Tax Revenue Refunding | 2010-2016 | 2.00% - 3.00% | \$ 9,385,000 |
| Lease Revenue Bonds | 2010-2021 | 4.00 - 5.00 | 6,285,000 |
| Total | | | <u>\$ 15,670,000</u> |

On October 14, 2009, the Port Authority issued \$9,385,000 of Special Tax Revenue Refunding Bonds with an effective interest rate of 4%. The bonds are special tax revenue bonds which are paid with tax increment liquor, and lodging revenues. The proceeds were used to fully refund the 1999A (fixed rate) and 1999B (variable rate) bonds. Combined savings on the 1999A and 1999B debt service would be \$441,000. At current rates, combined present value savings are \$142,000.

The Special Tax Revenue Refunding Bonds are special obligations of the Port Authority, payable solely from revenues specifically appropriated (tax increment, lodging, and liquor taxes) for payment of such bonds.

In October 2005, a \$5,273,000 loan was approved between the Port Authority and the City for the Bloomington Central Station project. The loan will be repaid to the City within 10 years with an interest rate of 4%. The loan will be repaid with proceeds from the sale of land by the Port Authority.

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

Changes in long-term debt during 2009 are summarized as follows:

| | Balance 1/1/09 | Additions | Retired | Balance 12/31/09 |
|---------------------|----------------------|---------------------|----------------------|----------------------|
| Special Tax Revenue | | | | |
| Refunding Bonds | \$ 24,600,000 | \$ 9,385,000 | \$ 24,600,000 | \$ 9,385,000 |
| Lease Revenue Bonds | 15,735,000 | - | 9,450,000 | 6,285,000 |
| Loan from City | 5,974,309 | 238,972 | - | 6,213,281 |
| Total | \$ 46,309,309 | \$ 9,623,972 | \$ 34,050,000 | \$ 21,883,281 |

Long-term debt maturities (including interest of \$2,868,298) are as follows:

| | Special Tax Increment Revenue Bonds | | Lease Revenue Bonds | | Total |
|--------------|--|-------------------|------------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2010 | \$ 750,000 | \$ 166,095 | \$ 400,000 | \$ 295,265 | \$ 1,611,360 |
| 2011 | 1,365,000 | 189,100 | 420,000 | 274,765 | 2,248,865 |
| 2012 | 1,395,000 | 161,500 | 440,000 | 254,365 | 2,250,865 |
| 2013 | 1,420,000 | 133,350 | 460,000 | 234,115 | 2,247,465 |
| 2014 | 1,450,000 | 104,650 | 480,000 | 212,725 | 2,247,375 |
| 2015 - 2019 | 3,005,000 | 90,825 | 2,775,000 | 685,293 | 6,556,118 |
| 2020 - 2021 | - | - | 1,310,000 | 66,250 | 1,376,250 |
| Total | \$ 9,385,000 | \$ 845,520 | \$6,285,000 | \$ 2,022,778 | \$18,538,298 |

Due from/to the City

The City collects local lodging and liquor taxes on behalf of the Port Authority. At December 31, 2009, the City owed \$587,220 to the Port Authority for these taxes, \$8,654 for the market value credit and \$368,091 for the current portion of interest in excess of the portion needed to cover associated debt service to be transferred back from the City. Also due from the City is the \$4,214,027 prior period adjustment as detailed below.

At December 31, 2009, the Port Authority owed the City \$816,200 for services and facilities provided to the Port Authority and \$6,213,281 for a loan from the City of \$5,273,000 including accrued interest payable of \$940,281 from the loan date of October 27, 2005. The proceeds of the loan were used to purchase land in the northeast quadrant of Bloomington Central Station.

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

Reserved Fund Balance

Fund balance in the various funds has been reserved at December 31, 2009 as follows:

| <u>Reserved</u> | | |
|---------------------------|----------------------|--|
| General Fund - | | |
| Reserved for Prepaids | \$ 15,000 | |
| Capital Fund - | | |
| Reserved for Prepaids | \$ 4,188 | |
| Debt Service Fund - | | |
| Reserved for Debt Service | \$ 19,804,085 | |
| Reserved for Prepaids | 3,277 | |
| Total | \$ 19,826,550 | |

Prior Period Adjustments

In 2009, the Office of the State Auditor commenced an audit of the TIF District 1-C. The result of this audit is that \$4,214,027 in prior period transfers of funds from the Port Authority to the City was transferred back to the Port Authority to ensure that the total amount of tax increment revenues generated by the TIF District will be expended on costs authorized by the terms and limitations of the Tax Increment Act.

Reclassification of Fund Types

In 2009, in anticipation of the new GASB Statement No. 54, the Port Authority reclassified the Special Revenue Funds, which account for administrative costs for the TIF districts, to Capital Project Funds.

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

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. In 2009, due to the Transaction Account Guarantee (TAG) program, which our banking partner participated in, collateral was not required to be pledged. The TAG program allowed the FDIC to insure balances at any level. This program will not be available from our banking partner after June 30, 2010 and the HRA will again carry collateral for any uninsured deposits.

Cash balances at December 31, 2009 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 | \$ 476,205 | \$ 75,029 |

Investment balances at December 31, 2009 were:

| Investment | Maturities | Fair Value | Percentage of Total |
|---|------------|--------------|---------------------|
| Money market | 01/01/10 | \$ 2,644,988 | 50.7% |
| Farmer Mortgage Acceptance Corporation | 08/27/10 | 2,569,775 | 49.3 |
| Total investments | | 5,214,763 | 100.0% |
| Total deposits | | 75,029 | |
| Net cash, cash equivalents, and investments | | \$ 5,289,792 | |

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

Capital Assets and Land Held for Resale

Changes in general capital assets during 2009 are summarized as follows:

| | Balance 1/1/09 | Additions | Retirements | Balance 12/31/09 |
|---|----------------|-------------|--------------|------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated - Machinery and equipment | \$ 39,039 | \$ - | \$ - | \$ 39,039 |
| Less accumulated depreciation for - Machinery and equipment | (39,039) | - | - | (39,039) |
| Total capital assets being depreciated, net | - | - | - | - |
| Governmental activities capital assets, net | \$ - | \$ - | \$ - | \$ - |
| 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 | (1,298,248) | (98,170) | - | (1,396,418) |
| Total capital assets being depreciated, net | 1,987,369 | (98,170) | - | 1,889,199 |
| Business-type activities capital assets, net | \$ 3,457,369 | \$ (98,170) | \$ - | \$ 3,359,199 |
| Land held for resale activity for the year ended December 31, 2009, was as follows: | | | | |
| | Balance 1/1/09 | Additions | Retirements | Balance 12/31/09 |
| Land Held for Resale (Inventory) | \$ 6,234,395 | \$ 721,383 | \$ (810,322) | \$ 6,145,456 |

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

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 12/31/09 |
|----------------------------------|---------------------|------------|--------------|---------------------|
| Governmental activities - | | | | |
| Due to primary government: | | | | |
| 1997 Serial Refunding Bonds | \$ 875,000 | 2010-2013 | 5.20 - 5.35% | \$ 275,000 |
| 1997 Serial Bonds | 1,505,000 | 2010-2012 | 7.50 - 7.60 | 505,000 |
| 2003 Serial Bonds | 930,000 | 2010-2031 | 4.00 - 5.40 | 850,000 |
| 2004 Serial Bonds | 2,445,000 | 2010-2032 | 4.65 - 5.50 | 2,390,000 |
| 2005 Serial Bonds | 3,300,000 | 2010-2012 | 5.00 - 5.00 | 1,320,000 |
| Total | \$ 9,055,000 | | | \$ 5,340,000 |
| 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 2009 are summarized as follows:

| | Balance 1/01/09 | Additions | Payments | Balance 12/31/09 | Due Within One Year |
|---|---------------------|-------------|-----------------------|---------------------|---------------------|
| Governmental Activities: | | | | | |
| Due to Primary Government - Bonds Payable | \$6,180,000 | \$ - | \$ (840,000) | \$ 5,340,000 | \$ 805,000 |
| Due Within One Year - Note Payable | 2,500,000 | - | (2,500,000) | - | - |
| Business-type Activities - Enterprise Fund Loan Agreements | | | | | |
| | 1,574,720 | - | - | 1,574,720 | - |
| Total | \$10,254,720 | \$ - | \$ (3,340,000) | \$ 6,914,720 | \$ 805,000 |

In August 2007, the HRA purchased land at 2151 American Boulevard and 8011 Penn Avenue for redevelopment. As part of the purchase agreement, the HRA obtained a non-interest bearing note in the amount of \$2,500,000 payable to United Properties in August 2009. The \$2,500,000 was paid to United Properties on August 19, 2009.

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 December 31 | Governmental Activities | | Business-type Activities | | Total |
|--------------------------|-------------------------|---------------------|--------------------------|-------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2010 | \$ 805,000 | \$ 266,984 | \$ - | \$ - | \$ 1,071,984 |
| 2011 | 835,000 | 222,090 | - | - | 1,057,090 |
| 2012 | 620,000 | 181,475 | - | - | 801,475 |
| 2013 | 165,000 | 159,715 | - | - | 324,715 |
| 2014-2017 | 395,000 | 576,989 | - | - | 971,989 |
| 2018-2022 | 625,000 | 592,843 | - | - | 1,217,843 |
| 2023-2027 | 840,000 | 405,173 | 1,324,720 | - | 2,569,893 |
| 2028-2032 | 1,055,000 | 143,811 | 250,000 | - | 1,448,811 |
| Total | \$ 5,340,000 | \$ 2,549,080 | \$ 1,574,720 | \$ - | \$ 9,463,800 |

Reserved Fund Balance

Fund balance in the various funds has been reserved at December 31, 2009 as follows:

| | |
|--|---------------------|
| Reserved | |
| Special Revenue Fund - Housing Development Fund Reserved for Long-Term Receivable | \$ 354,814 |
| Special Revenue Fund - TIF Special Revenue Fund Reserved for Debt Service | 2,192,655 |
| Special Revenue Fund - Section 8 Vouchers Fund Reserved for Prepays | 109,395 |
| Total | \$ 2,656,864 |

Due to the City

At December 31, 2009, the HRA owed the City \$128,564 for services and facilities provided to the HRA, and \$805,000 for the current portion of the long-term debt obligation.

Due to HRA

At December 31, 2009, the City owed a total of \$48,149 to the HRA for various HRA residential housing programs.

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

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, 2009, there were three series of Housing Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$13.6 million.

The following table shows the balance of the conduit debt obligations as of December 31, 2009:

| | Original Balance | Beginning Balance 1/01/09 | Additions | Less Payments/Refinance | Ending Balance 12/31/09 |
|--------------|---------------------|---------------------------|-------------|-------------------------|-------------------------|
| Cedar Point | \$ 2,200,000 | \$ 1,900,000 | \$ - | \$ - | \$ 1,900,000 |
| Summer House | 8,750,000 | 7,985,000 | - | (120,000) | 7,865,000 |
| Masonic | 4,000,000 | 3,900,000 | - | (100,000) | 3,800,000 |
| Total | \$14,950,000 | \$13,785,000 | \$ - | \$ (250,000) | \$13,565,000 |

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 of Bloomington. 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 loans (including interest) from repayments will be recognized as revenue by the HRA when received. The Neighborhood loan balances outstanding, including interest, total \$4,288,036. The Neighborhood loans have been recognized on the balance sheet as mortgage notes receivable and deferred revenue.

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 provides \$200,000 in funds for a program total of \$400,000 with a maximum \$20,000 per property. 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 loan and the terms are the same as the neighborhood loan program. Therefore, the proceeds from repayments for the amount loaned from the HRA is recognized as revenue when received. The outstanding balances are recognized on the balance sheet as mortgage notes receivable and deferred revenue. The HRA has applied to Hennepin County for additional funding to extend the foreclosure housing improvement program.

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 notes receivable and deferred revenue.

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

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 2009 the mortgage note and interest totaling \$637,887 was recognized on the balance sheet as a mortgage note receivable and deferred revenue. 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 notes receivable and deferred revenue.

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, 2009:

| | Balance 01/01/09 | Additions | Interest | Payoffs | Balance 12/31/09 |
|------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| Neighborhood Loans | \$ 4,134,237 | \$ 154,222 | \$ 141,275 | \$ (141,698) | \$ 4,288,036 |
| Foreclosure Loans | - | 42,083 | 809 | - | 42,892 |
| Essex Knoll | 320,000 | - | - | - | 320,000 |
| Bloomington Family Townhomes | 625,707 | - | 12,180 | - | 637,887 |
| Bloomington Southview LP | 150,000 | - | - | - | 150,000 |
| Bloomington Southview LP | 198,849 | - | 5,965 | - | 204,814 |
| Blooming Glen | 207,726 | - | 6,000 | - | 213,726 |
| Blooming Glen | 290,000 | - | - | - | 290,000 |
| Crossings at Valley View | 600,000 | - | - | - | 600,000 |
| VEPP | 2 | - | - | - | 2 |
| Total | \$ 6,526,521 | \$ 196,305 | \$ 166,229 | \$ (141,698) | \$ 6,747,357 |

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

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.

Value in Excess of Purchase Price (VEPP) Agreements

The HRA owns two VEPP agreements with face values totaling \$17,648. 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.

Committed Contracts

At December 31, 2009, the HRA had no commitments for uncompleted construction contracts.

Litigation

In November 2005, the HRA acquired property at 3800 West Old Shakopee Road at a cost of \$620,000 for redevelopment through the use of eminent domain. In March 2008, a commissioner's determination of value award was made for \$1,175,380. The HRA paid the additional \$261,535 to cover 75% of the value award as required by law. The award was appealed. In July 2009, a settlement was reached resulting in the HRA paying an additional \$394,342 for a total payout of \$1,275,877.